United Nations

United Nations Human Settlements Programme

Financial report and audited financial statements

for the year ended 31 December 2023

and

Report of the Board of Auditors

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

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Report of the Board of Auditors

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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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Letters of transmittal

Letter dated 31 March 2024 from the Executive Director of the United Nations Human Settlements Programme addressed to the Chair of the Board of Auditors

In accordance with regulation 6.2 and rule 106.1 of the Financial Regulations and Rules of the United Nations, I am transmitting the financial report and accounts of the United Nations Human Settlements Programme, and other related accounts, for the year ended 31 December 2023, which I approve on the basis of the attestations of the Chief Finance Officer, United Nations Office at Nairobi, and the Director, Management, Advisory and Compliance Service of the United Nations Human Settlements Programme.

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

(*Signed*) Michal **Mlynár**
Acting Executive Director
United Nations Human Settlements Programme

Letter dated 24 July 2024 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 2023.

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

Chapter I

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

Opinion

We have audited the financial statements of the United Nations Human Settlements Programme (UN-Habitat), which comprise the statement of financial position (statement I) as at 31 December 2023 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 2023 and its financial performance and cash flows for the year then ended in accordance with the International Public Sector Accounting Standards (IPSAS).

Basis for opinion

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

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

The Executive Director of UN-Habitat is responsible for the other information, which comprises the financial overview for the year ended 31 December 2023, contained in chapter IV below, but does not include the financial statements and our auditor's report thereon.

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

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

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

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

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

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

Auditors' 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 the United Nations and legislative authority.

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

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

(*Signed*) Dorothy **Pérez Gutiérrez**
Acting Comptroller General of the Republic of Chile

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

24 July 2024

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 2023.

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 2023 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, strategy management, project management, implementing partner management and procurement management.

Key findings

Unauthorized transfer and use of cash balances from earmarked voluntary contributions without donor consent

A total of $40.5 million in cash balances of the earmarked voluntary contributions had been transferred and invested to 24 unearmarked grants under the earmarked funds as at 31 December 2023. On the basis of a sample taken, $3.68 million from those unearmarked grants had been incurred without obtaining the consent of donors, of which 77 per cent was not recoverable, changing the specified purpose outlined in the donor agreements. In addition, the use of cash balances was not disclosed adequately in the financial reports submitted to donors at the end of the projects.

Inadequate allocation of evaluation budget, affecting the implementation of evaluations

According to the evaluation policy, the total evaluation budget of the 144 approved or completed projects for the years 2021, 2022 and 2023 was assessed to be $8.62 million. However, the actual evaluation budget was $3.28 million, indicating a shortage of $5.34 million. Owing to the lack of adequate resources for evaluations, 33 of the 34 sampled projects were missing evaluation reports, resulting in inadequate evaluation coverage.

Deficiency in the three-fold implementation framework of the New Urban Agenda

The New Urban Agenda serves as a primary guiding framework for policy and practice to promote a better urban future for all and proposes opportunities to accelerate the 2030 Agenda for Sustainable Development. The Board identified some deficiencies in the three-fold implementation framework of the New Urban Agenda. First, the mainstreaming indicator to encourage governments at all levels had not yet been implemented. Second, the Urban Agenda Platform had inadequate reporting in terms of both quality and quantity. Lastly, the global urban monitoring framework had insufficient application and analysis data indicators.

Insufficient management and implementation led to inadequate project performance

As of March 2024, there were 93 “created projects” approved in the Umoja integrated planning, management and reporting module that were to be completed before the end of 2023, involving 882 established indicators. The indicators are specific, observable and measurable characteristics used to show changes or progress made by a project towards the achievement of a specified outcome or result. However, 330 indicators in 51 projects (54.8 per cent of the 93 projects) were delayed in terms of evaluating progress, or terminated, involving grants of $30.78 million, reflecting inadequate performance and inefficient utilization of the funds. Notably, those 34 projects with closed and closing grants were unlikely to be funded with additional resources or to realize the uncompleted indicators. The Board noted that the deficiencies in project budgeting, planning and process management were contributing factors to this inadequate performance. Furthermore, concerns about project management were also raised by donors.

Payment limits surpassed in the same account by splitting a community agreement

Eight community agreements under one country office signed with communities (i.e., the end beneficiaries) totalling $776,100 did not undergo clearance by the legal unit, and they were split to keep payments below the $100,000 limit each. An amount of $698,490 (90 per cent of the total) was disbursed to the same community development council account. This practice breaches headquarters guidelines on the use of UN-Habitat agreements and legal instruments, creating the risk of financial mismanagement.

Inadequate payment oversight in agreement between United Nations entities

A total of 10 agreements between United Nations entities managed in the grantor management module in Umoja presented inadequate payment oversight. Seven agreements, totalling $5.79 million, lacked payment conditions tied to the achievement of deliverables. Instalments under two agreements totalling $3.76 million were disbursed before meeting payment conditions. The disbursements totalling $10.26 million under three agreements did not adhere to specified payment ratios. The current weak mechanism for managing payments within agreements between United Nations entities may result in financial control risks.

Main recommendations

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

Unauthorized transfer and use of cash balances from earmarked voluntary contributions without donor consent

(a) **Obtain the consent or official evidence of consultation from the donor before transferring balances of earmarked voluntary contributions to the unearmarked grant, and specify clearly the utilization of the balances in the project financial reports or grant agreements in the future;**

Inadequate allocations of evaluation budget, affecting the implementation of evaluations

(b) **Allocate adequate funds for evaluations in the project budget and conduct evaluations of projects in line with the evaluation policies in order to ensure that evaluation activities are carried out effectively and that evaluation reports are publicly available;**

Deficiency in three-fold implementation framework of the New Urban Agenda

(c) **Initiate implementation of the mainstreaming indicator, improve the quantity and quality of national reports and strengthen data analysis regarding the global urban monitoring framework to improve data availability for more robust monitoring and reporting on the New Urban Agenda;**

Insufficient management and implementation led to inadequate project performance

(d) **Strengthen the background and risk assessment in the project planning stage and improve the accuracy of budget preparations, to ensure that projects are completed within the planned time frame and budget;**

(e) **Strengthen expenditure control to ensure consistency with budgets through the conduct of a regular review of a project's substantive work and consolidate it with financial information in the Enterprise Core Component module, and regularly submit high-quality financial and progress reports to donors, in order to enhance the latter's confidence in UN-Habitat;**

Payment limits surpassed in the same account by splitting a community agreement

(f) **Strengthen compliance oversight of the signing of community agreements, review the existing payment terms of community agreements, considering the on-the-ground reality in the relevant country office, and establish appropriate payment terms to control financial risks;**

Inadequate payment oversight in agreements between United Nations entities

(g) **Enhance the overall oversight of payments in agreements between United Nations entities, present prerequisites and payment ratios clearly and upload all required prerequisite documents to the Umoja grantor management module to facilitate payment verification.**

Follow-up to previous recommendations

As at 31 December 2023, of the 72 outstanding recommendations issued up to the year ended 31 December 2022, 34 recommendations (47 per cent) had been implemented and 38 (53 per cent) were under implementation.

Key facts	
$19.19 million	Original annual resources (regular budget and foundation non-earmarked budget)
$617.30 million	Total assets
$163.63 million	Total liabilities
$215.39 million	Total revenue
$149.08 million	Voluntary contributions revenue
$162.41 million	Total expenses

A. Mandate, scope and methodology

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

2. The headquarters of UN-Habitat is in Nairobi, with four main regional offices covering Africa, the Arab States, Asia and the Pacific, and Latin America and the Caribbean. UN-Habitat also has liaison offices, country offices and project offices in 64 countries across the world. As at 31 December 2023, it employed 426 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 2023 in accordance with General Assembly resolution 74 (I) of 1946. The audit was conducted in conformity with the Financial Regulations and Rules of the United Nations, as well as the International Standards on Auditing and the International Standards of Supreme Audit Institutions for the financial audit of public sector entities. The standards require that the Board comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

4. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements present fairly the financial position of UN-Habitat as at 31 December 2023 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 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. The interim audit at UN-Habitat headquarters and the Regional Office for Latin America and the Caribbean was carried out in Nairobi and Rio de Janeiro, Brazil, respectively from 14 October to 17 November 2023. The final audit was carried out at UN-Habitat headquarters in Nairobi from 6 April to 6 May 2024.

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

B. Findings and recommendations

1. Follow-up on previous recommendations

8. The Board followed up on the implementation status of its recommendations of previous years and acknowledged that progress had been made in implementing the outstanding recommendations. Of the 72 outstanding recommendations issued up to the year ended 31 December 2022, 34 recommendations (47 per cent) were implemented and 38 (53 per cent) were under implementation. The relevant details are provided in the annex to the present report.

9. The Board carried out an analysis of the 38 recommendations under implementation and noted that 8 (21 per cent) referred to financial and budget management, 9 (24 per cent) involved human resources management, 11 (29 per cent) fell into the category of project and implementing partner management and 3 (8 per cent) were related to asset management. The remaining seven recommendations (18 per cent) were related to procurement, information and communications technology and strategic management.

10. With regard to the ageing of the above-mentioned 38 outstanding recommendations, 10 (26 per cent) were pending for more than three years, 5 (13 per cent) remained open for three years, 8 (21 per cent) were two years old and 15 (40 per cent) were issued one year ago.

2. Financial overview

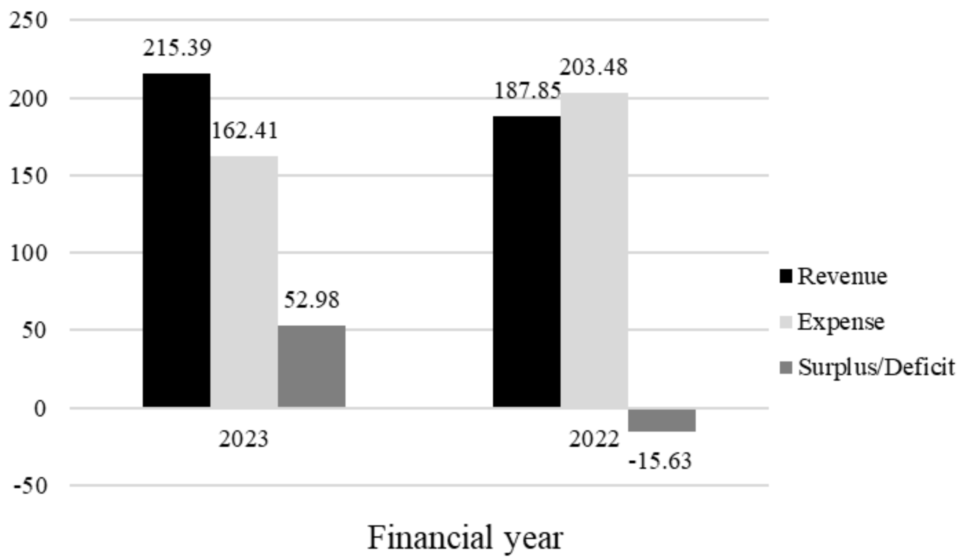
Revenue and expenses

11. UN-Habitat revenue includes assessed contributions (regular budget), voluntary contributions, investment revenue, other transfers and allocations, and other revenue. During the period under review, total revenue increased by $27.54 million (14.66 per cent), from $187.85 million in 2022 to $215.39 million in 2023. The increase was attributable mainly to an increase in voluntary contributions from $123.10 million in 2022 to $149.08 million in 2023.

12. With regard to expenses, total expenses decreased by $41.07 million (20.18 per cent), from $203.48 million in 2022 to $162.41 million in 2023. The decrease relates mainly to the implementation of projects. The major categories of expenses included grants and transfers amounting to $24.39 million (2022: $44.79 million) and other operating expenses of $45.73 million (2022: $66.93 million).

13. As a result of the increase in revenue and the decrease in expenses, UN-Habitat recorded a total surplus of $52.98 million in 2023, an increase of $68.61 million compared with 2022 (2022: deficit of $15.63 million). A comparison of revenue and expenses for 2023 and 2022 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 2022 and 2023.

Ratio analysis

14. Table II.1 contains key financial ratios analysed from the financial statements, mainly from the statements of financial position and financial performance for the financial years 2021, 2022 and 2023.

Table II.1
Ratio analysis

Ratio	*31 December 2023*	*31 December 2022*	*31 December 2021*
Cash ratio[a]			
Cash plus short-term investments: current liabilities	1.80	2.12	1.77
Quick ratio[b]			
Cash plus short-term investments plus accounts receivable: current liabilities	3.44	4.16	3.06
Current ratio[c]			
Current assets: current liabilities	3.77	4.40	3.23
Solvency ratio[d]			
Total assets: total liabilities	3.77	4.05	3.03

Source: UN-Habitat 2021, 2022 and 2023 financial statements.

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

[b] The quick ratio is more conservative than the current ratio because it excludes inventory and other current assets, which are more difficult to turn into cash. A higher ratio means a more liquid current position.

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

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

15. The key financial indicators of U-Habitat 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 2022, which is attributable to an increase in liabilities for conditional arrangements.

16. Revenue for the non-earmarked segment decreased by $2.93 million (38.15 per cent), from $7.68 million in 2022 to $4.75 million in 2023. The expenses for the earmarked segment increased by $1.37 million (82.53 per cent), from $1.66 million in 2022 to $3.03 million in 2023. This led to the earmarked segment realizing a surplus of $1.72 million in 2023, a decrease of $4.30 million compared with 2022 (2022: surplus of $6.02 million). In addition, as at 31 December 2023, the earmarked segment had net assets of $6.65 million (2022: net assets position of $4.92 million).

3. Financial management

Unauthorized transfer and use of cash balances from earmarked voluntary contributions without donor consent

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

18. In paragraph 1.18 of the contribution agreement template of UN-Habitat, it is indicated that "any funds that are undisbursed and uncommitted, including interest earned, on the completion of the Project(s) or termination shall be held in UN-Habitat's account pending consultations with the Donor".

19. The Board noted that 24 unearmarked grants had been established under the earmarked funds, with a total balance of $40.5 million as at 31 December 2023. The balance included the following (a) funds for those 24 grants transferred from the balances of the earmarked voluntary contributions without obtaining the consent of the donors, which was inconsistent with the function of the earmarked funds; and (b) the investment revenue of those earmarked voluntary contributions. However, according to the earmarked voluntary contribution agreements of UN-Habitat, the clauses regarding grant balances did not authorize UN-Habitat to change the specific purpose of the funds; rather, they contained explicit statements that consultation with donors was required.

20. The Board also noted that the 24 unearmarked grants were used mainly to support internal loans and employee salaries allowances and benefits, cover foreign exchange losses and operating expenses, and correct write-offs, most of which were unrecoverable. On a sample basis, the Board reviewed 23 significant recovery expense records amounting to $1.7 million and noted that $1.44 million (85 per cent) could not be recovered. In addition, among 61 expense records relating to clearing negative cash balances of $1.98 million, $1.4 million (71 per cent) could not be recovered.

21. The Board was informed that UN-Habitat did not remain silent on the transfer to the unearmarked grants, given that the information was disclosed in the projects' final financial report to the donors. UN-Habitat consultation with donors was sought and documented prior to the financial closure of the grant.

22. The Board noted, however, that there was little evidence of consultation with donors. On a sample basis, of the 75 grants, with $2.05 million in transfers to unearmarked grants for the years 2021, 2022 and 2023, only 5, amounting to $73,700.88 (4 per cent), had the donor confirmation emails attached. In addition, the financial reports for the closed projects did not specify how the balances would be

utilized. In addition, the 24 grants were established under earmarked funds, which was different from the unearmarked grants.

23. The Board is of the view that the willingness of UN-Habitat to proactively consult with donors was not evident and that the current disclosure method was insufficient. It is necessary to obtain confirmation from the donors before transferring and changing the purpose of the grants.

24. The Board is concerned that the transfer and the use of the above unearmarked grants without consent from donors may potentially lead to financial disputes and negatively affect the reputation of UN-Habitat.

25. **The Board recommends that UN-Habitat obtain the consent or official evidence of consultation from the donor before transferring balances of earmarked voluntary contributions to the unearmarked grant and specify clearly the utilization of the balances in the project financial reports or grant agreements in the future.**

26. UN-Habitat accepted the recommendation.

Long-idle funds in closed grants

27. It is stated in regulation 5.8 of the Financial Regulations and Rules of the United Nations that the Secretary-General shall establish detailed financial rules and procedures in order to ensure effective and efficient financial management and the exercise of economy.

28. It is indicated in United Nations Office at Nairobi budget and financial management standard operating procedure 114 (grants closure, 2021 revision) that "financial closure of a grant can only be completed once all technical and financial transactions for the donor agreement(s) are completed, a final financial report is issued to the donor, and any unspent balance is refunded to the donor, or (if the donor approves) reprogrammed to another project or transferred to another grant", and "Financial closure must take place at the latest within 12 months of operational closure or after the date of cancelation".

29. The Board noted that there were 291 grants with a "closed status" holding a positive balance of $6.40 million as at 31 December 2023. Of those grants, 242 had a closed status with a positive balance of $5.37 million as at 31 December 2022. Moreover, 109 of the 242 grants with a closed status had a positive balance of $1.95 million as at 31 December 2021. On a sample basis, the Board reviewed four grants with a closed status with a cash balance of $611,934 for more than 24 or 12 months and found that all related projects had been closed, with financial reports attached in Umoja.

30. The Board is of the view that closed grants with balances do not comply with the above-referenced regulation and that the long-idle funds in these closed grants may affect the effective, efficient and economic use of resources.

31. **The Board recommends that UN-Habitat review the status and cash balances of grants regularly and address cash balances in accordance with donor agreements before grants are closed, thereby enhancing the efficient utilization of funds.**

32. UN-Habitat accepted the recommendation.

Ineffective monitoring of advances to implementing partners, leading to insufficient disclosure in financial statements

33. As noted above, it is stated in regulation 5.8. of the Financial Regulations and Rules of the United Nations that the Secretary-General shall establish detailed financial rules and procedures in order to ensure effective and efficient financial management and the exercise of economy.

34. In standard operating procedure 115 (project payments and expenditure) of the United Nations Office at Nairobi, it is stated that "Payments to IPs are issued as Advances. The IP is obliged to provide financial reports for the expenditure for each reporting period for the advances already issued. Expenses are recognized based on Expense Reports provided by the IP".

35. The UN-Habitat policy for implementing partners indicates that "All Implementing Partners will have to report through financial statements which are output based: reflecting the costed deliverables".

36. The Board noted that cash advances to implementing partners that had not been expensed at the end of 2023 totalled $36.3 million (2022: $15.6 million), reflecting an increase of 133 per cent. The Board reviewed a sample of 61 implementing partner agreements and noted that 22 implementing partners reflected deficiencies relating to reporting, including the need for repeated revisions due to low report quality and delayed submission. In addition, the following was noted:

(a) For nine implementing partners whose reports were not obtained, the Board was informed that the implementing partners' deliverables outlined in their agreements had been achieved, so the advance should have been expensed completely. However, of the $10.69 million advance transferred, only $2.75 million (25.75 per cent) was expensed, leading to a potential overstatement of advance transfers by $7.94 million and a corresponding understatement of expenses for 2023;

(b) For three implementing partners that did not and would not achieve deliverables stipulated in their agreements, and with an advance value of $392,258, accounting for 85.43 per cent of the contract amount, only $162,697 had a sufficient report basis to be expensed. The Board was informed that two of the agreements had been terminated, while one was pending termination, awaiting both the report and a refund from the implementing partner. It was difficult for UN-Habitat to understand the execution of the implementing partner agreements from financial reports and it was unclear if and how much of the remaining advances would be expensed.

37. The Board also noted that, in note 29 (Grants and other transfers) of the financial statements, it is stated that the grants and other transfers (advances had been expensed) to implementing partners in the amount of $22.26 million had been spent. This is inconsistent with the fact that the amount included assessed accrued expenses, which was not disclosed explicitly in the financial statements.

38. The Board was informed that delays in advances not being expensed in a timely manner were attributable primarily to delays in implementing partners' report submissions and the UN-Habitat regional officer not conducting timely reviews.

39. The Board is of the view that advances are an important part of assets. Obtaining reports from implementing partners in a timely manner is crucial for accurately measuring advances and expenses, ensuring the effective use of advances allocated to implementing partners and accurately reflecting project progress in financial reports. In instances in which implementing partners have not provided reports as expected, UN-Habitat is supposed to make an informed assessment as to whether an accrual is needed and to ensure full disclosure of the accrued amount in the financial statements.

40. **The Board recommends that UN-Habitat obtain and review implementing partners' reports to monitor project progress and the utilization of advances in a timely manner, effectively measure advances and expenses and appropriately disclose accrued expenses.**

41. UN-Habitat accepted the recommendation.

4. Budget management

42. The budget of UN-Habitat includes regular budget and extrabudgetary resources. The total budget presented in the proposed programme budget for 2023 was $162.93 million, of which the regular budget amounted to $14.10 million and the estimates for extrabudgetary resources amounted to $148.83 million.

Inadequate allocation of the evaluation budget, affecting the implementation of evaluation

43. The General Assembly, in its resolution 76/245, asked that the Secretary-General continue to strengthen internal controls in programme planning, budgeting, implementation, monitoring and evaluation, and reporting.

44. It is stated in the revised UN-Habitat evaluation framework (valid as from September 2016) that projects under $1 million are charged a minimum direct evaluation cost of $25,000 and an indirect evaluation cost of $7,000, while projects of $1 million and above are charged a minimum direct evaluation cost of $10,000 and indirect evaluation cost of $10,000. Projects under $300,000 are exempted from evaluation.

45. It is indicated in administrative instruction ST/AI/2021/3 (evaluation in the United Nations Secretariat) and the UN-Habitat evaluation policy of 2013 that all evaluation reports of external evaluations undertaken by UN-Habitat must be made publicly available, including the management response dealing with evaluation recommendations, except if the reports contain material of a confidential nature.

46. The Board analysed the evaluation budget for the 144 approved or completed projects for the years 2021, 2022 and 2023 and noted that the total evaluation budget of those projects was assessed at $8.62 million. However, the actual evaluation budget was $3.28 million, which accounted for only 38.05 per cent of the assessed budget, indicating a shortage of $5.34 million.

47. The Board noted, on a sample basis, that 33 of 34 projects were found to be missing evaluations reports. The disclosure of the evaluation reports was also inadequate. Of 27 sampled evaluation reports and 10 management responses to the evaluation reports made from 2021 to 2023 collected by the Board, only 15 were publicly available on the UN-Habitat website.

48. The Board was informed that, although at the planning and approval stage, projects with a value of $300,000 and above should include the evaluation costs in the project budget proposal, the evaluation budget had not been planned in Umoja, nor had it been used for other purposes during project implementation. Apart from the impact of the coronavirus disease (COVID-19) pandemic and political reasons, due mainly to the lack of adequate resources devoted to evaluations, some evaluation reports were not delivered, resulting in inadequate evaluation coverage.

49. The Board is concerned that an insufficient budget for project evaluation may adversely affect the implementation and performance of UN-Habitat evaluation activities, which poses a challenge in understanding the performance and achievement of projects and programmes. The limited transparency in evaluation reports and

management responses may affect the credibility and quality of the evaluation and communication with stakeholders.

50. **The Board recommends that UN-Habitat allocate adequate funds for evaluations in the project budget and conduct evaluations of projects in line with the evaluation policies in order to ensure that evaluation activities are carried out effectively and that evaluation reports are publicly available.**

51. UN-Habitat accepted the recommendation.

Insufficient disclosure of extrabudgetary posts

52. The General Assembly, in its resolution 70/286, stressed the importance of the Secretary-General taking further steps towards improving budget presentations and making more accurate forecasts.

53. In its resolution 74/262, the General Assembly stressed that all extrabudgetary posts must be administered and managed with the same rigour as regular budget posts. In addition, the Advisory Committee on Administrative and Budgetary Questions, in its report, stressed the need for greater transparency and more comprehensive information on extrabudgetary resources for each subprogramme of the programme budget (A/76/554, para. 23).

54. The Board noted that there were six types of positions within UN-Habitat, namely, billing positions, established posts, replacement general temporary assistance, temporary assistance for meetings, voluntary contribution posts and voluntary contribution project positions. The number of positions increased from 180 in 2021 to 330 in 2022 and to 429 in 2023. Of these, only voluntary contribution posts and voluntary contribution project position were funded by extrabudgetary sources.

55. The Board also noted that the number of positions funded by extrabudgetary sources represented 58, 74 and 80 per cent of the total in 2021, 2022 and 2023, respectively. Of these, the voluntary contribution posts and the voluntary contribution project positions under foundation earmarked and technical cooperation, accounted for 25, 63 and 72 per cent of the positions funded by extrabudgetary sources, respectively, in 2021, 2022 and 2023.

56. The Board further noted that a large proportion of the voluntary contribution posts and the voluntary contribution project positions had a duration of more than one year and, in some cases, even longer. For example, of the 247 voluntary contribution posts and voluntary contribution project positions under foundation earmarked and technical cooperation in 2023, 79 (32 per cent) had a duration of more than two years and 7 (three per cent) had a duration of more than three years.

57. The Board reviewed the report on the proposed programme budget for 2021, 2022 and 2023 and noted that only posts under the funding segments of the regular budget, foundation non-earmarked and programme support were disclosed, while the planned extrabudgetary posts under foundation earmarked and technical cooperation were left blank. There was an apparent discrepancy between the number of planned and actual extrabudgetary posts.

58. UN-Habitat explained that positions under Foundation earmarked and Technical cooperation belong to extrabudgetary project posts, which were temporary in nature and were included as non-post costs in the proposed programme budget. They were not required to be reflected in the organization chart of the proposed programme budget.

59. The Board is concerned that there is a high proportion of extrabudgetary posts in UN-Habitat and that some voluntary contribution posts and voluntary contribution project positions have a long duration. However, the insufficient disclosure of

extrabudgetary posts may have an impact on the accuracy and transparency of the proposed programme budget.

60. **The Board recommends that UN-Habitat disclose information on extrabudgetary posts more transparently and strengthen the monitoring of long-term positions, to ensure that the extrabudgetary resource estimates presented in the budget fascicles are as complete and accurate as possible.**

61. UN-Habitat accepted the recommendation.

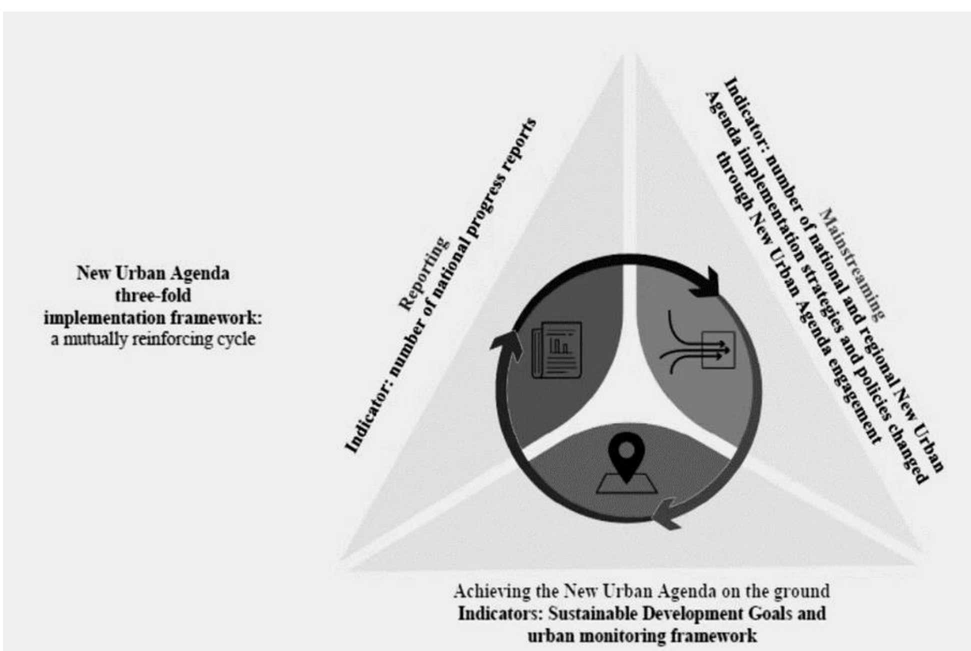
5. Strategy management

Deficiency in three-fold implementation framework of the New Urban Agenda

62. In the report titled "Progress in the implementation of the New Urban Agenda and the 2030 Agenda for Sustainable Development" (HSP/HA.2/5), it is stated that "the New Urban Agenda...serves as a primary guiding framework for policy and practice to promote a better urban future for all. It proposes opportunities to accelerate the 2030 Agenda...". In its resolution 77/173 on the implementation of the New Urban Agenda and the strengthening of UN-Habitat, the General Assembly reaffirmed the role and expertise of UN-Habitat as the focal point on sustainable urbanization and human settlements, including in the implementation, follow-up to and review of the New Urban Agenda.

63. In the report on the principal obstacles to the implementation of the New Urban Agenda by Member States (HSP/EB.2023/14) it is stated that "National and local governments and other actors need to take specific measures to achieve the vision and commitments of the New Urban Agenda." Three broad steps are required for this (see figure II.II).

Figure II.II
New Urban Agenda three-fold implementation framework



Source: Report on the analysis of the principal obstacles to the implementation of the New Urban Agenda by Member States (HSP/EB.2023/14).

64. The three-fold implementation framework includes three indicators: tracking how many national and subnational policies, strategies and investments reflect the New Urban Agenda; counting how many national progress reports are issued towards achieving the New Urban Agenda and its commitments; and collecting monitoring data relating to New Urban Agenda implementation. All indicators need to act effectively to reflect the monitoring and implementation process of the New Urban Agenda.

a. Mainstreaming: missing data on indicator that tracks how many national and subnational policies, strategies and investments reflect the New Urban Agenda

65. Mainstreaming was a way to encourage governments at all levels to include the New Urban Agenda and the principles contained therein within their urban development frameworks and policies. The Board noted that, as of April 2024, there was no data collection of that indicator.

66. The Board is of the view that, as one of the three-fold implementation frameworks, the absence of the mainstreaming indicator will result in an insufficient quantity of national and regional New Urban Agenda implementation strategies and policies, making it unable for UN-Habitat to foresee the implementation progress of the New Urban Agenda from a policy perspective.

b. Reporting: inadequate indicator of reports submitted on Urban Agenda platform

67. The Urban Agenda Platform was regarded as a way of presenting the number of national reports.

68. The Board noted that, although the submission of reports was not mandatory, as of April 2024 the number of reports on the Urban Agenda Platform was inadequate. It found the following:

(a) The gap between submitted reports and those that were not but should have been was huge, with only 40 of 194 national progress reports submitted;

(b) The updating and submission of reports on the New Urban Agenda were not done in a timely manner. A total of 1 report was submitted in 2020, 22 in 2021, 15 in 2022 and 2 in 2023. All countries had submitted only one initial report and no subsequent updated reports;

(c) Regional differences were clear and unbalanced (see table II.2). The submitted rate of North America was zero per cent, while the rate of Middle East and North Africa was 100 per cent.

Table II.2
Statistics of national progress reports (region)

	North America	*Asia and Pacific*	*Europe and Central Asia*	*Latin America and the Caribbean*	*Middle East and North Africa*
Reports to be submitted	2	7	13	5	3
Reports submitted	–	2	5	4	3
Submission rate (percentage)	–	29	38	80	100

Source: www.urbanagendaplatform.org/member-states.

69. The Board also noted that UN-Habitat had not reported an updated submission of national reports to the Executive Board in its 2023 sessions, which was not in line with the relevant resolution of the Executive Board.

70. The Board is of the view that a timely and adequate amount of national progress reports and data are highly supportive in indicating the most recent progress in implementation of the New Urban Agenda and the achievement of the urban-related Sustainable Development Goals, and will have an active impact on policymaking and sharing experience among Member States.

c. Achieving the New Urban Agenda on the ground: inadequate indicators of data using of the global urban monitoring framework

71. The global urban monitoring framework was regarded as a way of implementing the New Urban Agenda on the ground, which was submitted and approved by the Statistical Commission at its fifty-third session, held in March 2022.

72. The Board was informed that, as of April 2024, 472 cities in total that compiled with the global urban monitoring framework approach and 77 indicators of the framework.

73. The Board noted that the global urban monitoring framework did not have any data analysis. In addition, those 472 cities had not fully used those 77 indicators. Notedly, eight indicators had no data and one indicator had only one piece of data.

74. The Board was also informed that funding for implementation of the three-fold framework from UN-Habitat was not budgeted.

75. The Board is of the view that the global urban monitoring framework adopted by the Statistical Commission has the potential to address gaps in urban data that currently hinder progress assessment and robust monitoring and reporting on the New Urban Agenda. Lack of analysis of data and insufficient application of indicators would be not conducive for UN-Habitat in guiding sustainable urbanization and human settlement progress and designing appropriate solutions to promote the New Urban Agenda.

76. **The Board recommends that UN-Habitat initiate implementation of the mainstreaming indicator, improve the quantity and quality of national reports and strengthen data analysis on the global urban monitoring framework to improve data availability for more robust monitoring and reporting on the New Urban Agenda.**

77. UN-Habitat accepted the recommendation.

Insufficient capacities in monitoring of and reporting on Sustainable Development Goal indicators

78. In General Assembly resolution 70/1, titled “Transforming our world: the 2030 Agenda for Sustainable Development”, the Assembly stated that the United Nations system played an important role in supporting the achievement of the Sustainable Development Goals.

79. At the Fifth Meeting of the Inter-Agency and Expert Group on Sustainable Development Goal Indicators, it was indicated that UN-Habitat oversaw 9 of the 15 indicators under Goal 11 and supported monitoring activities for 3 indicators in other indicators of the Goals, including 1.4.1, 1.4.2 and 6.3.1. Custodianship duties involve data-centric tasks such as formulating indicator computation methodologies, creating guidance documents, assisting Member States in tracking indicators and targets, and compiling data-supported reports on regional and global progress against each target and indicator.

80. Pursuant to the UN-Habitat evaluation policy of January 2013 and the revised UN-Habitat evaluation framework of September 2015, it is required that evaluations meet the standards outlined in the United Nations Evaluation Group norms and standards for evaluation. Changes in language must be used to describe a specific future condition. Results, whether quantitative or qualitative, must have measurable indicators, making it possible to assess whether they were achieved.

81. The Board noted that, according to the Sustainable Development Goals Report 2023 produced by the United Nations, Sustainable Development Goal 11 faced the most pronounced issue of inadequate data. The Board analysed the Global Urban Indicators Database of UN-Habitat and noted that the data for indicator 11.1.1 (Proportion of urban population living in slums, informal settlements or inadequate housing), which constitutes the fundamental mandate of UN-Habitat, was incomplete and outdated. In addition, there was the lack of global reporting specifically on indicators 1.4.1 and 1.4.2, with no dedicated documents on UN-Habitat contributions to them or a joint report for all Goal 1 custodian agencies.

82. The Board reviewed 38 projects submitted through the integrated planning, management and reporting system in March 2024 and noted that links to the Sustainable Development Goal indicators were inadequate at the project level. Of those 38 projects, 6 were found to have incorrect Sustainable Development Goal links in the system, while five were subsequently approved.

83. The Board also noted that descriptions in the evaluation reports indicated only the factors affecting the sustainability of the projects, without drawing direct conclusions about to what extent the projects were sustainable.

84. UN-Habitat explained that Sustainable Development Goal 11 monitoring at the city level faced limitations in data capacity. In addition, indicator 1.4.1 was reported through country dashboards without a global report, and there were plans in place for a joint report with the World Bank for indicator 1.4.2.

85. The Board is of the view that a comprehensive evaluation of the UN-Habitat contribution to the Sustainable Development Goals becomes apparent only when it is tangibly reflected from the bottom up. The lack of data could potentially hinder the capacity of UN-Habitat to track, monitor and assess the achievement of Sustainable Development Goal 11 and indicators 1.4.1 and 1.4.2. Inadequate links to Goal contributions at the project level may affect objectivity and comprehensiveness at the overall level. Furthermore, the lack of a clear evaluation conclusion on sustainability could affect stakeholders' ability to accurately determine the sustainability of the project.

86. **The Board recommend that UN-Habitat enhance its capacities in monitoring and reporting on the achievement of Sustainable Development Goal 11 and produce a progress report on indicators 1.4.1 and 1.4.2 demonstrating horizontal collaboration and coordination as a custodian agency for the Goal and the indicators.**

87. **The Board also recommends that UN-Habitat strengthen the monitoring of Sustainable Development Goal progress at the project level by ensuring that every approved project makes correct indicator links and that it draw clear conclusions on project sustainability in the evaluation report.**

88. UN-Habitat accepted the recommendations.

Deficient fundraising of the Sustainable Development Goal Cities flagship initiative

89. In the report on the normative and operational activities of UN-Habitat (HSP/EB.2023/17), it is indicated that the Sustainable Development Goals Cities

flagship initiative has made progress on tools development, which are included in four tracks of this initiative. With respect to finance tools, "'The City Investment Facility' is now established to support high-impact project access finance". The "Cities Investment Portal" showcases project pipelines.

90. In the same report, it is also stated that "The Finance and Implementation Track supports cities to put their strategic plans into action, with a particular focus on identifying, preparing and financing high impact projects".

91. The Board noted that the Cities Investment Facility, as the finance tool of the Sustainable Development Goal Cities flagship initiative, was established in 2020. There were 99 project proposals, and only 15 of them were displayed in the Cities Investment Facility portal. The fundraising target of the Cities Investment Facility for every biennium was at least $3 million; however, as at 28 April 2024, no funds had been raised.

92. UN-Habitat explained that it had tried to cover more areas to attract donors by showing diverse types of projects in the Cities Investment Facility portal. However, the situation did not improve.

93. The Board is of the view that the Cities Investment Facility is the only finance and implementation tool to support cities in putting their strategic plans into action, with a specific focus on identifying, preparing and financing high-impact projects, and that a failure to fundraise on behalf of CIF may have a negative impact on the implementation of the Sustainable Development Goal Cities flagship initiative.

94. **The Board recommends that UN-Habitat optimize Cities Investment Facility portal and exploit the Facility's potential as the accelerator of the Sustainable Development Goal Cities' flagship initiative in terms of fundraising.**

95. UN-Habitat accepted the recommendation.

6. Project management

Insufficient management and implementation led to inadequate project performance

96. It is stated in the revised UN-Habitat results-based management handbook (version 2.0, 2021) that projects are the vehicles through which UN-Habitat delivers its work programme outputs and ultimately its strategic results, as contained in the four-year strategic plan and in the annual work programme and budget. If projects are not implemented as planned to deliver work programme outputs, then UN-Habitat will be unable to deliver the global social and economic benefits outlined in the strategic plan. Project implementation is the most critical stage in the project management cycle, given that, during this stage, planned benefits and results are delivered.

97. The Board analysed the substantive and financial data of all 369 approved projects in the Umoja integrated planning, management and reporting and the Enterprise Core Component modules as of March 2024, which were funded by extrabudgetary resources in the amount of $2,370.51 million. The Board noted that 219 of the 369 projects (59.35 per cent) were to be completed before the end of 2023, involving grants of $1,388.29 million, and consisted of two types of projects: (a) 93 projects created in the integrated planning, management and reporting module since its launch in 2021 (created projects); and (b) 126 projects were created before 2021 and converted from the previous Project Accrual and Accountability System (converted projects), preventing the project information and progress from being recorded and tracked through the integrated planning, management and reporting module.

a. Indicators of projects not realized

98. The Board noted that more than half of the 93 created projects had indicators that were not realized. The 93 projects established 882 indicators, which were specific, observable and measurable characteristics used to show changes or progress made by a project towards the achievement of a specified outcome or result. However, 330 indicators in 51 projects (54.8 per cent) were delayed in terms of evaluating progress, or terminated, involving grants of $30.78 million. The Board continued its review of those 51 projects and noted the issues outlined below.

i. Low-efficiency performance in 34 projects with closed and closing grants

99. Closed or closing grants indicate that projects have reached the completion stage. In this regard, it is unlikely that additional funds and uncompleted indicators would be invested or realized. The average rate of budget implementation for 34 projects was 83.55 per cent (the budget was $14.16 million and actual expenditure was $11.83 million). However, 216 delayed or terminated indicators reflected the inadequate performance and inefficiency of the funds directly. In addition, only 1 project's status was recorded as "operationally closed" in the integrated planning, management and reporting module, while the status of the remaining 33 projects was "approved", which was inconsistent with the financial and actual status of the grants.

ii. Delayed progress in 17 projects with "award" grants

100. Grants with an "award" status indicate that funding was ongoing, notwithstanding these 17 projects having already passed their scheduled completion date, reflecting delays in progress, with 114 delayed in terms of evaluating progress, or terminated. The average budget implementation rate for 17 projects was 48.66 per cent (budget was $11.83 million and actual expenditure was $8.08 million).

101. The Board also reviewed the financial data of 126 converted projects and noted that 43 projects with "award" grants and an average budget implementation rate of 67.61 per cent showed delayed progress. Of the remaining 83 projects with closed or closing grants, as well as a budget implementation rate of 86.22 per cent, some projects did not fully achieve the planned objectives.

b. Deficiencies in project management

102. On the basis of the observations mentioned, the Board also sampled specific projects from the 51 "created projects" and 126 "converted projects" with delayed progress, in order to assess the completion of substantive work, and noted the deficiencies below in relation to funding utilization and project planning/process management, which, in some instances, even affected the donor's credibility with respect to UN-Habitat.

i. Inadequate planning led to deficiencies in performance

103. The Board noted that seven projects were delayed, with a total budget of $7.23 million and an average budget implementation rate of 32.09 per cent. The main reasons were insufficient research on local policies, progress on bidding by vendors, the political environment and geographical factors at the planning stage, resulting in inaccurate estimates of budgets and time frames.

104. For example, one project was intended for the construction of 158 boreholes and the establishment of participatory management systems, with the goal of completion before December 2023, and it had a budget of $2.5 million. The Board noted that, owing to inadequate research on the project's on-site geographical factors and construction challenges, coupled with an overly optimistic estimate of bidding

progress, as of March 2024 only the tender for the construction of 64 boreholes had been completed and no progress had been made on substantial construction works. The project consumed only $0.19 million (7.6 per cent) of its budget.

ii. Insufficient process management led to deficiencies in performance

105. The Board noted that, owing to insufficient project management, such as with regard to procurement or communication with the local government, four projects had been delayed multiple times and that this led to performance deficiencies. The four projects had a total budget of $30.62 million and total actual expenditure of $24.19 million, with an average budget implementation rate of 79 per cent.

106. For example, one project was intended to prepare regional development spatial plans for 10 regions of country E and had a budget of $7.26 million, and it was scheduled to be completed in March 2023. However, during implementation, 10 project offices that were planned to be set up dealt with the issue of vacant posts, and the experts eventually recruited showed a reluctance to deliver on the assignment without being paid. In addition, some seminars and other planned activities were not carried out, resulting in the project outputs failing to be delivered on time. Moreover, the actual expenditure on personnel of UN-Habitat, totalling $0.54 million, exceeded the budgeted amount by 10.2 per cent. The donor also expressed concerns about project management and dissatisfaction with the delayed progress. According to the letters sent by the donor, the donor was “forced to extend the project up to June 31, 2024” and UN-Habitat “has not yet completed the client assignment in agreed timeline and did not submit a detailed budget breakdown and work plan as requested”. As of March 2024, 4 of the 11 indicators had not been realized.

107. The Board is of the view that the project implementation phase is the crucial stage within the project management cycle. Insufficient project planning or process management affects the effective use of extrabudgetary funds directly and results in the accumulation of idle funds, which will hinder UN-Habitat in achieving the global social and economic benefits outlined in its strategic plan.

108. The Board is concerned that delayed progress and failure to deliver project outputs could potentially cause reputational risks for UN-Habitat and affect the relationship between UN-Habitat and donors, thereby affecting fundraising and potentially jeopardizing future cooperation opportunities with donors.

109. **The Board recommends that UN-Habitat strengthen the background and risk assessments in the project planning stage and improve the accuracy of budget preparations, to ensure that projects are completed within the planned time frame and budget.**

110. **The Board recommends that UN-Habitat strengthen expenditure control to ensure consistency with budgets through the conduct of a regular review of a project’s substantive work and consolidate it with financial information in the Enterprise Core Component module, and regularly submit high-quality financial and progress reports to donors, in order to enhance the latter’s confidence in UN-Habitat.**

111. **The Board also recommends that UN-Habitat update the information regarding projects in the integrated planning, management and reporting module on a timely basis to ensure consistency with the actual status.**

112. UN-Habitat accepted the recommendations.

Projects implemented in advance without being approved in the integrated planning, management and reporting tool

113. It is stated in the UN-Habitat integrated planning, management and reporting module deployment policy guide (2023) that “Both substantive (contained in SMA) and budget (contained in BPC) information are required to be approved in IPMR in line with the designation/user mapping before the project is operationalized (implemented)”. It is also required, in line with the guidelines for programme and project review and approval (2022), that all the emergency funded projects need the Programme Review Committee’s approval within 48 hours. As for projects deemed urgent by donors, exceptions can be granted only upon a positive recommendation of the Chair of the Committee and final approval of the Executive Director. It is also indicated in the guidelines that, for budget scaling-up projects, the full project approval workflow still needs to be followed. The Committee’s mandate has been expanded to include monitoring of the implementation of approved projects.

114. The Board reviewed the projects created in the integrated planning, management and reporting module with actual starting dates after May 2021 and noted that there were 15 unapproved projects (without approved history records in the module) with a total budget of $16.42 million, which had actual expenditures records in the Enterprise Core Component module of Umoja as at 30 September 2023. For example, three projects had been implemented before substantive documents were uploaded to the module for approval, such as signed donor agreements and signed project document templates from, among others, Programme Review Committee member; four projects lacked files or information to upload to the module for approval, even though they were operationally completed and would be closed soon; two scaling-up projects lacked a Committee review and module approval of the waiver; and two emergency funded projects were implemented in advance through the quick-review process, lacking Committee review and formal approval in the module.

115. UN-Habitat explained that the Programme Review Committee was the approval mechanism. Before April 2023, the Committee signed the final project document to indicate its approval. However, as from April 2023, the approval of the Committee became integrated planning, management and reporting module approval. The issue of non-approval of projects in the module did not prevent the commitments from being fulfilled.

116. The Board is of the view that the integrated planning, management and reporting module is not only a tool for project management, but also a crucial guarantee for project compliance, project implementation, outcome achievement and risk prevention. All the projects must be planned and monitored in the module, with both substantive and budget information uploaded to the module in a timely manner for Programme Review Committee review and approval. Some projects approved by the Committee were initiated before April 2023 and remained unapproved in in the module for several months. Moreover, the projects eligible for a Committee exemption also need to be reviewed by the Committee. It should be noted that emergency funded projects require the approval of the Committee before implementation.

117. The Board is concerned that these unapproved projects with actual expenditure cannot be tracked in the monitoring component of the integrated planning, management and reporting module, especially for the projects at the operational closed stage, which may bypass the entire monitoring process in the module. Consequently, unauthorized spending and procurement, as well as high project risks, can ensue.

118. **The Board recommends that UN-Habitat comply with the Programme Review Committee guideline and the integrated planning, management and reporting module deployment policy to ensure that the projects are approved firstly in the module, and update the guideline to clarify the role of the module in programme and project approval.**

119. UN-Habitat accepted the recommendation.

Inadequate management of the end beneficiary programme

120. The end beneficiary programme is a specific implementation method employed by UN-Habitat that is managed in the Umoja grantor management module. In this approach, the signatory to the project execution agreement is the end beneficiary, without involving any third party, and without adhering to the implementing partner policy. Management is conducted primarily through a community agreement, which is a legal document between a community-based organization and UN-Habitat. The community agreement is intended to produce specific outputs within an agreed time frame, within a fixed budget and with the correct quality and quantity.

121. The Board extracted the 1,596 agreements uploaded to the Umoja grantor management module as at 31 December 2023 and identified 800 community agreements (50.13 per cent of the total agreements), with 798 managed by the Regional Office for Asia and the Pacific and the remaining 2 managed by other offices. The Board sampled the community agreements and noted the issue described below.

a. Surpass the payment limits in the same account by splitting a community agreement

122. It is stated in the guidelines on the use of UN-Habitat agreements and legal instruments that "No Agreement shall exceed the amount of $100,000; only one Agreement can be issued to a specific community organization at one time".

123. The Board noted that eight community agreements under one programme were signed on the same day (16 June 2021) for the building of houses in the same community, in the amount of $776,100. Of this, $698,490 (90 per cent) was disbursed to the same community development council account. That exceptional action was confirmed by the financial manager from headquarters by writing a letter. However, the letter was written after the expiration of the eight community agreements and after 90 per cent of payments had been made to the community development council account. This notwithstanding, the delivery of the eight community agreements was delayed by four months.

124. UN-Habitat explained that the payment term was intended to ensure fast delivery because the communities could not prefinance the project, given their economic status. Although 90 per cent of instalments were paid, measures were taken to ensure that any withdrawals from community bank accounts could not be done without authorization by the UN-Habitat project manager.

125. The Board is of the view that those eight community agreements were split without clearance from the legal unit to keep payments below the $100,000 limit, which violates headquarters guidelines on the use of UN-Habitat agreements and legal instruments. In addition, disbursing a high-percentage initial payment and a completion-independent final instalment makes the control of risks challenging.

126. **The Board recommends that UN-Habitat strengthen compliance oversight of the signing of community agreements, review the existing payment terms of community agreement, considering the on-the-ground reality in the relevant country office, and establish appropriate payment terms to control financial risks.**

127. UN-Habitat accepted the recommendation.

b. Weakness in oversight of the implementation of community agreements

128. It is indicated in the community implementation agreement template issued by the legal unit that, "In the event the Cooperating Entity/Contractor requires the services of sub-contractors, the Cooperating Entity/Contractor shall obtain the prior written approval and clearance of UN-Habitat for all sub-contractors".

129. The Board analysed the eight community agreements mentioned above and identified instances in which some work did not fully meet the standards outlined in the existing country office standard operating procedure. For example, the authorized subcontracting content and actual subcontracting content were inconsistent, the social audit report lacked essential information required in the standard operating procedure and the same photos were used in different completion reports, and this was also noted in two other programmes.

130. UN-Habitat explained that it did not have standard operating procedures applicable to all countries across the organization and that there was also no established policy at the organization level indicating that a standard operating procedure created at the country level should be approved by headquarters or a regional office.

131. The Board is of the view that the implementation of community agreements is central to the effectiveness of the end beneficiary programme. Given that the proportion of community agreement signings exceeds 50 per cent of all agreements, it necessitates overarching regulation at the organization level to ensure that standards are maintained at the implementation level. There is room to enhance community agreement management, and addressing these deficiencies will contribute to greater clarity and effectiveness in each community agreement's implementation.

132. **The Board recommends that UN-Habitat integrate regulations of community agreement management into the implementing partner policy, include the standardized completion report at the organization level and review the existing community agreement template to ensure compliance with the updated implementing partner policy.**

133. UN-Habitat accepted the recommendation.

7. Agreements between United Nations entities and implementing partner management

Inadequate payment oversight in agreements between United Nations entities

134. The Board noted that 10 agreements between United Nations entities managed in the grantor management module in Umoja presented inadequate payment oversight, including the issues noted below.

a. Failure to require the achievement of deliverables as a condition for payment

135. Seven agreements, totalling $5.79 million in agreement amount and $4.95 million in total paid amount, fall under this category. For five of these agreements, full payment upon contract signing was specified, and a total of $3.60 million had been made. One agreement lacked explicit payment terms because it was a memorandum of understanding, so the payment ratio was calculated manually according to the donor agreement and was presented in an Excel spreadsheet.

b. Instalments disbursed before meeting payment conditions

136. Instalments under two agreements signed with the Office of the United Nations High Commissioner for Refugees and the United Nations Officer for Project Services, totalling $3.76 million, were disbursed before meeting the contractual requirements of receiving reports, budget plans and achieved outputs.

c. Disbursed instalments did not follow payment ratio specified in the agreement

137. A total of $10.26 million in instalments under three contracts was not disbursed in line with the specified payment ratios. Among these, $0.38 million was transferred in a single batch instead of the two-batch payment stipulated in the original agreement, while the amendments with the revised one-term payment terms were signed one year after the payment had been made.

138. UN-Habitat explained that the current implementing partner policy did not apply to the management of UN–UN agreements. In addition, funding for some of the agreements between United Nations entities were pass-through grants, by which UN-Habitat was solely responsible for distributing donor funds to collaborating United Nations agencies without actual control. Meanwhile, incomplete fulfilment of payment conditions or unclear payment terms made it difficult for reviewers to approve payments.

139. The Board is of the view that the agreements between United Nations entities have not been followed strictly in terms of payment adherence. The current mechanism for managing payments among United Nations agencies is weak and may lead to financial control risks.

140. **The Board recommends that UN-Habitat enhance the overall oversight of payments in agreements between United Nations entities, present prerequisites and payment ratios clearly and upload all prerequisite documents to the Umoja grantor management module to facilitate payment verification.**

141. UN-Habitat accepted the recommendation.

Ineffective due diligence and evaluation conducted on implementing partners

142. On the basis of the analysis of the grantor management system, the overview of each type of implementing partner at UN-Habitat as at 31 December 2023 is presented in the following table. The Board noted that the due diligence and evaluation conducted on implementing partners were ineffective.

Table II.3
Overview of each type of implementing partner as at 31 December 2023
(Millions of United States dollars)

Grantee type	*Number*	*Agreement amount*	*Advance*	*Refund*	*Write-off*
Government	541	86.69	61.40	(2.38)	(27.86)
United Nations agency	37	65.45	45.75	(1.00)	(16.60)
Civil society organization and private sector	384	94.53	73.82	(1.12)	(57.07)
Commercial vendor (United Nations Global Marketplace)	2	0.58	0.37	0.00	(0.30)
Total	**964**	**247.25**	**181.33**	**(4.51)**	**(101.84)**

Source: Data taken from Umoja.

a. Ineffective due diligence conducted on civil society organization and private sector implementing partners

143. It is stated in the UN-Habitat policy for implementing partners that “the selection of IP should follow a due diligence process which comprises capacity check, integrity check and value for money check. The Implementing Partner Capacity Assessment Tool (IPCAT) is primarily utilized to present recommendations to the Implementing Partner Selection Committee (IPSC) for selecting IPs”.

144. The Board noted that the due diligence conducted on civil society organization and private sector implementing partners did not adhere strictly to the standard. Three implementing partners were noted to have unsound accounting systems, and they had been paid in full under three agreements totalling $1.32 million. In addition, two single-sourced implementing partners showed reporting and financial deficiencies, and one of these had contracts amended 18 times from November 2016 to February 2021, with an initial value of $70,000 reaching $1.56 million, and $0.76 million already advanced. The financial report submitted for due diligence dated back to the biennium 2013–2014, contradicting Implementing Partner Capacity Assessment Tool requirements mandating financial soundness for the preceding two years. This implementing partner’s performance was rated “Partially satisfactory”, indicating below-average performance post-implementation.

145. The Board sampled 105 civil society organization and private sector implementing partners and noted a lack of a standardized assessment method and monitoring method for due diligence across headquarters and regional offices. Of the sampled implementing partners, 36 did not use the Implementing Partner Capacity Assessment Tool for due diligence, of which 24 employed alternative methods without specifying which ones, 10 previously reviewed collaboration records and Security Council consolidated lists and 2 did not conduct due diligence because they were sole-sourced.

146. The Board is of the view that due diligence for civil society organizations and private sector implementing partners is crucial for mitigating risks and ensuring project success. The lack of standardized assessment methods, monitoring and rigorous adherence to established standards may lead to foreseeable risks being overlooked.

b. Ineffective evaluation of government, civil society organization and private sector implementing partners

147. It is indicated in the UN-Habitat policy for implementing partners that “The performance of all IPs shall be formally evaluated”, and the “Evaluation of performance is important to ascertain whether UN-Habitat has received good value for money for the work done. The performance of all IPs shall be formally evaluated, and a copy of the evaluation shall be recorded in the central roster of IPs as a reference for consideration of future contracts”.

148. The Board noted that 20 of 69 cooperation agreements undertaken with government, civil society organization and private sector implementing partners exhibited deficiencies, including delayed progress and reporting, low quality, a lack of financial systems in place and communication issues. However, 18 of these were rated “Satisfactory” or higher by UN-Habitat, with 9 having signed more than 2 cooperation agreements. For example, three implementing partners failed to complete stipulated contract activities, and one of them, the Critical Needs Support Foundation, collaborated with UN-Habitat three times, with a total contract value of $195,104. Insolvency during the third collaboration prompted contract termination. Notwithstanding UN-Habitat’s prompt action, it took a year to recover the $81,462 refund, while the implementing partner’s rating remained “Satisfactory” or higher.

149. The Board reviewed UN-Habitat's partner evaluation form, noting that implementing partners were rated on budget, timeliness and post-project quality. However, there was no correlation between those ratings and the overall performance rating (i.e., Excellent, Satisfactory, Partially Satisfactory or Unsatisfactory). Recurring issues such as report quality and communication were not factored into the evaluation template. Almost all the implementing partners' performance was reported as "Satisfactory", with only two being reported as "Partially Satisfactory". In addition, UN-Habitat lacks a central roster for implementing partners and does not classify them by performance.

150. The Board is of the view that the management approach to implementing partner evaluation is inconsistent. There is no correlation between the three evaluation dimensions and the overall assessment of implementing partners, and the lack of differentiation in evaluation results renders the results ineffective and unusable as references for consideration in future contracts.

151. **The Board recommends that UN-Habitat standardize the due diligences criteria for implementing partners and adhere strictly to them to ensure quality and effectiveness.**

152. **The Board also recommends that UN-Habitat expand the indicators for assessing implementing partner performance to ensure a comprehensive and objective evaluation, link the indicators to the overall performance rate and share the evaluation results of all implementing partners within the organization.**

153. UN-Habitat accepted these recommendations.

Inadequate management of implementing partner audit

154. It is stated in the UN-Habitat policy for implementing partners that audit is an important part in the cycle and processes for the management of implementing partners and that, on the basis of the "significance of funds provided (over $100,000), UN-Habitat will select independent qualified external auditors to perform an exclusive audit on the use of funds provided to IPs. The audit is a prerequisite for the disbursement of a specific percentage of the instalment. Sufficient provision for the cost of audit should be made as part of the Agreement of Cooperation budget". It is also stated that the auditors "should report directly to UN-Habitat on the results of the audit. Issues raised by auditors should be followed up for resolution. The project administrator is responsible for ensuring the IP has adequately addressed audit recommendation".

155. It is indicated in the terms of reference for the audit of the implementing partner project, funded by UN-Habitat, that "the auditor should provide an overall assessment of the internal control systems that are in place for the management of the Project".

156. On a sample basis, the Board reviewed cooperation agreements and noted the following:

(a) On the basis of 20 sampled cooperation agreements, the auditors of nine implementing partners were chosen by the implementing partners or through implementing partners in consultation with UN-Habitat, while the rest failed to provide supporting documentation of independently conducted selections. The selection of implementing partner auditors lacks independence;

(b) A $114,400 payment to three implementing partners was disbursed without audited financial statements, and none of them included audit fees in the project budget.

157. The Board sampled 30 cooperation agreements and found that 17 of them audited only the financial statements without auditing the internal control systems. A total of 5 of the remaining 13 cooperation agreements contained recommendations highly relevant to the UN-Habitat risk register. These included weaknesses in the

accounting system, inadequate implementation of previous audit recommendations, excessive use of cash payments, deficiencies in fixed-asset management, transactions not recorded in the implementing partner's accounting software, procurement based on budget amounts instead of implementing partners' guidelines, delayed reporting of fraud incidents by beneficiaries and failure to maintain a separate bank account. The Board further reviewed partner evaluation documents but noted that the audit report findings were not referenced.

158. The Board is of the view that auditing implementing partners is a critical external evaluation tool that helps to mitigate the risks of mismanagement or resource misuse. Conducting internal control audits on implementing partners aids in identifying deficiencies in future collaborations. Ensuring independence in selecting auditors for implementing partners is crucial for maintaining the credibility of audit results. Furthermore, including audit expenses in the project budget phase is essential for conducting implementing partner audits. Instalments can be disbursed only after auditing requirements have been satisfied.

159. **The Board recommends that UN-Habitat adhere strictly to the implementing partner policy regarding the selection of implementing partner auditors, the allocation of budgets for implementing partner audits and the provisions for implementing partner payments; conduct comprehensive audits on implementing partners, covering all required audit services in line with the terms of reference; and establish a knowledge base for audit findings and recommendations to identify key control risks for future collaborations.**

160. UN-Habitat accepted the recommendation.

8. Procurement management

Splitting requirement and repeated use of low value acquisitions and request for quotations to bypass a formal method of solicitation

161. In paragraph 6.3.3.a of the United Nations Procurement Manual, it is stated that "Under no circumstances shall the requirement be split into multiple solicitations or combined with other [requests for quotations] or [low value acquisitions] for the same or related, in order to avoid a formal method of solicitation". In paragraph 6.3.2.1d, it is indicated that "Should an entity identify that LVAs are being used repeatedly within the same year to buy similar requirements by the same office or several offices pertaining to such entity, efforts should be made to aggregate the requirements and conduct a bidding exercise, with the aim to replace the use of LVAs with a Contract or a Blanket Purchase Order as soon as possible".

162. The Board reviewed UN-Habitat's purchase orders conducted by itself (not delegated to the United Nations Office at Nairobi) from 2020 to 2023 and noted the following:

(a) The Afghanistan country office conducted 11 similar requests for quotations for the project "ROAP/AFG06/22/Support for shelter improvement in Dag Tarakhil" from July to September in 2023 for a total amount of $472,821, and each of those 11 requests for quotations had an amount exceeding $40,000 but less than $50,000, while $50,000 was the threshold for the delegation of authority of the Afghanistan country office. All 11 requests for quotations were related to construction materials and were provided by four vendors. Those requests for quotations were requested before the end of May 2023 and delivered between 19 July and 1 October 2023;

(b) A total of 19 instances of repeated use of low value acquisitions, totalling $376,038. Each low value acquisition contained more than one purchase order with the same material purchased from the same vendor, and with a total amount exceeding $10,000 within the same year.

163. The Board is concerned that splitting requirements to purchase construction materials may result in a lack of transparency and could downgrade the price negotiation advantage when purchasing in large quantities.

164. The Board is of the view that conducting multiple requests for quotations or low value acquisitions procurements for the same or related requirement was not in accordance with the prohibition on splitting requirements into multiple solicitation processes and deviated from the formal method of solicitation outlined in the Procurement Manual. This could result in a lack of transparency in procurement and could downgrade the price negotiation advantage when purchasing in large quantities.

165. **The Board recommends that UN-Habitat not split requirements for the same or related requirements in an effort to bypass the bidding process.**

166. UN-Habitat accepted the recommendation.

C. Transmission of information by management

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

1. Write-off of cash, receivables and property

168. UN-Habitat reported to the Board that, in accordance with financial rule 106.7, advance payments and property, plant and equipment totalling $136,189.41 were written off in 2023.

2. Ex gratia payments

169. Management confirmed that UN-Habitat did not make any ex gratia payments in 2023.

3. Cases of fraud and presumptive fraud

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

171. During the audit, the Board makes enquiries of management regarding its oversight responsibility for assessing the risks of material fraud and the processes in place for identifying and responding to the risks of fraud, including any specific risks that management has identified or has been brought to its attention. The Board also enquires whether management has any knowledge of any actual, suspected or alleged fraud; this includes enquiries of the Office of Internal Oversight Services.

172. For 2023, UN-Habitat notified the Board of no cases of fraud or presumptive fraud.

D. Acknowledgement

173. The Board wishes to express its appreciation for the cooperation and assistance extended to its staff by the Executive Director and staff members of the United Nations Human Settlements Programme.

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

(*Signed*) Dorothy **Pérez Gutiérrez**
Acting Comptroller General of the Republic of Chile

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

24 July 2024

Annex

Status of implementation of recommendations up to the financial year ended 31 December 2022

						Status after verification			
No.	*Audit report year*	*Report reference*	*Board's recommendation*	*Management response*	*Board's assessment*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
1.	2016	A/72/5/Add.9, chap. II, para. 74	The Board recommends that UN-Habitat strengthen monitoring of the implementation projects funded by conditional agreements in order to ensure that revenue is realized after fulfilling the conditions and to reduce the amount of liability in the financial statements.	UN-Habitat has established systems for monitoring the implementation of projects funded by conditional agreements. A regular report is sent to the programme management officers to provide the status of grants and ensure effective management. The integrated planning, management and reporting monitoring module also supports the monitoring of implementation of all projects, regardless of funding sources.	After its evaluation, the Board noted that, given that methods have been implemented to enhance the monitoring of projects and considering management's response, the use of the integrated planning, management and reporting monitoring module has been improved. This recommendation is considered implemented.	X			
2.	2017	A/73/5/Add.9, chap. II, para. 32	The Board recommends that UN-Habitat: (a) ensure that funds are released to implementing partners on time so that the planned activities can be completed within the scheduled period; and (b) establish a risk-based fast-track payment process for emergency and high-priority countries, as proposed by the country office in the Syrian Arab Republic.	UN-Habitat has developed a system to improve implementing partner management. The grantor module has also improved implementing partner management.	The grantor management module is used to monitor payments to implementing partners and track the payment process. Therefore, this recommendation is considered under implementation.		X		
3.	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 conducts regular reviews of funds received from conditional agreements and monitors payments to implementing partners from these funds. Regular reporting of this has been established to improve implementing partner management. The grantor module has also improved implementing partner management through the availability reports that support	UN-Habitat provided the proof that conditional liability general ledger accounts that showed adjustments to liability and revenue had been done every six months. The grantor management module was also used to monitor payments to implementing partners and their report submissions. Therefore, this recommendation is considered implemented.	X			

No.	Audit report year	Report reference	Board's recommendation	Management response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				and facilitate the reviews and monitoring of payment to implementing partners and submissions. Reviews of agreements with conditional liability and adjustments to liability and revenue is now done every six months for interim financial statements.					
4.	2018	A/74/5/Add.9, chap. II, para. 22	The Board recommends that UN-Habitat evaluate the application of impairment provisions to advances accounts.	UN-Habitat will conduct the evaluation and take the action necessary to implement the auditors' recommendation.	The Board noted that the evaluation was ongoing. Therefore, this recommendation is considered under implementation.		X		
5.	2018	A/74/5/Add.9, chap. II, para. 23	The Board recommends that UN-Habitat enhance project supervision and internal control in the UN-Habitat policy for implementing partners to prevent grants under which no accounting transactions have been made for an extended period from remaining in force.	UN-Habitat has developed a system to improve implementing partner management. The Umoja grantor management module has also improved implementing partner management. The implementing partner policy is being updated and will include policy guidance on preventing inactive grants.	The implementing partner policy and standard operating procedures are in the process of being updated and the grantor management module is used to monitor payments to implementing partners and track the payment process to avoid inactive grants. Therefore, this recommendation is considered under implementation.		X		
6.	2018	A/74/5/Add.9, chap. II, para. 42	The Board recommends that UN-Habitat establish a framework and methodology for full cost recovery in accordance with General Assembly resolution 67/226 applicable in all units of the entity and inform its hubs and offices of its application.	UN-Habitat is working on developing an internal guide on full cost recovery in alignment with the guidance established by the New York office of UN-Habitat.	The Board noted that the internal guide remained under development. Therefore, this recommendation is considered under implementation.		X		
7.	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.	The genesis of this issue is the Umoja classification of consultants' and individual contractor's travel costs under consulting service individual travel (GL 74172010), together with salaries, as "personnel costs". In subsequent years, this was amended, and all consultants'	Given the updated classification in Umoja and the new grant report, this recommendation is considered implemented.	X			

No.	Audit report year	Report reference	Board's recommendation	Management response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				and individual contractors' travel costs are now under the category "travel". The United Nations Office at Nairobi has provided a sample grant report that demonstrates that consultants' travel is now under travel and no longer under personnel expenses.					
8.	2018	A/74/5/Add.9, chap. II, para. 78	The Board recommends that, as part of the review, UN-Habitat should request reclassification of the travel expenses and correct the accounting transactions records.	The genesis of this issue is the Umoja classification of consultants' and individual contractor's travel costs under consulting service individual travel (GL 74172010), together with salaries as "personnel costs". In subsequent years, this was amended, and all consultants' and individual contractors' travel costs are now under the "travel" category. The United Nations Office at Nairobi has provided a sample grant report that demonstrates that consultants' travel is now under travel and no longer under personnel expenses.	Given the updated classification in Umoja and the new grant report, this recommendation is considered implemented.	X			
9.	2018	A/74/5/Add.9, chap. II, para. 79	The Board recommends that UN-Habitat strengthens measures to identify and reclassify expenses and clearly set out the scope and frequency of controls.	In collaboration with the United Nations Office at Nairobi, UN-Habitat reviewed the current measures established to identify and reclassify expenses and made necessary improvements.	The Board noted that UN-Habitat had regularly reviewed the expenses and checked related accounting transactions. Therefore, this recommendation is considered implemented.	X			
10.	2018	A/74/5/Add.9, chap. II, para. 128	The Board recommends that UN-Habitat perform periodic and timely reviews of the leave system to identify absences and, if relevant, apply charges on the monthly salary of the staff.	UN-Habitat has commenced discussion with the United Nations Office at Nairobi and will jointly agree on the action required to ensure full implementation of the audit recommendation.	Given that efforts still need to be made to monitor the leave system, this recommendation is considered under implementation.		X		

No.	Audit report year	Report reference	Board's recommendation	Management response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
11.	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 conducted discussions with the United Nations Office at Nairobi and ensured full recovery of overpayments of overtime for the year 2019. Further, UN-Habitat and the United Nations Office at Nairobi agreed to ensure that overtime and compensatory time off were calculated in accordance with information circular UNON/IC/2015/07.	Given that UN-Habitat has complied with overtime compensatory-related regulations listed in UNON/IC/2015/07, this recommendation is considered implemented.	X			
12.	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.	The cases of overtime overpayments noted during the 2019 audit were acted upon and all overpayments of overtime were recovered in the year 2020. Henceforth, UN-Habitat reviews all payment of overtime immediately after the closure of the payroll. Where anomalies are noted, corrective action is instituted promptly.	Given that the miscalculations have been corrected and further action has been taken to prevent miscalculations, this recommendation is considered implemented.	X			
13.	2019	A/75/5/Add.9, chap. II, para. 152	The Board recommends that UN-Habitat regulate the lunch break time on Fridays for the purpose of ensuring the proper calculation of the overtime.	UN-Habitat ensures that the lunch hour break on Fridays is regulated in the certification approvals and payment of overtime. The overtime payments were calculated in accordance with information circular UNON/IC/2015/07, which guides the regulations of lunch hour on Fridays. The budget and finance office in UN-Habitat reviewed all the overtime paid for each month and ensures compliance with the circular.	Given that the lunch break on Fridays has been regulated clearly and will no longer cause miscalculations, this recommendation is considered implemented.	X			
14.	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	UN-Habitat will complete the update to the original asset data converted from the legacy system to Umoja.	Given the further supporting documents are not provided, this recommendation is therefore considered under implementation.		X		

No.	Audit report year	Report reference	Board's recommendation	Management response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
			Umoja property management overview course, assigning for each item the location and/or user responsible.						
15.	2019	A/75/5/Add.9, chap. II, para. 196	The Board recommends that the assigned staff member responsible for the operational equipment be a staff member of UN-Habitat.	UN-Habitat staff members are the custodians and are responsible for operational equipment. Follow-up is being done to ensure full implementation of this recommendation.	Given the further supporting documents are not provided, this recommendation is therefore considered under implementation.		X		
16.	2019	A/75/5/Add.9, chap. II, para. 207	The Board recommends that UN-Habitat headquarters take measures to monitor the proper registration of the capitalization and disposal of property, plant and equipment items, from the time when the assets are received by the entity and according to the information indicated in the corresponding delivery note or when the disposal is approved.	UN-Habitat has commenced discussions with the United Nations Office at Nairobi and will jointly agree on the action required to ensure full implementation of the audit recommendation.	Given the further supporting documents are not provided, this recommendation is therefore considered under implementation.		X		
17.	2019	A/75/5/Add.9, chap. II, para. 208	The Board recommends that UN-Habitat consider the depreciation of its assets when they are available for use, pursuant to the delivery principle of the United Nations corporate guidance for IPSAS on the delivery principle and paragraph 71 of IPSAS 17.	UN-Habitat will discuss process improvement with the United Nations Office at Nairobi at the outpost centres/office away from headquarters to ensure timely receipt of the assets and report to the United Nations Office at Nairobi for recognition in Umoja.	The Board noted that the process was under discussion. Therefore, this recommendation is considered under implementation.		X		
18.	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 coordinated with United Nations Headquarters and the United Nations Office at Nairobi on the possibility of phasing out the standard cost methodology, aligning its accounting with IPSAS requirements for valuing property, plant and equipment assets.	The Board noted that the current valuation of property, plant and equipment assets was complying with IPSAS. Therefore, this recommendation is considered implemented.	X			

No.	Audit report year	Report reference	Board's recommendation	Management response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
19.	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 coordinated with United Nations Headquarters to carry out a review of the residual value of assets in general and its fully depreciated assets that remain in use to ensure compliance with relevant financial rules and regulations.	After the Board evaluated and considered management's response, this recommendation is considered implemented.	X			
20.	2019	A/75/5/Add.9, chap. II, para. 247	The Board recommends that UN-Habitat strengthen the monitoring of the payment procedure, in order to avoid having pending payments owing to an absence of the prerequisite documentation.	UN-Habitat, in collaboration with the United Nations Office at Nairobi, reviewed the issues identified by the auditors and agreed on the action required to ensure that payment processes are done in a timely manner and not delayed unnecessarily.	After the Board reviewed the account payable report and related regulations, this recommendation is considered implemented.	X			
21.	2019	A/75/5/Add.9, chap. II, para. 292	The Board recommended 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 reports that the ICT Committee members have been nominated. The Committee will commence its meetings accordingly in order to achieve its objective.	The Board noted that ICT Committee members had established the rules accordingly and planned to commence its meetings. Therefore, this recommendation is considered under implementation.		X		
22.	2020	A/76/5/Add.9, chap. II, para. 24	The Board recommends that UN-Habitat clear open items and open commitments of operationally closed grants and ensure a timely financial closure, in order to enhance the financial effectiveness of the organization and the accuracy of the financial statements.	UN-Habitat now has the grants management dashboard that provides the status and details of closing grants, including any deficit balances and liabilities and open items to be resolved prior to the closure of the grants. UN-Habitat programme management officers are strongly encouraged to use the dashboard regularly. Sample dashboard reports have been attached for reference.	After the Board reviewed the grants management dashboard, this recommendation is considered implemented.	X			

No.	Audit report year	Report reference	Board's recommendation	Management response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
23.	2020	A/76/5/Add.9, chap. II, para. 29	The Board recommends that UN-Habitat adjust the $64,637.69 of payroll charges by recording them against award grants and regularly monitor the grant implementation status to make sure that no further payroll charges are to be posted against closing grants.	UN-Habitat now has the grants management dashboard that provides the status and details of closing grants, including any deficit balances and liabilities and open items to be resolved prior to the closure of the grants. UN-Habitat programme management officers are now strongly encouraged to use the dashboard regularly. Sample dashboard reports have been attached for reference.	After the Board reviewed the grants management dashboard, this recommendation is considered implemented.	X			
24.	2020	A/76/5/Add.9, chap. II, para. 34	The Board recommends that UN-Habitat strictly implement the standard operating procedure regarding petty cash accounts management.	UN-Habitat, in collaboration with the United Nations Office at Nairobi, implemented the standard operating procedure regarding petty cash accounts.	After the Board reviewed the cash journal and related certificates, this recommendation is considered implemented.	X			
25.	2020	A/76/5/Add.9, chap. II, para. 101	The Board reiterates the former recommendation that UN-Habitat avoid the ex post facto situation prior to the signing of new contracts.	UN-Habitat will conduct a quarterly review of all existing contracts to ensure that any required extensions are completed in a timely manner to avoid the ex post facto cases identified.	After its evaluation and considering management's response, the Board considers this recommendation to be under implementation.		X		
26.	2020	A/76/5/Add.9, chap. II, para. 107	The Board recommends that UN-Habitat perform its duties on contract management to ensure that comprehensive evaluations of vendor performance are conducted before processing any extension to existing contracts.	UN-Habitat will continue the discussion with the United Nations Office at Nairobi with the aim of implementing this recommendation in full. Refresher training for personnel working on contract management in UN-Habitat will be conducted.	After its evaluation and considering management's response, the Board considers this recommendation to be under implementation.		X		
27.	2020	A/76/5/Add.9, chap. II, para. 132	The Board recommends that UN-Habitat, in collaboration with the United Nations Office for Project Services (UNOPS), amend the individual contractor agreement by further specifying the scope of entitlement in compliance with the above-mentioned administrative instruction.	The Department for Operational Support is undertaking activities to unify all United Nations system entities that are using UNOPS as a service provider. The Director of Management, Advisory and Compliance Service and UNOPS authorities will revise the memorandum of understanding in line with the instruction and	Given that action still needs to be taken and the memorandum is still waiting to be revised, this recommendation is considered under implementation.		X		

No.	Audit report year	Report reference	Board's recommendation	Management response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				guidance to be issued by the Department for Operational Support.					
28.	2020	A/76/5/Add.9, chap. II, para. 147	The Board recommends that UN-Habitat make sure an inter-organization agreement among the organizations is signed and the cost or fair value of employee benefits can be reliably accounted for.	UN-Habitat obtained support from the United Nations Office at Nairobi and fully implemented the audit recommendation.	Given the examples of inter-organizational agreement that UN-Habitat signed with the United Nations Environment Programme and the Office of Internal Oversight Services have been provided and that terms of cost or fair value of employee benefits have been outlined, this recommendation is considered implemented.	X			
29.	2020	A/76/5/Add.9, chap. II, para. 172	The Board recommends that UN-Habitat generate barcodes for all assets under its control, in order to keep all assets traceable, and fill in the acquisition dates that represent the beginning of the useful life of the assets.	UN-Habitat will conduct an asset management refresher training course for members of staff in the Egypt country office and all asset focal points on property management. The training will include Umoja asset management.	After its evaluation and considering management's response, the Board considers this recommendation to be under implementation.		X		
30.	2020	A/76/5/Add.9, chap. II, para. 181	The Board recommends that UN-Habitat strengthen its travel planning process to ensure that the booking and purchase of tickets be finalized 16 calendar days in advance of the commencement of official travel.	UN-Habitat will put in place a mechanism to ensure that the booking and purchase of tickets is finalized within 16 calendar days in advance of the commencement of official travel. Exceptions arise owing to circumstances that are outside of UN-Habitat control, such as late requests by donors and Governments.	Given that the mechanism is still waiting to be set up, this recommendation is considered under implementation.		X		
31.	2021	A/77/5/Add.9, chap. II, para. 27	The Board further recommends that UN-Habitat prepare a report based on surveys and communications with previous, present and potential core funds donors to identify the gap between donor expectations and current situations.	UN-Habitat has launched a survey targeting previous, present and potential donors and has had a number of bilateral meetings with such donors. UN-Habitat prepared and disseminated the report that presented the findings of the survey and bilateral meetings to the donors.	After it reviewed the donor survey report and analysis, the Board considers this recommendation to be implemented.	X			

No.	Audit report year	Report reference	Board's recommendation	Management response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
32.	2021	A/77/5/Add.9, chap. II, para. 32	The Board recommends that UN-Habitat, coordinating with the United Nations Office at Nairobi, make continuous efforts to review the cash balance of grants regularly and clean the closed grants with a positive cash balance.	UN-Habitat has developed a system to improve grant management. The grantor module has also improved implementing partner management. UN-Habitat reviewed cash balances of grants and adjusted the closed grants with a positive cash balance.	After it reviewed the grant report and dashboard, the Board considers this recommendation to be implemented.	X			
33.	2021	A/77/5/Add.9, chap. II, para. 39	The Board recommends that UN-Habitat, cooperating with the United Nations Office at Nairobi, strengthen internal controls to perform regular monitoring and review to ensure the accuracy of accounting records.	UN-Habitat cooperated with the United Nations Office at Nairobi to further strengthen internal controls to perform the regular monitoring and reviews of accounting records.	After it reviewed the revenue and expense report, the Board considers this recommendation to be implemented.	X			
34.	2021	A/77/5/Add.9, chap. II, para. 45	The Board recommends that UN-Habitat regularly communicate with donors about the possibility of recollecting voluntary contributions receivables, especially for grants with closing status, and start the write-off or write-down process in time when eligible.	UN-Habitat will write down uncollected pledges receivable in 2022. Communication regarding the validity of voluntary contributions and any required write-offs are done regularly between the United Nations Office at Nairobi and UN-Habitat. During the biweekly meetings, for example, the status of voluntary contributions receivable is discussed. The United Nations Office at Nairobi team will also follow up by email with relevant programme management officers.	The Board noted that the validity of voluntary contributions remained in process. Therefore, this recommendation is considered under implementation.		X		
35.	2021	A/77/5/Add.9, chap. II, para. 66	The Board also recommends that UN-Habitat review the post distribution and human resources regularly to further analyse the employment priority and resources distribution, in order to facilitate selection process whenever the necessary funding is in place.	UN-Habitat will review the post distribution and human resources regularly to further analyse employment priorities.	Given that further action still needs to be taken by UN-Habitat, this recommendation is considered under implementation.		X		

No.	Audit report year	Report reference	Board's recommendation	Management response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
36.	2021	A/77/5/Add.9, chap. II, para. 109	The Board recommends that UN-Habitat establish a mechanism that gathers and cross-checks the data and hiring records of non-staff personnel in compliance with further clarified UN Secretariat requirements, giving due consideration of best value for money.	UN-Habitat will establish the necessary mechanism and take action that implements the Board's recommendation.	Given that further action still needs to be taken by UN-Habitat, this recommendation is considered under implementation.		X		
37.	2021	A/77/5/Add.9, chap. II, para. 153	The Board recommends that UN-Habitat review its implementing partner policy and standard operating procedures for implementing partner selection to ensure that implementing partner selection is compliant with the general principles of fairness, integrity, transparency and effective competitiveness set by the Financial Regulations and Rules of the United Nations; and any necessary waiver should provide, among others, programmatic and financial justifications and detail the exceptional circumstances.	UN-Habitat is updating its implementing partner policy and standard operating procedures. The updated policy will address the auditors' recommendation.	Given that the implementing partner policy and standard operating procedures are in the process of being updated, this recommendation is considered under implementation.		X		
38.	2021	A/77/5/Add.9, chap. II, para. 154	The Board recommends that UN-Habitat take necessary actions, including but not limited to reviewing its implementing partner policy and standard operating procedures for implementing partner selection to avoid splitting contracts.	UN-Habitat is updating its implementing partner policy and standard operating procedures. The updated policy will address the auditors' recommendation.	Given that the implementing partner policy and standard operating procedures are in the process of being updated, this recommendation is considered under implementation.		X		

No.	Audit report year	Report reference	Board's recommendation	Management response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
39.	2021	A/77/5/Add.9, chap. II, para. 162	The Board recommends that UN-Habitat build up and maintain a database of properly screened implementing partners for all of UN-Habitat to facilitate the implementing partner selection process and link it to the Umoja Implementing Partner Management Module to strengthen implementing partner data-sharing.	UN-Habitat will coordinate with the United Nations Secretariat at Headquarters to explore the possibility of joining the United Nations Partner Portal and the benefits thereof.	After it considered management's response and future plan, the Board considers this recommendation to be under implementation.		X		
40.	2021	A/77/5/Add.9, chap. II, para. 170	The Board recommends that UN-Habitat improve its standard operating procedures for implementing partner selection by setting up guidance for selecting prospective implementing partners and the threshold for accepting recommended implementing partners.	UN-Habitat is updating its implementing partner policy and standard operating procedures. The updated policy will address the audit recommendation.	Given that the implementing partner policy and standard operating procedures are in the process of being updated, this recommendation is considered under implementation.		X		
41.	2021	A/77/5/Add.9, chap. II, para. 184	The Board recommends that UN-Habitat set up a clear resource mobilization target by donor types in order to make a feasible action plan accordingly and in turn to expand UN-Habitat funding sources in compliance with UN policies.	UN-Habitat developed a resource mobilization strategy to ensure sufficient predictable, flexible and long-term funding to implement the approved activities under the strategic plan and documented it. A workplan that is in line with the donor relations strategic plan was also developed.	The Board noted that UN-Habitat had drafted a strategy on resource mobilization and, considering the management's response and after its review of the supporting documents, considers this recommendation to be implemented.	X			
42.	2021	A/77/5/Add.9, chap. II, para. 192	The Board recommends that UN-Habitat complete the performance measurement plan and the internal performance measurement system in a timely manner to ensure the implementation of the strategic plan 2020–2023.	UN-Habitat implemented the recommendation accordingly. The completion of the performance measurement plan and the internal performance measurement are now prioritized to ensure implementation of the auditors' recommendation.	The Board noted that UN-Habitat had completed the performance measurement plan and the internal performance measurement system for the implementation of strategic plan during the period 2020–2023, which was extended to 2025, in line with the decision of UN-Habitat Assembly at its second session, in June 2023. Therefore, this recommendation is considered implemented	X			

No.	Audit report year	Report reference	Board's recommendation	Management response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
43.	2021	A/77/5/Add.9, chap. II, para. 206	The Board recommends that UN-Habitat well maintain its website, including updating information, and monitor the effectiveness of the website on a regular basis, to improve transparency and accountability and further facilitate its business delivery.	UN-Habitat updated its website to ensure compliance with United Nations transparency and accountability requirements. UN-Habitat also conducted regular maintenance to ensure consistent accessibility and the effectiveness of the platform.	The Board noted the progress made with regard to the UN-Habitat website, including that updating information was done on a regular basis. Therefore, this recommendation is considered implemented.	X			
44.	2021	A/77/5/Add.9, chap. II, para. 221	The Board recommends that UN-Habitat further clarify the laptops/computers allocation rules and standards to optimize laptops/computers procurement and allocation and reduce related operational costs.	UN-Habitat will develop guidance that clarifies the laptop/computer allocation rules and standards and will implement the recommendation accordingly.	After its evaluation and considering management's response, the Board considers this recommendation to be under implementation.		X		
45.	2022	A/78/5/Add.9, chap. II, para. 23	The Board recommends that UN-Habitat hold meetings of the headquarters Programme Review Committee with the attendance of required members to comply with the guidelines for programme/project review and approval.	An alternate member for the Director of the Management, Advisory and Compliance Service was designated and has been participating in the Programme Review Committee meetings.	The Board noted that an alternate member had attended meetings of the Programme Review Committee to give comments on budget and finance issues of projects and therefore considers this recommendation to be implemented.	X			
46.	2022	A/78/5/Add.9, chap. II, para. 24	The Board also recommends that UN-Habitat strengthen the function of the Programme Review Committee with regard to project budgets and financial review, and ensure that the Management Advisory and Compliance Service Division, as a member of the Committee, performs its duties with regard to reviewing the budgetary and financial elements of the project.	The Programme Review Committee review process is going through a peer review and the Committee's guidelines have been reviewed and updated to respond to improvements and recommendations that emanate from the peer review, including the recommendation of additional budget oversight provided by MACS. An alternate member for the Director of the Management, Advisory and Compliance Service was designated and has been carrying out the financial feasibility review of projects and providing Review Committee review process.	The Board noted the efforts that the Programme Review Committee had made to strengthen the project review process and that an alternate member had attended meetings of the Committee to give comments on budget and finance issues of projects and therefore considers this recommendation to be implemented.	X			

No.	Audit report year	Report reference	*Board's recommendation*	*Management response*	*Board's assessment*	*Status after verification*			
						Implemented	*Under implementation*	*Not implemented*	*Overtaken by events*
47.	2022	A/78/5/Add.9, chap. II, para. 31	The Board recommends that UN-Habitat strengthen the review of the budget for the ICT strategy by submitting the ICT budget to the Office of Information and Communications Technology for further consideration.	To ensure full implementation of the UN-Habitat ICT strategy, UN-Habitat will create a budget for ICT knowledge management, data analysis and reporting, and ICT innovation for urban development.	The Board noted that UN-Habitat was making efforts regarding ICT strategy through revised budget arrangements. Therefore, this recommendation is considered under implementation.		X		
48.	2022	A/78/5/Add.9, chap. II, para. 38	The Board recommends that UN-Habitat promote mechanisms such as the Budget Steering Committee and ensure that meetings are held regularly.	The adjustment to the budgets for 2022 to the levels of $3 million for the non-earmarked foundation segment and of $10 million for programme support costs was agreed bilaterally between the Executive Director and the Under-Secretary-General for Management Strategy, Policy and Compliance in February 2022, in line with their relevant authorities, and that decision was incorporated into the internal mechanisms for budget implementation. UN-Habitat emphasizes the success of the internal mechanisms in 2022 and will update the internal policies accordingly.	After reviewing the Budget Steering Committee meeting minutes, the Board considers this recommendation to be implemented.	X			
49.	2022	A/78/5/Add.9, chap. II, para. 48	The Board recommends that UN-Habitat develop guidance on unearmarked grants to ensure the efficient and effective management of funds.	UN-Habitat will develop guidelines to manage unearmarked grants. As the Board recommends, this will ensure the efficient and effective management of financial resources.	The Board noted that the guidelines remained in development. Therefore, this recommendation is considered under implementation.		X		
50.	2022	A/78/5/Add.9, chap. II, para. 49	The Board recommends that UN-Habitat comply with the cash management policy, put in place a repayment plan for overdue loans, and ensure that internal loans are repaid in a timely manner.	UN-Habitat will conduct a thorough review of all the loans individually to identify the main reasons for the extended non-payments. In addition, UN-Habitat will review the cash management policy to ensure that the scope of the policy aligns with the types of loans that are given, including the maximum amount that can be issued and the period of repayment.	The Board noted that some internal loans remained overdue. Therefore, this recommendation is considered under implementation.		X		

No.	Audit report year	Report reference	Board's recommendation	Management response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
51.	2022	A/78/5/Add.9, chap. II, para. 57	The Board recommends that UN-Habitat develop a policy and establish a mechanism to ensure that programme support cost rates are in line with the United Nations policy and that exceptions to standard rates are properly reviewed and approved.	With regard to the 22 operational grants, UN-Habitat is developing an internal policy guidance as part of the United Nations Secretariat policy that will prescribe standard programme support cost rates that will be presented for preapproval by the Controller to align programme support cost rates with the mandate of UN-Habitat. The internal guideline will also address how special rates (i.e., exceptions to standard rates) are considered and approved. Furthermore, UN-Habitat will work with the United Nations Office at Nairobi to ensure the correct application of approved programme support cost rates in Umoja.	The Board noted that an internal policy guidance was under development. Therefore, this recommendation is considered under implementation.		X		
52.	2022	A/78/5/Add.9, chap. II, para. 58	The Board recommends that UN-Habitat apply programme support cost rates correctly in Umoja.	UN-Habitat has worked with the United Nations Office at Nairobi to ensure the correct application of approved programme support cost rates in Umoja.	After it reviewed the weekly program support cost monitor reports, the Board considers this recommendation to be implemented.	X			
53.	2022	A/78/5/Add.9, chap. II, para. 65	The Board recommends that UN-Habitat take actions to strengthen the control of grants, including cleaning up deficit balances in grants accounts and settling the liability of closing grants, to ensure that projects are operationally and financially closed in a timely manner.	UN-Habitat will continue its efforts towards strengthening the control of grants, including cleaning up deficit balances in grants accounts and settling the liability of closing grants.	The Board noted that improvements with regard to the deficit balances in the grants account and the liability in closed grants were pending. Therefore, this recommendation is considered under implementation.		X		
54.	2022	A/78/5/Add.9, chap. II, para. 82	The Board recommends that UN-Habitat further standardize the criteria for exemption from review by the Programme Review Committee. Applications for exemption should be approved by the authorized approver after being	The Programme Review Committee has revised its guidelines, and the criteria for projects that can be exempted from the Committee's review has been clarified. The authorized officer to approve exemptions, the protocol and required documents	After it reviewed the revised Programme Review Committee guideline, the Board noted that the criteria for the exemption projects review had been clarified and therefore considers this recommendation to be implemented.	X			

No.	Audit report year	Report reference	Board's recommendation	Management response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
			cleared by the Programme Review Committee, to avoid conflicts of interest, to ensure that the exemption request is adequate and complies with the guidelines, and to promote the risk control of projects.	is in place. The United Nations Innovation Technology Accelerator for Cities project has been selected among the projects to be reviewed by the Committee working group as part of its monitoring role.					
55.	2022	A/78/5/Add.9, chap. II, para. 83	The Board recommends that UN-Habitat further strengthen the project preparation process protocols to ensure that for projects exempted from review by the Programme Review Committee, necessary procedures and required supporting documents are not omitted.	The Programme Review Committee has revised its guidelines, and the criteria for projects that can be exempted from the Committee's review has been clarified, the authorized officer to approve exemption, the protocol and required documents is in place.	After it reviewed the revised Programme Review Committee guideline, the Board noted that the criteria for the exemption projects review had been clarified and therefore considers this recommendation to be implemented.	X			
56.	2022	A/78/5/Add.9, chap. II, para. 94	The Board recommends that UN-Habitat enhance the engagement of the Programme Review Committee in project monitoring and evaluation, including clarifying relevant work responsibilities and identifying the primary key tasks of projects between different phases.	The Programme Review Committee working group's project monitoring role commenced in May 2023. UN-Habitat reviewed options available in the integrated planning, management and reporting monitoring module and identified unique project IDs and numbers that can ensure the consistent identification of projects between the approval phase and the implementation phase.	The Board noted that efforts had been made by the Programme Review Committee working group on project monitoring and that the integrated planning, management and reporting monitoring module had been effectively used and therefore considers this recommendation to be implemented.	X			
57.	2022	A/78/5/Add.9, chap. II, para. 95	The Board recommends that UN-Habitat follow the relevant project management regulation, conducting re-evaluation of the project when there are material changes, and use primary key identifiers, such as consistent project names or codes, to ensure the identification of projects between the approval phase and the implementation phase.	The Programme Review Committee working group's project monitoring role commenced in May 2023. UN-Habitat reviewed options available in the integrated planning, management and reporting monitoring module and identified unique project IDs and numbers that can ensure the consistent identification of projects between the approval phase and the implementation phase.	The Board noted that the new workflow forced the Programme Review Committee working group to approve projects in the integrated planning, management and reporting monitoring module, which would no longer cause inconsistencies in project names or IDs at different stages, and therefore considers this recommendation to be implemented.	X			

No.	Audit report year	Report reference	Board's recommendation	Management response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
58.	2022	A/78/5/Add.9, chap. II, para. 104	The Board recommends that UN-Habitat clarify the roles of the various offices in relation to implementing partner management, and designate a unit or office responsible for the overall coordination, oversight and management of implementing partners, including supervising the use of the implementing partners module.	The updated implementing partner policy being prepared will clarify the roles of various offices relating to implementing partner management and provide other guidance required to implement the auditors' recommendations in full.	Given that the implementing partner policy and standard operating procedures are in the process of being updated, this recommendation is considered under implementation.		X		
59.	2022	A/78/5/Add.9, chap. II, para. 105	The Board also recommends that UN-Habitat strengthen the uploading of documents related to the selection of implementing partners, including review documents of the Implementing Partners Selection Committee, and improve the maintenance of the payment schedule and report schedule functions in the implementing partner module of Umoja.	UN-Habitat will review documents of the Implementing Partners Selection Committee and improve the maintenance of the payment schedule and report schedule functions in the Umoja grantor module.	Given that UN-Habitat uploaded documents relating to the selection of some of the implementing partners to the grantor management module, this recommendation is considered under implementation.		X		
60.	2022	A/78/5/Add.9, chap. II, para. 115	The Board recommends that UN-Habitat appoint the members of the Implementing Partners Selection Committee through official documents signed by the person designated in the terms of reference of the Committee.	UN-Habitat will appoint members of the Implementing Partners Selection Committee through official documents signed by the person designated in the terms of reference of the Committee.	Given that further supporting documents were not provided, this recommendation is therefore considered under implementation.		X		
61.	2022	A/78/5/Add.9, chap. II, para. 116	The Board recommends that UN-Habitat review various options to solve the issue of not meeting the quorum and ensure that only appointed members and designated alternates can participate in meetings.	UN-Habitat will ensure that quorum is met and that only appointed members can participate. It will also ensure that the designated signatories are the ones signing the appointment letters.	Given that further supporting documents were not provided, this recommendation is considered under implementation.		X		

No.	Audit report year	Report reference	Board's recommendation	Management response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
62.	2022	A/78/5/Add.9, chap. II, para. 117	The Board recommends that each member of the Implementing Partners Selection Committee sign a non-conflict of interest statement at every meeting prior to the review of proposals.	UN-Habitat will ensure that all official documents are signed by the person designated in the terms of reference of the Committee.	Given that further supporting documents were not provided, this recommendation is considered under implementation.		X		
63.	2022	A/78/5/Add.9, chap. II, para. 127	The Board recommends that UN-Habitat ensure that the ICT requirements of all divisions and offices are effectively coordinated and consolidated in the development of applications.	UN-Habitat will ensure that the ICT requirements of all divisions and offices are effectively coordinated and consolidated into the development of applications.	After its evaluation and considering management's response, the Board noted that UN-Habitat was making efforts in terms of ICT requirements. Therefore, this recommendation is considered under implementation.		X		
64.	2022	A/78/5/Add.9, chap. II, para. 135	The Board recommends that UN-Habitat retire the Project Accrual and Accountability System once the Donor Information System and Project Accrual and Accountability System components have been moved to the main UN-Habitat website.	The UN-Habitat website has been updated, the Donor Information System and the Project Accrual and Accountability System components have been moved to the main website and, subsequently, the latter system has been retired.	After its evaluation and considering management's response, the Board noted that and the Project Accrual and Accountability System had been retired and that the Donor Information System and the Project Accrual and Accountability System had been moved to the main UN-Habitat website. Therefore, this recommendation is considered implemented.	X			
65.	2022	A/78/5/Add.9, chap. II, para. 146	The Board recommends that UN-Habitat comply with the procedures of the Office of Information and Communications Technology for decommissioning applications by regularly reviewing its procedures for disposing of confidential data and preparing the required documentation specified in the United Nations ICT Technical Procedure and the United Nations Secretariat ICT Technical Procedure on the ICT Data Retention Schedule.	UN-Habitat complied with the procedures of the Office of Information and Communications Technology for decommissioning applications. UN-Habitat reviewed its procedures for the disposing of confidential data and prepared the required documentation specified in the United Nations ICT Technical Procedure and the United Nations Secretariat ICT Technical Procedure on the ICT Data Retention Schedule.	After its evaluation, the Board noted that UN-Habitat had complied with the procedures of the Office of Information Communications Technology and reviewed procedures for the disposal of data. Therefore, this recommendation is considered implemented.	X			

No.	Audit report year	Report reference	Board's recommendation	Management response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
66.	2022	A/78/5/Add.9, chap. II, para. 154	The Board recommends that UN-Habitat, in coordination with United Nations Office at Nairobi, complete the comprehensive disaster recovery plan at the application level in a timely manner to ensure business continuity and minimize data loss in case of a disaster.	UN-Habitat has updated the disaster recovery plan on the basis of the most recent request from the Office of Information and Communications Technology. UN-Habitat liaises with service providers to regularly run disaster recovery tests in accordance with the service provider's schedule. UN-Habitat relies entirely on service providers' infrastructure because it does not own its own infrastructure.	After its evaluation, the Board noted that UN-Habitat had prepared and completed the disaster recovery plan. Therefore, this recommendation is considered implemented.	X			
67.	2022	A/78/5/Add.9, chap. II, para. 155	The Board recommends that UN-Habitat liaise with service providers to conduct the disaster recovery test on a periodic basis and incorporate lessons learned and corrective actions into updates of the disaster recovery plan.	UN-Habitat has updated the disaster recovery plan on the basis of the most recent request from the Office of Information and Communications Technology. UN-Habitat continues to liaise with service providers to regularly run disaster recovery tests in accordance with the service provider's schedule. UN-Habitat relies entirely on service providers' infrastructure because it does not own its own infrastructure.	After its evaluation, the Board noted that UN-Habitat had prepared and completed the disaster recovery plan. Therefore, this recommendation is considered implemented.	X			
68.	2022	A/78/5/Add.9, chap. II, para. 162	The Board recommends that UN-Habitat continue to develop a clear strategy regarding the total number of core operational staff who are under UNDP and UNOPS contracts, implement the "lift and shift" project and move core operational staff with UNDP and UNOPS contracts to United Nations Secretariat contracts.	UN-Habitat developed a clear strategy for the implementation of the "Lift and Shift" project (on the basis of criteria relating to operational functions) to identify the total number of core operational staff who are under UNDP/UNOPS contracts and who will be moved to Secretariat contracts as functionally needed by the offices concerned of UN-Habitat. The process is subject to the capacity of the United Nations Office at Nairobi and interaction with the sections concerned in New York in order to facilitate.	Given that further action still needs to be taken by UN-Habitat, this recommendation is considered under implementation.		X		

No.	Audit report year	Report reference	Board's recommendation	Management response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
69.	2022	A/78/5/Add.9, chap. II, para. 167	The Board recommends that UN-Habitat strengthen its management of consultants and individual contractors by further clearly defining their roles, responsibilities and authorization levels within the agency's hierarchy to ensure that they do not exceed their delegation of authority.	UN-Habitat will strengthen its management of consultants and individual contractors by clearly defining their roles, responsibilities and authorization levels within the agency's hierarchy further to ensure that they do not exceed their delegation of authority.	Given that further action still needs to be taken by UN-Habitat, this recommendation is considered under implementation.		X		
70.	2022	A/78/5/Add.9, chap. II, para. 172	The Board recommends that UN-Habitat follow strictly break-in-service regulations and develop mechanisms to ensure that the reappointment of staff fully meets the break-in-service requirement.	UN-Habitat will follow break-in-service regulations strictly and develop mechanisms to ensure that the reappointment of staff meets the break-in-service requirement in full.	Given that further action still needs to be taken by UN-Habitat, this recommendation is considered under implementation.		X		
71.	2022	A/78/5/Add.9, chap. II, para. 180	The Board recommends that UN-Habitat track the evaluation recommendations in time and complete implementation of recommendations according to established timelines.	UN-Habitat is tracking and evaluating recommendations consistently to ensure full compliance with and the implementation of recommendations.	The Board noted that UN-Habitat was working on tracking the evaluation. Therefore, this recommendation is considered under implementation.		X		
72.	2022	A/78/5/Add.9, chap. II, para. 187	The Board recommends that UN-Habitat implement and embed enterprise risk management in line with the Organization-wide approved policies and methodologies.	UN-Habitat has completed a corporate risk catalogue and made concerted efforts to ensure that the corporate risk register was completed by the deadline of December 2023, which had been set by United Nations Headquarters. Further implementation of the enterprise risk management system was prioritized.	The Board noted that UN-Habitat had completed the risk catalogue to ensure the implementation of enterprise risk management. Therefore, this recommendation is considered implemented.	X			
Total number of recommendations					**72**	**34**	**38**	–	–
Percentage of the total number of recommendations					**100**	**47**	**53**	–	–

Chapter III
Certification of the financial statements

Letter dated 31 March 2024 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 2023 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 2023 are correct.

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

Chapter IV
Financial overview for the year ended 31 December 2023

A. Introduction and overview of the operations and operating environment

1. The Acting 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 2023. 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 2024.

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

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

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

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

6. The UN-Habitat Assembly provides policy guidance on human settlements and sustainable urbanization and strategic oversight of UN-Habitat. It approves the UN-Habitat strategic plan and reports every four years on its work to the General Assembly through the Economic and Social Council at its substantive session. The Assembly has universal membership and meets every four years, with the next session to be held in 2027. The Assembly will hold a resumed session from 29 to 30 May 2025.

7. The Committee of Permanent Representatives is an intersessional subsidiary body of the UN-Habitat Assembly, responsible for a high-level midterm review of the strategic plan and for preparing for the next session of the Assembly. It meets twice every four years: once prior to the UN-Habitat Assembly session, in preparation for that session, and a second time for a high-level midterm review. The Committee has universal membership, and its next session will be held from 26 to 28 May 2025.

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

9. UN-Habitat has a presence in 64 countries, including regional offices, country offices, liaison and representation offices, global programme offices, project offices, and administrative offices. The Programme works in collaboration with other United Nations entities to implement its programmes under the "One United Nations" initiative. The United Nations Office at Nairobi is the major administrative service provider of UN-Habitat, providing services in accounting, finance, treasury, human resources, procurement, property management, information technology and conference services. Other United Nations entities that provide services include the United Nations Development Programme and the United Nations Office for Project Services.

B. Information about the UN-Habitat objectives and strategies

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

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

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

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

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

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

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

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

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

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

C. Overview and analysis of the financial statements for the year ended 31 December 2023

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

(a) Statement I: statement of financial position. This statement shows the financial status of UN-Habitat as at 31 December 2023 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 revenue 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.

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

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

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

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

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

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

14. Statements I to IV show the consolidated figures for all activities of UN-Habitat, comprising the non-earmarked funds, the earmarked funds and end-of-service and retirement benefits for the year ended 31 December 2023.

15. 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.

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

17. Comparison between the year ended 31 December 2022 and the current reporting date is provided.

18. Regular budget funding, insofar as it relates to UN-Habitat, is included in Volume I, a related party (A/79/5 (Vol. I)), but for completeness has also been included in these financial statements.

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

Financial performance

General overview

20. Table IV.1 shows a snapshot of the performance of UN-Habitat in all the segments in 2023. The net surplus totals $53.0 million attributable mainly from the higher revenue recognized in the Foundation earmarked and technical cooperation funds.

Table IV.1
Summary of financial performance for the period ended 31 December 2023 by segment
(Millions of United States dollars)

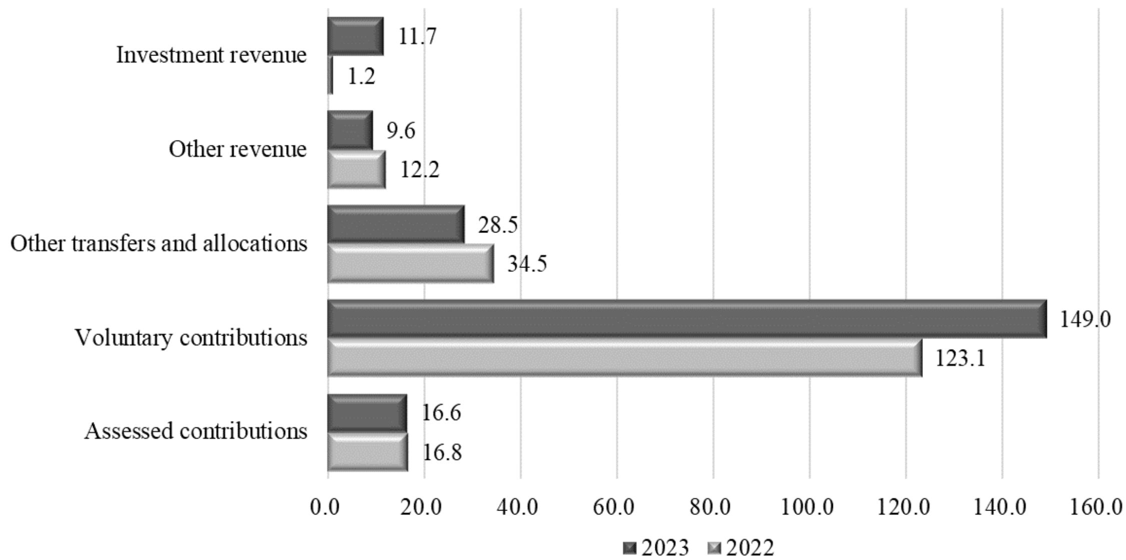
	Revenue	*Expenses*	*Surplus/(deficit)*
Foundation non-earmarked	4.7	3.0	1.7
Regular budget	16.6	16.6	0.0
Subtotal, core funds	**21.3**	**19.6**	**1.7**
Foundation earmarked	69.8	41.7	28.1
Technical cooperation	122.7	103.9	18.8
Subtotal, earmarked funds	**192.5**	**145.6**	**46.9**
Programme support	14.2	10.5	3.7
Subtotal, programme support	**14.2**	**10.5**	**3.7**
End-of-service and post-retirement benefits	2.7	2.0	0.7
Subtotal, other	**2.7**	**2.0**	**0.7**
Total, all funds before elimination	**230.7**	**177.7**	**53.0**
Intersegment elimination	(15.3)	(15.3)	0.0
Total, all funds after elimination	**215.4**	**162.4**	**53.0**

Revenue

Table IV. 2
Summary of revenue in 2023 by segment compared with 2022
(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*
2023	4.7	16.6	69.8	122.7	14.2	2.7	(15.3)	215.4
2022	7.6	16.8	48.3	114.9	12.9	2.0	(14.6)	187.9

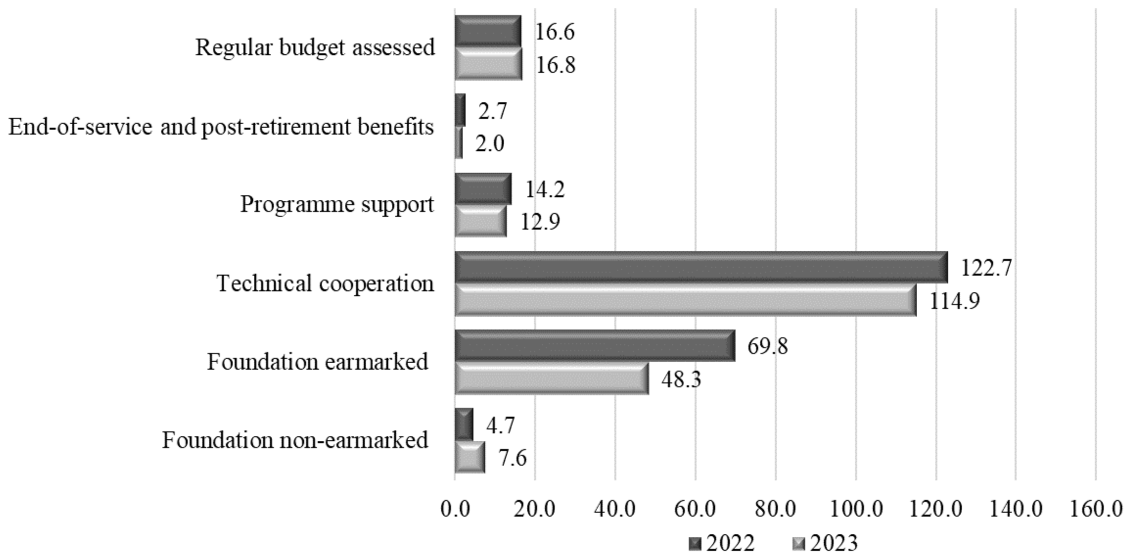
Figure IV.I
Comparative revenue distribution by revenue category



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

22. UN-Habitat saw an increase in revenue in 2023 when consolidated across all funds. Total revenue for 2023, after intersegment eliminations, amounted to $215.4 million (2022: $187.9 million), which is an increase of $27.5 million (14.6 per cent) compared with the revenue in 2022. The main source of revenue continues to be voluntary contributions from Member States, other government entities and other entities, which amounted to $149.0 million (2022: $123.1 million) and accounted for 69.2 per cent of total revenue. The remaining 30.8 per cent (2022: 34.5 per cent) of the revenue was generated by assessed contributions in the amount of $16.6 million (2022: $16.8 million), other transfers and allocations in the amount of $28.5 million (2022: $34.5 million), investment income in the amount of $11.7 million (2022: $1.2 million) and other revenue in the amount of $9.6 million (2022: $12.2 million). Other transfers and allocations represent fund transfers within United Nations agencies for the joint implementation of programmes.

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



23. Figure IV.II shows the distribution of revenue by segment. The revenue for the Foundation non-earmarked segment amounted to $4.7 million (2022: $7.6 million), which was a decrease of $2.9 million (38.2 per cent) in 2023 compared with 2022. Regular budget revenue amounted to $16.6 million (2022: $16.8 million). This was a decrease of $0.2 million (1.2 per cent) compared with 2022. Total revenue from Foundation earmarked funds amounted to $69.8 million (2022: $48.3 million), which was an increase of $21.5 million (44.5 per cent) compared with 2022. Revenue from technical cooperation earmarked funds amounted to $122.7 million (2022: $114.9 million), which was an increase of $7.8 million (6.8 per cent) compared with 2022. Other revenue sources contributed a total of $16.9 million (2022: $14.8 million).

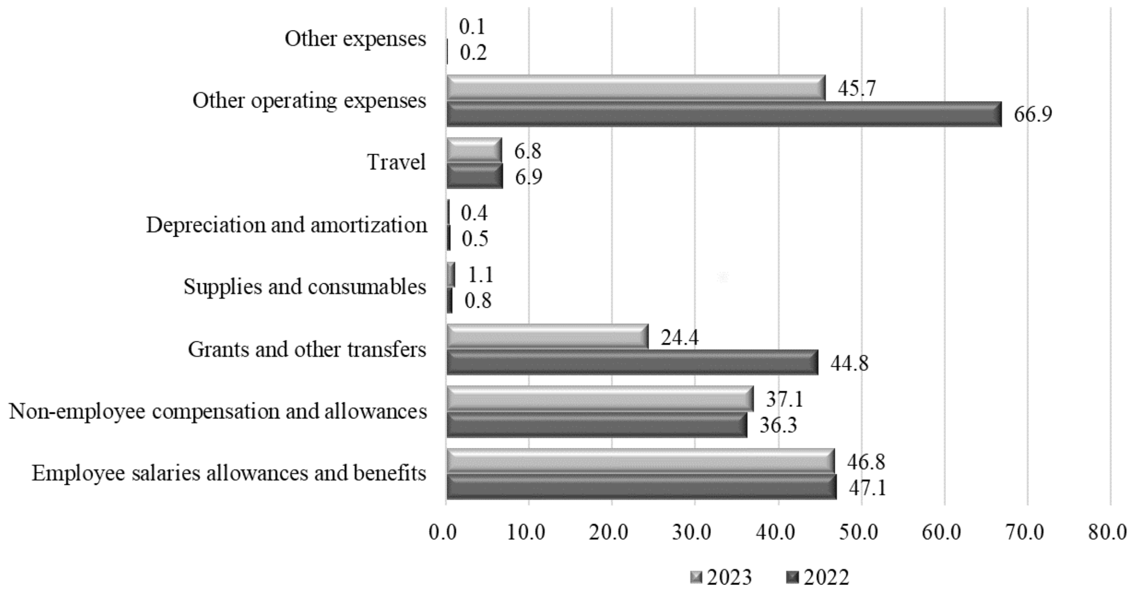
24. The technical cooperation segment continues to be the largest funding source of UN-Habitat, followed by the Foundation earmarked segment.

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*
2023	3.0	16.6	41.7	103.9	10.5	2.0	(15.3)	162.4
2022	1.7	16.8	58.2	129.1	10.4	1.9	(14.6)	203.5

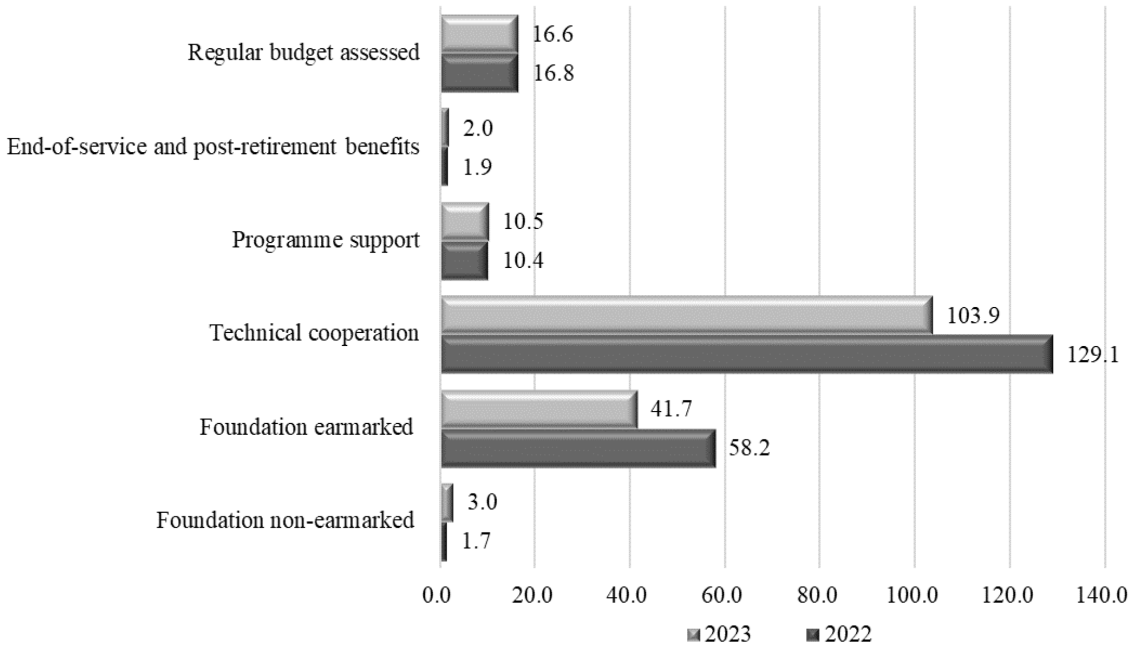
Figure IV.III
Expenditure distribution by category



25. Figure IV.III shows the distribution of expenses by category. Total expenses decreased by $41.1 million to a total of $162.4 million (2022: $203.5 million) in 2023. The major categories of expenses included employee benefit expenses of $46.8 million (2022: $47.1 million), non-employee compensation costs of $37.1 million (2022: $36.3 million), grants and transfers amounting to $24.4 million (2022: $44.8 million) and other operating expenses of $45.7 million (2022: $66.9 million). These expenses are largely related to project delivery.

26. Remaining expenses totalling $8.4 million (2022: $8.4 million) related to supplies and consumables in the amount of $1.1 million (2022: $0.8 million), depreciation and amortization in the amount of $0.4 million (2022: $0.5 million), travel expenses in the amount of $6.8 million (2022: $6.9 million), and other expenses in the amount of $0.1 million (2022: $0.2 million).

Figure IV.IV
Expenditure distribution between segments (before elimination)



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

28. Further analysis of the non-earmarked expenditures shows that a total of $3.0 million (2022: $1.7 million) related to Foundation non-earmarked funding, while $16.6 million (2022: $16.8 million) related to the regular budget and $10.5 million (2022: $10.4 million) related to programme support. For the earmarked funds, $41.7 million (2022: $58.2 million) related to Foundation earmarked funding, while technical cooperation expenditure amounted to $103.9 million (2022: $129.1 million). Expenses relating to end-of-service and post-retirement benefits amounted to $2.0 million (2022: $1.9 million).

Financial position

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

	Foundation non-earmarked	*Foundation earmarked*	*Technical cooperation*	*Programme support*	*End-of-service and post-retirement benefits*	*Intersegment elimination*	*Total*
Total assets	8.8	156.2	413.2	23.8	20.1	(4.8)	617.3
Percentage of total assets	1.4	25.3	66.9	3.9	3.3	(0.8)	100
Total liabilities	2.1	25.6	99.5	5.2	36.0	(4.8)	163.6
Percentage of total liabilities	1.3	15.6	60.8	3.2	22.0	(2.9)	100
Total net assets	6.7	130.6	313.7	18.6	(15.9)	0.0	453.7
Percentage total net assets	1.5	28.8	69.1	4.1	(3.5)	0.0	100

Assets

29. At the end of 2023, UN-Habitat total assets after intersegment elimination of ($4.8) million amounted to $617.3 million (2022: $498.6 million). Current assets represented $487.3 million (2022: $385.9 million), while non-current assets amounted to $130.0 million (2022: $112.7 million).

30. Voluntary contributions receivable amounted to $278.8 million (2022: $218.0 million), while cash and investments amounted to $293.6 million (2022: $257.3 million). Most of the cash and investment assets were related to funds received for technical cooperation and Foundation earmarked projects.

31. Property plant and equipment of the organization at year-end had a net book value of $2.6 million (2022: $2.4 million).

32. Cash advances to implementing partners that had not been expensed at year-end totalled $36.3 million (2022: $15.6 million).

Liabilities and net assets

33. Total current and non-current liabilities after intersegment elimination stood at $163.6 million (2022: $123.1 million) at year-end, resulting in net assets of $453.7 million (2022: $375.6 million).

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

	2023	*2022*	*Increase/(decrease)*	*Percentage change*
Cash and cash equivalents	37.8	37.0	0.8	2.2
Short-term investments	194.8	148.4	46.4	31.3
Long-term investments	60.9	71.9	(11.0)	(15.3)
Total cash and investments	**293.5**	**257.3**	**36.2**	**14.1**
Voluntary contributions receivable[a]	278.8	218.0	60.8	27.9
Other receivables	0.3	0.1	0.2	200.0
Total receivables	**279.1**	**218.1**	**61.0**	**28.0**
Advance transfers	36.3	15.6	20.7	132.7
Other assets	5.9	5.3	0.6	11.3
Accounts payable and accrued liabilities	19.5	12.3	7.2	58.5
Employee benefits liabilities[a]	37.3	38.1	(0.8)	(2.1)
Liabilities for conditional arrangements	106.8	72.7	34.1	46.9

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

34. Table IV.5 summarizes other key indicators for UN-Habitat for the year ended 31 December 2023 compared with the year ended 31 December 2022.

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

Thousands of United States dollars	*2023*	*2022*
Total revenue	4 749	7 677
Total expenses	3 031	1 662
Surplus/(deficit) for the period	**1 718**	**6 015**
Accumulated surplus/(deficit)	3 646	1 922
Reserves	3 000	3 000
Total net assets	**6 646**	**4 922**

35. For the year ended 31 December 2023, the UN-Habitat Foundation saw a decrease in revenue of $2.9 million from $7.6 million in 2022 to $4.7 million in 2023. The expenditures under the segment increased by $1.4 million from $1.6 million in 2022 to $3.0 million in 2023. The Foundation recognized a surplus of $1.7 million in 2023 (2022: surplus of $6.0 million) indicating that it has been able to generate enough donor contributions and cash flow to meet its obligations.

36. In addition, as at 31 December 2023, the Foundation had positive net assets of $6.6 million (2022: positive net asset position of $4.9 million). In 2022, the Executive Board of UN-Habitat changed its policy on the Foundation non-earmarked reserves and decided to set the reserve at a minimum level of $3.0 million or 20.0 per cent of the approved budget of the following financial year, whichever is higher. As of 31 December 2023, the reserve totals $3.0 million (2022: $3.0 million).

37. To maintain the health of the non-earmarked Foundation. UN-Habitat management continued applying 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 non-earmarked Foundation for core activities in support of the approved budget; (b) realistic budgeting that ensures expenses do not exceed revenue; and (c) reductions in non-post expenses such as travel.

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

D. Risks and uncertainties

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

40. Prior to 2023, the budgets for the non-earmarked Foundation have been consistently and significantly underfunded, leading to uncertainty about which core posts and activities can be carried out by the Programme. The underfunding of the budget was partially attributable to pledges from donors not being converted to revenue. Systemic risks to fundraising for core activities include the evolving interests of donors to favour earmarked contributions over non-earmarked

contributions and political volatility that leads to fluctuations in the priorities of donors.

41. The year 2023 saw a level of contributions received from non-earmarked donors that resulted in surplus funds. Owing to these positive results, UN-Habitat has also fully funded the reserves of $3.0 million. Furthermore, the repayment disposition of the loan of $3.0 million from the programme support cost fund to the non-earmarked Foundation has been partially settled again by $0.5 million, bringing the total repayment to $1.0 million. The outstanding loan balance as at 31 December 2023 was $2.0m (2022: $2.5 million).

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

42. The UN-Habitat statements reflect the end-of-service and post-retirement benefits, comprising after-service health insurance liabilities, annual leave and repatriation benefits. It is to be noted that UN-Habitat makes monthly provisions for repatriation benefits at 8.0 per cent of net salary and 6.0 per cent of net salary for after-service health insurance.

43. Accrued balances as at 31 December 2023 have been adjusted to reflect the estimated liabilities as at 31 December 2023, as reflected in the 2023 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 2023, an amount of $15.9 million of cumulative unfunded expenditure is included in the cumulative surplus/(deficit) amount (see note 4, end-of-service and post-retirement benefits segment).

Chapter V

Financial statements and related explanatory notes for the year ended 31 December 2023

United Nations Human Settlements Programme

I. Statement of financial position as at 31 December 2023

(Thousands of United States dollars)

	Note	*31 December 2023*	*31 December 2022*
Assets			
Current assets			
Cash and cash equivalents	6	37 801	37 051
Investments	7	194 821	148 396
Voluntary contributions receivable	8	212 297	179 509
Other receivables	9	271	89
Advance transfers	10	36 265	15 571
Other assets	11	5 877	5 342
Total current assets		**487 332**	**385 958**
Non-current assets			
Investments	7	60 942	71 860
Voluntary contributions receivable	8	66 475	38 515
Other receivables	9	–	–
Property, plant and equipment	13	2 554	2 353
Intangible assets	14	–	–
Total non-current assets		**129 971**	**112 728**
Total assets		**617 303**	**498 686**
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	15	19 489	12 304
Funds received in advance and deferred revenue	16	32	–
Employee benefits liabilities	17	3 035	2 650
Provisions	18	–	20
Liabilities for conditional arrangements	19	106 770	72 657
Total current liabilities		**129 326**	**87 631**
Non-current liabilities			
Employee benefits liabilities	17	34 299	35 423
Total non-current liabilities		**34 299**	**35 423**
Total liabilities		**163 625**	**123 054**
Net of total assets and total liabilities		**453 678**	**375 632**
Net assets			
Accumulated surplus (deficit)	20	432 814	354 915
Reserves	20	20 864	20 717
Total net assets		**453 678**	**375 632**

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 2023

(Thousands of United States dollars)

	Note	*2023*	*2022*
Revenue			
Assessed contributions	21	16 578	16 800
Voluntary contributions	21	149 084	123 102
Other transfers and allocations	21	28 508	34 515
Investment revenue	24	11 668	1 191
Other revenue	22	9 555	12 242
Total revenue		**215 393**	**187 850**
Expenses			
Employee salaries, allowances and benefits	23	46 817	47 090
Non-employee compensation and allowances	23	37 129	36 273
Grants and other transfers	23	24 387	44 791
Supplies and consumables	23	1 053	854
Depreciation	13	421	505
Amortization	14	–	–
Travel	23	6 770	6 868
Other operating expenses	23	45 731	66 930
Other expenses	23	97	167
Total expenses		**162 405**	**203 478**
Surplus/(deficit) for the period		**52 988**	**(15 628)**

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 2023[a]

(Thousands of United States dollars)

	Accumulated surpluses/(deficits) – unrestricted	*Reserves*	*Total*
Net assets, 1 January 2023	**354 915**	**20 717**	**375 632**
Impact upon adoption of IPSAS 41[b]	23 239	–	23 239
Net assets, 1 January 2023 (remeasured)	**378 154**	**20 717**	**398 871**
Change in net assets			
Fair value gains/(losses) on investments	(911)	–	(911)
Transfers to/from unrestricted/restricted/reserves	(147)	147	–
Actuarial gains/(losses)	2 730	–	2 730
Surplus/(deficit) for the year	52 988	–	52 988
Net assets, 31 December 2023	**432 814**	**20 864**	**453 678**

[a] See detailed note 20.

[b] See detailed note 2 for the impact on net assets upon adoption of IPSAS 41.

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 2023

(Thousands of United States dollars)

	Note	*31 December 2023*	*31 December 2022*
Cash flow from operating activities			
Surplus/(deficit) for the year		**52 988**	**(15 628)**
Non-cash movements			
Depreciation and amortization	13	399	492
Loss on disposal of property, plant and equipment	13	185	455
Actuarial (gain)/loss on employee benefits liabilities	17	2 730	11 200
Unrealized loss on cash pool investments	24	(911)	–
Transfers and donated property, plant and equipment and intangibles		–	–
Changes in assets			
(Increase)/decrease in voluntary contributions receivable	8	(60 748)	7 278
(Increase)/decrease in other receivables	9	(182)	5
(Increase)/decrease in advance transfers	10	(20 694)	170
(Increase)/decrease in other assets	11	(535)	3 218
Changes in liabilities			
Increase/(decrease) in accounts payable and accrued liabilities	15	7 185	(6 067)
Increase/(decrease) in funds received in advance and deferred revenue	16	32	–
Increase/(decrease) in employee benefits liabilities	17	(739)	(9 440)
Increase/(decrease) in liabilities for conditional arrangements	19	34 113	(48 556)
Increase/(decrease) in provisions	18	(20)	20
Investment revenue presented as investing activities	24	(11 668)	(1 191)
Net cash flows from/(used in) operating activities		**2 135**	**(58 044)**
Cash flow from investing activities			
Pro rata share of net decrease/(increase) in the cash pool	7	(35 507)	41 145
Investment revenue presented as investing activities	24	11 668	1 191
Sale/(acquisition) of property, plant and equipment	13	(785)	20 414
Proceeds from disposal of intangibles		–	–
Net cash flows from/(used in) investing activities		**(24 624)**	**62 750**
Cash flow from financing activities			
Adjustments to net assets	2	23 239	–
Net cash flows from/(used in) financing activities		**23 239**	**–**
Net increase/(decrease) in cash and cash equivalents		**750**	**4 706**
Cash and cash equivalents – beginning of year		37 051	32 345
Cash and cash equivalents – end of year	**6**	**37 801**	**37 051**

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 2023

(Thousands of United States dollars)

Budget part	Publicly available budget: Original biennial	Publicly available budget: Original annual[a]	Publicly available budget: Final annual	Actual expenditure (budget basis)	Difference (percentage)[b]
Foundation non-earmarked					
Reduced spatial inequality and poverty in communities across the urban-rural continuum	–	428.1	428.1	423.2	(1.1)
Enhanced shared prosperity of cities and regions	–	195.2	195.2	194.7	(0.3)
Strengthened climate action and improved urban environment	–	24.2	24.2	24.2	–
Effective urban crisis prevention and response	–	397.1	397.1	396.7	(0.1)
Subtotal	–	**1 044.6**	**1 044.6**	**1 038.8**	**(0.6)**
Policymaking organs	–	537.2	537.2	508.5	(5.3)
Executive direction and management	–	904.2	904.2	914.6	1.2
Programme support	–	666.2	666.2	640.6	(3.8)
Subtotal	–	**2 107.6**	**2 107.6**	**2 063.7**	**(2.1)**
Total, Foundation non-earmarked	–	**3 152.2**	**3 152.2**	**3 102.5**	**(1.6)**
Regular budget					
Section 15: Human settlements	–	13 385.1	13 385.1	12 383.1	(7.5)
Section 23: Regional programme of technical cooperation	–	1 362.1	1 362.1	1 061.6	(22.1)
Section 35: Development account[a]	–	1 292.9	1 292.9	1 283.9	(0.7)
Total, regular budget	–	**16 040.1**	**16 040.1**	**14 728.6**	**(8.2)**
Grand total	–	**19 192.3**	**19 192.3**	**17 831.1**	**(7.1)**

[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 10.0 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 2023 financial statements

Note 1
Reporting entity

The United Nations Human Settlements Programme and its activities

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

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

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

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

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

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

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

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

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

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

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

levels. These reforms were incorporated in the 2014–2019 strategic plan, 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 UN-Habitat Assembly replaced the Governing Council. It is a universal body responsible for providing political leadership, strategic direction and oversight of the normative and policy work of UN-Habitat, including approval of its strategic plan, submitted by the Executive Board. The Assembly meets every four years. The Committee of Permanent Representatives convenes in an open-ended manner, twice every four years. The Executive Board comprises 36 members elected by the Assembly and meets two to three times in a year. It is responsible for the direct oversight of UN-Habitat normative and operational activities, including the approval of the UN-Habitat annual work programme and budget;

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

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

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

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

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

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

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

Note 2
Basis of preparation and authorization for issue

Basis of preparation

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

(a) Statement of financial position (statement I);

(b) Statement of financial performance (statement II);

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

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

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

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

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

Going concern

11. The going-concern assertion is based on the approval by the General Assembly of the regular budget appropriations for 2024 in its resolution 78/254, the positive historical trend of collection of assessed and voluntary contributions over the past years and the fact that the Assembly has taken no decision to cease the operations of UN-Habitat.

Authorization for issue

12. These financial statements are certified by the Controller and approved by the Secretary-General. In accordance with financial regulation 6.2, the Secretary-General transmitted the financial statements as at 31 December 2023 to the Board of Auditors by 31 March 2024. In accordance with financial regulation 7.12, the reports of the Board of Auditors are to be transmitted to the General Assembly through the Advisory Committee on Administrative and Budgetary Questions, together with the audited financial statements.

Measurement basis

13. These financial statements are prepared using the historical cost convention, except for financial investments held in the cash pool recorded at fair value through net asset/equity.

Functional and presentation currency

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

15. Transactions in currencies other than the functional currency (foreign currencies) are translated into United States dollars at the United Nations operational rate of exchange as at the date of the transaction. The United Nations operational rates of exchange approximate the spot rates prevailing at the 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.

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

Materiality and use of judgment and estimation

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

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

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

Recently adopted accounting pronouncements

20. Effective 1 January 2023, the organization adopted IPSAS 41: Financial instruments, issued in August 2018.

21. The new standard replaced IPSAS 29: Financial instruments: recognition and measurement, and substantially improves the relevance of information for financial assets and financial liabilities by introducing:

(a) Simplified classification and measurement requirements for financial assets;

(b) A forward-looking impairment model;

(c) A flexible hedge accounting model.

22. The changes from the initial adoption of the standard are effective on that date, therefore do not require the restatement of the prior period amounts. As a result, the financial assets, financial liabilities, non-exchange and exchange receivables and investment revenue as at 31 December 2022 presented in the present financial

statements have been accounted for in accordance with the accounting policies as stated in the 2022 financial statements.

New classification and measurement principles for financial assets

23. IPSAS 41 introduces a principles-based approach to the classification of financial assets and requires the use of two criteria: the entity's model for managing its financial assets; and the contractual cash-flow characteristics of those assets. Depending on those criteria, financial assets are classified into the following categories: financial assets at amortized cost; financial assets at fair value through net assets/equity; or financial assets at fair value through surplus or deficit.

24. On 1 January 2023, the application of the new criteria led to the reclassification of all cash pool investments from financial assets at fair value through surplus or deficit to financial assets at fair value through net assets/equity. The fair value reserve was classified to accumulated surplus or deficit of net assets.

New impairment model

25. Whereas the previous impairment model was based on incurred losses, IPSAS 41 has introduced a forward-looking impairment model based on expected credit losses over the lifetime of the financial asset. Expected credit losses take into account possible default events and the evolution of the credit quality of the financial assets. The new impairment model applies to all financial assets measured at amortized costs or at fair value through net assets/equity.

26. The table below shows the original measurement categories under IPSAS 29 as applied to the 2022 financial statements and the new measurement categories under IPSAS 41 for the organization's financial assets as at 1 January 2023. There were no changes to the measurement categories of the financial liabilities of the organization.

(Thousands of United States dollars)

	Measurement category prior to IPSAS 41 adoption	*Net carrying amount as at 31 December 2022*	*Measurement category under IPSAS 41*	*Net carrying amount as at 1 January 2023*
Financial assets				
Pro rata share of investments in the cash pools	Financial assets at fair value through surplus or deficit	220 256	Financial assets at fair value through net assets/equity	223 043
Cash and cash equivalents (investment pool)	Amortized cost	36 988	Amortized cost	36 988
Cash and cash equivalents, other	Amortized cost	63	Amortized cost	63
Assessed contributions receivable	Amortized cost	–	Amortized cost	–
Voluntary contributions receivable (note 8)	Amortized cost	218 024	Amortized cost	238 352
Other accounts receivable (note 9)	Amortized cost	89	Amortized cost	212

27. The table below analyses the impact of the transition to IPSAS 41 on the organization's financial assets and receivables. It reconciles the carrying amounts from their previous measurement category under IPSAS 29 as applied to the 2022 financial statements, to their new measurement categories upon transition to IPSAS 41 on 1 January 2023:

(Thousands of United States dollars)

				Balance as at 1 January 2023			
	Balance as at 31 December 2022	*Reclassification*	*Remeasurement*	*Financial assets at fair value through surplus or deficit*	*Financial assets at fair value through net assets/equity*	*Financial assets at amortized cost*	*Total*
Financial assets							
Investments	220 256	2 787	–	–	223 043	–	223 043
Cash and cash equivalents	37 051	–	–	–	–	37 051	37 051
Receivables	218 113	–	20 452	–	–	238 565	238 565
Total impact of IPSAS 41 adoption	**–**	**2 787**	**20 452**	**–**	**–**	**–**	**23 239**

Future accounting pronouncements

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

(a) Exposure draft 85, Improvements to IPSAS, 2023, proposes minor improvements to accrual basis IPSAS that arise through publications of the International Accounting Standards Board. The proposals in this exposure draft may be modified in the light of comments received, before being issued in a final form. Comments are due by 18 December 2023;

(b) Natural resources. The IPSAS Board approved exposure draft 86, Exploration for and evaluation of mineral resources, which provides the accounting guidance related to the costs incurred in the exploration and evaluation of mineral resources, and exposure draft 87, Stripping costs in the production phase of a surface mine (amendments to IPSAS 12, Inventories), which provides guidance on how to account for costs incurred to remove waste material in a surface mining operation. The Board agreed on revised recognition criteria and initial measurement proposals, consistent with the conceptual framework and IPSAS for tangible assets. The Board also decided that guidance on natural resources should be in a stand-alone IPSAS;

(c) Public sector leasing issues. The IPSAS Board will continue its consideration of public sector specific leasing issues, such as concessionary leases, in its project on other lease-type arrangements. The Board decided to develop and then expose a standalone exposure draft with non-authoritative guidance on the remaining arrangements included in the request for information, concessionary and other arrangements similar to leases. The new exposure draft will complement exposure draft 84 and propose an update to the most recent IPSAS on revenue and transfer expenses on this topic;

(d) The IPSAS Board reviewed the objectives, scope and conceptual foundations for the development of the draft climate-related disclosures standard for the public sector. The Board emphasized the public sector specificities, including its main objective to deliver services, its role as a policy setter and regulator and its various responsibilities at different levels of government. The Board sought feedback on technical topics and issues planned for consideration in March 2024 related to the governance, strategy and risk management sections of the draft standard under development;

(e) The IPSAS Board agreed on a consultation paper on the presentation of financial statements that would explore an approach allowing different presentation approaches in IPSAS. The provision of different presentation approaches was supported on the basis of the increased flexibility it would provide to public sector entities to provide a presentational approach more useful to the entity-specific users. In breakout sessions, Board members, technical advisors, observers and staff considered topics related to potential categorization and subtotals in the statement of financial performance.

Recent and future requirements of the International Public Sector Accounting Standards

29. The IPSAS Board issued the following standards:

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

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

(c) IPSAS 45: Property, plant and equipment, issued in May 2023 and effective 1 January 2025;

(d) IPSAS 46: Measurement, issued in May 2023 and effective 1 January 2025;

(e) IPSAS 47: Revenue, issued in May 2023 and effective 1 January 2026;

(f) IPSAS 48: Transfer expenses, issued in May 2023 and effective 1 January 2026;

(g) IPSAS 49: Retirement benefit plans, approved in September 2023 and effective 1 January 2026.

30. The impact of the above 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 43	IPSAS 43: Leases, replaced IPSAS 13: Leases aligning guidance with International Financial Reporting Standard 16. The newly issued standard introduces new contract and leases definitions and prescribes a right-of-use recognition and measurement model for all leases apart from those meeting short-term and low-value exemption categories. IPSAS 43 also provides additional guidance on the application of the risks and rewards model for lessor accounting. The impact of IPSAS 43 will be assessed over the 2023 and 2024 calendar years prior to the 1 January 2025 effective date. The broadened leases definition is estimated to result in the recognition of more binding arrangements as leases, with a corresponding increase in lease liabilities and right-of-use assets.
IPSAS 44	IPSAS 44: Non-current assets held for sale and discontinued operations, promulgates accounting for assets held for sale and the presentation and disclosure requirements of discontinued operations, in alignment with International Financial Reporting Standard 5. The impact of IPSAS 44 will be assessed to prepare the organization for its implementation prior to the 1 January 2025 effective date. Given the definitions and scope of non-current assets held for sale, the recognition and measurement impacts are preliminarily estimated as not significant for the organization, as the presentation and disclosure changes will depend on the identification of discontinued operations, if any, in the future, starting on 1 January 2025.

Standard	*Anticipated impact in the year of adoption*
IPSAS 45	IPSAS 45: Property, plant and equipment, replaces IPSAS 17: Property, plant and equipment. IPSAS 45 removes the scope exclusion for heritage property, plant and equipment, provides application and implementation guidance on infrastructure assets and captures property, plant and equipment-related measurement impacts from IPSAS 46. The impact of IPSAS 45 will be assessed prior to the 1 January 2025 effective date.
IPSAS 46	IPSAS 46: Measurement, is the IPSAS Board's first measurement-dedicated standard that draws upon International Financial Reporting Standard 13, Fair value measurement, with the addition of public sector-specific elements, including the current operational value measurement basis. The impact of IPSAS 46 will be assessed prior to the 1 January 2025 effective date. The adoption of IPSAS 46 is not expected to change the organization's accounting policy choice applying the historical cost model to tangible and intangible assets.
IPSAS 47	IPSAS 47: Revenue, replaces the following three existing revenue standards: • IPSAS 9: Revenue from exchange transactions • IPSAS 11: Construction contracts • IPSAS 23: Revenue from non-exchange transactions (taxes and transfers) IPSAS 47 aligns with the IPSAS Board's conceptual framework for general purpose financial reporting by public sector entities, and presents two accounting models based on the existence of a binding arrangement. Where a binding arrangement exists, revenue accounting is aligned with International Financial Reporting Standard 15: Revenue from contracts with customers. Otherwise, the accounting model is consistent with the core principles of IPSAS 23. Adoption of the standard is mandatory for the financial reporting for the year ending 31 December 2026. The impact of IPSAS 47 will be assessed prior to the 1 January 2026 effective date.
IPSAS 48	IPSAS 48: Transfer expenses, provides guidance on accounting for transfer expenses. The transfer expense model aligns with the conceptual framework and presents two accounting models based on the existence of a binding arrangement. The impact of IPSAS 48 will be assessed prior to the 1 January 2026 effective date.
IPSAS 49	IPSAS 49: Retirement benefit plans, aligns with International Accounting Standard 26: Accounting and reporting by retirement benefit plans, and prescribes the accounting and reporting requirements for public sector retirement benefit plans, which primarily provide benefits to retired public sector employees. A retirement benefit plan that prepares and presents financial statements under the accrual basis of accounting shall apply IPSAS 49. The standard does not deal with other forms of employment benefits, such as employment termination benefit or health and welfare plans. The impact of IPSAS 49 will be assessed prior to the 1 January 2026 effective date.

Note 3
Significant accounting policies

Financial assets: measurement and classification

31. 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. Note 2 describes a change in classification due to the adoption of IPSAS 41 effective 1 January 2023.

Categories of financial assets

Classification	*Financial assets*
Fair value through net assets/equity	Investments in cash pools
Amortized cost	Cash and cash equivalents and receivables

32. 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.

33. 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.

34. 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. With the adoption of IPSAS 41, such financial assets have been reclassified to fair value through net assets/equity after an assessment of their contractual cash flows characteristics, as well as the determination of the organization’s management model of such financial assets, which is both to collect contractual cash flows and to sell the financial assets. 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 net assets in the period in which they arise.

35. 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.

36. 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.

37. 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.

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

Financial assets: investment in cash pools

39. 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.

40. 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.

41. The cash pools are subject to an expected credit loss for the reporting period. The expected credit loss on investments is calculated using the Fitch default rating, with a combination of the Fitch issuer rating and the type of issuer. The expected default rates are derived by Fitch using historical data over a period of 32 years (1990–2022). The Fitch rating by type of issuer is obtained for each investment position. The default rate is obtained from the transition matrix for the specific type of issuer, for example, supranational, sovereign, corporate, etc.

42. Owing to its conservative and risk-averse investment strategy/model, the United Nation does not engage in risky, low-grade investments. As a result, most of the investments carry a zero-default rating, and there is no history of non-collection in the past. The organization will therefore assess expected credit loss at the end of each reporting period and recognize an impairment loss if material.

Financial assets: cash and cash equivalents

43. 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

44. 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, less impairment for estimated irrecoverable amounts, i.e. the loss allowance. Voluntary contributions receivable that will mature in more than 12 months are reported at a discounted value calculated using the effective interest method. Voluntary contribution receivables, trade receivables and other receivables are subject to impairment using the expected credit loss model applicable to the donor or customer type.

Assessed contributions receivable

45. For assessed contributions receivable, the loss allowance is calculated using objective historical evidence of collections of the portfolio of receivables (in this case, Member States).

46. For ongoing IPSAS 41 compliance, payment data are monitored for any indication of changes in payment patterns. Where data are indicative of expected credit loss, loss allowance is recognized in accordance with IPSAS 41.

47. The forward-looking model applies historical percentages of previous credit losses as the basis for determining the expected credit losses of receivable balances. This historical percentage is updated at each year-end. The organization operates in a worldwide environment with dynamic macroeconomic variables, and is therefore difficult to factor the worldwide gross domestic product growth rate in the calculation of the loss allowance. On the basis of the analysis of historical data on the collection history of assessed contributions receivables, no expected credit loss has been established for such receivables where no historical evidence of any loss pattern for Member States exists, except for the specific receivables detailed below, where under the forward-looking model the expected credit loss shall be provided for:

(a) Assessed contributions receivables from Member States that are subject to Article 19 of the Charter of the United Nations on voting rights restrictions in the General Assembly, because of arrears equalling or exceeding the amount of the contributions due from them for the preceding two full years, are included in the loss allowance. These receivables carry a higher credit risk due to a historical pattern of non-payment or delays over a certain number of years;

(b) Assessed contributions receivables that are past due for which the General Assembly has granted special treatment as regards to unpaid assessed contributions;

(c) Assessed contributions receivables outstanding for completed projects, for closed missions and for contested outstanding balances, are included in the loss allowance since it is unknown if collection will be made;

(d) Long outstanding pre-2016 balances from Member States that remain unsettled until today are included in the loss allowance since there is an elevated risk of credit loss.

Voluntary contributions receivables

48. Voluntary contributions receivables have distinct characteristics compared with conventional receivables classified as financial assets. These distinctions include:

(a) Variability in amounts. Owing to their voluntary nature, the amounts associated with voluntary contributions receivables can vary, as they may fluctuate on the basis of future funding requirements for project implementation and the intentions of donors;

(b) Flexible due date. Due dates for voluntary contributions receivables are highly adaptable and subject to adjustment in alignment with the progress of the related project implementation.

49. The inherent variability of the pledged amounts and the flexibility of due dates pose substantial challenges in formulating a reasonable estimation of loss allowance for voluntary contributions receivables. The historical amount of write-off instances over the aggregate value of voluntary contribution receivables is relatively small. The organization has therefore assessed a loss allowance on voluntary contributions on a case-by-case basis, therefore creating a 100 per cent loss allowance for delinquent receivables that are identified as uncollectible.

50. The non-trust funds voluntary contributions receivables and trust funds with a partially assessed nature will be assessed for loss allowance from historical payment pattern.

Financial assets: receivables from exchange transactions – other accounts receivables

51. 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.

52. Other receivables are categorized by customer types with homogeneous characteristics, for example, with same debt settlement patterns. The evolution of the outstanding balances is assessed over a period of years to determine the historical transition rate. The transition rate is reassessed at the end of each reporting period and applied to the exposure balance to determine the loss allowance.

Financial assets: loans receivable

53. 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

54. 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

55. 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

56. 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.

Inventories

57. 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

Categories	*Subcategories*
Strategic reserves	Fuel reserves, bottled water and rations reserves
Consumables and supplies	Material holdings of consumables and supplies, including spare parts and medicines

58. 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 12.0 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.

59. 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.

60. 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.

61. 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

62. 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

63. Property, plant and equipment are classified into different groups, on the basis of their nature, functions, useful life and valuation methodologies, such 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) 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;

(b) 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 2.0 per cent of the cost of purchase is used in place of actual associated costs incurred;

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

(d) 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.

64. 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.

65. As with other accounting estimates and underlying assumptions, estimated useful life assumptions are reviewed on an ongoing basis. Changes in accounting estimates result from new information, new developments or more experience, for example, adjustment of the periodic consumption of an asset that results from the assessment of the present status of and expected future benefits associated with assets. Such changes are accounted for as a change in the accounting estimate. It is recognized prospectively by including it as a surplus or deficit in the period of change and future periods, if the change affects both. Such prospective recognition is applied to transactions, other events and conditions from the date of the change in estimate.

66. Following recommendations of the Board of Auditors to review the useful lives of all classes of assets, the organization carried out a system-wide survey with the support of the Task Force on Accounting Standards and analysed its own historical data on asset utilization, resulting in the revision of useful lives. The updated useful lives have been applied to the organization’s property, plant and equipment prospectively, starting 1 January 2023. The objective of the 2022 review of estimated useful lives was to determine if, on the basis of Umoja data and experience to date, revising useful life assumptions for future asset acquisitions would in the future provide more relevant and reliable information. The review concluded that 13 of the 25 asset subclasses in the table below should have revised estimated useful lives. The estimated useful lives of property, plant and equipment classes are set out below.

Estimated useful lives of property, plant and equipment classes

Class	*Subclass*	*Estimated useful life*
Communications and information technology equipment	Information technology equipment	4–5 years[a]
	Communications	7–8 years[a]
	Audiovisual equipment	7–10 years[a]
Vehicles	Light-wheeled vehicles	6–7 years[a]
	Marine vessels	10 years
	Specialized vehicles, trailers and attachments	6–12 years
	Heavy-wheeled and engineering support vehicles	12 years
Machinery and equipment	Light engineering and construction equipment	5–8 years[a]
	Medical equipment	5–6 years[a]
	Security and safety equipment	5–6 years[a]
	Mine detection and clearing equipment	5 years
	Water treatment and fuel distribution equipment	7–10 years[a]
	Ground transportation equipment	7–10 years[a]
	Heavy engineering and construction equipment	10–12 years[a]
	Printing and publishing equipment	20 years
Furniture and fixtures	Library reference material	3 years
	Office equipment	4–5 years[a]
	Fixtures and fittings	7–10 years[a]
	Furniture	10 years
Buildings	Temporary and mobile buildings	7–10 years[a]
	Fixed buildings	Up to 50 years
	Major building components	Up to 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

[a] In 2023, following the review of the estimates of the periods over which asset subclasses are expected to be available for use, estimated useful lives for 13 subclasses were increased.

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

68. 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 10.0 per cent of historical cost on the basis of an analysis of the classes and useful lives of the fully depreciated assets.

69. 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.

70. 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.

71. 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

72. 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.

73. 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.

74. 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.

75. 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

76. 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

77. 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

78. 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

79. 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

80. 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

81. 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.

82. 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

83. 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

84. 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.

85. 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.

86. 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.

87. 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.

88. 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

89. 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

90. 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

91. 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

92. 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.

93. 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.

94. 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 insurance 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.

95. 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.

96. 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

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

98. 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 the proportionate share of UN-Habitat 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 Fund during the financial period are recognized as expenses in the statement of financial performance.

Termination benefits

99. 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

100. 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.

101. 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

102. 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

103. 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.

104. 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.

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

Contingent assets

106. 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

107. 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

108. 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

109. 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.

110. 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.

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

112. 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.

113. 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.

114. 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

115. 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

116. 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.

117. 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

118. 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.

119. 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.

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

121. 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.

122. 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.

123. 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

124. 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

125. 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.

126. 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.

127. 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 2023, by segment

(Thousands of United States dollars)

	Foundation non-earmarked	*Foundation earmarked*	*Technical cooperation*	*Programme support*	*End-of-service and post-retirement benefits*	*Intersegment eliminations*	*31 December 2023*	*31 December 2022*
Assets								
Current assets								
Cash and cash equivalents	1 100	9 469	21 860	2 779	2 593	–	37 801	37 051
Investments	5 668	48 796	112 648	14 334	13 375	–	194 821	148 396
Voluntary contributions receivable	50	56 313	155 932	2	–	–	212 297	179 509
Other receivables	–	1 243	1 825	2 050	–	(4 847)	271	89
Advance transfers	75	5 435	30 755	–	–	–	36 265	15 571
Other assets	98	386	5 231	162	–	–	5 877	5 342
Total current assets	**6 991**	**121 642**	**328 251**	**19 327**	**15 968**	**(4 847)**	**487 332**	**385 958**
Non-current assets								
Investments	1 773	15 264	35 237	4 484	4 184	–	60 942	71 860
Voluntary contributions receivable	–	19 155	47 320	–	–	–	66 475	38 515
Property, plant and equipment	23	149	2 378	4	–	–	2 554	2 353
Intangible assets	–	–	–	–	–	–	–	–
Total non-current assets	**1 796**	**34 568**	**84 935**	**4 488**	**4 184**	**–**	**129 971**	**112 728**
Total assets	**8 787**	**156 210**	**413 186**	**23 815**	**20 152**	**(4 847)**	**617 303**	**498 686**
Liabilities								
Accounts payable and accrued liabilities	28	2 477	11 986	4 998	–	–	19 489	12 304
Funds received in advance and deferred revenue	24	8	–	–	–	–	32	–
Employee benefits liabilities	89	395	627	214	1 710	–	3 035	2 650
Liabilities for conditional arrangements	–	21 627	85 143	–	–	–	106 770	72 657
Provisions	–	–	–	–	–	–	–	20
Other liabilities	2 000	1 057	1 790	–	–	(4 847)	–	–
Total current liabilities	**2 141**	**25 564**	**99 546**	**5 212**	**1 710**	**(4 847)**	**129 326**	**87 631**

	Foundation non-earmarked	*Foundation earmarked*	*Technical cooperation*	*Programme support*	*End-of-service and post-retirement benefits*	*Intersegment eliminations*	*31 December 2023*	*31 December 2022*
Non-current liabilities								
Employee benefits liabilities	–	–	–	–	34 299	–	34 299	35 423
Total non-current liabilities	**–**	**–**	**–**	**–**	**34 299**	**–**	**34 299**	**35 423**
Total liabilities	**2 141**	**25 564**	**99 546**	**5 212**	**36 009**	**(4 847)**	**163 625**	**123 054**
Net of total assets and liabilities	**6 646**	**130 646**	**313 640**	**18 603**	**(15 857)**	**–**	**453 678**	**375 632**
Net assets								
Accumulated surplus/(deficit)	3 646	126 623	302 280	16 122	(15 857)	–	432 814	354 915
Reserves	3 000	4 023	11 360	2 481	–	–	20 864	20 717
Total net assets	**6 646**	**130 646**	**313 640**	**18 603**	**(15 857)**	**–**	**453 678**	**375 632**

All funds – statement of financial performance for the period ended 31 December 2023, 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 2023*	*Total as at 31 December 2022*
Revenue									
Assessed contributions	–	16 578	–	–	–	–	–	16 578	16 800
Voluntary contributions	4 404	–	61 712	82 907	61	–	–	149 084	123 102
Other transfers and allocations	–	–	1 819	26 791	–	–	(102)	28 508	34 515
Investment revenue	325	–	6 267	11 695	850	781	(8 250)	11 668	1 191
Other revenue	20	–	20	1 257	13 305	1 881	(6 928)	9 555	12 242
Total revenue	**4 749**	**16 578**	**69 818**	**122 650**	**14 216**	**2 662**	**(15 280)**	**215 393**	**187 850**
Expenses									
Employee salaries, allowances and benefits	1 508	13 899	12 981	13 324	4 977	2 009	(1 881)	46 817	47 090
Non-employee compensation and allowances	86	1 110	8 814	26 338	781	–	–	37 129	36 273
Grants and other transfers	–	33	7 059	17 295	–	–	–	24 387	44 791
Supplies and consumables	13	8	90	931	11	–	–	1 053	854
Depreciation[a]	2	22	(13)	406	4	–	–	421	505
Amortization	–	–	–	–	–	–	–	–	–
Travel	307	356	2 624	3 283	302	–	(102)	6 770	6 868
Other operating expenses	1 115	1 150	10 104	42 251	4 407	1	(13 297)	45 731	66 930
Other expenses	–	–	31	66	–	–	–	97	167
Total expenses	**3 031**	**16 578**	**41 690**	**103 894**	**10 482**	**2 010**	**(15 280)**	**162 405**	**203 478**
Surplus/(deficit) for the period	**1 718**	**–**	**28 128**	**18 756**	**3 734**	**652**	**–**	**52 988**	**(15 628)**

[a] Includes $45,000 in depreciation reversal due to write-off of assets during the year.

Note 5
Comparison to budget

128. 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.

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

130. The original budget amounts are the 2023 appropriations approved by the General Assembly and the Executive Board for the year 2023.

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

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

133. 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 10.0 per cent are considered below.

Differences between actual and final annual budget amounts

Budget area	*Material differences greater than 10.0 per cent*
Foundation non-earmarked funds:	
Reduced spatial inequality and poverty in communities across the urban-rural continuum	Within range
Enhanced shared prosperity of cities and regions	Within range
Strengthened climate action and improved urban environment	Within range
Effective urban crisis prevention and response	Within range
Policymaking organs	Within range
Executive direction and management	Within range
Programme support	Within range
Regular budget funds:	
Section 15: Human settlements	Within range
Section 23: Regional programme of technical cooperation	Expenditure 22.1 per cent less than final budget
Section 35: Development account	Within range

134. Actual expenditure under section 23: Regional programme of technical cooperation, of the regular budget is lower mainly owing to the variance between standard costs mandated for budgeting purposes and actual staff costs, as well as the decrease in the post-adjustment multiplier established by the International Civil Service Commission, from 42.1 to 29.9, over the course of 2023.

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

135. 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 2023*
Actual amounts on comparable basis (statement V)	(17 831)	–	–	(17 831)
Basis differences[a]	(52 631)	(785)	23 239	(30 177)
Entity differences[b]	(142 796)	–	–	(142 796)
Presentation differences[c]	215 393	(23 839)	–	191 554
Actual amount in statement of cash flows (statement IV)	**2 135**	**(24 624)**	**23 239**	**750**

[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 2023	*31 December 2022*
Cash pool	37 766	36 988
Other cash and cash equivalents	35	63
Total cash and cash equivalents	**37 801**	**37 051**

136. 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 2023	31 December 2022
Current		
Cash pool	194 821	148 396
Subtotal	**194 821**	**148 396**
Non-current		
Cash pool	60 942	71 860
Subtotal	**60 942**	**71 860**
Total	**255 763**	**220 256**

137. 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 2023	31 December 2022
Member States	30 931	7 792	38 723	30 343
Other governmental organizations	64 528	14 953	79 481	84 391
United Nations organizations	26 174	4 221	30 395	25 578
Private donors	96 741	39 509	136 250	106 265
Total voluntary contributions receivable before loss allowance	**218 374**	**66 475**	**284 849**	**246 577**
Loss allowance on voluntary contribution receivable	(6 077)	–	(6 077)	(28 553)
Total voluntary contributions receivable	**212 297**	**66 475**	**278 772**	**218 024**

Note 9
Other receivables

(Thousands of United States dollars)

	31 December 2023	31 December 2022
Other receivables (current)		
Other accounts receivables	281	192
Loans receivable	33	56
Subtotal	**314**	**248**
Loss allowance on other receivables	(43)	(159)
Total other receivables (current)	**271**	**89**

Note 10
Advance transfers

(Thousands of United States dollars)

	31 December 2023	*31 December 2022*
Advances to implementing partners	36 265	15 571
Total advance transfers	**36 265**	**15 571**

Note 11
Other assets

(Thousands of United States dollars)

	31 December 2023	*31 December 2022*
Advances to UNDP and other agencies of the United Nations system[a]	4 985	4 617
Advances to vendor	84	98
Advances to staff	450	243
Other personnel	1	27
Other assets – other	357	357
Other assets (current)	**5 877**	**5 342**

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

Note 12
Heritage assets

138. 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.

139. There were no heritage assets acquired during the reporting period.

Note 13
Property, plant and equipment

140. 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.

141. During the year, the organization registered a write-down on property, plant and equipment owing to accidents, malfunctions and other losses with a net book value of $0.2 million. As at the reporting date, the organization did not identify any impairment. Assets under construction represent projects of a capital nature begun by the organization on behalf of end-user communities that had not yet been finalized and handed over at year end. UN-Habitat did not have any outstanding assets under construction as at 31 December 2023.

Property, plant and equipment

(Thousands of United States dollars)

	Buildings	*Infrastructure assets*	*Assets under construction*[a]	*Machinery and equipment*	*Vehicles*	*Communications and information technology equipment*	*Furniture and fixtures*	*Total*
Cost as at 1 January 2023	**93**	**–**	**–**	**952**	**7 274**	**591**	**136**	**9 046**
Additions	–	–	–	527	237	21	–	785
Transfers	–	–	–	–	–	–	–	–
Disposals	(93)	–	–	(387)	(535)	(75)	(15)	(1 105)
Cost as at 31 December 2023	**–**	**–**	**–**	**1 092**	**6 976**	**537**	**121**	**8 726**
Accumulated depreciation as at 1 January 2023	**(84)**	**–**	**–**	**(621)**	**(5 431)**	**(459)**	**(97)**	**(6 693)**
Depreciation[b]	(2)	–	–	(113)	(248)	(32)	(5)	(399)
Depreciation on retirements	–	–	–	–	–	–	–	–
Disposals	86	–	–	366	401	53	14	920
Other movements	–	–	–	–	–	–	–	–
Accumulated depreciation as at 31 December 2023	**–**	**–**	**–**	**(368)**	**(5 278)**	**(438)**	**(88)**	**(6 172)**
Net carrying amount as at 31 December 2023	**–**	**–**	**–**	**724**	**1 698**	**99**	**33**	**2 554**

[a] Assets under construction are meant for distribution to project beneficiaries upon completion.
[b] Table excludes depreciation of $22,000 on assets in the communications and information technology equipment contributed by the regular budget segment.

Note 14
Intangible assets

142. 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 2023	**32**
Additions	–
Cost as at 31 December 2023	**32**
Accumulated amortization and impairment as at 1 January 2023	**(32)**
Amortization	–
Accumulated amortization and impairment as at 31 December 2023	**(32)**
Net carrying amount as at 31 December 2023	**–**

Note 15
Accounts payable and accrued liabilities

(Thousands of United States dollars)

	31 December 2023	*31 December 2022*
Vendor payables (accounts payable)	2 965	3 856
Payables to other United Nations entities	2 631	1 208
Transfers payable	–	1
Accruals for goods and services	5 641	1 263
Accounts payable – other	8 252	5 970
Payables to Member States	–	6
Total accounts payable and accrued liabilities	**19 489**	**12 304**

Note 16
Funds received in advance and deferred revenue

(Thousands of United States dollars)

	31 December 2023	*31 December 2022*
Deferred revenue	32	–
Advance receipts from Member States	–	–
Total accounts payable and accrued liabilities	**32**	**–**

Note 17
Employee benefits liabilities

(Thousands of United States dollars)

	Current	*Non-current*	*31 December 2023*	*31 December 2022*
After-service health insurance	259	26 131	26 390	27 712
Annual leave	563	3 333	3 896	4 046
Repatriation benefits	888	4 835	5 723	5 146
Subtotal, defined benefit liabilities	**1 710**	**34 299**	**36 009**	**36 904**
Accrued salaries and allowances	1 120	–	1 120	929
Pension contribution liabilities	203	–	203	239
Insurance liabilities	2	–	2	1
Total employee benefits liabilities	**3 035**	**34 299**	**37 334**	**38 073**

143. 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 IPSAS 39: Employee benefits. The full actuarial valuation for after-service health insurance, annual leave and repatriation benefits is usually undertaken every two years with rolled-forward valuation performed between valuation cycles. The most recent full actuarial valuation was conducted as at 31 December 2023, while

actuarially valued balances as at 31 December 2022 represent a roll-forward of the December 2021 valuation results.

Actuarial valuation: assumptions

144. 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 2023 are as follows.

Actuarial assumptions

(Percentage)

Assumptions	*After-service health insurance*	*Repatriation benefits*	*Annual leave*
Discount rates, 31 December 2023	4.61	4.95	4.93
Discount rates, 31 December 2022	5.36	5.08	5.11
Inflation, 31 December 2023	2.35–8.00	2.30	–
Inflation, 31 December 2022	2.55–6.50	2.50	–

145. The yield curves used in the calculation of the discount rates in respect of the United States dollar, the euro and the Swiss franc are those developed by Aon Hewitt, a human capital and management consulting firm, consistent with the recommendation of the United Nations Task Force on Accounting Standards to harmonize actuarial assumptions across the United Nations system. The salary increase assumptions for the Professional staff category were 9.37 per cent for a staff member 19 years of age, grading down to 4.07 per cent for a staff member 65 years of age. The salaries of the General Service staff category were assumed to increase by 6.94 per cent for staff 19 years of age, grading down to 4.07 per cent for staff 65 years of age.

146. 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 2023 were updated to include escalation rates for future years. As at 31 December 2023, these escalation rates were as follows:

Medical cost trend assumptions

(Percentage)

	2023			*2022*		
Cost trend assumptions	*Initial*	*Final*	*Grade down*	*Initial*	*Final*	*Grade down*
United States non-Medicare	8.00	3.65	7 years	6.50	3.85	9 years
United States Medicare	7.40	3.65	7 years	6.50	3.85	9 years
United States dental	7.80	3.65	7 years	6.50	3.85	9 years
Non-United States (Switzerland)	8.00	2.35	4 years	4.25	2.55	6 years
Non-United States (eurozone)	7.70	3.95	12 years	5.20	4.15	11 years

147. With regard to the valuation of repatriation benefits as at 31 December 2023, inflation in travel costs was assumed to be 2.30 per cent (2022: 2.50 per cent), on the basis of the projected United States inflation rate over the next 20 years.

148. Annual leave balances were assumed to increase at the following annual rates during the staff member's projected years of service: 0–1 year, 8.10 per cent; 2–3 years, 4.10 per cent; 4−8 years, 1.90 per cent; 9−15 years, 1.00 per cent; and more than 16 years, 0.40 per cent, up to the maximum of 60 days. The attribution method is used for annual leave actuarial valuation.

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

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

Reconciliation of opening to closing total defined-benefit liability

(Thousands of United States dollars)

	After-service health insurance	*Repatriation benefits*	*Annual leave*	*Total*
Net defined-benefit liability as at 1 January 2023	**27 712**	**5 145**	**4 047**	**36 904**
Current service cost	1 100	101	168	1 369
Interest cost	1 477	245	193	1 915
Actual benefits paid	(303)	(656)	(490)	(1 449)
Total costs recognized in the statement of financial performance in 2023	**2 274**	**(310)**	**(129)**	**1 835**
Subtotal	**29 986**	**4 835**	**3 918**	**38 739**
Actuarial (gains)/losses	(3 596)	888	(22)	(2 730)
Net defined liability as at 31 December 2023	**26 390**	**5 723**	**3 896**	**36 009**

Discount rate sensitivity analysis

150. 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 0.50 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 and percentage)

	After-service health insurance	*Repatriation benefits*	*Annual leave*
Increase of discount rate by 0.50 per cent	(2 781)	(164)	(122)
As percentage of end-of-year liability	(11)	(3)	(3)
Decrease of discount rate by 0.50 per cent	3 245	175	131
As percentage of end-of-year liability	12	3	3

Medical cost sensitivity analysis

151. 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 0.50 per cent, this would have an impact on the measurement of the defined benefit obligations as shown below.

Medical cost sensitivity analysis: 0.50 per cent movement in the assumed medical cost trend rates

(Percentage and thousands of United States dollars)

2023	*Increase*		*Decrease*	
Effect on the defined-benefit obligation	11.33%	3 160	(10.4%)	(2 737)
Effect on the aggregate of the current service cost and interest cost	12.92%	333	(10.8%)	(277)
Total effect		**3 493**		**(3 014)**

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

Other defined-benefit plan information

152. Benefits paid for 2023 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 2023 defined-benefit payments net of participants' contributions	259	888	563	1 710
Estimated 2022 defined-benefit payments net of participants' contributions	410	624	490	1 524

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

(Thousands of United States dollars)

	2023	*2022*	*2021*	*2020*	*2019*	*2018*
Present value of the defined-benefit obligations	36 009	36 904	46 357	44 229	36 993	44 042

Other employee benefit liabilities

Accrued salaries and allowances.

153. Accrued salaries and allowances comprise $0.60 million relating to home leave benefits.

United Nations Joint Staff Pension Fund

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

155. 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 the proportionate UN-Habitat 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 contributions to the Fund during the financial period are recognized as expenses in the statement of financial performance.

156. The Fund's Regulations state that the Pension Board shall have an actuarial valuation made of the Fund at least once every three years by the Consulting Actuary. The practice of the Pension Board has been to carry out an actuarial valuation every two years. 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.

157. The financial obligation of UN-Habitat to the Fund consists of its mandated contribution, at the rate established by the General Assembly (currently at 7.90 per cent for participants and 15.80 per cent for member organizations) together with any share of any actuarial deficiency payments under article 26 of the Regulations of the Pension Fund. Such deficiency payments are only payable if and when the Assembly has invoked the provision of article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Fund as of the valuation date. Each member organization shall contribute to this deficiency an amount proportionate to the total contributions which each paid during the three years preceding the valuation date.

158. The latest actuarial valuation for the Fund was completed as at 31 December 2021, and the valuation as at 31 December 2023 is currently being performed. A roll-forward of the participation data as at 31 December 2021 to 31 December 2022 was used by the Fund for its 2022 financial statements.

159. The actuarial valuation as at 31 December 2021 resulted in a funded ratio of actuarial assets to actuarial liabilities of 117.0 per cent The funded ratio was 158.2 per cent when the current system of pension adjustments was not taken into account.

160. After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as at 31 December 2021, for deficiency payments under article 26 of the Regulations of the Fund as the actuarial value of

assets exceeded the actuarial value of all accrued liabilities under the plan. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as of the valuation date. At the time of the present report, the General Assembly had not invoked the provision of article 26.

161. Should article 26 be invoked due to an actuarial deficiency, either during the ongoing operation or due to the termination of the Fund, deficiency payments required from each member organization would be based upon the proportion of that member organization's contributions to the total contributions paid to the Fund during the three years preceding the valuation date. Total contributions paid to the Fund during the preceding three years (2020, 2021 and 2022) amounted to $8,937.68 million, of which 0.30 per cent was contributed by UN-Habitat.

162. During 2023, contributions paid to the Fund by UN-Habitat amounted to $9.58 million (2022 $9.09 million). Expected contributions due in 2024 are approximately $9.38 million.

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

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

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

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

Impact of the General Assembly resolutions on staff benefits

166. 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 at 1 January 2018 and affects future calculations of employee benefits liabilities.
Unified salary structure	The salary scales for internationally recruited staff (Professional and Field Service) as at 31 December 2016 were based on single or dependency rates. Those rates affected staff assessment and post adjustment amounts. The General Assembly approved a unified salary scale that resulted in the elimination of single and dependency rates as from 1 January 2017 and was implemented in September 2017. The dependency rate was replaced by allowances for staff members who have recognized dependants in accordance with the Staff Regulations and Rules of the United Nations. A revised staff assessment scale and pensionable remuneration scale was implemented together with the unified salary structure. The implementation of the unified salary scale was not designed to result in reduced payments for staff members. However, it is expected that the unified salary scale will affect the calculation and valuation of the repatriation benefit and the commuted annual leave benefit. Currently, the repatriation benefit is calculated on the basis of gross salary and staff assessment at the date of separation, whereas commuted annual leave is calculated on the basis of gross salary, post adjustment and staff assessment at the date of separation.
Repatriation benefit	Staff members are eligible to receive a repatriation grant upon separation, provided they have been in service for at least one year in a duty station outside their country of nationality. The General Assembly has since revised eligibility for the repatriation grant from one year to five years for prospective employees, while current employees retain the one-year eligibility. This change in eligibility criteria has already been implemented effective January 2017 in September 2017 and is expected to affect future calculations of employee benefits liabilities.
Education grant	With effect from the school year in progress on 1 January 2018, the computation of the education grant provided to eligible staff members utilizes a global sliding scale that is set in one single currency (United States dollar) with the same maximum amount of the grant for all countries. In addition, this revised education grant scheme changes boarding assistance and education grant travel provided by the organization.

The impact of these changes, other than the education grant, was fully reflected in the actuarial valuation conducted in 2023.

Note 18
Provisions

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

Note 19
Liabilities for conditional arrangements[a]

(Thousands of United States dollars)

	31 December 2023	*31 December 2022*
Liabilities for conditional arrangements[a]	106 770	72 657
Total liabilities for conditional arrangements	**106 770**	**72 657**

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

Note 20
Net assets

Accumulated surpluses/deficits

168. 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.

169. 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 2023	*Adjustments[b]*	*1 January 2023 (remeasured)*	*Surplus/(deficit)*	*Transfers to/ (from) reserves*	*Other[c]*	*31 December 2023*
Unrestricted cumulative surplus							
Foundation non-earmarked	1 922	34	1 956	1 718	–	(28)	3 646
Foundation earmarked	89 470	9 253	98 723	28 128	–	(228)	126 623
Technical cooperation	270 463	13 587	284 050	18 756	–	(526)	302 280
Programme support	12 428	174	12 602	3 734	(147)	(67)	16 122
End-of-service liabilities	(19 368)	191	(19 177)	652	–	2 668	(15 857)
Subtotal unrestricted fund	**354 915**	**23 239**	**378 154**	**52 988**	**(147)**	**1 819**	**432 814**
Reserves							
Foundation non-earmarked	3 000	–	3 000	–	–	–	3 000
Foundation earmarked	4 023	–	4 023	–	–	–	4 023
Technical cooperation	11 360	–	11 360	–	–	–	11 360
Programme support	2 334	–	2 334	–	147	–	2 481
End-of-service liabilities	–	–	–	–	–	–	–
Subtotal reserves	**20 717**	**–**	**20 717**	**–**	**147**	**–**	**20 864**
Total net assets							
Foundation non-earmarked	4 922	34	4 956	1 718	–	(28)	6 646
Foundation earmarked	93 493	9 253	102 746	28 128	–	(228)	130 646
Technical cooperation	281 823	13 587	295 410	18 756	–	(526)	313 640

	1 January 2023	*Adjustments[b]*	*1 January 2023 (remeasured)*	*Surplus/(deficit)*	*Transfers to/ (from) reserves*	*Other[c]*	*31 December 2023*
Programme support	14 762	174	14 936	3 734	–	(67)	18 603
End-of-service liabilities	(19 368)	191	(19 177)	652	–	2 668	(15 857)
Total reserves and fund balances	**375 632**	**23 239**	**398 871**	**52 988**	**–**	**1 819**	**453 678**

[a] Net assets movements, including fund balances, are based on IPSAS.
[b] Adjustments to reflect the adoption of IPSAS 41 effective 1 January 2023. See detailed note 2.
[c] Balance includes $2.7 million related to actuarial gains and ($0.9) million of fair value losses on cash pool investments.

Note 21
Revenue from non-exchange transactions

Assessed contributions

170. 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 $16.6 million.

(Thousands of United States dollars)

	2023	*2022*
Assessed contributions		
Allocations from regular budget	16 578	16 800
Amount reported in statement II – assessed contributions	**16 578**	**16 800**
Voluntary contributions		
Voluntary contributions – in cash	155 865	152 977
Voluntary in-kind contributions – land and premises	703	874
Voluntary in-kind contributions of plant, equipment, intangible assets and other goods	55	201
Total voluntary contributions received	**156 623**	**154 052**
Refunds to donors	(7 539)	(30 950)
Net voluntary contributions received	**149 084**	**123 102**
Other transfers and allocations		
Allocations received from internal United Nations funds	28 508	34 425
Inter-organizational arrangements	–	90
Total other transfers and allocations	**28 508**	**34 515**

171. All voluntary contributions under binding agreements signed during 2023 are recognized as revenue in 2023, 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
2023	83 568
2024	39 787
2025	18 101
2026	6 108
2027	1 114
Beyond 2027	406
Net voluntary contribution	**149 084**

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

Services in kind

173. 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)

	2023	*2022*
Technical assistance/expert services	46	47
Administrative support	22	9
Total	**68**	**56**

Note 22
Other revenue

174. Revenue from miscellaneous revenue sources amounts to $9.6 million.

	2023	*2022*
Other/miscellaneous revenue	9 555	12 242
Total other exchange revenue	**9 555**	**12 242**

Note 23
Expenses

Employee salaries, allowances and benefits

175. 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)

	2023	2022
Salary and wages	36 708	37 763
Pension and insurance benefits	9 762	9 249
Other benefits	347	78
Total employee salaries, allowances, and benefits	**46 817**	**47 090**

Non-employee compensation and allowances

176. Non-employee compensation and allowances consist of United Nations Volunteers living allowances and post-employment benefits, consultant and contractor fees, ad hoc experts, and non-military personnel compensation and allowances.

Non-employee compensation and allowances

(Thousands of United States dollars)

	2023	2022
United Nations Volunteers	2 149	1 745
United Nations Police	–	–
Consultants and contractors	34 980	34 528
Total non-employee compensation and allowances	**37 129**	**36 273**

Grants and other transfers

177. 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)

	2023	2022
Grants to end beneficiaries	2 131	4 209
Transfers to implementing partners (note 29)	22 256	40 582
Total grants and other transfers	**24 387**	**44 791**

Supplies and consumables.

178. 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)

	2023	2022
Fuel and lubricants	146	87
Rations	6	–
Spare parts	137	82
Consumables	764	685
Total supplies and consumables	**1 053**	**854**

Travel

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

Travel

(Thousands of United States dollars)

	2023	2022
Staff travel	3 564	3 954
Non-staff travel	3 206	2 914
Total travel	**6 770**	**6 868**

Other operating expenses

180. 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)

	2023	2022
Air transport	46	128
Ground transport	514	590
Communications and information technology	3 562	4 447
Other contracted services	17 066	19 665
Acquisitions of goods	3 640	19 341
Contributions in kind	783	874
Acquisitions of intangible assets	101	318
Rent – offices and premises	3 818	2 970
Rental – equipment	50	74
Maintenance and repair	1 134	501
Bad debt expense	(2 150)	(6 560)
Net foreign exchange losses	6 134	10 340
Other/miscellaneous operating expenses	11 033	14 242
Total other operating expenses	**45 731**	**66 930**

Other expenses

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

(Thousands of United States dollars)

	2023	2022
Other/miscellaneous expenses	97	141
Compensation claims	–	26
Total other expenses	**97**	**167**

Note 24
Financial instruments and financial risk management

(Thousands of United States dollars)

	2023	2022
Financial assets		
Fair value through net assets/equity		
Short-term investments, cash pools	194 821	148 396
Short-term investments, other	–	–
Total short-term investments	**194 821**	**148 396**
Long-term investments, cash pools	60 942	71 860
Total long-term investments	**60 942**	**71 860**
Total fair value of investments	**255 763**	**220 256**
Cash, loans and receivables		
Cash and cash equivalents, cash pools	37 766	36 988
Cash and cash equivalents, other	35	63
Voluntary contributions	278 772	218 024
Other receivables	271	89
Total cash, loans and receivables	**316 844**	**255 164**
Total carrying amount of financial assets	**572 607**	**475 420**
Of which relates to financial assets held in cash pool	**293 529**	**257 244**
Financial liabilities		
Accounts payable and accrued liabilities	19 489	12 304
Other liabilities (excluding conditional liabilities)	–	–
Total carrying amount of financial liabilities	**19 489**	**12 304**
Summary of net income from cash pools		
Investment revenue	11 668	1 186
Financial exchange gains/(losses)	–	–
Net income from cash pools	**11 668**	**1 186**

	2023	*2022*
Other investment revenue	–	5
Total net income from financial instruments	**11 668**	**1 191**

Financial risk management: overview

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

183. The present note and note 25, 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

184. 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

185. 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 loss allowances is the maximum exposure to credit risk.

Credit risk management

186. 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: cash pool investments and deposits

187. The organization’s investment management guidelines, risk and investment strategies define certain limits and restrictions in order to limit the exposure to credit risk of the portfolio, which is limited to a minimum investment grade AA- for medium/long-term maturities and A-1, P-1, F-1 for short-term maturities. Furthermore, there is a limit of 5.0 per cent of any single outstanding issue or bond offering per pool, and any new issuer is subject to a credit review process and approval by the Treasurer prior to an investment decision. The expected credit loss assessment was conducted using the Fitch annual global default rating by applying the default rates based on the credit rating of each issuer with which the organization holds an investment. As investments are limited to highly rated institutions, the impairment loss on such investment is relatively small and not material.

Expected credit loss calculation on financial instruments

Financial instruments	*Expected credit loss calculation method*	*Calculation for 2023*
Cash and cash equivalents	Using the (Fitch) annual global default and rating transition study	Considered not material
Money market funds investments	Using the (Fitch) annual global default and rating transition study	Considered not material
Bond investments	Using the (Fitch) annual global default and rating transition study	Considered not material

Credit risk: contributions receivable and other accounts receivables

188. 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: loss allowance

189. The organization uses the simplified approach to evaluate the lifetime expected credit loss at each reporting date. The loss allowance is established based on the historical loss rate and the exposure balance at the year end for each financial assets category. Management-approved write-offs under the Financial Regulations and Rules or reversals of previously impaired receivables are recognized directly in the statement of financial performance. The movement in the allowances account during the year is shown below.

Movement in loss allowance for receivables

(Thousands of United States dollars)

As at 1 January 2023	28 712
Loss allowance adjustment upon adoption of IPSAS 41[a]	(20 452)
Additional/(reduced) loss allowance	(2 141)
Receivables written off during the period as uncollectable	1
Unused amounts reversed	–
As at 31 December 2023	**6 120**

[a] See detail note 2 for the impact upon adoption of IPSAS 41.

Assessed contribution receivables and loss allowance

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

Voluntary contributions receivable and loss allowance

191. No expected credit loss allowance has been established for regular trust fund activities currently presented under voluntary contributions receivable owing to the nature of these transactions. Write-off instances are infrequent and immaterial; however, where these are identified as uncollectible, amounts will be subject to 100 per cent expected credit loss. The receivables characterized by a partially assessed nature and funds other than trust funds should adhere to the other accounts receivables methodology.

Ageing of receivables for voluntary contributions

(Thousands of United States dollars)

	Gross receivable	*Allowance*
Neither past due nor impaired/less than one year	210 106	1 460
One to two years	34 587	424
Two to three years	17 896	838
More than three years	22 260	3 355
Total	**284 849**	**6 077**

Other accounts receivables and loss allowance

192. The expected credit loss rate for other receivables is calculated by the customer type. The historical outstanding balances for each customer type have been analysed and used to determine the historical loss rate. The rates vary and are applied to the current year outstanding receivables balances for the loss allowance.

Ageing of other receivables

(Thousands of United States dollars)

	Gross receivable	*Allowance*
Neither past due nor impaired/less than one year	312	43
One to two years	2	–
Total	**314**	**43**

Credit risk: cash and cash equivalents

193. The organization had cash and cash equivalents of $37.8 million as at 31 December 2023, 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

194. 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.

195. 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.

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

197. 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

198. 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 2023

(Thousands of United States dollars)

	<3 months	*3 to 12 months*	*>1 year*	*Total*
Accounts payable and accrued liabilities	5 628	13 861	–	19 489

Financial risk management: market risk

199. 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

200. 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 25, Financial instruments: cash pools.

Market risk: currency risk

201. 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.

202. 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.

203. 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 2023

(Thousands of United States dollars)

	United States dollars	*Euros*	*Swiss francs*	*Others*	*Total*
Cash pool[a]	290 058	2 332	340	799	293 529

[a] The cash pool balance of $293,529 does not include the balance of $93,000 relating for fund 10RCR under UN-Habitat. This amount, included in statement I of the financial statements, also excludes petty cash, imprest cash and cash at bank.

Currency risk: sensitivity analysis

204. A strengthening/weakening of the euro and Swiss franc United Nations operational rate of exchange as at 31 December 2023 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 2023		*As at 31 December 2022*	
	Effect on net assets, surplus or deficit		*Effect on net assets, surplus or deficit*	
	Strengthening	*Weakening*	*Strengthening*	*Weakening*
Euro (10 per cent movement)	233	(233)	187	(187)
Swiss franc (10 per cent movement)	34	(34)	35	(35)
British pound (10 per cent movement)	24	(24)	–	–
Colombia peso (10 per cent movement)	22	(22)	–	–
West African franc (10 per cent movement)	–	–	3	(3)
Moroccan dirham (10 per cent movement)	–	–	3	(3)

Other market risk

205. 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.

Classification and measurement

206. Investments in the cash pool are carried at fair value through net asset. Cash and cash equivalents, receivables – including non-current voluntary contributions receivable, which are reported at amortized cost calculated using the effective interest method – and accounts payable are valued at amortized cost, which is a fair approximation of fair value as at 31 December 2023.

Fair value hierarchy

207. 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).

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. 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.

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

Fair value hierarchy for investments as at 31 December 2023: cash pools

(Thousands of United States dollars)

	31 December 2023			*31 December 2022*		
	Level 1	*Level 2*	*Total*	*Level 1*	*Level 2*	*Total*
Financial assets at fair value through net asset/equity						
Cash pool						
Bonds – corporate	3 002	–	3 002	1 413	–	1 413
Bonds – non-United States agencies	62 746	–	62 746	42 780	–	42 780
Bonds – supranational	19 577	–	19 577	17 106	–	17 106
Bonds – United States treasuries	30 120	–	30 120	29 205	–	29 205
Bonds – non-United States sovereigns	2 486	–	2 486	2 095	–	2 095
Cash pool – commercial papers	–	12 967	12 967	–	37 858	37 858
Cash pool – certificates of deposit	–	75 800	75 800	–	57 512	57 512
Cash pool – term deposits	–	46 258	46 258	–	30 980	30 980
Total	**117 931**	**135 025**	**252 956**	**92 599**	**126 350**	**218 949**

	31 December 2023			31 December 2022		
	Level 1	*Level 2*	*Total*	*Level 1*	*Level 2*	*Total*
Euro pool						
Bonds – corporate	–	–	–	–	–	–
Bonds – non-United States sovereigns	–	–	–	–	–	–
Subtotal, euro pool	**–**	**–**	**–**	**–**	**–**	**–**
Total	**117 931**	**135 025**	**252 956**	**92 599**	**126 350**	**218 949**

Note 25
Financial instruments: cash pools

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

212. 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.

213. As at 31 December 2023, the organization participated in the cash pool, which held total assets of $11,548.7 million (2022: $11,873.8 million), of which $293.5 million was due to the organization (2022: $257.2 million) and its share of revenue from the cash pool was $11.644 million (2022: $1.186 million).

Summary of assets and liabilities of the cash pool as at 31 December 2023

(Thousands of United States dollars)

	Cash pool
Fair value through net asset/equity	
Short-term investments	7 554 712
Long-term investments	2 397 703
Total fair value through net asset/equity investments	**9 952 415**
Loans and receivables	
Cash and cash equivalents	1 485 897
Accrued investment revenue	110 348
Total loans and receivables	**1 596 245**
Total carrying amount of financial assets	**11 548 660**
Cash pool liabilities	
Payable to UN-Habitat	293 529
Payable to other cash pool participants	11 255 131
Total liabilities	**11 548 660**
Net assets	**–**

Summary of revenue and expenses of the cash pool for the year ended 31 December 2023

(Thousands of United States dollars)

	Cash pool
Investment revenue	488 377
Unrealized gains/(losses)	–
Investment revenue from cash pool[a]	**488 377**
Foreign exchange gains/(losses)	9 194
Bank fees	(808)
Operating expenses from cash pool	**8 386**
Revenue and expenses from cash pool	**496 763**

[a] Unrealized gains/(losses) from cash pools mark to market revaluation is reported under the statement of net assets in accordance with IPSAS 41 beginning in 2023. In 2022, the corresponding unrealized gains/(losses) were included as part of the investment revenue from cash pools.

Financial risk management

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

215. The objective of investment management is to preserve capital and ensure sufficient liquidity to meet operating cash requirements 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.

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

Financial risk management: credit risk

217. The Guidelines require ongoing monitoring of issuer and counterparty credit ratings. Permissible cash pool 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.

218. The Guidelines require that investments not be made in issuers whose credit ratings are below specifications and also provide for maximum concentrations with given issuers. These requirements were met at the time the investments were made.

219. 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, certificates of deposit 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 2023

(Percentage)

Ratings as at 31 December 2023					*Ratings as at 31 December 2022*				
Bonds (long-term ratings)					**Bonds (long-term ratings)**				
	AAA	**AA+/AA-/AA**		**NA**		**AAA/AAAu**	**AA+u/AA+/A**		**NA**
S&P	37.1	62.9		–	S&P	33.8	65.9		0.3
	AAA	**AA+/AA/AA-**	**A+**	**NA/NR**		**AAA**	**AA+/AA/AA-**	**A+**	**NA/NR**
Fitch	28.4	53.3	1.3	17.0	Fitch	61.9	22.5	0.2	15.4
	Aaa	**Aa1/Aa2/Aa3**		**NA**		**Aaa**	**Aa1/Aa2/Aa3**		**NA**
Moody’s	61.9	30.5		7.6	Moody’s	66.7	30.9		2.4
Commercial papers/certificates of deposit (short-term ratings)					**Commercial papers/certificates of deposit (short-term ratings)**				
	A-1+/A-1					**A-1+/A-1**			
S&P	100.0				S&P	100.0			
	F1+/F1			**NR**		**F1+/F1**			**NR**
Fitch	98.8			1.2	Fitch	97.7			2.3
	P-1/P-2					**P-1/P-2**			
Moody’s	100.0				Moody’s	100.0			
Term deposits/demand deposit account (Fitch viability ratings)					**Term deposits/demand deposit account (Fitch viability ratings)**				
	aa/aa-	**a+/a/a-**				**aa/aa-**	**a+/a/a-**		
Fitch	23.8	76.2			Fitch	35.9	64.1		

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

220. The United Nations Treasury actively monitors credit ratings and, given that 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

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

Financial risk management: interest rate risk

222. The cash pools comprise the organization’s main exposure to interest rate risk, with fixed-rate cash and cash equivalents and investments being interest-bearing financial instruments. As at the reporting date, the cash pool had invested primarily in securities with shorter terms to maturity, with the maximum being less than four years (2022: five years). The average duration of the cash pool on 31 December 2023 was 0.65 years (2022: 0.77 years), which is considered to be an indicator of low risk.

Cash pools interest rate risk sensitivity analysis

223. The analysis below shows how the fair value of the cash pools as at the reporting date would increase or decrease should the overall yield curve shift in response to changes in interest rates. Given that the investments are accounted for at fair value

through net assets/equity, the change in fair value represents the increase/decrease in 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 1.0 per cent). These basis point shifts are illustrative.

Cash pool interest rate risk sensitivity analysis as at 31 December 2023

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)									
Cash pool total	**144.78**	**108.58**	**72.38**	**36.19**	**0**	**(36.19)**	**(72.37)**	**(108.55)**	**(144.73)**

Cash pool interest rate risk sensitivity analysis as at 31 December 2022

Shift in yield curve (basis points)	*-200*	*-150*	*-100*	*-50*	*0*	*+50*	*+100*	*+150*	*+200*
Increase/(decrease) in fair value (Millions of United States dollars)									
Cash pool total	**168.98**	**126.73**	**84.48**	**42.24**	**0**	**(42.23)**	**(84.46)**	**(126.69)**	**(168.91)**

Other market price risk

224. The cash pools are not exposed to significant other price risk, because it does not sell short, borrow securities or purchase securities on margin, which limits the potential loss of capital.

Accounting classifications and fair value hierarchy

225. All investments are reported at fair value through net asset/equity. Cash and cash equivalents carried at nominal value are deemed to be an approximation of fair value.

226. 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).

227. The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date and is determined by the independent custodian based on 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.

228. 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.

229. The following fair value hierarchy presents the cash pool assets that are measured at fair value as at the reporting date. There were no level 3 financial assets, nor any liabilities carried at fair value or any significant transfers of financial assets between fair value hierarchy classifications.

Fair value hierarchy for investments as at 31 December 2023: cash pool

(Thousands of United States dollars)

	31 December 2023			*31 December 2022*		
	Level 1	*Level 2*	*Total*	*Level 1*	*Level 2*	*Total*
Financial assets at fair value through net asset/equity						
Bonds – corporate	118 115	–	118 115	65 200	–	65 200
Bonds – non-United States agencies	2 468 680	–	2 468 680	1 974 662	–	1 974 662
Bonds – supranational	770 234	–	770 234	789 587	–	789 587
Bonds – United States treasuries	1 185 059	–	1 185 059	1 348 056	–	1 348 056
Bonds – non-United States sovereigns	97 824	–	97 824	96 713	–	96 713
Cash pool – commercial papers	–	510 193	510 193	–	1 747 461	1 747 461
Cash pool – certificates of deposit	–	2 982 310	2 982 310	–	2 654 637	2 654 637
Cash pool – term deposits	–	1 820 000	1 820 000	–	1 430 000	1 430 000
Total	**4 639 912**	**5 312 503**	**9 952 415**	**4 274 218**	**5 832 098**	**10 106 316**

Note 26
Related parties

Key management personnel

230. 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.

231. 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.

232. The organization’s key management personnel were paid $0.4 million over the financial year; such payments are in accordance with the Staff Regulations and Rules of the United Nations, the published salary scales of the United Nations and other publicly available documents.

Compensation of key management personnel

(Thousands of United States dollars)

	Key management personnel	*Close family members*	*Total as at 31 December 2023*
Number of positions (full-time equivalents)	2	–	2
Aggregate remuneration:			
Salary and post adjustment	283	–	283
Other compensation/entitlements	120	–	120
Total remuneration for the year	**403**	**–**	**403**

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

234. 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

235. 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 27
Leases and commitments

Finance leases

236. The organization has no finance leases.

Operating leases

237. 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 $3.7 million. Other expenses include $0.7 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 2023*	*Minimum lease payments as at 31 December 2022*
Due in less than 1 year	1 723	1 922
Due from 1 to 5 years	4 951	7 058
Due later than 5 years	2 365	2 961
Total minimum operating lease obligations	**9 039**	**11 941**

238. 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

239. The organization has no leases as a lessor.

Contractual commitments

240. 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 2023	*Total as at 31 December 2022*
Goods and services	32 620	33 072
Implementing partners	40 414	39 694
Property, plant and equipment	609	1 068
Total	**73 643**	**73 834**

Note 28
Contingent liabilities and contingent assets

Contingent liabilities

241. The organization is subject to a variety of claims that arise from time to time in the ordinary course of its operations. These claims are segregated into two main categories: commercial and administrative law claims.

Contingent assets

242. 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 2023, 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 29
Grants and other transfers

243. 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 2023	*Total 2022*
Africa	6 553	11 261
Arab States	4 954	8 202
Asia and the Pacific	5 270	2 591
Global	5 578	14 964
Latin America and the Caribbean	(99)	3 564
Total	**22 256**	**40 582**

244. This amount is part of the $24.4 million shown in the statement of financial performance as expenditure under grants and other transfers. The difference of $2.1 million was for end beneficiaries (refer to note 23).

Note 30
Events after the reporting date

245. 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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