A/76/5/Add.9

United Nations

United Nations Human Settlements Programme

Financial report and audited financial statements

for the year ended 31 December 2020

and

Report of the Board of Auditors

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

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United Nations • New York, 2021

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.

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Contents

Letters of transmittal

Letter dated 31 March 2021 from the Executive Director of the United Nations Human Settlements Programme addressed to the Chair of the United Nations Board of Auditors

In accordance with regulation 6.2 and rule 106.1 of the Financial Regulations and Rules of the United Nations, I am transmitting the financial report and accounts of the United Nations Human Settlements Programme, and other related accounts, for the year ended 31 December 2020, which I approve on the basis of the attestations of the Chief Finance Officer, United Nations Office at Nairobi, and the Director (ad interim), Management, Advisory and Compliance Service of the United Nations Human Settlements Programme.

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

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

Letter dated 22 July 2021 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 2020.

(*Signed*) Jorge **Bermúdez**
Comptroller General of the Republic of Chile
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 2020 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 2020 and its financial performance and cash flows for the year then ended in accordance with the International Public Sector Accounting Standards (IPSAS).

Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing. Our responsibilities under those standards are described in the section below entitled "Auditor's responsibilities for the audit of the financial statements". We are independent of UN-Habitat, in accordance with the ethical requirements relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the financial statements and the auditor's report thereon

Management is responsible for the other information, which comprises the financial overview for the year ended 31 December 2020, contained in chapter IV below, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, on the basis of the work that we have performed, we conclude that there is a material misstatement in the other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IPSAS and for such internal control as management determines to be necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

(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;

(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 UN-Habitat and legislative authority.

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

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

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

(*Signed*) Kay **Scheller**
President of the German Federal Court of Auditors

22 July 2021

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 2020. Owing to the impact of the coronavirus disease (COVID-19) pandemic, the audit was conducted remotely from Beijing. The interim audit of UN-Habitat headquarters in Nairobi was conducted from 26 October to 22 November 2020; the interim audits of the Regional Office for Africa, the Egypt country office and the Lao People's Democratic Republic country office were conducted from 8 to 28 November 2020; and the final audit of the financial statements was conducted from 5 to 30 April 2021.

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 2020 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 financial management; budget management; project management; procurement and contract management; human resources management; information and communications technology; plant, property and equipment management; strategy management and travel management. Those areas need stronger internal control and monitoring of activities in the country offices, regional office and at headquarters to ensure the efficient and effective delivery of the mandate of UN-Habitat. The Board will continue to monitor in subsequent audits the outcome of the management's initiative in addressing the noted deficiencies.

Key findings

The Board highlights the key findings below.

Financial management

Open items against closing grants not financially closed in a timely manner

The Board noticed that 13 grants with a total advance transfer ending balance of $0.26 million, accounting for 1.15 per cent of the advance transfers, had not been financially closed within 90 days from the donor agreement end date, with the overdue time ranging from 52 days to 1,220 days. The Board further detected that 28 closing grants had open items in accounts payable for more than one year as at 31 December 2020, for a total amount of $0.23 million.

The Board also reviewed the financial closure status of projects managed by the Regional Office for Africa and noted that, as at 9 November 2020, 29 out of 46 operationally closed grants had not been financially closed within the prescribed 12 months, and 13 of 29 grants had not yet finished the clearance of open commitments.

Project management

Quarterly progress reports not prepared

The progress reports for the first three quarters of 2020, requested by the Board, were not provided by UN-Habitat. The Board is concerned that the lack of quarterly progress reports will not only hinder programme monitoring and results delivery but also undermine programmatic decision-making.

Project initiation started before Project Advisory Group approval at the Regional Office for Africa and the UN-Habitat Egypt country office

The Board reviewed a sample of 10 projects approved and managed by the Regional Office for Africa between 2018 and 2019 in the Project Accrual and Accountability System and noted that 5 of the 10 projects had been approved by the Project Advisory Group after the signing of funding agreements, and 1 had been exempted from Project Advisory Group approval after its funding agreement had been signed.

The Board also reviewed 13 projects managed by the Egypt country office and noted that the funding agreement of three projects, totalling $1.86 million, had been signed before the approval from the Project Advisory Group for periods ranging from 15 days to 130 days.

Flawed agreement of cooperation design in the UN-Habitat Lao People's Democratic Republic country office

The Board reviewed two agreements of cooperation that UN-Habitat signed with two provinces on 5 October 2020 and noted that 23 small-scale water infrastructure projects completed before November 2019 were still taken as expected milestones (2020–2021) in the two agreements of cooperation.

Strategy management

Shortfall of funds for two subprogrammes

The Board reviewed the budget performance of subprogrammes as at 31 December 2020 and noted that the decrease from the original budget to actual budget allotment for two subprogrammes of its strategic plan of 2020–2023 was dramatic.

Procurement and contract management

Insufficient implementation of recommendations from Headquarters Committee on Contracts

The recommendations from the Headquarters Committee on Contracts, the Assistant Secretary-General of the Office of Central Support Services and the Assistant Secretary-General for Supply Chain Management were not fully implemented, and the ex post facto extensions or increase in the not-to-exceed amount happened repeatedly in implementing two contracts.

Recommendations

With regard to the above findings, the Board makes the below recommendations for UN-Habitat.

Financial management

Open items against closing grants not financially closed in a timely manner

(a) **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.**

Project management

Quarterly progress reports not prepared

(b) **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.**

Project initiation started before Project Advisory Group approval at the Regional Office for Africa and the UN-Habitat Egypt country office

(c) **Comply strictly with the UN-Habitat project-based management policy to 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.**

Flawed agreement of cooperation design in the UN-Habitat Lao People's Democratic Republic country office

(d) **Improve the design of agreements of cooperation funded by different grants but with similar outputs, to avoid duplicated efforts.**

Strategy management

Shortfall of funds for two subprogrammes

(e) **Keep close communications with donors so as to mobilize resources actively to achieve the expected results listed in the proposed budget.**

Procurement and contract

Insufficient implementation of recommendations from the Headquarters Committee on Contracts

(f) **Avoid the ex post facto situation prior to the signing of new contracts.**

Follow-up of previous recommendations

As at 31 December 2020, of the 66 outstanding recommendations up to the year ended 31 December 2019, 3 (4.5 per cent) had been fully implemented, and 63 (95.5 per cent) were under implementation. During the course of the audit, UN-Habitat provided supporting documents to 3 of those outstanding recommendations, while for the remaining 63 recommendations, supporting documents were not provided.

Key facts	
$33.10 million	Original annual resources (regular budget and foundation non-earmarked)
$562.52 million	Total assets
$205.71 million	Total liabilities
$194.11 million	Total revenue
$146.65 million	Voluntary contributions revenue
$150.86 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 Assembly, in 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 in New York, Brussels, Beijing, Moscow, Geneva, Madrid and Bangkok; global programme offices in Bonn, Germany, and Barcelona, Spain; an administrative office in Panama City; and project and country offices in 51 countries across the world. It employs 303 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 2020 in accordance with General Assembly resolution 74 (I) of 1946. The audit was conducted in conformity with the Financial Regulations and Rules of the United Nations, as well as the International Standards on Auditing. The Standards require that the Board comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

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 2020 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 Board carried out a remote audit of UN-Habitat headquarters, the Regional Office for Africa, and the country offices of Egypt and the Lao People's Democratic Republic, as well as the final audit of the financial statements.

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

B. Findings and recommendations

1. Follow-up of previous recommendations

8. The Board followed the implementation status of its recommendations from previous years and noted that, of the 66 outstanding recommendations as at 31 December 2019, 3 (4.5 per cent) had been implemented and 63 (95.5 per cent) were under implementation.

9. The Board is concerned about the low implementation rate of UN-Habitat, given that 95.5 per cent of the total recommendations are in the process of implementation. The Board encourages UN-Habitat to make efforts to improve its implementation rate.

10. During the course of the audit, UN-Habitat provided supporting documents for three of those outstanding recommendations, while for the remaining 63 recommendations, supporting documents were not provided. The Board reviewed the implementation of those recommendations on the basis of the available data and taking into consideration the Secretary-General's report on the implementation of the recommendations of the Board of Auditors contained in its report on the United Nations funds and programmes for the year ended 31 December 2019 (A/75/339/Add.1), the audit report of the Board of Auditors on UN-Habitat for the year ended 31 December 2019 (A/75/5/Add.9) and the annex to that report. Details of the status of implementation of the recommendations are shown in the annex to the present chapter.

11. The Board has carried out an analysis over the 66 outstanding recommendations and noted that 5 are involved in project management and implementation; 13 refer to individual consultants and human resources; 9 concern property, plant and equipment; 8 relate to office management; and 6 fall within the category of finance and budget management. The remaining 15 involve areas of risk management, staff functions and roles, travel, fraud case reporting, procurement, and information and communications technology.

12. With regard to the ageing of those recommendations, 4 (6.1 per cent) have been pending for more than three years; 9 (13.6 per cent) have been open for three years; 21 (31.8 per cent) are two years old; and 32 (48.5 per cent) were issued one year ago.

2. Financial overview

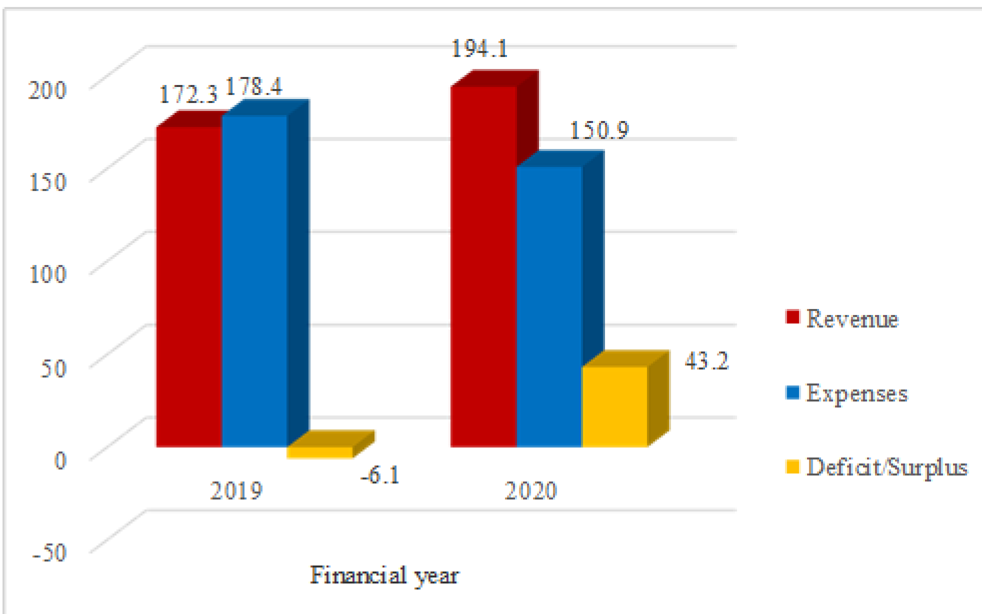
Revenue and expenses

13. The 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 increased by $21.8 million (12.7 per cent), from $172.3 million in 2019 to $194.1 million in 2020. The increase was mainly attributable to an increment in voluntary contributions from $94.9 million in 2019 to $146.7million 2020.

14. With regard to the expenses, total expenses decreased by $27.5 million (15.4 per cent), from $178.4 million in 2019 to $150.9 million in 2020, which mainly relates to the implementation of an austerity plan and the impact of the COVID-19 pandemic. The major categories of expenses included those relating to employee benefits of $46.7 million (2019: $47.1 million), non-employee compensation costs of $38.4 million (2019: $43.4 million), grants and transfers amounting to $33.9 million (2019: $39.4 million) and other operating expenses of $26.3 million (2019: $39.4 million).

15. As a result of the increase in revenues and decrease in expenses, UN-Habitat recorded a total surplus of $43.2 million in 2020, an increase of $49.3 million compared with the deficit recorded in 2019 ($6.1 million). A comparison of revenue and expenses for 2020 and 2019 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 2019 and 2020.

Ratio analysis

16. Table II.1 contains key financial ratios analysed from the financial statements, mainly from the statements of financial position and financial performance.

Table II.1
Ratio analysis

Ratio	*31 December 2020*	*31 December 2019*	*31 December 2018*
Cash ratio[a]			
Cash plus short-term investments: current liabilities	1.32	1.68	2.01
Quick ratio[b]			
Cash plus short-term investments plus accounts receivable: current liabilities	2.41	2.83	3.52
Current ratio[c]			
Current assets: current liabilities	2.60	3.12	3.88
Solvency ratio			
Total assets: total liabilities[d]	2.73	3.10	3.17

Source: UN-Habitat 2020 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 there are 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.

17. 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 decreased slightly compared with the year 2019, which is attributable to an increase in liabilities for conditional arrangements.

3. Financial management

Open items against closing grants not financially closed in a timely manner

18. Budget and Financial Management Service standard operating procedure 114, on the financial closure of projects (revised in April 2019), states in its annex G, appendix 1, that financial closure must take place at the latest within 12 months of operational closure or after the date of cancelation. For projects executed by implementing partners, within 90 days from the date of the operational closure, the project should be financially closed.

19. The Board reviewed the advance transfers to implementing partners for the grants for which the donor agreements had ended as at 31 December 2020 in Umoja and noticed that 13 grants, with a total advance transfer ending balance of $0.26 million, accounting for 1.2 per cent of the advance transfers, had not been financially closed within 90 days from the donor agreement end dates, and the number of days overdue ranged from 52 days to 1,220 days.

20. The Board then extracted the grant list from Umoja and noted that 28 closing grants had open items in accounts payable for more than one year as at 31 December 2020, for a total amount of $226,104.52.

21. Management explained that 6 of the 28 grants, totalling $48,084.15, were pending refund accruals, otherwise the grants had been cleaned. Furthermore, another 5 of the 28 grants, totalling $48,448.20, had been cleaned in 2021.

22. The Board also reviewed the financial closure status of projects managed by Regional Office for Africa and noted that, as at 9 November 2020, 29 of the 46

operationally closed grants had not been financially closed within the prescribed 12 months, and that 13 of those 29 grants had not yet finished the clearance of open commitments.

23. The Board is of the view that closing the open items and open commitments is a necessary procedure for the financial closure of the grants. Overdue financial closure will affect the accuracy of the ending balances of advance transfers and accounts payable and may negatively affect donor funding of future projects.

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.**

25. UN-Habitat accepted the observation and recommendation, adding that a weekly regular monitoring process had been established with the United Nations Office at Nairobi to monitor the closure of operationally closed projects and that progress had been made to resolve outstanding project closures.

Payroll expenses recorded against closing grants

26. Budget and Financial Management Service standard operating procedure 114, on the financial closure of projects, states in its section C, paragraph 1, that after the donor agreement operational period ends, the grant enters the financial closure ("closing") status. Once the technical (operational) completion date of project has been reached, no further payroll charges are to be posted.

27. The Board extracted from Umoja the list of grants and noted that two closing grants recorded payroll expenses totalling $64,637.69.

28. The Board is of the view that recording payroll charges against closing grants will result in inaccurate expenditures, which is also incompliant with the United Nations accounting policy.

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.**

30. UN-Habitat accepted the recommendation.

Deficiencies in petty cash accounts operation

31. Budget and Financial Management Service standard operating procedure 110, on the operation of petty cash accounts (cash journals) (revised in April 2020) states that only one cash journal is to be opened in each office. Any outstanding balance advanced to an individual is recovered before the end of the current accounting period. Supervising officers are to ensure there is a monthly cash count/bank statement check and that a formal year-end cash count is undertaken.

32. The Board noted that, out of 62 existing cash journals accounts of UN-Habitat, 18 had no formal year-end cash count forms for 2020; 15 closing accounts had not been closed by the end of 2020 owing to outstanding advances to resigned individuals; and two active cash journals were opened in the Lao People's Democratic Republic country office.

33. The Board is of the view that the lack of a formal year-end cash count may lead to the risks of fraud, theft or misuse of United Nations funds. The delayed closing procedure may lead to cases where the outstanding balance advanced to individuals is unrecoverable.

34. **The Board recommends that UN-Habitat strictly implement the standard operating procedure regarding petty cash accounts management.**

35. UN-Habitat accepted the recommendation and further explained that it had reviewed the accounts and would take actions to address relative issues.

4. Budget management

Overspending against allotment in the Regional Office for Africa

36. Financial regulation 5.9 of the Financial Regulations and Rules of the United Nations states that "Commitments for current or future budget periods shall be incurred only after allotments or other appropriate authorizations have been issued under the authority of the Secretary-General."

37. The Board noted that the total consumed budget of three projects amounted to $1.57 million by 30 September 2020, while the total consumable budget was only $1.50 million, resulting in a budget overrun of $0.07 million.

38. Furthermore, the total consumed budget of 17 projects amounted to $4.95 million in 2019, while the total consumable budget was $ 3.47 million, leading to a budget overrun of $1.48 million. In addition, as at 31 December 2019, six projects with zero allotments in the system reported a total consumed budget of $0.35 million.

39. Management explained that some of the commitments made in the previous years had been recorded in 2019. The Regional Office for Africa was still reconciling it within the 2020 budget as of November 2020.

40. The Board is of the view that the overspending without authorization reflects a weakness in monitoring and managing the budget implementation of grants.

41. **The Board recommends that UN-Habitat closely monitor and control project budget implementation and perform regular reconciliations to ensure that project expenditures or commitments are incurred within the approved allotments. The Board recommends that UN-Habitat allow for proper authorizations before any redeployment is incurred.**

42. UN-Habitat accepted the recommendation.

Errors in formulating the earmarked budget for 2020 in the Regional Office for Africa

43. Paragraph 57 of the budget guide for the preparation of the 2020 proposed programme budget requires a review of the information in conjunction with donor reports for a more accurate projection for 2020.

44. The Board noted that projected expenditure in the 2020 earmarked budget for the Regional Office for Africa amounted to $34.57 million, involving 52 projects in expected portfolio acquisitions (2019 and 2020), in which the following errors were found:

(a) A total of 11 duplicate projects were reflected in the earmarked budget for 2020, leading to a total overestimate of $3.93 million for the budget expenditure demand for 2020, accounting for 11 per cent;

(b) Six projects from 2018 were incorrectly reflected in the 2019 proposal.

45. The Board further noted that 31 out of 41 proposal projects (76 per cent) had failed. The failure was attributable mainly to the Regional Office for Africa not making a rational forecast on projects likely to be acquired in 2020, as well as not preparing and submitting project concept notes to the Project Review Committee during budgeting.

46. Management explained that the budget was prepared on the basis of pipeline proposals that were under negotiation with the donors and was provided by human settlement officers, who were responsible for donor negotiations and the preparation of project documents.

47. The Board is of the view that these errors in formulating budget would lead to an inaccurate overall budget of UN-Habitat.

48. **The Board recommends that UN-Habitat put more effort into negotiation with donors and make rational forecasts on the projects that they are likely to acquire.**

49. UN-Habitat accepted the recommendation. UN-Habitat explained that the predictability of funding remains a challenge and some of the projects are responses to calls for proposals for which certainty is not known. Nevertheless, the Regional Office for Africa will take measures to ensure accuracy in the portfolio acquisition plan and improve the monitoring and updating of the portfolio acquisition plan. It will explore the possibility of developing tools to support the process.

5. Project management

Quarterly progress reports not prepared

50. Paragraph 204 of the strategic plan for the period 2020–2023 stated that, through regular briefings and quarterly and annual progress reports, information on monitoring and evaluation will be used to hold UN-Habitat accountable to Member States by communicating the extent to which resources are efficiently and effectively used to achieve results.

51. The progress reports for the first three quarters of 2020, requested by the Board, were not provided by UN-Habitat.

52. The Board is concerned that lack of quarterly progress reports will not only hinder programme monitoring and results delivery, but also undermine programmatic decision-making.

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.**

54. UN-Habitat accepted the recommendation and further explained that the implementation had been delayed because the Umoja strategic management application module had been formally released in the third quarter of 2020 and UN-Habitat would commence with preparing the quarterly reports in 2021.

Project initiation started before Project Advisory Group approval in the Regional Office for Africa and the Egypt country office

55. The UN-Habitat project-based management policy issued in November 2012 requires the review and approval of substantive and financial aspects of project documents by the Project Advisory Group prior to the signing of funding agreements.

56. The Board reviewed a sample of 10 projects that had been approved and managed by the Regional Office for Africa between 2018 and 2019 and noted that 5 of the 10 projects had been approved by the Project Advisory Group after the signing of funding agreements, and 1 had been exempted from Project Advisory Group approval after its funding agreement had been signed.

57. The Board also reviewed 13 projects managed by the Egypt country office and noted that the funding agreements of 3 projects, totalling $1.86 million, had been

signed before the approval from the Project Advisory Group for periods ranging from 15 days to 130 days.

58. The Board is concerned that signing funding agreements before the approval of the Project Advisory Group would undermine the role of the Group as a control mechanism to mitigate the risks identified during project formulation, in line with the results-based management approach. Retrospective approval would also create difficulties if the signed agreements needed to be changed according to the Project Advisory Group's review opinions.

59. **The Board recommends that UN-Habitat comply strictly with the UN-Habitat project-based management policy to 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.**

60. UN-Habitat accepted this recommendation.

Delays in signing extensions of the projects in the Egypt country office

61. In accordance with article 21 of the UN-Habitat policy for implementing partners, all activities and outputs agreed under an agreement of cooperation should be delivered within its validity. The project manager is responsible for monitoring the validity of the agreement and, if necessary, performing extension procedures for the agreement in a timely manner and in advance, with appropriate justification.

62. The Board compared the signing dates with the initial end dates of the extension agreements for the nine projects managed by the Egypt country office and noted that four agreements of cooperation had expired prior to the subsequent amendments entering into force, revealing expiration gaps. For instance, the project entitled "Strategic national development support Egypt", worth $3.64 million in total, had been extended five times. The Board's review of the latest extension of that agreement of cooperation indicated that the amendment of the agreement had been signed in June 2020, six months later than the expiration date.

63. Management explained that several steps might result in the delay of getting the final official to sign the extension of projects under grants, some of which were out of the control of UN-Habitat, such as the prolonged process from the military and local councils.

64. Despite the various reasons for extending the projects, the Board considers that management still has the capacity to improve the procedure of approval.

65. The Board is of the opinion that the delay in signing the extension amendments presented a risk in project implementation management in the Egypt country office. Furthermore, the retroactive agreements exposed the organization to legal uncertainty.

66. **The Board recommends that UN-Habitat take more proactive action in monitoring the validity of the agreements, to ensure any extension amendments are signed in a timely manner, in compliance with the UN-Habitat policy for implementing partners.**

67. UN-Habitat accepted the recommendation.

Flawed agreement of cooperation design in the Lao People's Democratic Republic country office

68. The Programme and Project Cycle Management Manual of 2003 states in page 28 that, when the relevant agreements have been signed and funds made available for the project, it is time to start implementation.

69. The Board reviewed two agreements of cooperation that UN-Habitat had signed with two provinces on 5 October 2020 and noted that 23 small-scale water infrastructure projects completed before November 2019 were still indicated as expected milestones (in 2020 and 2021) in both agreements.

70. Management explained that preparatory activities had been conducted from 2018 to 2020 before the agreements of cooperation had been signed.

71. The Board is of the view that taking completed works as future targets may lead to a waste of project resources and have a negative impact on evaluating project performance.

72. **The Board recommends that UN-Habitat improve the design of agreements of cooperation funded by different grants but with similar outputs, to avoid duplicated efforts.**

73. UN-Habitat accepted the recommendation.

6. Strategy management

Shortfall of funds for two subprogrammes

74. Paragraph 53 of the strategic plan for the period 2020 to 2023 indicates that, to achieve its objective to advance sustainable urbanization, UN-Habitat must make progress in its four interlinked domains of change.

75. Likewise, paragraph 15.11 of the proposed programme budget for 2020 (A/74/6 (Sect. 15)) states that four interconnected and mutually reinforcing goals, towards which the proposed new subprogramme structure of the programme or work is aligned, are identified in the plan.

76. The Board reviewed the budget performance of the four interlinked subprogrammes as at 31 December 2020 and noted that the decrease from the original budget to the actual budget allotment for two subprogrammes was dramatic. The actual budget allotment for subprogramme 2 only accounted for 18 per cent of the original budget. Table II.2 below contains further details.

Table II.2
Budget performance of subprogrammes
(Thousands of United States dollars)

Subprogramme	*Original budget*	*Actual budget allotment*	*Percentage*
Subprogramme 1: Reduced spatial inequality and poverty in communities across the urban-rural continuum	54 402.3	45 334.8	83
Subprogramme 2: Enhanced shared prosperity of cities and regions	56 158.6	9 982.3	18
Subprogramme 3: Strengthened climate action and improved urban environment	38 627.5	18 082.0	47
Subprogramme 4: Effective urban crisis prevention and response	84 136.1	101 452.5	121
Total	**233 324.5**	**174 851.6**	**75**

Source: Document provided by UN-Habitat.

77. Management explained that, in 2020, given the COVID-19 pandemic, significant funding received was reprioritized by donors to subprogramme 4.

78. The Board is of the view that acquiring sufficient financial resources for each subprogramme is fundamental to achieve the intended results in line with the results-based budgeting concept. The lack of financial resources will have an adverse impact on achieving the four interconnected and reinforcing goals.

79. **The Board recommends that UN-Habitat keep close communications with donors so as to actively mobilize resources to achieve the expected results listed in the proposed budget.**

80. UN-Habitat accepted the recommendation.

Outdated results-based management handbook

81. Paragraph 2 of the report of the Executive Director on progress in the implementation of the strategic plan for the period 2020–2023: draft results-based management policy (HSP/EB.2020/8) states that the results-based management policy is complemented by the UN-Habitat results-based management handbook, the evaluation policy and the project-based management policy, which cover other key elements of results-based management.

82. The Board reviewed the results-based management handbook and noted that it had been published in 2017. The information provided in the handbook had not been updated and was no longer suitable for current results-based management requirements. Examples are listed as follows:

(a) The handbook was in line with the six-year strategic plan for the period 2014–2019, which included seven subprogrammes. However, in its resolution 1/1, the United Nations Habitat Assembly of the United Nations Human Settlements Programme recognized the necessity to align the duration of the strategic plan with the four-year cycle of the Assembly and approved the strategic plan for the period 2020–2023, instead of 2020–2025. In the strategic plan for the period 2020–2023, the new four-subprogramme structure of the programme or work was aligned;

(b) A biennial budget cycle was used in the handbook, while since 2020 the budget cycle for UN-Habitat was changed from biennial to annual;

(c) The monitoring system introduced in the handbook was the integrated monitoring and documentation information system, which was last used in the 2016-2017 budget cycle. In July 2020, the Umoja strategic management application module was launched, allowing programme managers periodically to update the implementation progress of the deliverables presented in annual work programme and budget.

83. The Board is of the view that the handbook is essential for improving the achievement of strategic programme and project results, strengthening the decision-making processes of management and improving performance. It shall be updated to ensure that the information and methodology provided therein are accurate and correct.

84. **The Board recommends that UN-Habitat update its results-based management handbook according to the strategic plan for the period 2020–2023 and the results-based management policy.**

85. UN-Habitat accepted the recommendation.

Deficiencies in formulating and implementing the Regional Office for Africa annual workplan

86. In section 2.2.5 of UN-Habitat results-based management handbook, it is stated that the annual workplan is an internal document used to track and monitor progress in implementing the work programme and budget.

87. In addition, it is stated in section 2.2.5 that the annual workplan contains the expected accomplishments and indicators of achievements (taken from the work programme and budget); the approved work programme outputs (taken from the work programme and budget); and the number of planned outputs for the year being considered (to be provided by responsible offices and officers).

88. Furthermore, it is stated in section 2.2.5 that the annual workplan provides detailed output delivery planning and sets out what will be accomplished by each of the branches and regional offices.

89. The Board reviewed the quantified deliverables of the Regional Office for Africa for 2020 that would contribute to the achievement of the objective stated in the work programme and budget and noted that the annual workplan for the Regional Office was not closely linked to the UN-Habitat work programme and budget for 2020. For example, there were no publications or technical material indicators in the Regional Office annual workplan for 2020.

90. Furthermore, the Board reviewed the Regional Office for Africa annual workplan for 2019 and learned that there were 19 first-priority countries. For each priority country, the Regional Office would develop a habitat country programme document.

91. The Board noted that the habitat country programme documents for six first-priority countries had not been completed by 21 November 2020. The Regional Office for Africa did not accomplish the output delivery in the annual workplan for 2019.

92. The Board is of the view that the Regional Office for Africa annual workplan was not sufficiently prepared to track and monitor the progress in the implementation of the work programme and budget.

93. **The Board recommends that UN-Habitat strengthen the annual workplan management and its implementation, in accordance with the requirements of the UN-Habitat results-based management handbook.**

94. UN-Habitat accepted the recommendation and would work with the relevant divisions and offices at headquarters to propose guidelines for developing and monitoring regional workplans.

7. Procurement and contract management

Insufficient implementation of recommendations from the Headquarters Committee on Contracts

95. Financial regulation 5.12 of the Financial Regulations and Rules of the United Nations states that "The following general principles shall be given due consideration when exercising the procurement functions of the United Nations: (a) Best value for money; (b) Fairness, integrity and transparency; (c) Effective international competition; (d) The interest of the United Nations".

96. Chapter 13.5 c. of the Procurement Manual establishes that any such amendment should be requested, reviewed, approved, and signed prior to the expiry date of the original contract, and that retroactive contract extensions after contract expiry are not possible.

97. The Board reviewed the minutes of the Headquarters Committee on Contracts meeting related to UN-Habitat procurement contracts in 2019 and 2020 and noted multiple ex post facto extensions or increases in not-to-exceed amounts in two contracts. Details are shown in table II.3 below.

Table II.3
Contracts with multiple ex post facto extensions or increases in not-to-exceed amount
(Thousands of United States dollars)

Contract No.	*Vendor*	*Initial not-to-exceed*	*Cumulative not-to-exceed*	*No. of amendments*	*Ex post facto amount*
4700005208	CTG	743.91	5 321.00	14 (3 ex post facto)	1 048.14
4700011367	Bamyan	11 258.41	37 467.02	11 (2 ex post facto)	5 934.17
Total		**12 002.32**	**42 788.02**	**25 (5 ex post facto)**	**6 982.31**

Source: Based on data from the minutes of meetings of Headquarters Committee on Contracts.

98. The Board noted that the Committee on Contracts, the Assistant Secretary-General for the Office of Central Support Services and the Assistant Secretary-General for Supply Chain Management had recommended repeatedly that actions be taken to avoid the ex post facto situations in the implementation of the above two contracts.

99. In its minutes, the Committee reiterated its concern that UN-Habitat had failed to extend the contract on time and, once again, had ended up in an ex post facto situation, thus putting the Organization at risk where the services were being provided by the contractor without any contract.

100. The Board also noted that the recommendations had not been fully implemented. In addition, the Board noticed that the ex post facto situation was partly due to the failure to submit a complete and accurate data of expenditures on time.

101. **The Board reiterates the former recommendation that UN-Habitat avoid the ex post facto situation prior to the signing of new contracts.**

102. UN-Habitat accepted the recommendation.

Vendor performance evaluations not conducted in a timely manner

103. Section 13.2 of the Procurement Manual states that the responsible contract management staff should conduct an evaluation of the vendor's performance, and that procurement officials and the responsible contract management staff should ensure that a vendor performance rating form is on file before processing any extension to an existing contract.

104. The Board sampled 11 of 30 modified contracts for 2019 and 2020 provided by management and noted that there was at least one amendment for each of the 30 modified contracts.

105. As at 27 April 2021, vendor performance rating forms for only 6 of the 11 contracts had been provided. It was noted that for the six contracts, performance evaluations had been performed after the contracts had been completed, rather than before processing the extension. Furthermore, four of the six provided vendor performance ratings were issued more than six months after the contracts had been completed.

106. The Board is of the view that vendor performance evaluation is an important tool to contract management and contractor monitoring.

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.**

108. UN-Habitat accepted the recommendation.

Purchase orders created after the earliest delivery in the Regional Office for Africa

109. In paragraph 11 of its memorandum to the Regional Office for Africa on the delegation of procurement authority under the Financial Regulations and Rules of the United Nations, the UN-Habitat Management, Advisory and Compliance Service stated that an "ex post facto" procurement exposes the organization to the risk of claims by vendors owing to a lack of adequate contractual arrangements and queries from member States and oversight bodies.

110. The Umoja procurement overview flowchart demonstrated that the purchase orders had been required before goods were received.

111. The Board reviewed 938 purchase orders classified as "goods and services" or "low value" generated by the Regional Office for Africa between 1 January 2017 and 30 September 2020, amounting to $8.34 million. It was detected that 586 of those 938 purchase orders, amounting to $5.62 million, had been created after the earliest delivery of the ordered goods or services, accounting for 62 per cent in quantity and 67 per cent in value.

112. The Board further sampled 18 of the above-mentioned 586 purchase orders and noted that goods or services related to 9 of those 18 purchase orders had been fully or partially obtained or rendered prior to approval in Umoja.

113. The Regional Office for Africa explained that there had been a delay in the registration of the vendor in Umoja, causing the late creation and approval of purchase orders in the above-mentioned nine cases. Management further stated that the purchase order of flights had been created after the fact when the Regional Office received the monthly invoices with the name of the passengers and airfare amounts. Often, owing to unpredictable security situations and the nature of work, it was difficult to avail the services as planned. Also, owing to the late submission of the requisitioning, the Regional Office for Africa was sometimes compelled to create purchase orders after services were delivered.

114. The Board is of the view that creating purchase orders after goods or services are delivered might hamper the internal control of procurement management.

115. **The Board recommends that UN-Habitat strengthen the internal control of procurement activities by periodically registering and updating vendor information in Umoja and creating and approving purchase orders in a timely manner so as to avoid potential claims and disputes on the part of the vendors.**

116. UN-Habitat accepted the recommendation.

8. Human resources management

Prolonged individual contract period

117. In accordance with the administrative instruction on consultants and individual contractors (ST/AI/2013/4), no consultant shall provide services for more than 24 months in a 36-month period. Moreover, the services of an individual contractor shall be limited to 6 or, in special circumstances, 9 work-months in any period of 12 consecutive months.

118. The Board extracted from Umoja data on consultant and individual contractor services between 1 January 2017 and 30 September 2020 and noted that the services of two consultants who had provided services consecutively had exceeded the maximum of 24 months in a 36-month period. In addition, the services of three individual contractors who had provided services consecutively had exceeded the maximum of 9 work-months in a period of 12 consecutive months.

119. UN-Habitat explained that the most recent purchase orders for the two consultants had been processed by the Regional Office for Latin America and the Caribbean, and the three individual contractors had been processed by the United Nations Office at Nairobi, leading to the repeated use of the same consultant and individual contractor.

120. The Board is of the view that, although the purchase orders were processed by the Regional Office for Latin America and the Caribbean and the United Nations Office at Nairobi, there is a lack of supervision and communication at UN-Habitat in the consultant and individual contractor hiring process. The Board holds that UN-Habitat could improve its monitoring regarding the maximum hiring time of consultants and individual contractors by coordinating more with its regional offices and the United Nations Office at Nairobi.

121. **The Board recommends that UN-Habitat establish an alert mechanism to remind the personnel in charge of recruiting consultants and individual contractors of the maximum hiring periods.**

122. UN-Habitat partially accepted the recommendation and further explained that efforts were being taken by the United Nations Office at Nairobi to facilitate a long-term monitoring solution. UN-Habitat would create an interim monitoring tool to ensure compliance with the maximum hiring periods.

Deficiencies in individual contractor management for those under United Nations Development Programme or United Nations Office for Project Services contracts at the Lao People's Democratic Republic country office

123. Section 2 of the administrative instruction on consultants and individual contractors defines an individual contractor as an individual engaged by the Organization from time to time under a temporary contract to provide expertise, skills or knowledge for the performance of a specific task or piece of work, which would be short-term by nature, against the payment of an all-inclusive fee.

124. Section 5.30 of that administrative instruction furthermore states that, in cases of contract periods longer than six months, interim evaluations should be undertaken by the direct supervisor.

125. Section 5.16 of the administrative instruction states that consultants and individual contractors shall not be entitled to any paid leave, including annual leave, sick leave, special leave or official holidays.

126. The Board reviewed the service contracts of six individual contractors employed by the Lao People's Democratic Republic country office through United Nations Development Programme (UNDP) or United Nations Office for Project Services (UNOPS).

127. It was noted that, as at 1 November 2020, four out of six individual contractors' service periods had exceeded the above-mentioned limitation periods, ranging from 10 to 84 months. The service periods of two individual contractors had been prolonged by amending their contracts repeatedly. One contract had been amended eight times, lasting 84 months. Another contract had been amended four times, lasting 17 months.

128. The Board further noted that the contract of 84 months involved the position of an individual contractor who performed the duties and functions of administration and finance.

129. The Board reviewed the performance evaluation reports of three individual contractors with contract periods longer than six months. It was noted that the interim evaluations of one individual contractor contracted through UNDP had not been undertaken as required.

130. Also, the Board noted that one individual contractor related to the service contract through UNOPS had been given an entitlement to paid leave, including annual leave, as well as an absence due to illness without fee reduction and parental leave.

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.**

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.**

133. UN-Habitat did not accept the first recommendation and explained that the individual contractors at the Lao People's Democratic Republic country office had been under UNDP and UNOPS contracts, which followed the respective rules and regulations of UNDP and UNOPS, instead of the administrative instruction on consultants and individual contractors (ST/AI/2013/4).

134. UN-Habitat partially accepted the second recommendation and further explained that UN-Habitat would ensure all personnel contracted through other United Nations organizations working collaboratively as service providers would be equally entitled to all provisions of the contract signed with the service provider.

135. The Board is of the view that administrative instruction ST/AI/2013/4 overrides the UNDP human resources rules and regulations regarding non-staff service contracts or the UNOPS organizational rules and regulations.

Insufficient management of temporary appointment

136. According to the administrative instruction on the administration of temporary appointments (ST/AI/2010/4/Rev.1), the length of temporary appointment service does not exceed the period of 364 calendar days, and an exceptional extension of a temporary appointment leading to service of one year or more shall be accompanied by a written justification, which must be consistent with the provisions of that instruction.

137. The Board reviewed 15 UN-Habitat posts recorded in Umoja that had been filled by temporary appointments, with incumbents serving for more than 364 days as at 31 August 2020, and noted that the actual expiration dates for two cases were inconsistent with the approved expiration dates and the actual extensions of temporary appointments were longer than the durations approved. Besides, no justification documents could be provided for the exceptional extensions.

138. UN-Habitat explained that the justification documents were not available, owing to the absence of an automatic prompt function in the system for the length of service beyond 364 days, and that UN-Habitat relied on the United Nations Office at Nairobi.

139. The Board is of the view that the absence of documented justifications for extensions could lead to a lack of transparency in temporary appointment recruitments.

140. **The Board recommends that UN-Habitat follow the administrative instruction on temporary appointments to ensure that justifications for extending temporary appointments beyond 364 days are properly documented.**

141. UN-Habitat partially accepted the recommendation and further explained that the incident was unique, that UN-Habitat was currently in the process of creating a monthly report to keep track of the status of all temporary appointments and that the United Nations Office at Nairobi was developing an extension to the iNeed solution to flag such cases.

Payroll charges without agreements

142. Rule 4.9 of the Staff Rules and Staff Regulations of the United Nations (ST/SGB/2018/1/Rev.1) states that inter-organization movements are defined in and shall be governed by an inter-organization agreement among the organizations applying the United Nations common system of salaries and allowances.

143. The Board noticed that the payroll of four staff – two based in the Office of Internal Oversight Services (OIOS) and two based in the United Nations Environment Programme (UNEP) – for a total amount of $246,932.75 in the financial year 2020, had been charged to UN-Habitat, but the staff were neither staff of UN-Habitat nor moved in 2020.

144. The Board further asked UN-Habitat to provide agreements with the two organizations, such as an inter-organization agreement concerning transfer, secondment or loan of staff among the organizations in compliance with IPSAS. However, no agreement had been provided as at 30 April 2021.

145. With regard to the two employees based in OIOS but whose payroll had been charged to UN-Habitat, management responded that the agreement had been made via email in 2004, which was found to be adequate at that time. The posts had been created by the United Nations Office at Nairobi in August 2004. With regard to the two employees based in UNEP, management responded that they had provided legal support to the UN-Habitat Governing Council secretariat. UN-Habitat used to pay 30 per cent of their salaries but had stopped those payments in 2021.

146. The Board is of the view that one of the key requirements for the correct accounting of employee benefits is the availability of accurate and detailed data. Lack of supporting documents will influence the fairness of expenses with regard to employee salaries, allowances and benefits.

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.**

9. Information and communications technology

No members appointed to an information and communications technology committee

148. The Secretary-General's bulletin on the Information and Communications Technology Board (ST/SGB/2003/17) states that all departments and offices away from Headquarters shall establish internal or local information and communications technology groups or committees following the pattern of the Board.

149. In addition, the UN-Habitat Information and Communications Technology Strategy (2017–2021) states that, as part of addressing information and

communications technology (ICT) governance, UN-Habitat shall establish an ICT committee to act as an advisory body to the Director of Management and Operations, who acts on behalf of the UN-Habitat Senior Management Committee.

150. To accomplish that objective, UN-Habitat set terms of reference in 2017 and established its ICT committee. It was decided that the chair of the committee would be the Director of the Management and Operations Division, the secretary would be the head of the ICT unit of the Division and the rest of the members would be nominees that would represent the regions, branches and divisions of UN-Habitat.

151. The Board noted that, in the new organizational structure that came into effect in January 2020, the Management and Operations Division was replaced by the Management Advisory and Compliance Division. The Board was informed that, at the time of the audit, no members of the ICT committee had been determined.

152. Management explained that the Director of the Management Advisory and Compliance Division would send a memo to the division directors requesting their nominees for the ICT committee.

153. The Board is of the view that an ICT committee plays a crucial role in providing strategy and guidelines related to ICT governance and aligning with the overall objectives of the Secretariat.

154. **The Board recommends that UN-Habitat appoint the ICT committee members on the basis of its new organizational structure.**

155. UN-Habitat accepted the recommendation.

Lack of linkage between the Project Accrual and Accountability System and Umoja

156. The purpose of the Project Accrual and Accountability System, as stated in its guidelines and manual, is to support project and resource management in a way that promotes accountability, transparency, efficiency and productivity within UN-Habitat. In his report on implementation of the recommendations of the Board of Auditors contained in its reports for the year ended 31 December 2018 on the United Nations funds and programmes (A/74/323/Add.1), the Secretary-General states that UN-Habitat is upgrading the Project Accrual and Accountability System by integrating the full project cycle into the system, including functionalities that support the implementation, monitoring, closing and reporting stages of projects.

157. The Board was informed that the Project Accrual and Accountability System was still the main data repository of the platform in UN-Habitat for obtaining, monitoring and reporting project qualitative information. It was also detected that the Project Accrual and Accountability System and Umoja were yet to be integrated, and the information in the Project Accrual and Accountability System was migrated from Umoja manually or semi-automatically.

158. The Board sampled 10 ongoing projects in the Project Accrual and Accountability System and compared their expenditure records with the data recorded in Umoja. The Board noted that the data in the Project Accrual and Accountability System was inconsistent with those in Umoja. At the time of the audit, the expenditure records for 4 of the 10 projects were still zero, despite the fact that the 4 projects had already started one year ago.

159. The Board is of the view that data quality in the Project Accrual and Accountability System is the prerequisite for improving the accountability, transparency, efficiency and productivity of project management. The inconsistency of data between the Project Accrual and Accountability System and Umoja caused by manual interventions may mislead the project management and reporting in UN-Habitat.

160. **The Board recommends that UN-Habitat establish comprehensive controls, such as regular reconciliation and revision of data, to eliminate the inconsistency of records between the Project Accrual and Accountability System and Umoja.**

161. UN-Habitat accepted the recommendation and would be evaluating the required information, data exchange between the integrated project management and reporting module and the Project Accrual and Accountability System to ensure effective donor reporting.

10. Property, plant and equipment management

Losses and thefts of ICT equipment

162. Paragraph 1.7 of the administrative instruction on the disposal of computer equipment at United Nations Headquarters (ST/AI/2001/4) states that the property records custodian must ensure that all disk drive contents (data and software) of computers approved for disposal are erased prior to actual disposal.

163. The UN-Habitat policy on tablet devices, issued on 26 March 2019, in its section C on the responsibilities of users and procedures on the use of tablet devices, states that users allocated tablet devices must ensure the safekeeping, care and custody of the device.

164. The Board reviewed the minutes of the meetings of the Local Property Survey Board in 2019 and 2020 and noted that seven cases relating to the loss or theft of assets, such as laptops, tablets and radio, had been submitted by UN-Habitat for the approval of the Local Property Survey Board. In addition, another six cases, relating to the losses of two laptops and thefts of four laptops, had also been detected in the Umoja business intelligence module in the period 2019–2020.

165. The Board noted that the cases of items lost or stolen recorded in the minutes of the Local Property Survey Board meetings had been due to improper custody, such as keeping the laptops unattended in public and high-risk places.

166. The Board also noted that, in 2020, the Local Property Survey Board, when dealing with the seven cases, had expressed concerns as to whether data could be wiped remotely following the loss of an official laptop and whether United Nations data could be accessed by unauthorized persons and what security measures were in place for access to official equipment containing United Nations data.

167. **The Board recommends that UN-Habitat raise the data security awareness of staff to ensure the safekeeping of ICT devices.**

168. UN-Habitat accepted the recommendation.

Assets without barcodes in the Egypt country office

169. In paragraph 41 of the UN-Habitat Project Manual, it is required that any item of property that has been located but not previously barcoded or recorded in the inventory control system be coded and recorded during the physical inventory process.

170. The Board reviewed the asset records of the Egypt country office for acquired units with a value lower than $5,000, and noted that, out of 102 samples, 47 items with a total acquisition value of $38,131.49 had neither barcodes nor technical identification numbers, and also had unrecorded acquisition dates.

171. The Board is of the view that the absence of barcodes may lead to the inability to link the information to the asset management system (such as Umoja) and weakness in controls over the identification and monitoring of asset transfers.

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.**

173. UN-Habitat accepted the recommendation.

11. Travel management

Weakness in the travel planning process

174. Section 3.3 of the administrative instruction on official travel (ST/AI/2013/3) indicates that, in accordance with staff rule 7.8, all travel arrangements for individuals travelling on behalf of the United Nations, including advance booking and purchase of tickets, should be finalized 16 calendar days in advance of commencement of official travel.

175. In a memorandum dated 26 October 2018 to all UN-Habitat staff, the Executive Director required that all official travel for personnel be entered into a travel plan at least eight weeks before the date of travel.

176. It was noted that, in the proposed programme budget for 2020 (A/74/6 (Sect. 15)), the compliance rate of the advanced booking for air travel was 100 per cent, and the Advisory Committee on Administrative and Budgetary Questions also expressed its concerns over the compliance of advanced booking policy in its first report on the proposed programme budget for 2020 (A/74/7).

177. The Board noticed that, as at 31 December 2020, 617 out of 1,228 (50 per cent) of air trips had not obtained travel processing approval in Umoja, which requests that approval be received 16 calendar days in advance of the commencement of official travel.

178. The Board further noted that, during the travel period from January to September 2020, for 53 out of 68 approved travel requests (78 per cent) in the Regional Office for Africa, tickets had been issued less than 16 calendar days before the travel commencement.

179. The Board also noted that the travel plans for nine official travels in 2020 for the Lao People's Democratic Republic country office had not been provided.

180. The Board is of the view that low compliance rate of advanced booking and travel without plans reflect a weakness in travel planning, which may have a negative impact on the efficient use of UN-Habitat resources.

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.**

182. UN-Habitat accepted the recommendations and further explained that a procedure had been introduced to strengthen the travel planning process.

C. Disclosures by management

183. UN-Habitat made the below disclosures relating to write-offs, ex gratia payments and cases of fraud and presumptive fraud.

1. Write-off of cash, receivables and property

184. UN-Habitat reported to the Board that, in accordance with financial rule 106.7, advance payments of $187,304 were written off in 2020.

2. Ex gratia payments

185. Management confirmed that UN-Habitat did not make any ex gratia payments in 2020.

3. Cases of fraud and presumptive fraud

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

187. 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. The additional terms of reference governing external audit include cases of fraud and presumptive fraud in the list of matters that should be referred to in its report.

188. For 2020, UN-Habitat notified the Board of no cases of fraud or presumptive fraud.

D. Acknowledgement

189. 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*) Jorge **Bermúdez**
Comptroller General of the Republic of Chile
Chair of the Board of Auditors

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

(*Signed*) Kay **Scheller**
President of the German Federal Court of Auditors

22 July 2021

Annex

Status of implementation of recommendations up to the financial year ended 31 December 2019

						Status after verification			
No.	*Audit report year*	*Report reference*	*Recommendation of the Board*	*Management response*	*Board's assessment*	*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.	UN-Habitat has taken the following actions to mitigate risks to commence projects in a timely manner: 1. The Project Review Committee established in 2020 has updated its terms of reference to ensure the linkage to the four new UN-Habitat subprogrammes and the expected contribution of the project to each subprogramme; 2. A revised cash management methodology ensures project funds received are applied to the projects in a timely manner. The 2020 year-end unapplied deposits are under $200,000; 3. UN-Habitat will conduct a rostering exercise for key project personnel in the first two quarters of 2021. The recommendation continues to be under implementation.	As supporting documents have not been provided, this recommendation is considered to be still under implementation, as it was in the previous report (A/75/5/Add.9).		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	UN-Habitat considers this recommendation to be under implementation.	As supporting documents have not been provided, this recommendation is considered to be still under implementation, as it was in the previous report (A/75/5/Add.9).		X		

No.	Audit report year	Report reference	Recommendation of the Board	Management response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
			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.						
3	2016	A/72/5/Add.9, chap. II, para. 23	The Board recommends that UN-Habitat: (a) formulate strategies to minimize consultancy costs in accordance with its strategic objectives for the period 2014–2019; and (b) include minimization of consultancy costs in the results framework for tracking and reporting periodically.	UN-Habitat considers consultancies to be an appropriate methodology to meet the specific needs of projects and continues to evaluate the longer-term, ongoing needs of projects to be addressed using temporary or fixed-term appointments. This recommendation remains under implementation.	As supporting documents have not been provided, this recommendation is considered to be still under implementation, as it was in the previous report (A/75/5/Add.9).		X		
4	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 implemented the quarterly monitoring of projects funded under conditional liabilities. This recommendation is under implementation.	As supporting documents have not been provided, this recommendation is considered to be still under implementation, as it was in the previous report (A/75/5/Add.9).		X		
5	2017	A/73/5/Add.9, chap. II, para. 15	The Board recommends that UN-Habitat:(a) ensure capacity-building programmes are conducted for all staff who have resource mobilization responsibilities at the country and regional levels; and (b) develop policy guidelines and circulate them to the regional and country offices as required under the results	UN-Habitat is coordinating with the Regional Directors on the implementation of the resource mobilization strategy approved by the Executive Board in October 2020. UN-Habitat considers this recommendation implemented.	The Board notes that UN-Habitat has requested the closure of this recommendation. As supporting documents have not been provided, this recommendation is considered to be still under implementation, as it was in the		X		

No.	Audit report year	Report reference	Recommendation of the Board	Management response	Board's assessment	*Status after verification* Implemented	Under implementation	Not implemented	Overtaken by events
			framework for the donor relations and income strategy.		previous report (A/75/5/Add.9).				
6	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.	The established Project Review Committee, with the Deputy Executive Director as Chair, replaced the Project Advisory Group in 2020. All projects were presented to the Committee in 2020 and the associated minutes recorded. UN-Habitat has implemented a control mechanism to ensure the prior practice is discontinued.	The Board notes that UN-Habitat has requested the closure of this recommendation. As supporting documents have not been provided, this recommendation is considered to be still under implementation, as it was in the previous report (A/75/5/Add.9).		X		
7	2017	A/73/5/Add.9, chap. II, para. 22	The Board recommends that UN-Habitat ensure documentation is in place whenever there is movement of assets in order to reduce the risk of losing assets.	UN-Habitat considers this recommendation implemented.	The Board notes that UN-Habitat has requested the closure of this recommendation. As supporting documents have not been provided, this recommendation is considered to be still under implementation, as it was in the previous report (A/75/5/Add.9).		X		
8	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.	As per the improvements noted above in the application of cash to the contribution agreements, the ability to enact the payment terms and conditions stipulated in the agreements of cooperation has been improved. UN-Habitat has been able in 2020 to fast-track COVID-19 and other humanitarian emergency response cases.	The Board notes that UN-Habitat has requested the closure of this recommendation. As supporting documents have not been provided, this recommendation is considered to be still under implementation, as it was in the previous report (A/75/5/Add.9).		X		

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9	2017	A/73/5/Add.9, chap. II, para. 39	The Board recommends that UN-Habitat ensure that the country offices in Colombia and Brazil: (a) find safer outside locations to store their backups, which can be accessed by staff during disasters; and (b) develop disaster recovery and business continuity plans.	UN-Habitat moved all critical data to the cloud during the first quarter of 2020, as part of the United Nations organizational strategy, with the support of the Information and Communication Technology Services of the United Nations Office at Nairobi. This proved to be a key factor in allowing operations to continue during the COVID-19 pandemic.	The Board notes that UN-Habitat has requested the closure of this recommendation. As supporting documents have not been provided, this recommendation is considered to be still under implementation, as it was in the previous report (A/75/5/Add.9).		X		
10	2017	A/73/5/Add.9, chap. II, para. 44	The Board recommends that UN-Habitat establish management structures and administrative policies and procedures for the new hub arrangement that provide guidance on the day-to-day management of hub operations in the Regional Office for Latin America and the Caribbean.	UN-Habitat considers this recommendation to be under implementation.	As supporting documents have not been provided, this recommendation is considered to be still under implementation, as it was in the previous report (A/75/5/Add.9).		X		
11	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.	UN-Habitat considers this recommendation to be under implementation.	As supporting documents have not been provided, this recommendation is considered to be still under implementation, as it was in the previous report (A/75/5/Add.9).		X		
12	2017	A/73/5/Add.9, chap. II, para. 55	The Board recommends that UN-Habitat comply with the administrative instruction on consultants and individual contractors (ST/AI/2013/4) by utilizing the roster in the selection of consultants and	UN-Habitat, with additional human resources advisory services provided by the Management Advisory and Compliance Division, continues to work with all Directors on the appropriate	The Board notes that UN-Habitat has requested the closure of this recommendation. As supporting documents have not been provided, this		X		

No.	Audit report year	Report reference	Recommendation of the Board	Management response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
			individual contractors to ensure that competent and experienced consultants and individual contractors are selected.	use of personnel on Secretariat contracts, and service personnel provided through UNDP and UNOPS. UN-Habitat considers this recommendation implemented.	recommendation is considered to be still under implementation, as it was in the previous report (A/75/5/Add.9).				
13	2017	A/73/5/Add.9, chap. II, para. 59	The Board recommends that UN-Habitat: (a) adhere to the results-based management policy on reporting by incorporating analyses of the logical frameworks into their progress reports; and (b) prepare annual workplans for their activities in line with the approved programme of work for the biennium.	UN-Habitat provided its Executive Board with a progress report on the UN-Habitat strategic plan for the period 2020–2023 (HSP/EB.2020/9/Rev.1) at its second session, from 27 to 29 October 2020, and will provide update reports on annual basis. The Project Review Committee ensures all project proposals incorporate the United Nations logical framework. UN-Habitat considers this recommendation to be under implementation and that it will be completed in 2021.	As supporting documents have not been provided, this recommendation is considered to be still under implementation, as it was in the previous report (A/75/5/Add.9).		X		
14	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 continued to complete the financial closure of all operationally closed grants during 2020, which included a review and write-down of uncollectable receivables. The review of all agreements of cooperation implementing partner grants commenced in 2020 and will be completed by 30 June 2021. The recommendation is under implementation.	As supporting documents have not been provided, this recommendation is considered to be still under implementation, as it was in the previous report (A/75/5/Add.9).		X		
15	2018	A/74/5/Add.9, chap. II, para. 22	The Board recommends that UN-Habitat evaluate the application of impairment	UN-Habitat is the process of completing a full review of implementing partner	As supporting documents have not been provided, this		X		

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			provisions to advances accounts.	agreements of cooperation and will enact all applicable write-offs. This is scheduled to be completed by 30 June 2021. This recommendation remains under implementation.	recommendation is considered to be still under implementation, as it was in the previous report (A/75/5/Add.9).				
16	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.	This recommendation is under implementation.	Supporting documents have not been provided; this recommendation is therefore considered to be under implementation, as it was in the previous report (A/75/5/Add.9).		X		
17	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 takes note of the referenced General Assembly resolution that requests United Nations organizations to ensure that regular budget or UN-Habitat Foundation non-earmarked resources do not subsidized the activities of earmarked trust fund projects. In 2020, UN-Habitat ensured all common service costs for earmarked projects were charged to the respective project as a direct cost. The recommendation has been partially implemented. UN-Habitat will in 2021 evaluate the options to fund the field architecture regional and multi-country offices through cost allocations that would be reflected in future contribution agreements. Implementation of the recommendation continues.	As supporting documents have not been provided, this recommendation is considered to be still under implementation, as it was in the previous report (A/75/5/Add.9).		X		

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18	2018	A/74/5/Add.9, chap. II, para. 53	The Board recommends that UN-Habitat include detailed documentation of each project in the project accrual and accountability system in order to support their execution and corresponding progress.	UN-Habitat has begun implementation of the Umoja Extension 2 integrated project management and reporting module, which will be completed in the second quarter of 2021. The recommendation is considered to be under implementation.	As supporting documents have not been provided, this recommendation is considered to be still under implementation, as it was in the previous report (A/75/5/Add.9).		X		
19	2018	A/74/5/Add.9, chap. II, para. 54	The Board recommends that UN-Habitat improve the controls related to updated information, established in paragraph 36 of the project-based management policy.	UN-Habitat has begun implementation of Umoja Extension 2 integrated project management and reporting module, which will be completed in the second quarter of 2021. The recommendation is considered to be under implementation.	As supporting documents have not been provided, this recommendation is considered to be still under implementation, as it was in the previous report (A/75/5/Add.9).		X		
20	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.	This recommendation has been overtaken by the planned Umoja Extension 2 integrated project management and reporting module, which requires a review of the complementary functionality required in the Project Accrual and Accountability System to monitor evaluation activities. This recommendation remains under implementation, pending the full implementation of the Umoja integrated project management and reporting module.	As supporting documents have not been provided, this recommendation is considered to be still under implementation, as it was in the previous report (A/75/5/Add.9).		X		
21	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	UN-Habitat has provided its Executive Board with the following reports: overview of the final evaluation of the implementation of the UN-Habitat strategic plan for	The Board notes that UN-Habitat has requested the closure of this recommendation. As supporting documents have not		X		

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			the project-based management policy.	the period 2014–2019 (HSP/EB.2020/23/Add.1); and evaluation of the strategic plan for the period 2014–2019 (HSP/EB.2020/INF/6). The Project Review Committee ensures all submitted projects include funding for external evaluation, in accordance with UN-Habitat project evaluation policy.	been provided, this recommendation is considered to be still under implementation, as it was in the previous report (A/75/5/Add.9).				
22	2018	A/74/5/Add.9, chap. II, para. 67	The Board recommends that UN-Habitat update its internal manuals, such as the project based-management policy and the project accrual and accountability system guidelines and manual, to clearly establish Umoja and its extensions as the system that gives support to the different duties performed by the entity.	UN-Habitat is scheduled to implement the Umoja Extension 2 integrated project management and reporting module in the second quarter of 2021. This recommendation is considered to be under implementation.	As supporting documents have not been provided, this recommendation is considered to be still under implementation, as it was in the previous report (A/75/5/Add.9).		X		
23	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 Programme Management Officers review and certify all expenditures related to projects to ensure financial oversight in accordance with the Financial Regulations and Rules of the United Nations.	The Board notes that UN-Habitat has requested the closure of this recommendation. As supporting documents have not been provided, this recommendation is considered to be still under implementation, as it was in the previous report (A/75/5/Add.9).		X		
24	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	UN-Habitat has worked with the United Nations Office at Nairobi Budget and Financial Management Service to issue a standard operating procedure	The Board notes that UN-Habitat has requested the closure of this recommendation. As supporting		X		

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			accounting transactions records.	to ensure the correct recording in Umoja of travel expenses for consultants. UN-Habitat considers this recommendation implemented.	documents have not been provided, this recommendation is considered to be still under implementation, as it was in the previous report (A/75/5/Add.9).				
25	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.	As per the previous recommendation, with the implementation of the standard operating procedure on consultant travel, there should not be a requirement for the adjustment of entries going forward. UN-Habitat will continue to monitor any adjustment requests to reinforce the standard operating procedure.	The Board notes that UN-Habitat has requested the closure of this recommendation. As supporting documents have not been provided, this recommendation is considered to be still under implementation, as it was in the previous report (A/75/5/Add.9).		X		
26	2018	A/74/5/Add.9, chap. II, para. 87	The Board recommends that the Regional Office for Latin America and the Caribbean align the preparation of the quarterly travel plans for the Mexico City hub with the provisions established in the project cycle procedures manual of 2017 to ensure appropriate authorization of travel.	This recommendation was overtaken in 2020 by the COVID-19 pandemic, which continues into 2021. The travel of personnel continues to be very restrictive. It should be noted that the implementation of the Umoja Extension 2 integrated project management and reporting module will facilitate the monitoring of upcoming workshops for planned travel. This recommendation is considered to be under implementation, based on the stated events.	As supporting documents have not been provided, this recommendation is considered to be still under implementation, as it was in the previous report (A/75/5/Add.9).		X		
27	2018	A/74/5/Add.9, chap. II, para. 95	The Board recommends that UN-Habitat prepare a comprehensive annual acquisition plan for the	UN-Habitat has completed the submission of the 2021 annual demand plan. This will be an annual process going forward.	The Board has received a comprehensive annual acquisition plan for 2021. This	X			

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			forthcoming periods, in as timely a manner and as accurately as possible, in accordance with both the Financial Regulations and Rules of the United Nations and the United Nations Procurement Manual, taking into consideration its regional offices, country offices and hubs.	UN-Habitat considers this recommendation implemented.	recommendation is considered to be implemented.				
28	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 considers this recommendation to be under implementation.	As supporting documents have not been provided, this recommendation is considered to be still under implementation, as it was in the previous report (A/75/5/Add.9).		X		
29	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 noted that the implementation of the field architecture is ongoing. This recommendation continues to be under implementation.	As supporting documents have not been provided, this recommendation is considered to be still under implementation, as it was in the previous report (A/75/5/Add.9).		X		
30	2018	A/74/5/Add.9, chap. II, para. 115	The Board recommends that for the office of the Rio de Janeiro hub, UN-Habitat make the efforts necessary to conclude a lease agreement signed by both parties, in accordance with the required conditions.	A new lease was signed.	UN-Habitat has provided an agreement signed by both parties in March 2020. This recommendation is therefore considered to be implemented.	X			

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31	2018	A/74/5/Add.9, chap. II, para. 116	The Board recommends that UN-Habitat review the disbursements related to lease payments previously made to the Instituto Pereira Passos of the municipality of Rio de Janeiro and clarify the legal basis for the payments.	From September 2019, UN-Habitat stopped all payments to the Instituto Pereira Passos until a formal lease agreement is signed between the two parties. UN-Habitat believes there is sufficient basis to make the payments and request the closure of the audit recommendation.	The disbursements related to lease payments previously made to the Instituto Pereira Passos of the municipality of Rio de Janeiro complied with the lease agreement signed in 2020. This recommendation is considered to be implemented.	X			
32	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 considers this recommendation to be under implementation.	As supporting documents have not been provided, this recommendation is considered to be still under implementation, as it was in the previous report (A/75/5/Add.9).		X		
33	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 considers this recommendation to be under implementation.	As supporting documents have not been provided, this recommendation is considered to be still under implementation, as it was in the previous report (A/75/5/Add.9).		X		
34	2018	A/74/5/Add.9, chap. II, para. 132	The Board recommends that UN-Habitat management devise a suitable mechanism to ensure better coordination between the entity and OIOS for the complete and comprehensive reporting of cases of fraud and presumptive fraud.	UN-Habitat has worked diligently with OIOS in 2020 in all aspects of the audits conducted by them. UN-Habitat considers this recommendation implemented.	The Board notes that UN-Habitat has requested the closure of this recommendation. As supporting documents have not been provided, this recommendation is considered to be still under implementation, as it was in the previous report (A/75/5/Add.9).		X		

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35	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.	UN-Habitat has put in place a series of control checks to ensure IPSAS revenue recognition compliance. UN-Habitat considers this recommendation implemented.	The Board notes that UN-Habitat has requested the closure of this recommendation. However, supportive documents have not been provided. The Board takes note of the report of the Secretary-General (A/75/339/Add.1). Considering management's response, this recommendation is considered to be under implementation.		X		
36	2019	A/75/5/Add.9, chap. II, para. 55	The Board recommends that the Sri Lanka and Afghanistan country offices together with the Regional Office for Asia and the Pacific, comply with the implementing partners' policy by extending the agreements of cooperation and their amendments prior to their expiration date, thereby avoiding uncovered periods in the agreement.	UN-Habitat notes with concern that it has not been able to effectively address the Board's recommendations owing to financial constraints and prioritization in meeting operational imperatives during the COVID-19 pandemic. The Executive Director has made this a priority for 2021. The recommendation is under implementation.	The Board takes note of the report of the Secretary-General (A/75/339/Add.1). Considering management's response, this recommendation is considered to be under implementation.		X		
37	2019	A/75/5/Add.9, chap. II, para. 56	The Board recommends that the Lao People's Democratic Republic and Cambodia country offices together with the Regional Office for Asia and the Pacific, ensure that funds are released and instalments are paid on time to implementing partners in accordance with the agreements.	UN-Habitat notes with concern that it has not been able to effectively address the Board's recommendations owing to financial constraints and prioritization in meeting operational imperatives during the COVID-19 pandemic. The Executive Director has made this a priority for 2021. The recommendation is under implementation.	The Board takes note of the report of the Secretary-General (A/75/339/Add.1). Considering management's response, this recommendation is considered to be under implementation.		X		

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38	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 are met, along with timely scheduled payment of instalments, in order to improve the implementation of projects with implementing partners, as planned.	UN-Habitat notes with concern that it has not been able to effectively address the Board's recommendations owing to financial constraints and prioritization in meeting operational imperatives during the COVID-19 pandemic. The Executive Director has made this a priority for 2021. The recommendation is under implementation.	The Board takes note of the report of the Secretary-General (A/75/339/Add.1). Considering management's response, this recommendation is considered to be under implementation.		X		
39	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.	UN-Habitat notes with concern that it has not been able to effectively address the Board's recommendations owing to financial constraints and prioritization in meeting operational imperatives during the COVID-19 pandemic. The Executive Director has made this a priority for 2021. The recommendation is under implementation.	The Board takes note of the report of the Secretary-General (A/75/339/Add.1). Considering management's response, this recommendation is considered to be under implementation.		X		
40	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 the measures necessary to ensure that the maximum amounts for community agreements are reviewed and clearly established in a formal instrument.	UN-Habitat notes with concern that it has not been able to effectively address the Board's recommendations owing to financial constraints and prioritization in meeting operational imperatives during the COVID-19 pandemic. The Executive Director has made this a priority for 2021. The recommendation is under implementation.	The Board takes note of the report of the Secretary-General (A/75/339/Add.1). Considering management's response, this recommendation is considered to be under implementation.		X		

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41	2019	A/75/5/Add.9, chap. II, para. 78	The Board recommends that the Philippines country office, together with the Regional Office for Asia and the Pacific, ensure that the achievement of deliverables deadlines is met and the scheduled payment of instalments released in order to improve the implementation of projects developed through community agreements.	UN-Habitat notes with concern that it has not been able to effectively address the Board's recommendations owing to financial constraints and prioritization in meeting operational imperatives during the COVID-19 pandemic. The Executive Director has made this a priority for 2021. The recommendation is under implementation.	The Board takes note of the report of the Secretary-General (A/75/339/Add.1). Considering management's response, this recommendation is considered to be under implementation.		X		
42	2019	A/75/5/Add.9, chap. II, para. 88	The Board recommends that the Afghanistan country office and the Regional Office for Asia and the Pacific issue a formal document that provides guidelines for the personnel contracted by non-United Nations entities, in order to ensure a proper recruitment process performed by these entities.	UN-Habitat notes with concern that it has not been able to effectively address the Board's recommendations owing to financial constraints and prioritization in meeting operational imperatives during the COVID-19 pandemic. The Executive Director has made this a priority for 2021. The recommendation is under implementation.	The Board takes note of the report of the Secretary-General (A/75/339/Add.1). Considering management's response, this recommendation is considered to be under implementation.		X		
43	2019	A/75/5/Add.9, chap. II, para. 108	The Board recommends that the Afghanistan country office and the Regional Office for Asia and the Pacific monitor the non-United Nations entity, in order to ensure that it performs a proper recruitment process.	UN-Habitat notes with concern that it has not been able to effectively address the Board's recommendations owing to financial constraints and prioritization in meeting operational imperatives during the COVID-19 pandemic. The Executive Director has made this a priority for 2021. The recommendation is under implementation.	The Board takes note of the report of the Secretary-General (A/75/339/Add.1). Considering management's response, this recommendation is considered to be under implementation.		X		

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44	2019	A/75/5/Add.9, chap. II, para. 119	The Board recommends that the Philippines country office and the Regional Office for Asia and the Pacific, in cooperation with UNDP, assure the timely compliance with the services provided by the individual contractors regarding the agreed and scheduled deliverables established in the contracts.	UN-Habitat notes with concern that it has not been able to effectively address the Board's recommendations owing to financial constraints and prioritization in meeting operational imperatives during the COVID-19 pandemic. The Executive Director has made this a priority for 2021. The recommendation is under implementation.	The Board takes note of the report of the Secretary-General (A/75/339/Add.1). Considering management's response, this recommendation is considered to be under implementation.		X		
45	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 notes with concern that it has not been able to effectively address the Board's recommendations owing to financial constraints and prioritization in meeting operational imperatives during the COVID-19 pandemic. The Executive Director has made this a priority for 2021. The recommendation is under implementation.	The Board takes note of the report of the Secretary-General (A/75/339/Add.1). Considering management's response, this recommendation is considered to be under implementation.		X		
46	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 notes with concern that it has not been able to effectively address the Board's recommendations owing to financial constraints and prioritization in meeting operational imperatives during the COVID-19 pandemic. The Executive Director has made this a priority for 2021. The recommendation is under implementation.	The Board takes note of the report of the Secretary-General (A/75/339/Add.1). Considering management's response, this recommendation is considered to be under implementation.		X		
47	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	UN-Habitat notes with concern that it has not been able to effectively address the Board's recommendations owing to	The Board takes note of the report of the Secretary-General (A/75/339/Add.1).		X		

						Status after verification			
No.	*Audit report year*	*Report reference*	*Recommendation of the Board*	*Management response*	*Board's assessment*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
			proper calculation of the overtime.	financial constraints and prioritization in meeting operational imperatives during the COVID-19 pandemic. The Executive Director has made this a priority for 2021. The recommendation is under implementation.	Considering management's response, this recommendation is considered to be under implementation.				
48	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.	UN-Habitat notes with concern that it has not been able to effectively address the Board's recommendations owing to financial constraints and prioritization in meeting operational imperatives during the COVID-19 pandemic. The Executive Director has made this a priority for 2021. The recommendation is under implementation.	The Board takes note of the report of the Secretary-General (A/75/339/Add.1). Considering management's response, this recommendation is considered to be under implementation.		X		
49	2019	A/75/5/Add.9, chap. II, para. 164	The Board recommends that the Regional Office for Asia and the Pacific make efforts to conduct the annual leave requests and approvals in a timely manner through Umoja, so that annual leave is approved before being used.	UN-Habitat notes with concern that it has not been able to effectively address the Board's recommendations owing to financial constraints and prioritization in meeting operational imperatives during the COVID-19 pandemic. The Executive Director has made this a priority for 2021. The recommendation is under implementation.	The Board takes note of the report of the Secretary-General (A/75/339/Add.1). Considering management's response, this recommendation is considered to be under implementation.		X		
50	2019	A/75/5/Add.9, chap. II, para. 165	The Board recommends that the Regional Office for Asia and the Pacific, improve the monitoring process in Umoja, performing periodic and timely reviews of the annual leaves of staff members, in order to avoid having annual	UN-Habitat notes with concern that it has not been able to effectively address the Board's recommendations owing to financial constraints and prioritization in meeting operational imperatives during the COVID-19 pandemic. The Executive Director has made	The Board takes note of the report of the Secretary-General (A/75/339/Add.1). Considering management's response, this recommendation is		X		

No.	Audit report year	Report reference	Recommendation of the Board	Management response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
			leave being requested and approved after being used.	this a priority for 2021. The recommendation is under implementation.	considered to be under implementation.				
51	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 notes with concern that it has not been able to effectively address the Board's recommendations owing to financial constraints and prioritization in meeting operational imperatives during the COVID-19 pandemic. The Executive Director has made this a priority for 2021. The recommendation is under implementation.	The Board takes note of the report of the Secretary-General (A/75/339/Add.1). Considering management's response, this recommendation is considered to be under implementation.		X		
52	2019	A/75/5/Add.9, chap. II, para. 183	The Board recommends that UN-Habitat adjust the roles with conflict consistently with the Security Liaison Officer workbook and the Umoja roles guide, to comply with a correct segregation of duties.	UN-Habitat notes with concern that it has not been able to effectively address the Board's recommendations owing to financial constraints and prioritization in meeting operational imperatives during the COVID-19 pandemic. The Executive Director has made this a priority for 2021. The recommendation is under implementation.	The Board takes note of the report of the Secretary-General (A/75/339/Add.1). Considering management's response, this recommendation is considered to be under implementation.		X		
53	2019	A/75/5/Add.9, chap. II, para. 184	The Board recommends that UN-Habitat perform periodic reviews of Umoja roles established in the access control for the United Nations Secretariat systems ICT technical procedure, as applicable.	UN-Habitat notes with concern that it has not been able to effectively address the Board's recommendations owing to financial constraints and prioritization in meeting operational imperatives during the COVID-19 pandemic. The Executive Director has made this a priority for 2021. The recommendation is under implementation.	The Board takes note of the report of the Secretary-General (A/75/339/Add.1). Considering management's response, this recommendation is considered to be under implementation.		X		

No.	Audit report year	Report reference	Recommendation of the Board	Management response	Board's assessment	*Status after verification* Implemented	Under implementation	Not implemented	Overtaken by events
54	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 notes with concern that it has not been able to effectively address the Board's recommendations owing to financial constraints and prioritization in meeting operational imperatives during the COVID-19 pandemic. The Executive Director has made this a priority for 2021. The recommendation is under implementation.	The Board takes note of the report of the Secretary-General (A/75/339/Add.1). Considering management's response, this recommendation is considered to be under implementation.		X		
55	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 notes with concern that it has not been able to effectively address the Board's recommendations owing to financial constraints and prioritization in meeting operational imperatives during the COVID-19 pandemic. The Executive Director has made this a priority for 2021. The recommendation is under implementation.	The Board takes note of the report of the Secretary-General (A/75/339/Add.1). Considering management's response, this recommendation is considered to be under implementation.		X		
56	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 notes with concern that it has not been able to effectively address the Board's recommendations owing to financial constraints and prioritization in meeting operational imperatives during the COVID-19 pandemic. The Executive Director has made this a priority for 2021. The recommendation is under implementation.	The Board takes note of the report of the Secretary-General (A/75/339/Add.1). Considering management's response, this recommendation is considered to be under implementation.		X		
57	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	UN-Habitat notes with concern that it has not been able to effectively address the Board's recommendations owing to	The Board takes note of the report of the Secretary-General (A/75/339/Add.1).		X		

						Status after verification			
No.	*Audit report year*	*Report reference*	*Recommendation of the Board*	*Management response*	*Board's assessment*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
			use, pursuant to the delivery principle of the United Nations corporate guidance for IPSAS on the delivery principle and paragraph 71 of IPSAS 17.	financial constraints and prioritization in meeting operational imperatives during the COVID-19 pandemic. The Executive Director has made this a priority for 2021. The recommendation is under implementation.	Considering management's response, this recommendation is considered to be under implementation.				
58	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 notes with concern that it has not been able to effectively address the Board's recommendations owing to financial constraints and prioritization in meeting operational imperatives during the COVID-19 pandemic. The Executive Director has made this a priority for 2021. The recommendation is under implementation.	The Board takes note of the report of the Secretary-General (A/75/339/Add.1). Considering management's response, this recommendation is considered to be under implementation.		X		
59	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 notes with concern that it has not been able to effectively address the Board's recommendations owing to financial constraints and prioritization in meeting operational imperatives during the COVID-19 pandemic. The Executive Director has made this a priority for 2021. The recommendation is under implementation.	The Board takes note of the report of the Secretary-General (A/75/339/Add.1). Considering management's response, this recommendation is considered to be under implementation.		X		
60	2019	A/75/5/Add.9, chap. II, para. 237	The Board recommends that the Sri Lanka country office and the Regional Office for Asia and the Pacific assess and determine the disposal of the three vehicles that are not planned to be assigned to immediate projects. In this assessment, the vehicle that	UN-Habitat notes with concern that it has not been able to effectively address the Board's recommendations owing to financial constraints and prioritization in meeting operational imperatives during the COVID-19 pandemic. The Executive Director has made	The Board takes note of the report of the Secretary-General (A/75/339/Add.1). Considering management's response, this recommendation is		X		

No.	Audit report year	Report reference	Recommendation of the Board	Management response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
			has been fully depreciated should also be included.	this a priority for 2021. The recommendation is under implementation.	considered to be under implementation.				
61	2019	A/75/5/Add.9, chap. II, para. 238	The Board recommends that the Sri Lanka country office and the Regional Office for Asia and the Pacific improve the measures taken to ensure that the vehicles awaiting use are in good condition. This means proper maintenance, which should include routine general check-ups of the vehicles, and adequate storage.	UN-Habitat notes with concern that it has not been able to effectively address the Board's recommendations owing to financial constraints and prioritization in meeting operational imperatives during the COVID-19 pandemic. The Executive Director has made this a priority for 2021. The recommendation is under implementation.	The Board takes note of the report of the Secretary-General (A/75/339/Add.1). Considering management's response, this recommendation is considered to be under implementation.		X		
62	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 notes with concern that it has not been able to effectively address the Board's recommendations owing to financial constraints and prioritization in meeting operational imperatives during the COVID-19 pandemic. The Executive Director has made this a priority for 2021. The recommendation is under implementation.	The Board takes note of the report of the Secretary-General (A/75/339/Add.1). Considering management's response, this recommendation is considered to be under implementation.		X		
63	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).	UN-Habitat notes with concern that it has not been able to effectively address the Board's recommendations owing to financial constraints and prioritization in meeting operational imperatives during the COVID-19 pandemic. The Executive Director has made this a priority for 2021. The recommendation is under implementation.	The Board takes note of the report of the Secretary-General (A/75/339/Add.1). Considering management's response, this recommendation is considered to be under implementation.		X		

No.	Audit report year	Report reference	Recommendation of the Board	Management response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
64	2019	A/75/5/Add.9, chap. II, para. 267	The Board recommends that the Philippines country office and the Regional Office for Asia and the Pacific improve the monitoring process of the lease agreements, in partnership with UNDP, in order to enforce these agreements properly and in a timely manner, avoiding any inconsistencies with regard to the use of the facilities.	UN-Habitat notes with concern that it has not been able to effectively address the Board's recommendations owing to financial constraints and prioritization in meeting operational imperatives during the COVID-19 pandemic. The Executive Director has made this a priority for 2021. The recommendation is under implementation.	The Board takes note of the report of the Secretary-General (A/75/339/Add.1). Considering management's response, this recommendation is considered to be under implementation.		X		
65	2019	A/75/5/Add.9, chap. II, para. 281	The Board recommends that the Regional Office for Asia and the Pacific ensure the timely compliance with the requirements of official travel, in particular the timely approval in advance of the commencement of travel and submission of travel expense reports after the completion of said travel, including recording exceptions to those requirements.	UN-Habitat notes with concern that it has not been able to effectively address the Board's recommendations owing to financial constraints and prioritization in meeting operational imperatives during the COVID-19 pandemic. The Executive Director has made this a priority for 2021. The recommendation is under implementation.	The Board takes note of the report of the Secretary-General (A/75/339/Add.1). Considering management's response, this recommendation is considered to be under implementation.		X		
66	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.	UN-Habitat notes with concern that it has not been able to effectively address the Board's recommendations owing to financial constraints and prioritization in meeting operational imperatives during the COVID-19 pandemic. The Executive Director has made this a priority for 2021. The recommendation is under implementation.	The Board takes note of the report of the Secretary-General (A/75/339/Add.1). Considering management's response, this recommendation is considered to be under implementation.		X		
	Total number of recommendations			**66**		**3**	**63**	**0**	**0**
	Percentage of the total number of recommendations			**100**		**4.5**	**95.5**	**0**	**0**

Chapter III
Certification of the financial statements

Letter dated 31 March 2021 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 2020 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 2020 are correct.

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

Chapter IV
Financial overview for the year ended 31 December 2020

A. Introduction

1. The Executive Director has the honour to submit herewith the financial report and the financial statements of the United Nations Human Settlements Programme (UN-Habitat) for the year ended 31 December 2020. 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 2021.

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

3. Regular budget funding, insofar as it relates to UN-Habitat as a related party, is included in Volume I (A/73/5 (Vol. I)), but for completeness has also been included in these financial statements.

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

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

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

(a) *Statement I: statement of financial position*. This statement shows the financial status of UN-Habitat as at 31 December 2020 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 the United Nations Human Settlements Programme and the General Assembly;

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

6. 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.

C. Overview of the financial statements for the year ended 31 December 2020

7. Statements I to IV show the consolidated figures for all activities of UN-Habitat, comprising the non-earmarked funds, the earmarked funds and end-of-service and retirement benefits for the year ended 31 December 2020.

8. The non-earmarked funds of UN-Habitat comprise the Foundation non-earmarked fund (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.

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

10. Comparison between the year ended 31 December 2019 and the current reporting date is provided.

Financial performance

General overview

11. Table IV.1 shows a snapshot of the performance of UN-Habitat in all the segments in 2020. A total surplus of $43.2 million was realized in 2020 as a result of total net revenue of $194.1 million received, against which total net expenditure of $150.9 million was reported.

Table IV.1
Summary financial performance for the period ended 31 December 2020 by segment
(Millions of United States dollars)

	Revenue	*Expenses*	*Surplus/(Deficit)*
Foundation non-earmarked	4.9	6.4	(1.5)
Regular budget	15.6	15.6	–
Programme support	12.7	13.0	(0.3)
Subtotal, core funds	**33.2**	**35.0**	**(1.8)**
Foundation earmarked	56.8	36.3	20.5
Technical cooperation	116.0	91.7	24.3
Subtotal, earmarked funds	**172.8**	**128.0**	**44.8**
End-of-service and post-retirement benefits	2.2	2.0	0.2
Subtotal, other	**2.2**	**2.0**	**0.2**
Total, all funds before elimination	**208.2**	**165**	**43.2**
Intersegment elimination	(14.1)	(14.1)	–
Total, all funds after elimination	**194.1**	**150.9**	**43.2**

Revenue

Table IV.2
Summary of revenue in 2020 by segment compared with 2019
(Millions of United States dollars)

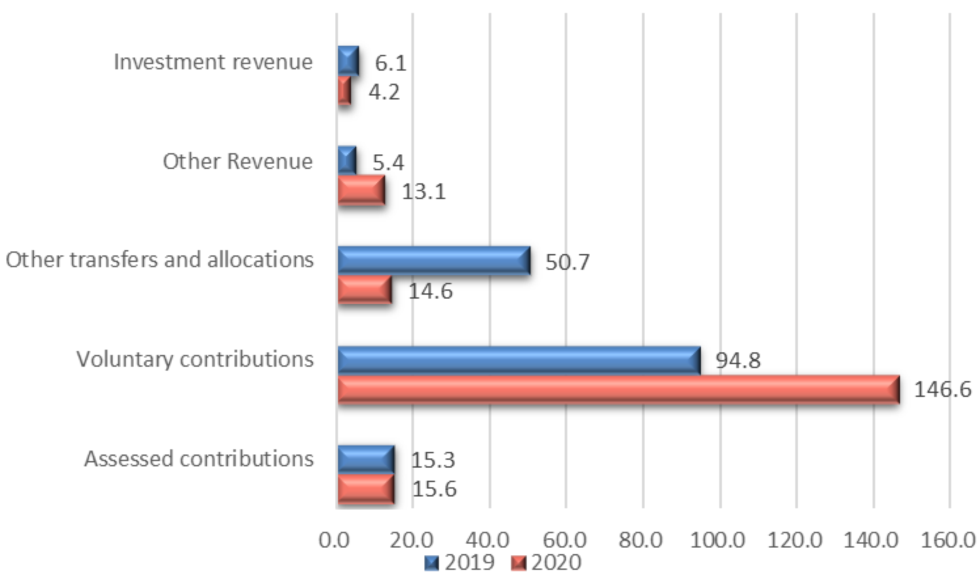
Year	*Foundation non-earmarked*	*Regular budget*	*Foundation earmarked*	*Technical cooperation*	*Programme support*	*End-of-service and post-retirement benefits*	*Intersegment elimination*	*Total revenue after elimination*
2020	4.9	15.6	56.8	116.0	12.7	2.2	(14.1)	194.1
2019	5.2	15.3	29.2	121.8	10.4	2.3	(11.9)	172.3

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

13. UN-Habitat saw an increase in revenue in 2020 when consolidated across all funds. Total revenue for 2020 after intersegment eliminations amounted to $194.1 million (2019: $172.3 million), which is an increase of $21.8 million (12.65 per cent) compared with the revenue in 2019. The main source of revenue continues to be voluntary contributions from Member States, other government entities and other

entities, which amounted to $146.6 million (2019: $94.8 million) and accounted for 75.5 per cent (2019: 55.1 per cent) of total revenue. The remaining 24.5 per cent (2019: 44.9 per cent) of the revenue was generated by the assessed contributions in the amount of $15.6 million (2019: $15.3 million), other transfers and allocations in the amount of $14.5 million (2019: $50.7 million), investment revenue in the amount of $4.2 million (2019: $6.1 million) and other revenue in the amount of $13.1 million (2019: $5.4 million). Other transfers and allocations represent fund transfers within United Nations agencies for the joint implementation of programmes.

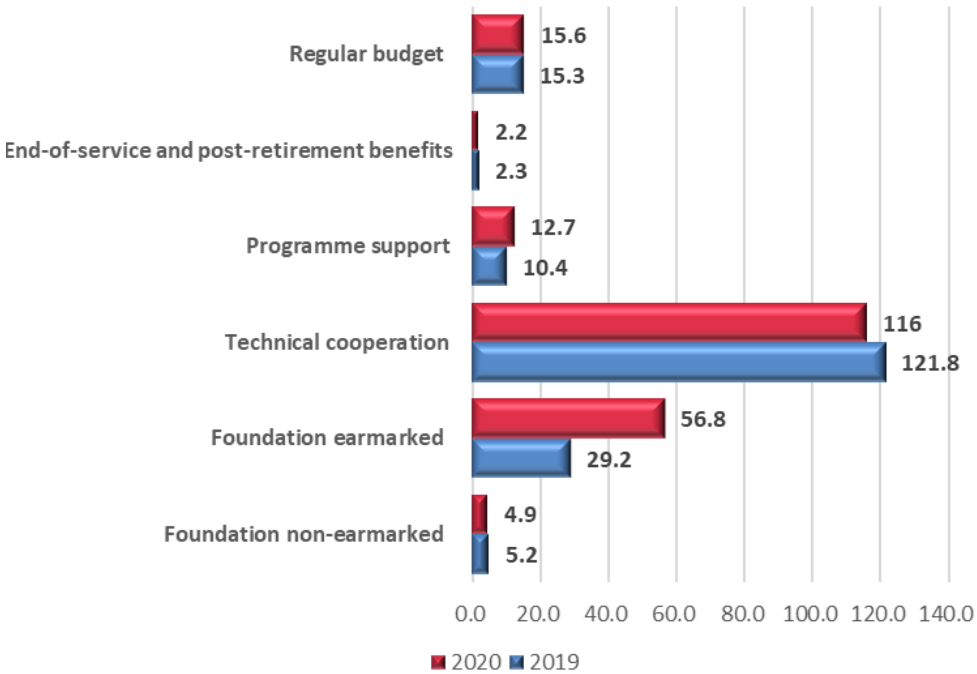
Figure IV.I
Comparative revenue distribution by revenue category



14. Revenue for Foundation non-earmarked amounted to $4.9 million (2019: $5.2 million), which was a decrease of $ 0.3 million (5.7 per cent) in 2020 compared with 2019. This figure comprises voluntary contributions in the amount of $4.9 million (2019: $5.1 million) and other revenue in the amount of $0.0 million (2019: 0.1 million). Regular budget revenue amounted to $15.6 million (2019: $15.3 million). This was an increase of $0.3 million (0.7 per cent) compared with 2019. Total revenue from Foundation earmarked funds amounted to $56.8 million (2019: $29.2 million), which was an increase of $27.6 million (94.5 per cent) compared with 2019. Revenue from technical cooperation earmarked funds amounted to $116.0 million (2019: $121.8 million), which was a decrease of $5.8 million (4.8 per cent) compared with 2019. Other revenue sources contributed a total of $14.9 million (2019: $12.7 million).

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

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



Expenditure

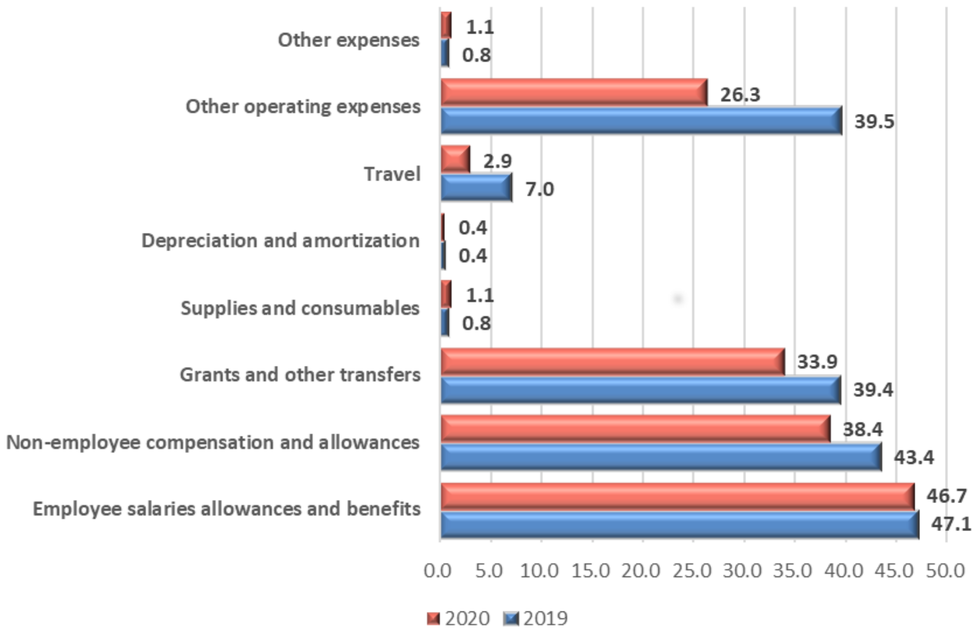
Table IV.3
Summary of expenditure by segment
(Millions of United States dollars)

Year	*Foundation non-earmarked*	*Regular budget*	*Foundation earmarked*	*Technical cooperation*	*Programme support*	*End-of-service and post-retirement benefits*	*Intersegment elimination*	*Total expenditure after elimination*
2020	6.4	15.6	36.3	91.7	13.0	2.0	(14.1)	150.9
2019	5.5	15.3	39.0	115.3	12.7	2.5	(11.9)	178.4

16. Total expenses decreased by $27.5 million to a total of $150.9 million (2019: $178.4 million) in 2019. The major categories of expenses included employee benefit expenses of $46.7 million (2019: $47.1 million), non-employee compensation costs of $38.4 million (2019: $43.4 million), grants and transfers amounting to $33.9 million (2019: $39.4 million) and other operating expenses of $26.3 million (2019: $39.5 million). These expenses are largely related to project delivery.

17. Remaining expenses totalling $5.6 million (2019: $9.1 million) related to supplies and consumables in the amount of $1.1 million (2019: $0.8 million), depreciation and amortization in the amount of $0.4 million (2019: $0.4 million), travel expenses in the amount of $2.9 million (2019: $7.0 million), and other expenses in the amount of 1.1 million (2019: $0.8 million).

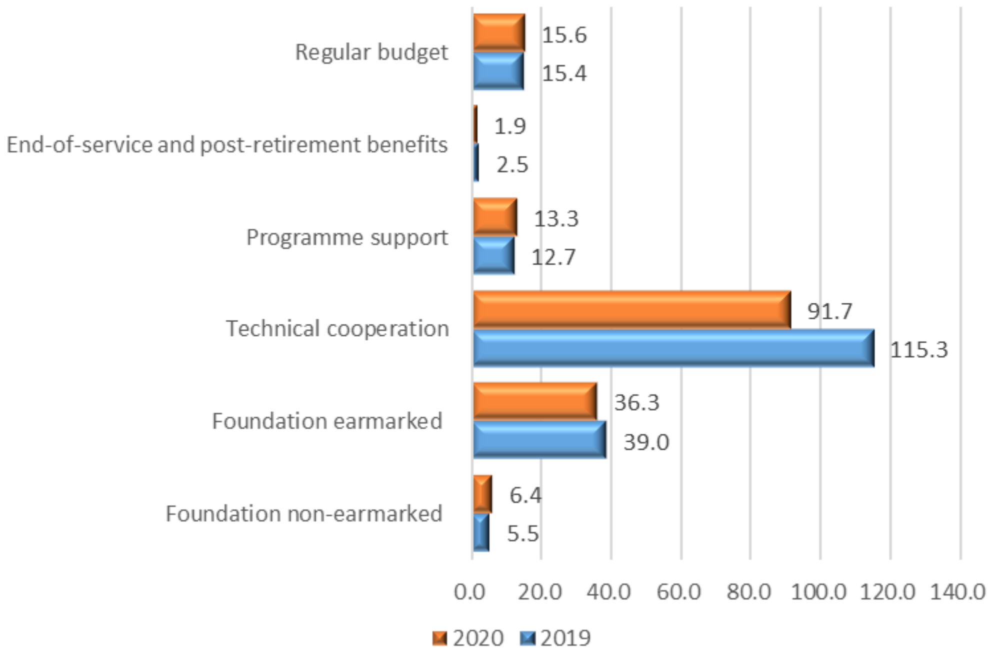
Figure IV.III
Expenditure distribution by category



18. Further analysis of the non-earmarked expenditures shows that a total of $6.4 million (2019: $5.5 million) related to Foundation non-earmarked funding, while $15.6 million (2019: $15.3 million) related to the regular budget and $13.0 million (2019: $12.7 million) related to programme support. For the earmarked funds, $36.3 million (2019: $39.0 million) related to Foundation earmarked funding, while technical cooperation expenditure amounted to $91.7 million (2019: $115.3 million). Other expenses relating to end-of-service and post-retirement benefits amounted to $1.9 million (2019: $2.5 million).

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

Figure IV.IV
Expenditure distribution between segments before elimination



Financial position

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

	Foundation non-earmarked	*Foundation earmarked*	*Technical cooperation*	*Programme support*	*End-of-Service and Post-Retirement benefits*	*Total*
Total assets	2.6	151.2	385.6	14.3	13.9	567.6
Percentage of total assets	0.46	26.64	67.94	2.52	2.45	100
Total liabilities	3.1	38.9	122.6	2.0	44.2	210.8
Percentage of total liabilities	1.47	18.45	58.15	0.95	20.98	100
Total net assets	(0.5)	112.3	263.0	12.3	(30.3)	356.8
Percentage total net assets	(0.14)	31.48	73.72	3.44	(8.49)	100

Assets

20. At the end of 2020, UN-Habitat total assets after intersegment elimination of ($5.1) million amounted to $562.5 million (2019: $471.2 million). Current assets represented $423.6 million (2019: $363.6 million), while non-current assets amounted to $138.9 million (2019: $107.6 million).

21. Voluntary contributions receivable amounted to $234.4 million (2019: $181.8 million), while cash and investments amounted to $276.6 million (2019: $237.3 million). The majority of the cash and investment assets were related to funds received for earmarked and multi-year projects.

22. Property of the organization at year-end had a net book value of $19.7 million (2019: $18.1 million).

23. Cash advances to implementing partners that had not been expensed at year-end totalled $22.5 million (2019: $19.4 million).

Liabilities and net assets

24. Total current and non-current liabilities after intersegment elimination stood at $205.7 million (2019: $152.2 million) at year-end, resulting in net assets of $356.8 million (2019: $319.0 million).

25. Table IV.5 summarizes other key indicators for UN-Habitat for the year ended 31 December 2020 compared with the year ended 31 December 2019. Table IV.6 presents the financial position of the UN-Habitat Foundation Non-Earmarked Fund.

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

	2020	*2019*	*Increase/(decrease)*	*Percentage change*
Cash and cash equivalents	30.4	63.6	(33.2)	(52.2)
Short-term investments	185.2	132.5	52.7	39.8
Long-term investments	61.0	41.3	19.7	47.7
Total cash and investments	**276.6**	**237.4**	**39.2**	**16.5**
Voluntary contributions receivable	234.4	181.8	52.6	28.9
Other receivables	–	0.2	(0.2)	(100.0)
Total receivables	**234.4**	**182.0**	**52.4**	**28.8**
Advance transfers	22.5	19.4	3.1	16.0
Other assets	9.3	14.3	(5.0)	(35.0)
Accounts payable and accrued liabilities	12.5	16.9	(4.4)	(26.0)
Employee benefits liabilities[a]	45.3	37.8	7.5	19.8
Liabilities for Conditional arrangements	147.9	97.3	50.6	52.0

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

Table IV.6
Financial position of the UN-Habitat Foundation non-earmarked fund
(Thousands of United States dollars)

	2020	*2019*
Total revenue	4 915	5 239
Total expenses	6 395	5 518
(Deficit) for the period	(1 480)	(279)
Accumulated (deficit)	(2 479)	(302)
Total net assets	**(479)**	**1 001**

26. For the year ended 31 December 2020, the UN-Habitat Foundation incurred a deficit of income over expenditure, resulting in an operating loss of $1.5 million. In addition, as at 31 December 2020, the Foundation had a negative net assets position of $0.5 million, reflecting, inter alia, an outstanding loan payable of $3.0 million. In addition, UN-Habitat received an approval by the Board to establish a liquidity reserve of $2.0 million, to compensate for late receipt of contribution to the Foundation, which remains unfunded.

27. The above circumstances indicate that the Foundation non-earmarked fund has not been able to generate enough donor contributions and cash flows to meet its obligations. For 2020, the Executive Board of UN-Habitat approved a budget of $18.9 million for the Foundation; however, that approved budget was not supported by contributions from the Member States for the implementation of the approved programme of work. For 2020, contributions to the Foundation were only $4.4 million, or 23 per cent of the approved budget.

28. To address the financial situation, UN-Habitat management has undertaken 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 for the UN-Habitat core activities and approved programme of work budget; and (b) implementing a UN-Habitat financial austerity plan that aligns expenditures with revenue, including exercising tight control over personnel costs.

29. It is critical that Member States respond to the above initiatives and provide funding in accordance with the approved budget of the Executive Board annually; this would improve the financial position of the Foundation and allow the Foundation to continue to support the critical normative work of UN-Habitat.

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

30. 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.

31. Accrued balances as at 31 December 2020 have been adjusted to reflect the estimated liabilities as at 31 December 2020, as reflected in the 2020 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 2020, an amount of $30.3 million of cumulative unfunded expenditure is included in the cumulative surplus/(deficit) amount (see note 4, end-of-service and post-retirement benefits segment).

E. Impact of the coronavirus disease (COVID-19) pandemic

32. In 2020, UN-Habitat spent $3 million and committed a further $3 million for responses to the coronavirus disease (COVID-19) pandemic, including $1.4 million that UN-Habitat reprogrammed from unearmarked funds and additional funds from donors for COVID-19 relief activities.

33. Travel expenses decreased by 58 per cent, from $7 million in 2019 to $3 million in 2020, primarily as a result of travel bans and restrictions, the cancellation or postponement of duty travel and the impact of the pandemic on assignment- and repatriation-related travel patterns (see note 22, Expenses).

34. Projects that are under implementation or construction were affected both financially and in terms of the expected completion date by restrictions relating to physical access, especially where the respective country had implemented a shutdown of all activities. The impact of the pandemic on those activities cannot be quantified in the scope of financial costs as the projects are generally multi-year and the overall impact is too early to be assessed.

35. Limitations on physical movements that applied in many of the locations where UN-Habitat operated resulted in a majority of staff and personnel working remotely, in particular administrative staff, whose tasks did not require them to have direct physical contact with beneficiaries, other colleagues or other counterparts.

Chapter V

Financial statements and related explanatory notes for the year ended 31 December 2020

United Nations Human Settlements Programme

I. Statement of financial position as at 31 December 2020

(Thousands of United States dollars)

	Note	*31 December 2020*	*31 December 2019*[a]
Assets			
Current assets			
Cash and cash equivalents	6	30 446	63 579
Investments	7	185 186	132 477
Voluntary contributions receivable	8	176 171	133 623
Other receivables	9	86	218
Advance transfers	10	22 481	19 362
Other assets	11	9 260	14 341
Total current assets		**423 630**	**363 600**
Non-current assets			
Investments	7	60 957	41 265
Voluntary contributions receivable	8	58 196	48 197
Other receivables	9	–	–
Property, plant and equipment	13	19 732	18 096
Intangible assets	14	1	7
Total non-current assets		**138 886**	**107 565**
Total assets		**562 516**	**471 165**
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	15	12 468	16 938
Employee benefits liabilities	16	2 388	2 165
Liabilities for conditional arrangements	18	147 895	97 395
Total current liabilities		**162 751**	**116 498**
Non-current liabilities			
Employee benefits liabilities	16	42 958	35 681
Total non-current liabilities		**42 958**	**35 681**
Total liabilities		**205 709**	**152 179**
Net of total assets and total liabilities		**356 807**	**318 986**
Net assets			
Accumulated surplus (deficit)	19	336 492	299 368
Reserves	19	20 315	19 618
Total net assets		**356 807**	**318 986**

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

The accompanying notes to the financial statements are an integral part of these financial statements.

United Nations Human Settlements Programme

II. Statement of financial performance for the year ended 31 December 2020

(Thousands of United States dollars)

	Note	*2020*	*2019*
Revenue			
Assessed contributions	20	15 540	15 295
Voluntary contributions	20	146 653	94 894
Other transfers and allocations	20	14 588	50 738
Investment revenue	23	4 255	6 010
Other revenue	21	13 071	5 395
Total revenue		**194 107**	**172 332**
Expenses			
Employee salaries, allowances and benefits	22	46 714	47 132
Non-employee compensation and allowances	22	38 403	43 383
Grants and other transfers	22	33 904	39 389
Supplies and consumables	22	1 115	858
Depreciation	13	397	406
Amortization	14	5	5
Travel	22	2,909	6 966
Other operating expenses	22	26 282	39 410
Other expenses	22	1 129	863
Total expenses		**150 858**	**178 412**
Surplus/(deficit) for the period		**43 249**	**(6 080)**

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 2020[a]

(Thousands of United States dollars)

	Accumulated surpluses/(deficits) – unrestricted	*Reserves*	*Total*
Net assets, 1 January 2020	**299 368**	**19 618**	**318 986**
Change in net assets			
Transfers to/from unrestricted/restricted/reserves	(697)	697	–
Actuarial gains/(losses)	(5 428)	–	(5 428)
Surplus/(deficit) for the year	43 249	–	43 249
Other movements	–	–	–
Net assets, 31 December 2020	**336 492**	**20 315**	**356 807**

[a] See also note 19.

The accompanying notes to the financial statements are an integral part of these financial statements.

United Nations Human Settlements Programme

IV. Statement of cash flows for the year ended 31 December 2020

(Thousands of United States dollars)

	Note	*31 December 2020*	*31 December 2019*
Cash flow from operating activities			
Surplus/(deficit) for the year		**43 249**	**(6 080)**
Non-cash movements			
Depreciation and amortization	13, 14	402	411
Loss on disposal of property, plant and equipment		46	212
Actuarial (gain)/loss on employee benefits liabilities	16	(5 428)	9 509
Transfers and donated property, plant and equipment and intangibles		–	–
Changes in assets			
(Increase)/decrease in voluntary contributions receivable	8	(52 547)	2 594
(Increase)/decrease in other receivables	9	132	50
(Increase)/decrease in advance transfers	10	(3 119)	5 832
(Increase)/decrease in other assets	11	5 080	(2 438)
Changes in liabilities			
Increase/(decrease) in accounts payable and accrued liabilities	15	(4 470)	3 725
Increase/(decrease) in employee benefits liabilities	16	7 500	(7 401)
Increase/(decrease) in liabilities for conditional arrangements		–	–
Increase/(decrease) in other liabilities	18	50 500	10 603
Investment revenue presented as investing activities	23	(4 254)	(6 010)
Net cash flows from/(used in) operating activities		**37 092**	**11 007**
Cash flow from investing activities			
Pro rata share of net increases in the cash pool	7	(72 401)	25 106
Investment revenue presented as investing activities	23	4 254	6 010
Acquisition of property, plant and equipment	13, 14	(2 078)	(464)
Proceeds from disposal of intangibles		–	–
Net cash flows from/(used in) investing activities		**(70 225)**	**30 652**
Cash flow from financing activities			
Adjustments to net assets		–	307
Net cash flows from/(used in) financing activities		**–**	**307**
Net increase/(decrease) in cash and cash equivalents		(33 133)	41 966
Cash and cash equivalents – beginning of year		63 579	21 613
Cash and cash equivalents – end of year	**6**	**30 446**	**63 579**

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 2020

(Thousands of United States dollars)

	Publicly available budget				
Budget part	*Original biennial*	*Original annual*	*Final annual*	*Actual expenditure (budget basis)*	*Difference (percentage)*[b]
Foundation non-earmarked					
Reduced spatial inequality and poverty in communities across the urban-rural continuum	–	2 949.4	2 949.4	843.9	(71.4%)
Enhanced shared prosperity of cities and regions	–	2 277.0	2 277.0	1 006.5	(55.8%)
Strengthened climate action and improved urban environment	–	3 497.2	3 497.2	524.8	(85.0%)
Effective urban crisis prevention and response	–	3 062.1	3 062.1	1 691.7	(44.8%)
Subtotal	–	**11 785.7**	**11 785.7**	**4 066.9**	**(65.5%)**
Policymaking organs	–	439.1	439.1	699.4	59.3%
Executive direction and management	–	2 856.0	2 856.0	641.1	(77.6%)
Programme support	–	3 846.6	3 846.6	1 392.7	(63.8%)
Subtotal	–	**7 141.7**	**7 141.7**	**2 733.2**	**(61.7%)**
Total, Foundation non-earmarked	–	**18 927.4**	**18 927.4**	**6 800.1**	**(64.1%)**
Regular budget	–				
Section 15, Human settlements	–	12 508.4	12 508.4	12 462.8	(0.4%)
Section 23, Regional programme of technical cooperation	–	1 116.7	1 116.7	1 372.7	22.9%
Section 35, Development account[a]	–	550.0	1 100.8	1 232.6	12.0%
Total regular budget	–	**14 175.1**	**14 725.9**	**15 068.1**	**34.5%**
Grand total	–	**33 102.5**	**33 653.3**	**21 868.2**	**(35.0%)**

[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 2020 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 strategic plan for the period 2014–2019, which ended in the previous fiscal year.

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 Assembly replaced the Governing Council. It is a universal body responsible for providing political leadership, strategic direction and oversight of UN-Habitat's normative and policy work, including approval of its strategic plan, submitted by the Executive Board. The Assembly meets every four years. The Committee convenes in an open-ended manner, twice every four years. The Executive Board comprises 36 members elected by the Assembly and meets two to three times annually. It is responsible for the direct oversight of UN-Habitat 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 Plan underpins all UN-Habitat programmes of work from 2020 to 2023;

(c) A new organizational structure that 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 the following 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 by 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, through the promotion of social integration and inclusive communities and improved living standards and the inclusion of migrants, refugees, internally displaced persons and returnees, and by enhancing resilience of the built environment and infrastructure.

Note 2
Basis of preparation and authorization for issue

10. In accordance with the Financial Regulations and Rules of the United Nations, the financial statements are prepared on an accrual basis in accordance with the International Public Sector Accounting Standards (IPSAS). They have been prepared on a going-concern basis and the accounting policies have been applied consistently in their preparation and presentation. In accordance with the requirements of IPSAS, these financial statements, which present fairly the assets, liabilities, revenue and expenses of the United Nations Human Settlements Programme, and the cash flows over the financial year, consist of the following:

(a) Statement I: statement of financial position;

(b) Statement II: statement of financial performance;

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

(d) Statement IV: statement of cash flows;

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

(f) Notes to the financial statements, comprising a summary of significant accounting policies and other explanatory notes;

(g) Comparative information in respect of all amounts presented in the financial statements indicated in (a) to (e) above and, where relevant, comparative information for narrative and descriptive information presented in the notes to these financial statements.

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

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

Going concern

13. The going-concern assertion is based on the approval by the General Assembly of the regular budget appropriations for the year 2021 and the overall positive trend of collection over the past years of assessed and voluntary contributions; it is also supported by the fact that neither the General Assembly nor the UN-Habitat Assembly has taken any decision to cease the operations of UN-Habitat.

14. As regards the negative net asset position of the Foundation non-earmarked fund, UN-Habitat management is acutely aware that actions need to be taken to preserve the integrity of the fund. In that connection, it has taken steps to more closely align expenditure with income received and has increased its outreach efforts to Member States regarding contributions to the fund.

Authorization for issue

15. These financial statements are certified by the Chief Financial Officer of the United Nations Office at Nairobi and approved by the Executive Director of the United Nations Human Settlements Programme. In accordance with the Financial Regulations and Rules of the United Nations, these financial statements as at 31 December 2020 are to be transmitted to the Board of Auditors by 31 March 2021. 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

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

Functional and presentation currency

17. 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.

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

19. 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

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

21. 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.

22. 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.

23. 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

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

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

(b) Non-exchange expenses: the aim of the project is to develop a standard or standards that provide recognition and measurement requirements applicable to providers of non-exchange transactions, except for social benefits;

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

(d) Leases: the objective of the project is to develop revised requirements for lease accounting, covering both lessees and lessors, in order to maintain alignment with the underlying International Financial Reporting Standards. The project will result in a new IPSAS that will replace IPSAS 13: Leases. The development of a new IPSAS is continuing with the date of its issuance yet to be determined by the IPSAS Board;

(e) Public sector measurement: the objectives of this project include to: (i) issue amended IPSAS with revised requirements for measurements at initial recognition, subsequent measurement and measurement-related disclosure; (ii) provide more detailed guidance on the implementation of replacement cost and cost of fulfilment and the circumstances under which these measurement bases will be used; and (iii) address transaction costs, including the specific issue of the capitalizing or expensing of borrowing costs;

(f) Infrastructure assets: the objective of the project is to research and identify issues that preparers face when applying IPSAS 17: Property, plant and equipment to infrastructure assets, and to use this research to provide additional guidance on accounting for infrastructure assets.

Recent and future requirements of the International Public Sector Accounting Standards

25. The IPSAS Board issued the following standards: IPSAS 41, Financial instruments, issued in August 2018 and effective 1 January 2023; and IPSAS 42, Social benefits, issued in January 2019 and effective 1 January 2023. 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.

Standard	*Anticipated impact in the year of adoption*
	The effective date of IPSAS 41, Financial instruments, was deferred to 1 January 2023 owing to the COVID-19 pandemic and the challenges it created. Its impact on the financial statements will be assessed prior to that date, and the Organization will be ready for its implementation by the time it becomes effective.
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. The effective date of IPSAS 42, Social benefits, was deferred to 1 January 2023 owing to the COVID-19 pandemic and the challenges it created. Currently, there are no such social benefits applicable to the Organization.

Note 3
Significant accounting policies

Financial assets: classification

26. 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

27. 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.

28. 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.

29. 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.

30. 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.

31. 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.

32. 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.

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

Financial assets: investment in cash pools

34. 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.

35. 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

36. 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

37. 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.

38. 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.

39. 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

40. 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

41. 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

42. 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

43. 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

44. 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

45. 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

46. 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.

47. 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.

48. 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.

49. 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

50. 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

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

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

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

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

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

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

Estimated useful lives of property, plant and equipment classes

Class	*Subclass*	*Estimated useful life*
Communications and information technology equipment	Information technology equipment	4 years
	Communications and audiovisual equipment	7 years
Vehicles	Light-wheeled vehicles	6 years
	Heavy-wheeled and engineering support vehicles	12 years
	Specialized vehicles, trailers and attachments	6–12 years
	Marine vessels	10 years
Machinery and equipment	Light engineering and construction equipment	5 years
	Medical equipment	5 years
	Security and safety equipment	5 years
	Mine detection and clearing equipment	5 years
	Accommodation and refrigeration equipment	6 years

Class	*Subclass*	*Estimated useful life*
	Water treatment and fuel distribution equipment	7 years
	Transportation equipment	7 years
	Heavy engineering and construction equipment	12 years
	Printing and publishing equipment	20 years
Furniture and fixtures	Library reference material	3 years
	Office equipment	4 years
	Fixtures and fittings	7 years
	Furniture	10 years
Buildings	Temporary and mobile buildings	7 years
	Fixed buildings, depending on type	25, 40 or 50 years
	Major exterior, roofing, interior and services/utilities components, where component approach is utilized	20–50 years
	Finance lease or donated right-to-use buildings	Shorter of term of arrangement or life of building
Infrastructure assets	Telecommunications, energy, protection, transport, waste and water management, recreation, landscaping	Up to 50 years
Leasehold improvements	Fixtures, fittings and minor construction work	Shorter of lease term or 5 years

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

54. 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.

55. 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.

56. 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.

57. 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

58. 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.

59. 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.

60. 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.

61. 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

62. 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

63. 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

64. 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

65. 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

66. 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

67. 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.

68. 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

69. 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

70. 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.

71. 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.

72. 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.

73. 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.

74. 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

75. 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

76. 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

77. 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

78. 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.

79. 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.

80. 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.

81 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.

82. 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

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

84. 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 UN-Habitat's proportionate share of the defined benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence, UN-Habitat has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 39, 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

85. 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

86. 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.

87. 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

88. 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

89. 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.

90. 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.

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

Contingent assets

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

Commitments

93. 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

94. 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

95. 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.

96. 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.

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

98. 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.

99. 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.

100. 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

101. 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

102. 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.

103. 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

104. 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.

105. 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.

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

107. 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.

108. 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.

109. 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

110. 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

111. 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.

112. 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.

113. 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 2020, by segment

(Thousands of United States dollars)

	Foundation non-earmarked	*Foundation earmarked*	*Technical cooperation*	*Programme support*[a]	*End-of-service and post-retirement benefits*	*Intersegment eliminations*	*31 December 2020*	*31 December 2019*[a]
Assets								
Current assets								
Cash and cash equivalents	179	7 632	19 885	1 227	1 523	–	30 446	63 579
Investments	1 094	46 283	121 534	6 935	9 340	–	185 186	132 477
Voluntary contributions receivable	566	49 524	126 081	–	–	–	176 171	133 623
Other receivables	1	268	1 824	3 093	–	(5 100)	86	218
Advance transfers	75	7 365	15 042	(1)	–	–	22 481	19 362
Other assets	353	1 348	6 856	703	–	–	9 260	14 341
Total non-current assets	**2 268**	**112 420**	**291 222**	**11 957**	**10 863**	**(5 100)**	**423 630**	**363 600**
Non-current assets								
Investments	360	15 235	40 005	2 283	3 074	–	60 957	41 265
Voluntary contributions receivable	–	23 455	34 741	–	–	–	58 196	48 197
Property, plant and equipment	37	90	19 584	21	–	–	19 732	18 096
Intangible assets	–	–	1	–	–	–	1	7
Total non-current assets	**397**	**38 780**	**94 331**	**2 304**	**3 074**	**–**	**138 886**	**107 565**
Total assets	**2 665**	**151 200**	**385 553**	**14 261**	**13 937**	**(5 100)**	**562 516**	**471 165**
Liabilities								
Current liabilities								
Accounts payable and accrued liabilities	5	2 802	7 830	1 831	–	–	12 468	16 938
Employee benefits liabilities	139	371	507	100	1 271	–	2 388	2 165
Liabilities for conditional arrangements	–	35 266	112 629	–	–	–	147 895	97 395
Other liabilities	3 000	456	1 644	–	–	(5 100)	–	–
Total current liabilities	**3 144**	**38 895**	**122 610**	**1 931**	**1 271**	**(5 100)**	**162 751**	**116 498**

	Foundation non-earmarked	*Foundation earmarked*	*Technical cooperation*	*Programme support*[a]	*End-of-service and post-retirement benefits*	*Intersegment eliminations*	*31 December 2020*	*31 December 2019*[a]
Non-current liabilities								
Employee benefits liabilities	–	–	–	–	42 958	–	42 958	35 681
Total non-current liabilities	**–**	**–**	**–**	**–**	**42 958**	**–**	**42 958**	**35 681**
Total liabilities	**3 144**	**38 895**	**122 610**	**1 931**	**44 229**	**(5 100)**	**205 709**	**152 179**
Net of total assets and liabilities	**(479)**	**112 305**	**262 943**	**12 330**	**(30 292)**	**–**	**356 807**	**318 986**
Net assets								
Accumulated surplus/(deficit)	(2 479)	108 282	251 583	9 398	(30 292)	–	336 492	299 368
Reserves	2 000	4 023	11 360	2 932	–	–	20 315	19 618
Total net assets	**(479)**	**112 305**	**262 943**	**12 330**	**(30 292)**	**–**	**356 807**	**318 986**

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

All funds – statement of financial performance for the period ended 31 December 2020, 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 2020*	*Total as at 31 December 2019*[a]
Revenue									
Assessed contributions	–	15 540	–	–	–	–	–	15 540	15 295
Voluntary contributions	4 861	–	48 269	93 113	410	–	–	146 653	94 894
Other transfers and allocations	–	–	3 045	11 591	–	–	(48)	14 588	50 738
Investment revenue	35	–	5 414	6 386	297	216	(8 093)	4 255	6 010
Other revenue	20	–	86	4 870	12 002	2 023	(5 930)	13 071	5 395
Total revenue	**4 916**	**15 540**	**56 814**	**115 960**	**12 709**	**2 239**	**(14 071)**	**194 107**	**172 332**
Expenses									
Employee salaries, allowances and benefits	5 934	13 953	10 419	11 029	5 417	1 985	(2 023)	46 714	47 132
Non-employee compensation and allowances	59	834	11 430	25 150	930	–	–	38 403	43 383
Grants and other transfers	50	85	5 138	28 561	70	–	–	33 904	39 389
Supplies and consumables	–	2	103	980	30	–	–	1 115	858
Depreciation	9	2	33	346	7	–	–	397	406
Amortization	–	–	–	5	–	–	–	5	5
Travel	1	54	1 663	1 185	54	–	(48)	2 909	6 966
Other operating expenses	343	610	7 311	23 558	6 458	2	(12 000)	26 282	39 410
Other expenses	–	–	206	923	–	–	–	1 129	863
Total expenses	**6 396**	**15 540**	**36 303**	**91 737**	**12 966**	**1 987**	**(14 071)**	**150 858**	**178 412**
Surplus/(deficit) for the period	**(1 480)**	**–**	**20 511**	**24 223**	**(257)**	**252**	**–**	**43 249**	**(6 080)**

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

Note 5
Comparison to budget

114. 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.

115. 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 Executive Board resolutions.

116. The original budget amounts are the 2020 appropriations approved by the Executive Board for the year 2020.

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

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

119. 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 71.4 per cent less than final budget
Enhanced shared prosperity of cities and regions	Expenditure 55.8 per cent less than final budget
Strengthened climate action and improved urban environment	Expenditure 85.0 per cent less than final budget
Effective urban crisis prevention and response	Expenditure 44.8 per cent less than final budget
Policymaking organs	Expenditure 59.3 per cent more than final budget
Executive direction and management	Expenditure 77.6 per cent less than final budget
Programme support	Expenditure 63.8 per cent less than final budget

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

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

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

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

(Thousands of United States dollars)

Reconciliation	*Operating*	*Investing*	*Financing*	*Total 2020*
Actual amounts on comparable basis (statement V)	(21 868)	–	–	(21 868)
Basis differences[a]	(6 225)	(2 078)	–	(8 303)
Entity differences[b]	(128 922)	–	–	(128 922)
Presentation differences[c]	194 108	(68 147)	–	(125 961)
Actual amount in statement of cash flows (statement IV)	**37 092**	**(70 225)**	**–**	**(33 133)**

[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 2020	*31 December 2019*
Main pool	30 329	63 504
Other cash and cash equivalents	117	75
Total cash and cash equivalents	**30 446**	**63 579**

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

Note 7
Investments

(Thousands of United States dollars)

	31 December 2020	*31 December 2019*
Current		
Main pool	185 186	132 477
Subtotal	**185 186**	**132 477**
Non-current		
Main pool	60 957	41 265
Subtotal	**60 957**	**41 265**
Total	**246 143**	**173 742**

123. Investments include amounts in relation to trust funds.

Note 8
Receivables from non-exchange transactions: voluntary contributions

(Thousands of United States dollars)

	Current	*Non-current*	*31 December 2020*	*31 December 2019*[a]
Member States	36 730	11 294	48 024	28 174
Other governmental organizations	122 166	44 030	166 195	149 671
United Nations organizations	26 235	1 802	28 037	29 582
Private donors	17 124	1 070	18 194	16 536
Total voluntary contributions receivable before allowance	**202 255**	**58 196**	**260 450**	**223 963**
Allowance for doubtful receivables current	(26 084)	–	(26 084)	(42 143)
Total voluntary contributions receivable	**176 171**	**58 196**	**234 366**	**181 820**

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

Note 9
Other receivables

(Thousands of United States dollars)

	31 December 2020	*31 December 2019*
Other receivables (current)		
Other accounts receivable	182	113
Loans receivable	103	150
Subtotal	**285**	**263**
Allowance for doubtful receivables	(199)	(45)
Total other receivables (current)	**86**	**218**

Note 10
Advance transfers

(Thousands of United States dollars)

	31 December 2020	*31 December 2019*
Advances to implementing partners	22 481	19 362
Total advance transfers	**22 481**	**19 362**

Note 11
Other assets

(Thousands of United States dollars)

	31 December 2020	*31 December 2019*[a]
Advances to UNDP and other agencies of the United Nations system[a]	7 642	13 334
Advances to vendors	352	61
Advances to staff	588	581
Other personnel	17	363
Other assets – other	661	2
Other assets (current)	**9 260**	**14 341**

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

Note 12
Heritage assets

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

125. As at the reporting date, the organization had heritage assets to report.

Note 13
Property, plant and equipment

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

127. During the year, the organization did not write down property, plant and equipment owing to accidents, malfunctions and other losses. As at the reporting date, the organization did not identify any additional impairment. Assets under construction represent projects of a capital nature begun by the organization on behalf of end user communities that had not yet been finalized and handed over as at 31 December 2020.

Property, plant and equipment

(Thousands of United States dollars)

	Buildings	*Assets under construction*[a]	*Machinery and equipment*	*Vehicles*	*Communications and information technology equipment*	*Furniture and fixtures*	*Total*
Cost as at 1 January 2020	**82**	**15 984**	**484**	**7 040**	**635**	**145**	**24 370**
Additions	–	1 401	282	354	32	9	2 078
Transfers	–	–	99	–	(99)	–	–
Disposals	–	–	–	(151)	(22)	(19)	(192)
Cost as at 31 December 2020	**82**	**17 385**	**865**	**7 244**	**546**	**135**	**26 256**
Accumulated depreciation as at 1 January 2020	**(73)**	**–**	**(371)**	**(5 216)**	**(487)**	**(127)**	**(6 274)**
Depreciation[b]	–	–	(55)	(312)	(23)	(5)	(395)
Depreciation transfers	–	–	(60)	–	60	–	–
Disposals	–	–	–	144	22	19	185
Other movements	(1)	–	(44)	2	2	1	(40)
Accumulated depreciation as at 31 December 2020	**(74)**	**–**	**(530)**	**(5 382)**	**(426)**	**(112)**	**(6 524)**
Net carrying amount as at 31 December 2020	**8**	**17 385**	**335**	**1 861**	**120**	**23**	**19 732**

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

Note 14
Intangible assets

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

Intangible assets

(Thousands of United States dollars)

	Software acquired externally
Cost as at 1 January 2020	**32**
Additions	–
Cost as at 31 December 2020	**32**
Accumulated amortization and impairment as at 1 January 2020	**25**
Amortization	5
Other movements	1
Accumulated amortization and impairment as at 31 December 2020	**31**
Net carrying amount as at 31 December 2020	**1**

Note 15
Accounts payable and accrued liabilities

(Thousands of United States dollars)

	31 December 2020	*31 December 2019*
Vendor payables (accounts payable)	2 464	1 422
Payables to other United Nations entities	1 020	703
Accruals for goods and services	8 397	11 954
Accounts payable – other	587	2 859
Total accounts payable and accrued liabilities	**12 468**	**16 938**

Note 16
Employee benefits liabilities

(Thousands of United States dollars)

	Current	*Non-current*	*31 December 2020*	*31 December 2019*
After-service health insurance	233	32 674	32 907	26 092
Annual leave	403	3 962	4 365	4 332
Repatriation benefits	635	6 322	6 957	6 569
Subtotal, defined-benefit liabilities	**1 271**	**42 958**	**44 229**	**36 993**
Accrued salaries and allowances	936	–	936	707
Pension contributions liabilities	181	–	181	146
Total employee benefits liabilities	**2 388**	**42 958**	**45 346**	**37 846**

129. The liabilities arising from end-of-service/post-employment benefits and the workers' compensation programme under appendix D to the Staff Rules of the United Nations are determined by independent actuaries and are established in accordance with the Staff Regulations and Rules of the United Nations. An actuarial valuation is usually undertaken every two years. The most recent full actuarial valuation was conducted as at 31 December 2020.

Actuarial valuation: assumptions

130. The organization reviews and selects assumptions and methods used by the actuaries in the year-end valuation to determine the expense and contribution requirements for employee benefits. The principal actuarial assumptions used to determine the employee benefit obligations as at 31 December 2020 are as follows.

Actuarial assumptions

(Percentage)

Assumptions	*After-service health insurance*	*Repatriation benefits*	*Annual leave*
Discount rates, 31 December 2020	3.19	2.07	2.19
Discount rates, 31 December 2019	3.68	2.99	2.49
Inflation, 31 December 2020	2.75–5.31	2.20	–
Inflation, 31 December 2019	2.85–5.44	2.20	–

131. The yield curves used in the calculation of the discount rates in respect of the United States dollars, the euro and the Swiss franc are those developed by Aon Hewitt, consistent with the position of the United Nations Task Force on Accounting Standards, to harmonize actuarial assumptions across the United Nations system. Other financial and demographic assumptions used for the 31 December 2019 valuation were maintained for the roll-forward. The salary increase assumptions for the Professional staff category were 8.47 per cent for a staff member aged 23, grading down to 3.97 per cent for a staff member aged 70. The salaries of the General Service staff category were assumed to increase by 6.84 per cent for a staff member aged 19, grading down to 3.97 per cent for a staff member aged 65.

132. The per capita claim costs for the after-service health insurance plans are updated to reflect recent claims and enrolment experience. The health-care cost trend rate assumption is revised to reflect the current short-term expectations of the after-service health insurance plan cost increases and the economic environment. Medical cost trend assumptions used for the valuation as at 31 December 2020 were updated to include escalation rates for future years. As at 31 December 2020, these escalation rates were at 3.73 per cent (2019: 3.83 per cent), 3.64 per cent (2019: 3.76 per cent) and 5.31 per cent (2019: 5.44 per cent) for eurozone, Swiss and all other medical plans respectively, except 5.15 per cent (2019: 5.26 per cent) for the United States Medicare plan and 4.59 per cent (2019: 4.66 per cent) for the United States dental plan, grading down to 3.25 per cent (2019: 3.65 per cent) and 2.75 per cent (2019: 2.85 per cent) over 3 to 8 years for eurozone and Swiss health-care cost and to 3.65 per cent (2019: 3.85 per cent) over 14 years (2019: 13 years) for United States health-care costs.

133. With regard to the valuation of repatriation benefits as at 31 December 2020, inflation in travel costs was assumed to be 2.20 per cent (2019: 2.20 per cent), on the basis of the projected United States inflation rate over the next 20 years.

134. Annual leave balances were assumed to increase at the following annual rates during the staff member's projected years of service: 0–3 years, 9.1 per cent; 4−8 years, 1 per cent; and more than 9 years, 0.1 per cent, up to the maximum of 60 days. The attribution method is used for annual leave actuarial valuation.

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

Movement in employee benefits liabilities accounted for as defined benefit plans

Reconciliation of opening to closing total defined-benefit liability

(Thousands of United States dollars)

	After-service health insurance	*Repatriation benefits*	*Annual leave*	*Total*
Net defined-benefit liability as at 1 January 2020	**26 092**	**6 569**	**4 332**	**36 993**
Current service cost	1 157	474	283	1 914
Interest cost	957	185	102	1 244
Actual benefits paid	(115)	(772)	(464)	(1 351)
Total costs recognized in the statement of financial performance in 2020	**1 999**	**(113)**	**(79)**	**1 807**
Subtotal	**28 091**	**6 456**	**4 253**	**38 800**
Actuarial (gains)/losses	4 816	500	112	5 428
Net defined liability as at 31 December 2020	**32 907**	**6 956**	**4 365**	**44 229**

Discount rate sensitivity analysis

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

Discount rate sensitivity analysis: year-end employee benefits liabilities

(Thousands of United States dollars)

	After-service health insurance	*Repatriation benefits*	*Annual leave*
Increase of discount rate by 0.5 per cent	(3 761)	(235)	(167)
As percentage of end-of-year liability	(11)	(3)	(4)
Decrease of discount rate by 0.5 per cent	4 404	251	181
As percentage of end-of-year liability	13	4	4

Medical cost sensitivity analysis

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

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

(Thousands of United States dollars and percentage)

2020	*Increase*		*Decrease*	
Effect on the defined-benefit obligation	12.95	4 264	(11.1)	(3 686)
Effect on the aggregate of the current service cost and interest cost	19.6	414	(16.6)	(350)
Total effect				

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

Other defined-benefit plan information

138. Benefits paid for 2020 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 2020 defined-benefit payments net of participants' contributions	242	653	413	1 308
Estimated 2019 defined-benefit payments net of participants' contributions	473	629	374	1 476

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

(Thousands of United States dollars)

	2019	*2018*	*2017*	*2016*	*2015*
Present value of the defined-benefit obligations	36 993	44 042	47 804	40 255	37 123

Other employee benefit liabilities

Accrued salaries and allowances

139. Accrued salaries and allowances comprise $0.6 million relating to home leave benefits. The remaining balance of $0.8 million relates to accrued payables for salary and other benefits.

United Nations Joint Staff Pension Fund

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

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

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

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

144. The most recent actuarial valuation for the Fund was completed as of 31 December 2019, and a roll forward of the participation data as of 31 December 2019 to 31 December 2020 will be used by the Fund for its 2020 financial statements. The actuarial valuation as at 31 December 2019 resulted in a funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, of 144.2 per cent (139.2 per cent in the 2017 valuation). The funded ratio was 107.1 per cent (102.7 per cent in the 2017 valuation) when the current system of pension adjustments was taken into account.

145. After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as at 31 December 2020, 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.

146. Should article 26 be invoked owing to an actuarial deficiency, either during the ongoing operation or due to the termination of the Fund, deficiency payments required from each member organization would be based on the proportion of that member organization's contributions to the total contributions paid to the Fund during the three years preceding the valuation date. Total contributions paid to the Fund during the preceding three years (2017, 2018 and 2019) amounted to $7,546.92 million, of which UN-Habitat contributed $8.8 million. During 2019, the organization's contributions paid to the Fund were fully settled.

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

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

148. The fund for compensation payments relates to the payment of compensation with regard to death, injury or illness attributable to the performance of official duties. The rules governing the compensation payments are under appendix D to the Staff Rules. The fund allows the organization to continue to fulfil its obligation to make compensation payments for death, injury or illness. The fund derives its revenue from a charge of 1.0 per cent of the net base remuneration, including post adjustment for eligible personnel. It covers appendix D claims submitted by personnel, covering monthly death and disability benefits and lump sum payments for injury or illness as well as medical expenses.

Impact of the General Assembly resolutions on staff benefits

149. 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 was already implemented effective January 2017 in September 2017 and is expected to affect future calculations of employee benefits liabilities.
Education grant	With effect from the school year in progress on 1 January 2018, the computation of the education grant provided to eligible staff members utilizes a global sliding scale that is set in one single currency (United States dollar) with the same maximum amount of the grant for all countries. In addition, this revised education grant scheme changes boarding assistance and education grant travel provided by the organization.

The impact of these changes, other than the education grant, was fully reflected in the actuarial valuation conducted in 2019.

Note 17
Provisions

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

Note 18
Liabilities for conditional arrangements

(Thousands of United States dollars)

	31 December 2020	*31 December 2019*
Liabilities for conditional arrangements[a]	147 895	97 395
Total liabilities for conditional arrangements	**147 895**	**97 395**

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

Note 19
Net assets

Accumulated surpluses/deficits

151. 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.

152. 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 2020	*Surplus/ (deficit)*	*Transfers to/ (from) reserves*	*Other*	*31 December 2020*
Unrestricted cumulative surplus					
Foundation non-earmarked	(302)	(1 480)	(697)		(2 479)
Foundation earmarked	87 770	20 511			108 281
Technical cooperation	227 360	24 223			251 583
Programme support	9 655	(257)			9 398
End-of-service liabilities	(25 115)	252		(5 428)	(30 291)
Subtotal unrestricted fund	**299 368**	**43 249**	**(697)**	**(5 428)**	**336 492**
Reserves					
Foundation non-earmarked	1 303	–	697	–	2 000
Foundation earmarked	4 023	–	–	–	4 023
Technical cooperation	11 360	–	–	–	11 360
Programme support	2 932	–	–	–	2 932
End-of-service liabilities	–	–	–	–	–
Subtotal reserves	**19 618**	**–**	**697**	**–**	**20 315**
Total net assets					
Foundation non-earmarked	1 001	(1 480)	–	–	(479)
Foundation earmarked	91 793	20 511	–	–	112 304
Technical cooperation	238 720	24 223	–	–	262 943
Programme support	12 587	(257)	–	–	12 330
End-of-service liabilities	(25 115)	252	–	(5 428)	(30 291)
Total reserves and fund balances	**318 986**	**43 249**	**–**	**(5 428)**	**356 807**

[a] Net assets movements, including fund balances, are based on IPSAS.

Note 20
Revenue from non-exchange transactions

Assessed contributions

153. Each biennium, the organization receives an allocation from the regular budget, which is included in assessed contributions. These are reported under Volume I and are included in these financial statements for completeness. For the reporting period, the organization received $15.5 million.

Voluntary contributions

(Thousands of United States dollars)

	2020	*2019*
Assessed contributions		
Allocations from regular budget	15 540	15 295
Amount reported in statement II – assessed contributions	**15 540**	**15 295**
Voluntary contributions		
Voluntary contributions – in cash	146 931	98 185
Voluntary in-kind contributions – land and premises	1 062	700
Voluntary in-kind contributions of plant, equipment, intangible assets and other goods	460	80
Total voluntary contributions received	**148 453**	**98 965**
Refunds to donors	(1 800)	(4 071)
Net voluntary contributions received	**146 653**	**94 894**
Other transfers and allocations		
Inter-organizational arrangements	14 588	50 738
Total other transfers and allocations	**14 588**	**50 738**

154. All voluntary contributions under binding agreements signed during 2020 are recognized as revenue in 2020, 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
2020	98 289
2021	25 589
2022	14 511
2023	6 770
2024	1 494
Beyond 2024	0
Total voluntary contribution	**146 653**

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

Services in kind

156. 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)

	2020	*2019*
Technical assistance/expert services	489	53
Administrative support	101	283
Total	**590**	**336**

Note 21
Other revenue

157. Revenue from miscellaneous revenue sources amounts to $13 million.

	2020	*2019*
Other/miscellaneous revenue	13 071	5 395
Total other exchange revenue	**13 071**	**5 395**

Note 22
Expenses

Employee salaries, allowances and benefits

158. 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)

	2020	*2019*
Salary and wages	37 717	37 081
Pension and insurance benefits	8 746	9 325
Other benefits	251	726
Total employee salaries, allowances and benefits	**46 714**	**47 132**

Non-employee compensation and allowances

159. 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)

	2020	*2019*
United Nations Volunteers	710	596
Consultants and contractors	37 693	42 787
Total non-employee compensation and allowances	**38 403**	**43 383**

Grants and other transfers

160. 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)

	2020	*2019*
Grants to end beneficiaries	13 517	20 926
Transfers to implementing partners (note 28)	20 387	18 463
Total grants and other transfers	**33 904**	**39 389**

Supplies and consumables

161. 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)

	2020	*2019*
Fuel and lubricants	96	130
Spare parts	84	182
Consumables	935	546
Total supplies and consumables	**1 115**	**858**

Travel

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

Travel

(Thousands of United States dollars)

	2020	*2019*
Staff travel	1 375	3 658
Non-staff travel	1 534	3 308
Total travel	**2 909**	**6 966**

Other operating expenses

163. 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)

	2020	*2019*
Air transport	110	604
Ground transport	790	1 616
Communications and information technology	3 605	3 842
Other contracted services	12 421	23 387
Acquisitions of goods	825	2 036
Acquisitions of intangible assets	535	225
Rent – offices and premises	2 765	3 341
Rental – equipment	8	65
Maintenance and repair	498	734
Bad debt expense	(15 711)	(13)
Net foreign exchange losses	8 606	2 183
Other/miscellaneous operating expenses	11 830	1 390
Total other operating expenses	**26 282**	**39 410**

Other expenses

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

(Thousands of United States dollars)

	2020	*2019*
Contributions in kind	1 063	780
Other/miscellaneous expenses	66	83
Total other expenses	**1 129**	**863**

Note 23
Financial instruments and financial risk management

(Thousands of United States dollars)

	2020	*2019*
Financial assets		
Fair value through the surplus or deficit		
Short-term investments, cash pools	185 186	132 477
Short-term investments, other		–
Total short-term investments	**185 186**	**132 477**

	2020	*2019*
Long-term investments, cash pools	60 957	41 265
Total long-term investments	**60 957**	**41 265**
Total fair value through the surplus or deficit	**246 143**	**173 742**
Cash, loans and receivables		
Cash and cash equivalents, cash pools	30 329	63 504
Cash and cash equivalents, other	117	75
Voluntary contributions	230 150	181 820
Other receivables	86	218
Total cash, loans and receivables	**260 682**	**245 617**
Total carrying amount of financial assets	**506 825**	**419 359**
Of which relates to financial assets held in cash pool	276 472	237 321
Financial liabilities		
Accounts payable and accrued liabilities	12 468	15 955
Other liabilities (excluding conditional liabilities)	–	–
Total carrying amount of financial liabilities	**12 468**	**15 955**
Summary of net income from cash pools		
Investment revenue	4 255	6 010
Financial exchange gains/(losses)		–
Net income from cash pools	**4 255**	**6 010**
Other investment revenue	–	–
Total net income from financial instruments	**4 255**	**6 010**

Financial risk management: overview

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

166. 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

167. 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

168. 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

169. 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

170. 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

171. 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 2020	42 143
Additional allowance for doubtful receivables	(15 860)
Receivables written off during the period as uncollectable	–
Unused amounts reversed	–
As at 31 December 2020	**26 283**

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

173. 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	220 714	–
One to two years	10 980	2 744
Two to three years	13 545	8 127
Over three years	15 214	15 213
Total	**260 452**	**26 084**

Ageing of other receivables

(Thousands of United States dollars)

	Gross receivable	*Allowance*
Less than one year	82	–
One to two years	5	1
Over three years	198	198
Total	**285**	**199**

Credit risk: cash and cash equivalents

174. The organization had cash and cash equivalents of $276.6 million as at 31 December 2020, 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

175. 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.

176. 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.

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

178. 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

179. 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 2020
(Thousands of United States dollars)

	<3 months	*3 to 12 months*	*>1 year*	*Total*
Accounts payable and accrued liabilities	11 995	473	–	12 468

Financial risk management: market risk

180. 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

181. 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

182. 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.

183. 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.

184. 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 2020
(Thousands of United States dollars)

	United States dollars	*Euros*	*Swiss francs*	*Others*	*Total*
Main cash pool	273 769	1 739	489	475	276 472

Currency risk: sensitivity analysis

185. A strengthening/weakening of the euro and Swiss franc United Nations operational rate of exchange as at 31 December would have affected the measurement of investments denominated in a foreign currency and increased/decreased net assets and surplus or deficit by the amounts shown in the table below. This analysis is based on foreign currency exchange rate variances considered to be reasonably possible as at the reporting date. The analysis assumes that all other variables, in particular interest rates, remain constant.

Effect on net assets, surplus or deficit
(Thousands of United States dollars)

	As at 31 December 2020		*As at 31 December 2019*	
	Effect on net assets, surplus or deficit		*Effect on net assets, surplus or deficit*	
	Strengthening	*Weakening*	*Strengthening*	*Weakening*
Euro (10 per cent movement)	174	(174)	201	(201)
Swiss franc (10 per cent movement)	49	(49)	42	(42)

Other market risk

186. 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

187. 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

188. 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).

189. 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.

190. 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.

191. There were no level 3 financial assets or any liabilities carried at fair value, or any significant transfers of financial assets between fair value hierarchy classifications.

Fair value hierarchy

(Thousands of United States dollars)

	As at 31 December 2020			*As at 31 December 2019*[a]		
	Level 1	*Level 2*	*Total*	*Level 1*	*Level 2*	*Total*
Financial assets at fair value through surplus or deficit						
Bonds – corporate	11 714		11 714	3 771	–	3 771
Bonds – non-United States agencies	24 128		24 128	19 178	–	19 178
Bonds – non-United States sovereigns	3 912		3 912	–	–	–
Bonds – supranational	20 393		20 393	10 750	–	10 750
Bonds – United States treasuries	13 014		13 014	–	8 824	8 824
Main pool – commercial papers		53 431	53 431	–	86 857	86 857
Commercial paper – certificate of deposit		71 552	71 552			
Main pool – term deposits		47 138	47 138	–	30 734	30 734
Main pool total	**73 160**	**172 121**	**245 281**	**33 699**	**126 415**	**160 114**

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

Note 24
Financial instruments: cash pools

192. In addition to directly held cash and cash equivalents and investments, the organization participates in the United Nations Treasury main pool. The main pool comprises operational bank account balances in a number of currencies and investments in United States dollars.

193. 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.

194. As at 31 December 2020, the organization had participated in the main pool, which held total assets of $10,652.4 million (2019: $9,339.4 million), of which $276.3 million was due to the organization (2019: $237.20 million) and its share of revenue from the main pool was $4.4 million (2019: $6.0 million).

Summary of assets and liabilities of the main pool as at 31 December 2020

(Thousands of United States dollars)

	Main pool
Fair value through the surplus or deficit	
Short-term investments	7 120 427
Long-term investments	2 349 880
Total fair value through the surplus or deficit investments	**9 470 307**
Loans and receivables	
Cash and cash equivalents	1 163 684
Accrued investment revenue	18 398
Total loans and receivables	**1 182 082**
Total carrying amount of financial assets	**10 652 389**
Cash pool liabilities	
Payable to UN-Habitat (2.59%)	276 330
Payable to other cash pool participants	10 376 059
Total liabilities	**10 652 389**
Net assets	–

Summary of revenue and expenses of the main pool for the year ended 31 December 2020

(Thousands of United States dollars)

	Main pool
Investment revenue	113 030
Unrealized gains/(losses)	54 145
Investment revenue from main pool	**167 175**
Foreign exchange gains/(losses)	5 837
Bank fees	(578)
Operating expenses from main pool	**5 259**
Revenue and expenses from main pool	**172 434**

Financial risk management

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

196. 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.

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

Financial risk management: credit risk

198. 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.

199. 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.

200. 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 2020

(Percentage)

Main pool	*Ratings as at 31 December 2020*					*Ratings as at 31 December 2019*			
Bonds (long-term ratings)									
	AAA	**AA+/AA/AA-**	**A+**	**NR**		**AAA**	**AA+/AA/AA-**	**A+**	**NR**
S&P	44.0	53.2		2.8	S&P	35.8	58.8		5.4
Fitch	61.4	15.5		23.1	Fitch	60.2	23.8		16.0
	Aaa	**Aa1/Aa2/Aa3**	**A1**			**Aaa**	**Aa1/Aa2/Aa3**		
Moody’s	61.1	34.9	0.4	3.6	Moody’s	54.8	45.2		
Commercial papers (short-term ratings)									
	A-1+					**A-1+/A-1**			
S&P	100				S&P	100			
	F1+		**NR**			**F1+/F1**			
Fitch	98.0		2		Fitch	100			
	P-1					**P-1**			
Moody’s	100				Moody’s	100			
Reverse repurchase agreement (short-term ratings)									
	A-1+					**A-1+**			
S&P					S&P	100			
	F1+					**F1+**			
Fitch	–				Fitch	100			
	P-1					**P-1**			
Moody’s	–				Moody’s	100			
Term deposits (Fitch viability ratings)									
	Aaa	**aa/aa-**	**a+/a/-**			**aaa**	**aa/aa-**	**a+/a**	
Fitch	–	27.5	72.5		Fitch	–	84.2	15.8	

Abbreviation: NR, not rated.

201. 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

202. The main pool is exposed to liquidity risk associated with the requirement of participants to make withdrawals on short notice. It maintains sufficient cash and marketable securities to meet participants' commitments as and when they fall due. The major portion of cash and cash equivalents and investments are available within one day's notice to support operational requirements. Cash pool liquidity risk is therefore considered to be low.

Financial risk management: interest rate risk

203. The main pool comprises the organization's main exposure to interest rate risk, with fixed-rate cash and cash equivalents and investments being interest-bearing financial instruments. As at the reporting date, the main pool had invested primarily in securities with shorter terms to maturity, with the maximum being less than five years (2018: three years). The average duration of the main pool was 0.72 years (2019: 0.74 years), which is considered to be an indicator of low risk.

Main pool interest rate risk sensitivity analysis

204. The analysis below shows how the fair value of the main pool as at the reporting date would increase or decrease should the overall yield curve shift in response to changes in interest rates. As these investments are accounted for at fair value through surplus or deficit, the change in fair value represents the increase/decrease of the surplus or deficit and net assets. The impact of a shift up or down of up to 200 basis points in the yield curve is shown (100 basis points equals 1 per cent). These basis point shifts are illustrative.

Main pool interest rate risk sensitivity analysis as at 31 December 2020

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	**148.41**	**111.30**	**74.20**	**37.10**	**0**	**(37.10)**	**(74.18)**	**(111.26)**	**(148.34)**

Main pool interest rate risk sensitivity analysis as at 31 December 2019

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

Other market price risk

205. The main pool is not exposed to significant other price risk, because it does not sell short, borrow securities or purchase securities on margin, which limits the potential loss of capital.

Accounting classifications and fair value hierarchy

206. 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.

207. 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).

208. 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.

209. 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.

210. 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 2020: main pool

(Thousands of United States dollars)

	As at 31 December 2020			*As at 31 December 2019*		
	Level 1	*Level 2*	*Total*	*Level 1*	*Level 2*	*Total*
Financial assets at fair value through surplus or deficit						
Bonds – corporate	452 281		452 281	148 473	–	148 473
Bonds – non-United States agencies	931 565		931 565	755 027	–	755 027
Bonds – non-United States sovereigns	151 035		151 035	–	–	–
Bonds – supranational	787 362		787 362	423 230	–	423 230
Bonds – United States treasuries	502 462		502 462	497 829	–	497 829
Main pool – commercial papers		2 062 987	2 062 987	–	347 398	347 398
Main pool – certificates of deposit		2 762 615	2 762 615	–	3 419 585	3 419 585
Main pool – term deposits		1 820 000	1 820 000	–	1 210 000	1 210 000
Main pool total	**2 824 705**	**6 645 602**	**9 470 307**	**1 824 559**	**4 976 983**	**6 801 542**

Note 25
Related parties

Key management personnel

211. 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.

212. 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.

213. The organization's key management personnel were paid $0.7 million over the financial year; such payments are in accordance with the Staff Regulations and Rules of the United Nations, the published salary scales of the United Nations and other publicly available documents.

Compensation of key management personnel

(Thousands of United States dollars)

	Key management personnel	*Close family members*	*Total as at 31 December 2020*
Number of positions (full-time equivalents)	2	–	2
Aggregate remuneration:			
Salary and post adjustment	505	–	505
Other compensation/entitlements	136	–	136
Total remuneration for the year	**641**	**–**	**641**

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

215. 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

216. 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

217. The organization has no finance leases.

Operating leases

218. The organization enters into operating leases for the use of land, permanent and temporary buildings and equipment. The total operating lease payments recognized in expenditure for the year were $3.2 million. Other expenses include $0.9 million towards donated rights-to-use arrangements, for which corresponding revenue is recognized in the statement of financial performance and presented within voluntary contributions revenue. Future minimum lease payments under non-cancellable arrangements are set out in the table below.

Future minimum operating lease obligations

(Thousands of United States dollars)

Obligations for operating leases	*Minimum lease payments as at 31 December 2020*	*Minimum lease payments as at 31 December 2019*
Due in less than 1 year	1 545	7 430
Due from 1 to 5 years	5 334	3 874
Due later than 5 years	5 034	–
Total minimum operating lease obligations	**11 914**	**11 304**

219. 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

220. The organization has no leases as a lessor.

Contractual commitments

221. 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 2020	*Total as at 31 December 2019*
Goods and services	39 930	31 086
Implementing partners	39 612	22 478
Total	**79 542**	**53 564**

Note 27
Contingent liabilities and contingent assets

Contingent liabilities

222. The organization is subject to a variety of claims that arise from time to time in the ordinary course of its operations. These claims are segregated into two main

categories: commercial and administrative law claims. As at the reporting date, the organization had no reportable cases.

223. Owing to the uncertainty of the outcome of these claims, no provision or expense has been recorded, as the occurrence, amount and timing of the outflows are not certain. Consistent with IPSAS, contingent liabilities are disclosed for pending claims when the probability of outcome cannot be determined and the amount of loss cannot be reasonably estimated.

Contingent assets

224. 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 2020, 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

225. 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 2020	*Total 2019*
Africa	2 801	6 400
Arab States	3 887	7 938
Asia and the Pacific	4 575	4 051
Global	8 321	–
Latin America and the Caribbean	803	74
Total	**20 387**	**18 463**

226. This amount is part of the $33.9 million shown in the statement of financial performance as expenditure under grants and other transfers. The difference of $13.5 million was for end beneficiaries (note 22).

Note 29
Events after the reporting date

227. 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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