Financial report and audited financial statements

for the biennium ended 31 December 1999

and

Report of the Board of Auditors

Volume IV
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Financial report and audited financial statements

for the biennium ended 31 December 1999 and

Report of the Board of Auditors

Volume IV
United Nations University
Note

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26 June 2000

Dear Mr. Chairman,

In accordance with financial regulation 11.4, I have the honour to submit the accounts of the United Nations University for the biennium 1998-1999 ended 31 December 1999, which I hereby approve. The financial statements have been drawn up and certified as correct by the Controller.

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

Yours sincerely,

(Signed) Kofi A. Annan

Chairman of the Board of Auditors
United Nations
New York
30 June 2000

Sir,

I have the honour to transmit to you the financial statements of the United Nations University for the biennium 1998-1999 ended 31 December 1999, which were submitted by the Secretary-General. These statements have been examined and include the audit opinion of the Board of Auditors.

In addition, I have the honour to present the report of the Board of Auditors with respect to the above accounts.

Accept, Sir, the assurances of my highest consideration.

(Signed) Sir John Bourn
Comptroller and Auditor General of the United Kingdom of Great Britain and Northern Ireland and Chairman
United Nations Board of Auditors

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


A. Introduction

1. The General Assembly adopted the charter of the United Nations University (UNU) by resolution 3081 (XXVIII) on 6 December 1973 and decided that the University would have its headquarters in the Tokyo metropolitan area in Japan. Authority for the University’s policies, work programmes and budget is vested in a Council of 28 members. The Rector, who normally serves for five years, is the chief academic and administrative officer of the University.

B. Financing of the University

2. The UNU charter provides that capital and recurrent costs of the University shall be met from voluntary contributions to the University, or from income derived therefrom. Contributions are made by Governments, intergovernmental organizations and non-governmental sources, including foundations, universities and individuals. The funds of the University are kept in a special account established by the Secretary-General of the United Nations.

3. The University derives its income from two sources — income from an Endowment Fund and contributions to the Operating Funds. The Endowment Fund was established to record transactions relating to the funds contributed by donors, governmental as well as non-governmental organizations. At its ninth session, held in Tokyo in December 1977, the University Council decided to establish a special segment in the Endowment Fund for the purpose of financing the University’s programmes designed to assist the developing countries. The purpose of this action was to increase the funding available to the University to assist its work relevant to development. As the work of the University expanded, the Endowment and Operating Funds were enhanced by voluntary contributions to the UNU World Institute for Development Economics Research (UNU/WIDER), the UNU Institute for New Technologies (UNU/INTECH), the International Institute for Software Technology (UNU/IIST), the UNU Institute for Natural Resources in Africa (UNU/INRA), the Institute of Advanced Studies (UNU/IAS), the UNU Programme for Biotechnology in Latin America and the Caribbean (UNU/BIOLAC), the UNU International Leadership Academy (UNU/ILA), the UNU International Network on Water, Environment and Health (UNU/INWEH) and other specific activities.

4. During the period the following Governments pledged and/or made contributions to the Endowment and Operating Funds: Australia, Austria, Belgium, Canada, Denmark, Finland, Greece, India, Italy, Japan, Jordan, the Netherlands, Norway, Slovakia, Sweden and the United Kingdom of Great Britain and Northern Ireland, as well as Macao, China.
C. Financial position of the University

5. As shown in statement I, during the biennium ended 31 December 1999, total income amounted to $82.6 million (compared with $84.8 million during the biennium ended 31 December 1997). The breakdown of income is as follows: contributions to the Endowment Fund of $0.4 million; operating and programme contributions of $29.3 million; interest income and dividends from the Endowment Fund of $30.8 million; interest income from the Operating Funds of $2.4 million; income for services rendered of $2.1 million; and miscellaneous income of $17.6 million.

6. The total expenditure amounted to $65.2 million for this period, of which $7.4 million comprised unliquidated obligations (compared with $6.5 million for the biennium ending 31 December 1997).

7. The breakdown of expenditure by major object of expenditure is as follows (in millions of United States dollars):

<table>
<thead>
<tr>
<th>Amount</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>25.4</td>
<td>39.0</td>
</tr>
<tr>
<td>2.2</td>
<td>3.4</td>
</tr>
<tr>
<td>0.8</td>
<td>1.2</td>
</tr>
<tr>
<td>6.2</td>
<td>9.5</td>
</tr>
<tr>
<td>1.7</td>
<td>2.6</td>
</tr>
<tr>
<td>4.2</td>
<td>6.4</td>
</tr>
<tr>
<td>24.7</td>
<td>37.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>65.2</strong></td>
</tr>
</tbody>
</table>

   a Includes the cost of programme staff and consultants.
   b Includes the cost of library books and supplies and programme equipment.

Statement IV contains a breakdown in respect to the approved budget for the biennium 1998-1999.

8. Statement II shows that combined assets amounted to $347.9 million and combined liabilities to $16 million. The assets included $10.6 million, representing pledged contributions to the University receivable from Governments, the details of which are given in schedule 2.1.

9. The funds held in cash as at 31 December 1999 amounted to $77 million, which included interest-bearing bank deposits of $72.1 million.

10. The fund balance of the Operating Funds at 31 December 1999 amounted to $38.8 million, the breakdown of which is as follows: $24.4 million for UNU headquarters, $5.7 million for UNU/WIDER, $2.5 million for UNU/INTECH, $1.7 million for UNU/IIST, $2.2 million for UNU/INRA, $1.8 million for UNU/IAS, $0.1 million for UNU/BIOBAC and $0.4 million for UNU/ILA.

11. Schedule 2.1 reflects the combined status of pledges from Governments and public donations as at 31 December 1999. The total amount collected during the
The total income from investment of the Endowment Fund amounted to $30.8 million, of which $17.9 million was allocated to UNU headquarters, $5.1 million to UNU/WIDER, $2.2 million to UNU/INTECH, $4.2 million to UNU/IIST, $0.4 million to UNU/INRA and $1 million to UNU/BIOLAC, in accordance with the decision of the UNU Council.

D. Activities of the University

13. The 1998-1999 biennium was characterized largely by the implementation of the planned academic activities described in the programme and budget for 1998-1999, the launching of new initiatives, the preparation of the University’s strategic plan and the efforts to implement the recommendations of the various external reviews that were conducted in 1998.

14. At its forty-fifth session, in 1998, the Council discussed the reports by the 20-year review and evaluation team, the United Nations Joint Inspection Unit (A/53/392) and the United Nations Office of Internal Oversight, as well as the four task forces (personnel policy, financial management, information technology and building management) established by the Rector in 1998 to assess and improve the current administrative functioning of the UNU Centre in Tokyo. At the forty-sixth session, in December 1999, the Council began to review the progress made by the University in implementing the recommendations made by the external reviews. The Rector will submit an update of progress to the Council at the forty-seventh session, in November 2000.

15. A number of insights and recommendations by the external reviews and the task forces were taken into account in the preparation of the strategic plan. The strategic plan emphasizes excellence and efficiency in management processes and sets a number of specific objectives that the UNU aims to achieve over the next four years. At its forty-sixth session, the Council adopted the “UNU Strategic Plan, 2000: Advancing Knowledge for Human Security and Development”. Its adoption concluded a vital period of reassessment, peer review, task forces, pilot projects and intensive dialogue within and outside the institution.

16. Starting from the 1998-1999 programme, the academic activities have been focused within two programme areas: peace and governance; and environment and sustainable development. The highlights of the University’s activities during the biennium 1998-1999 are as follows:

1. Peace and governance

   Security studies

17. The project on rising and fading powers: international order has been looking at the substantive content of negotiation over the recasting of the international order by examining how power and ideas interact with each other to shape the trajectory of transition. The revised chapters resulting from the project research were reviewed at the final meeting held at Shanghai, China, in December 1999. UNU Press will consider the manuscript for publication in 2000.
Governance studies

18. The project on the legitimacy of international organizations is revisiting the issue of international organizations’ power and credibility and examining ways to develop a discourse restating and reassessing their political validity and legitimacy. The manuscript resulting from the project research is being reviewed prior to its submission to the UNU Press for publication in 2000.

19. The project on ethics and international affairs seeks to show how human rights issues and international ethics are two sides of the same coin and to formulate an integrated and inclusive understanding of human rights and ethics that is also respectful of cultural differences that can be deemed legitimate or acceptable. At the project’s final review meeting that was held in Italy in 1999, experts in various fields, including political scientists, lawyers, philosophers, economists and historians contributed chapters on ethical dimensions of contemporary issues to the manuscript resulting from the project. The chapters are presently being revised for submission to UNU Press for publication.

20. The three themes (development, human rights and governance) of the project on the United Nations system in the twenty-first century resulted in a book-length manuscript. The project on governance held an authors’ meeting and a workshop in Paris in October 1999. At the workshop, a group of 10 project contributors held an open session for staff of the United Nations Educational, Scientific and Cultural Organization (UNESCO), highlighting the significance of the project findings for the evolving role of the United Nations in global governance. The papers are being revised and prepared for publication.

Barcelona governance programme

21. The Barcelona governance programme continued to concentrate — with a focus on Latin America — on interface between economic, political and social development, and in particular on the institutional underpinning and the institutional reforms needed to reconcile globalization and market-driven economic growth with meta-economic imperatives, such as social solidarity, the rule of law, participatory democracy and sound environmental management.

New Projects

22. During the biennium new projects were started on the following subjects:

(a) Kosovo and the international community: selective indignation, collective intervention and the changing contours of world politics, will examine the normative, operational and structural questions raised by the Kosovo crisis. Twenty-six authors from around the world participated in the project’s authors meeting and workshop that were held in Hungary in September 1999. The authors are currently preparing short policy briefs;

(b) From rhetoric to policy: towards workable conflict prevention at the global and regional level, is developing and implementing a conflict prevention training tool for regional and international organizations to use in their conflict prevention activities. The project has led to an edited volume on conflict prevention: path to peace or grand illusion, with 15 chapters by academics and United Nations policy analysts, which is being prepared for publication;
(c) Human security, global governance and sustainable development: challenges in central and southern Africa, is studying the evolving security landscape in central and southern Africa and will explore viable options to mobilize and engage actors from civil society, State and the international community in local and regional efforts to bring security and stability to the region;

(d) United Nations peacekeeping: towards a new beginning, will invite a number of scholars to contribute a chapter to a book-length manuscript that will be considered for publication in early 2000. On the occasion of the 1999 celebration of United Nations Day in Tokyo, the project organized a symposium on United Nations peacekeeping: reflections on the continuing challenge, featuring prominent academics, United Nations officials and peacekeeping force commanders. The symposium papers, supplemented by papers written by policy analysts and academics, resulted in a book project on United Nations peacekeeping: towards a new beginning, which will be considered for publication by the UNU Press;

(e) United Nations International Drug Control Programme (UNDCP) global study of illegal drug markets, will examine illegal drug markets by conducting research in 20 cities around the world.

2. Environment and sustainable development

23. The highlights of activities under environment and sustainable development include the following:

Environment and sustainable development

24. During 1998-1999, UNU received from the Global Environment Facility (GEF) the amount of $3.6 million for its project on people, land management and environmental change. Implementation of activities of the four-year project, which formally started in 1998, continued in all 12 participating countries: Brazil, China, Ghana, Guinea, Jamaica, Kenya, Mexico, Papua New Guinea, Peru, Thailand, Uganda and the United Republic of Tanzania. The future course of the project, especially its purpose and methodologies pertaining to the demonstration sites, was discussed in an international workshop held at Mbarara, Uganda, in late March 1998.

25. The project on South-South networking for sustainable development organized the fourth meeting of the joint programme of UNESCO, UNU and the Third World Academy of Sciences (TWAS) on South-South cooperation on environmentally sound socio-economic development in the humid tropics in Mexico in May 1999. The meeting summarized the programme’s experiences, achievements and shortcomings in its eight years of activity, and made recommendations for the future.

26. In 1998, a Ganges Basin forum, organized within the project on the integrated management river basin in India, identified the possible water-related development opportunities that would be beneficial to all concerned countries and be environmentally sustainable on a long-term basis. During 1999, the project held three major meetings: (a) a meeting at Dhaka in February, which resulted in a major follow-up research programme in three countries (Bangladesh, India and Nepal) that is being funded by the Government of the Netherlands; (b) a meeting at Kunming, China in June, which brought together researchers working on the Mekong and
Salween river basins for which linkages between ongoing activities were established; and (c) a meeting at Chiang Mai, Thailand in September, which brought together representatives from China, Myanmar and Thailand and was successful in establishing a long-term vision for the Salween river basin and in identifying future activities to improve the transboundary water management.

27. To mark the completion of a three-year project on environment monitoring and analysis, an international symposium on environmental governance and analytical techniques — environmental issues related to endocrine disruption compounds pollution in East Asia took place at Tokyo in February 1999. The symposium highlighted the achievements of the project and discussed the impact of the monitoring data on environmental policy-making in the participating countries. As a continuation of this project, a new three-year project on the monitoring of endocrine disruption compound pollution in the coastal hydrosphere started in May 1999. The project is focusing on monitoring endocrine disruption compound pollution in the coastal hydrosphere (seawater and freshwater) and database development, and developing guidelines for coastal management with a focus on governing land-based sources of pollution.

**Zero emissions and a sustainable future**

28. The UNU/IAS Zero Emissions Research Initiative launched an ecology network project, a joint programme with the Iwate Prefecture and the Nippon Telephone and Telegraph Corporation. The basic plan of the programme was developed to include provisions for a pilot river water quality monitoring system. Similarly, a new joint initiative of the UNU Centre and UNU/IAS, the Zero Emissions Forum, was launched in 1999. The Forum advocates the incorporation of zero emission goals in government policy-making and programmes in collaboration with non-governmental organizations and research institutes.

29. In February 1999, UNU/IAS organized jointly with the Institute for Global Environmental Strategies and the Environment Agency of Japan in Tokyo, the second International Conference on the Sustainable Future of the Global System. The Conference addressed a range of issues, including climate change, tradable permits, sustainable production and consumption energy, food security, natural resource depletion, and degradation of agricultural and forested land — from a variety of scientific disciplines and policy perspectives.

**Global Environment Information Centre**

30. The UNU Centre’s Global Environment Information Centre (GEIC) and UNU/IAS organized a series of UNU/United Nations Institute for Training and Research (UNITAR) training workshops in 1999; one held at Geneva in March and two held in New York in April and October. The capacity-building workshops were focused on trade and environment issues in preparation for the World Trade Organization’s millennium round of trade negotiations that was held in late 1999, and on climate change just before the fifth session of the Conference of the Parties to the United Nations Framework Convention on Climate Change held at Bonn, Germany, in October 1999. Approximately 45 representatives from various United Nations organizations, diplomats and Governments attended the workshops.

31. To commemorate World Environment Day, which was held at Tokyo in 1999, UNU organized the “World Environment Day ‘99 — Global Echo” at UNU
headquarters and at the Institute for Global Environment Strategies, Shonan Village in Kanagawa Prefecture. The events included a UNU open house on 4 and 5 June to introduce the University’s efforts in addressing vital global environmental issues and to provide information on UNU, other United Nations agencies in Japan and United Nations-related activities in Japan. Performances and events on environmental topics by various non-governmental organizations and non-profit organizations were also held. Educational events included an environment week seminar series at GEIC and a two-day environment issues leadership training course at Shonan Village. More than 10,000 people visited the UNU building during the event.

Africa natural resources

32. The project of UNU/INRA on gender and natural resources: documentation of success stories of women in natural resources management enterprises is analysing in detail the experiences of African women who have achieved success in natural resources management and identifying deficiencies or special provisions in the educational system, training and human resources development that constitute stumbling blocks to women’s success in natural resources management. The first phase of the project, data collection, was carried out in three countries in West Africa. The Ghanaian and Senegalese collaborators have completed and submitted their first draft reports to their respective project directors for review. Also, a workshop held at Benin in February 1999 discussed the modalities for a regional project aimed at developing an integrated land resources information system for West Africa. Subsequently, scientists and policy-makers agreed to move forward with the establishment of a land information system for sustainable management of natural resources in West Africa.

33. A milestone was attained when the UNU/INRA College of Research Associates was launched in October 1999. Members of the College are staff of various universities and research and development institutions who complement staff of UNU/INRA to target research, education and training in the priority areas of the Institute.

Water, environment and health

34. Major progress has been made in a number of UNU/INWEH projects in East Africa, the Middle East, Latin America and Asia. UNU/INWEH has reached agreement to undertake its first major research and capacity-building project in East Africa. With funding from the World Bank, an international project team will develop a predictive model of physical, chemical and water quality processes in Lake Malawi/Nyasa and deploy it in the lake basin to improve local and regional capacity for land and water management. An agreement was concluded to create a UNU chair on African great lakes and rivers at the University of Waterloo, Canada, which will serve as the focal point for a UNU/INWEH programme to strengthen the capacity of nations in the Great Lakes region of Africa to understand, monitor and manage their shared aquatic resources.

35. The initial, exploratory phase of the Middle East programme has been completed and implementation has begun. Approval and funding has been confirmed for the first three capacity-building projects in the region. Two projects in Aqaba, Jordan, one to provide environmental training for staff of the new Municipal Environment Department and a second to provide an assessment of groundwater
pollution in the region will begin shortly. In Rafah, Gaza Strip, UNU/INWEH will assist Palestinian authorities to undertake an environmental impact assessment of groundwater utilization including mitigation, monitoring and regulatory aspects. In August 1999, the host country and contribution agreements between the UNU and the Government of Jordan regarding the establishment of a UNU/INWEH international cooperation office were signed. The office will facilitate project selection, development and implementation in the region and serve as focal points for water-related training and information dissemination.

36. In Latin America, UNU/INWEH has been awarded a two-year contract by the Canadian International Development Agency and the Government of Colombia to assist in the development of a national accreditation programme for environmental analytical laboratories in Colombia and to strengthen the capacities of the physical-chemical laboratory of the Institute of Hydrology, Meteorology and Environmental Studies. The three-year project on wastewater biosolids management in Ciudad Juarez, Mexico, is progressing well. When completed, it will provide a comprehensive, self-sustaining system for the collection, transport and application of sewage biosolids as an agricultural fertilizer, thus eliminating a serious pollution and human health hazard. The first phase of the project was successfully completed in 1999.

37. In Asia, UNU/INWEH and the UNU Centre have joined forces with Bangladesh University of Engineering and Technology to begin an applied research and dissemination project in Bangladesh on the contamination of groundwater by arsenic. The research and development will focus on in situ and pumped-water arsenic treatment technologies.

**Development**

38. During the first part of 1999, UNU/WIDER received financial contributions or pledges in support of its projects from the Governments of Denmark, Finland, Italy, Norway, Sweden and the United Kingdom, the Division for Social Policy and Development of the United Nations Secretariat, the United Nations Development Programme, and the Yrjö Johnsson Foundation and the Finnish National Fund for Research and Development. In addition, a meeting organized by the Institute in May with the representatives of four Nordic Ministries resulted in pledges of operational support for 1999 and 2000 from Denmark ($80,000 a year) and Norway ($100,000 per year).

39. In early 1999, seven UNU/WIDER projects held their first project meeting to discuss the research commissioned and review the studies planned for publication. Three new projects began on the following subjects: (a) financial contagion: how it spread, how it can be stopped; (b) globalization and the obstacles to the successful integration of small vulnerable economies; and (c) the impact of privatization and the regulation of utilities and social services in Latin America. With two exceptions, all 13 projects for the biennium 1998-1999 that were approved in the Board at its 1997 session are well into the final phases.

**Implications of new technologies**

40. In line with the recommendations of the review and evaluation panel, which in 1996 reviewed the work of UNU/INTECH over the first five years of its operations, efforts by the Rector and the Director to expand the core budget resulted in the
Government of the Netherlands agreeing to a contribution of 1 million Netherlands guilders (approximately US$ 0.5 million) in core funding, with a further 1 million Netherlands guilders to be added during the biennium 1998-1999, and a similar sum to be added to the biennial budget in 2000-2001. The Institute’s doctor of philosophy (Ph.D.) internship scheme will now be expanded. The Institute sponsored two Ph.D. interns (from Uganda and India) in 1998 and three interns (from the Republic of Korea, Uganda and the United Republic of Tanzania) during 1999. Meanwhile, recruitment for the 1999-2000 Ph.D. programme offered jointly by UNU/INTECH and the Maastricht Economic Research Institute on Innovation and Technology, which began in September 1998, ended in March 1999. Seventy-eight applications were received, of which approximately two thirds were from developing countries. The selection committee met in April and the six new students (from India (two), Kenya, Mexico, the Sudan and Viet Nam) joined the course in September.

41. Activities were completed on the UNU/INTECH projects on (a) multinational enterprises and technology generation: locational patterns, their determinants and implications; and (b) foreign direct investment, technology transfer and export orientation in developing countries. The final report on the first project was presented to the World Bank, while the report of the latter project will be published in the UNU/INTECH Series by Routledge. Meanwhile, three discussion papers of the UNU/INTECH project on environmental regulations, globalization of production and technological change were released. The project is shifting from an examination of clean technology innovation within Europe towards the study of its implications in various developing countries. Also, the first drafts of the five papers produced by the project on the Southern Cone Common Market (MERCOSUR) countries’ industrial innovation system in a rapidly changing global context were completed and submitted to the Inter-American Development Bank for review.

Software technology

42. UNU/IIST moved to its permanent premises in May 1999. An inauguration ceremony was held on 25 May, at which the Rector delivered a congratulatory message from the Secretary-General of the United Nations.

43. During 1998 and 1999, UNU/IIST signed several institutional agreements with various universities and institutions in China and Mongolia, including: (a) Chengdu Institute for Computer Applications and the Guangzhou Normal University for the establishment of a laboratory for information technology in May 1998; (b) Beijing Institute for Information and Control to train staff to learn formal verification for spacecraft control systems in November 1998; (c) Mongolian University Consortium to disseminate knowledge and materials gained by the Mongolian University Development Fellows in February 1999; and (d) School of Computer Science and Technology of the Beijing University of Posts and Telecommunications to research and develop a real-time system modelling and analysis technique for multimedia systems in March 1999. In August 1999, an agreement of cooperation with the University of Macao, China, was signed to further strengthen the cooperation between the two institutions in the areas of education, research and the promotion of science and technology in Macao.
Biotechnology

44. The University is strengthening and broadening the scope of UNU/BIOLAC to give a new dimension to the programme. To achieve this goal, the programme is now organized under the following eight specialized areas under the coordination of notable scientists from the region: agricultural biotechnology, industrial microbiology, medical biotechnology, industrial relations, molecular pathology, genomics, manufacturing, and molecular biology. Accordingly, in February 1999, the Rector invited eight scientists to serve as UNU/BIOLAC scientific coordinators. Work carried out by the programme’s two active networks, the UNU Brucellosis Research Network and the UNU Tuberculosis Research Network, continued. The annual workshop of the UNU Brucellosis Research Network, including a two-day international symposium, was held in Venezuela in May, and the workshop of the UNU Tuberculosis Research Network was held in Brazil in October. Both workshops served as a forum for the exchange of scientific information and the promotion of collaborative research activities among Network members.

Food and nutrition for human and social development

45. A report on the activities of the programme on food and nutrition for human and social development was presented at the annual session of the Subcommittee on Nutrition of the Administrative Committee on Coordination that was held at Geneva in April 1999. Prior to this, a UNU/World Health Organization global growth study was also presented at the meeting of the Subcommittee on Nutrition in March. Seven countries (Brazil, China, Ghana, India, Oman, Norway, and the United States of America), have been recruited to participate in the study. The global cereal fortification initiative project on the lysine fortification of wheat flour in a population in which bread is the major source of dietary energy was completed and a manuscript was submitted for publication. Also, a workshop on African leadership initiative, jointly organized with the Wageningen Agricultural University and the International Union of Nutrition Sciences, held its first consultation meeting at Cape Town, South Africa, in June. The initiative, composed of a group of nutrition leaders from different fields (health, agriculture, education, community development) and sectors (public, private and non-profit sectors, regional, national and local levels) will initiate action to realize the vision of an Africa free of malnutrition. The first consultation was focused on southern Africa, and subsequent regional meetings in West, East and Central Africa will take place during the next biennium.

Building capacities: training and fellowships

46. The main areas of UNU training are: applied human nutrition, biological diversity, biotechnology, computer applications to natural resources in Africa, fisheries, food and nutrition, food science and technology, plant tissue culture techniques, production and use of food composition data bases, geothermal energy, remote sensing technology and software technology.

47. A total of 1,798 fellows have completed training since 1976. During the biennium, 214 fellowships were awarded for studies in the areas mentioned above in various institutions in Latin America, such as Brazil, Venezuela, etc., in Belgium, Iceland, India, Japan, Kenya and South Africa as well as in Macao, China. In addition, short training courses on various topics with durations ranging from one to six weeks were organized in different parts of the world.
48. As a collaborative activity of the UNU Centre and UNU/INRA, the first and second courses on the application of computer technology to research in natural resources were held in February 1998 at the University of Ghana, and in July/August 1999 at the University of Yaounde. The courses were designed to equip potential trainers from universities and government technical agencies responsible for natural resources management with quantitative and qualitative skills that can be applied to scientifically inform public policy and opinion.

49. The annual awards ceremony for the five UNU-Kirin fellows who completed training at the National Food Research Institute and an orientation for the five new fellows for the 1999-2000 fellowships were held on 10 March at UNU headquarters. The five departing fellows provided a brief presentation of their research findings, and the five new fellows (from China, India (two), Mongolia and Viet Nam) began their training in April.

50. A total of 55 UNU/IIST fellows from 15 developing countries received training on-site or at universities in developed countries in 1999, and 2 fellows have already accepted fellowship offers to start in March 2000.

51. The pilot phase of a new training programme of the UNU Centre, the UNU International Courses, was held from 1 February to 12 March 1999, with the attendance of 39 participants from 22 different countries. Courses offered during the pilot phase were: (a) the United Nations systems: structure and activities; (b) environment and sustainable development; (c) international trade and dispute settlement; and (d) human rights: concept and issues.

52. In March, the Ministry of Foreign Affairs of Japan announced that a major contribution would be made to the UNU in memory of Yutaka Akino, an associate professor of the University of Tsukuba and an expert on Central Asia, who was killed while serving as a Civil Affairs Officer of the United Nations Mission of Observers in Tajikistan (UNMOT). The UNU and the Ministry of Foreign Affairs of Japan agreed that the Akino Memorial Donation of 100 million yen would be used to support four separate UNU activities, namely: (a) a new five-year research project of Dr. Akino’s academic interest, most likely a multinational project on Eurasia; (b) a new course within the UNU International Courses (UNU/IC), which would be called the “Akino Memorial Course”; (c) financial support to promising UNU/IC trainees (particularly Japanese) interested in working as interns for international organizations; and (d) an annual session of the UNU global seminar series on the island of Hokkaido.

53. The third international leadership training course of UNU/ILA was held from 25 September to 2 November at Amman. The stated goal of the third course was to train potential leaders in the art of leadership theory, to understand better the nature and challenges of leadership, and to put this theory into practice at the local, national, regional and global levels. Prior to the third course, UNU/ILA organized in April at the University of Jordan an extended leadership programme with the theme of “leadership and culture”. Twenty selected participants from the previous two international leadership programmes received further training on leadership.

54. The Rector established, on the recommendation of the 20-year evaluation report, a task force to examine and redefine the basic concepts of UNU/ILA, with a mission statement and firm institutional procedures. Four eminent persons agreed to
serve on the task force, which was to commence work in early 2000 and conclude in the summer of 2000.

55. Professor Joanne Ciulla of the Jepson School of Leadership Studies, University of Richmond, was appointed as the first UNU/United Nations Educational, Scientific and Cultural Organization chair holder in leadership studies at UNU/ILA. The objective of the chair is to promote an integrated system of research, training, information and documentation activities in the field of leadership studies.

4. Dissemination and public information

56. During 1999, a broad review of the external and internal relations activities of the University was initiated, which is intended to result in a more coherent and coordinated communications strategy that will be the representative of the activities of the entire UNU system.

57. Among the most visible new external/internal relations’ activities were two high-profile media campaigns launched on the occasion of World Day for Water and World Food Day.

58. The media campaign to mark the World Day for Water on 22 March consisted of a news release on unsafe water, which was distributed to several hundred North American media outlets and during a series of 16 interviews with the Rector. The results included a front page article for UNU in the Financial Times, a full page in Newsweek International, wide coverage on British Broadcasting Corporation (BBC) Radio, an interview with the Rector distributed worldwide by the Associated Press (AP) television news syndicate, two stories on the AP Wire and one on Reuters. The wire stories appeared in major newspapers around the world, including the Boston Globe, The Washington Post, The Vancouver Sun and The Guardian, while The Toronto Sun (Canada’s third largest English daily) ran the news release full-page as a feature article with credit to UNU/INWEH. Similarly, a media campaign, in conjunction with the World Bank, highlighted the work of UNU/INRA in the area of soil conservation on the occasion of World Food Day on 16 October. The media campaign also consisted of a news release and a series of interviews with the Director of UNU/INRA. It, too, resulted in wide coverage of UNU/INRA and UNU in the print and broadcast media. Stories on the AP, Reuters and Scripps/Howard wires were picked up by several major newspaper and online news services, and the Environment News Service carried a one-hour online chat with the Director of UNU/INRA.

59. The regular newsletters of UNU continue to be an important part of the University’s information activities. The 1999 spring edition of the UNUnexions came out in June. Similarly, the summer issue of the Work in Progress was completed focusing on such specific topics as “human security”.

60. During 1998 and 1999, the University’s electronic dissemination activities focused largely on improving and redesigning its Internet homepage. A number of materials have been uploaded on the homepage, including 68 issues of the Food and Nutrition Bulletin, the entire UNU lecture series and the issues of the newsletter UNUnexions. A Japanese version of the main UNU homepage has been established, specifically for easy access by Japanese users in one of the UNU host countries. In addition, the creation of a French-language “window” to the UNU homepage, to be administered by the Paris office of UNU has been initiated.
61. In 1999, the UNU Press published 15 titles and produced 4 additional publications as non-sale items. A number of new publication series have been inaugurated this year, such as *The Changing Nature of Democracy* and *Foundations of Peace*, which are already attracting some first-rate manuscripts.

62. Emphasis continued on the production of inexpensive reprints by local publishers in developing countries, as well as the translation of UNU publications. Production of these local reprint editions of UNU Press books is one of the most effective and efficient ways to disseminate scholarly information and UNU research results in developing countries. Agreements for translations of several UNU Press titles have recently been concluded with Brazilian, German, Japanese and Spanish publishers.
Chapter II
Report of the Board of Auditors

Summary

The Board of Auditors has audited the operations of the United Nations University (UNU) at its headquarters at Tokyo. The Board has also validated the financial statements of UNU for the period from 1 January 1998 to 31 December 1999.

The Board’s main findings are as follows:

(a) The loss on sale of security and equities amounting to $4.8 million was offset against the gain of $20.7 million and presented in the financial statements as a net gain of $15.8 million. The Board is concerned that the presentation of the gain and loss on sale of securities and equities in net terms is not in accordance with the United Nations System Accounting Standards;

(b) At 31 December 1999, there were total unpaid pledges of $10.5 million, excluding pledges for future years, $10.4 million (99 per cent) of which have been outstanding for more than five years, included an amount for $3 million and another for $3 million which have been outstanding for 24 and 13 years respectively. In the absence of a provision for these amounts, the Board has accordingly qualified its audit opinion;

(c) The liquidity of UNU remains high and its total reserves and fund balances have consistently been increasing, at an average of 12.8 per cent during the last two bienniums;

(d) No procurement plan has been prepared and procurement is done on a piecemeal basis, which prevents the University from enjoying the benefit of economies of scale through bulk purchase.

The Board recommends that UNU adhere to the United Nations System Accounting Standards; and strengthen management of human resources and procurement procedures.

A list of the Board’s recommendations is included in paragraph 10 of the present report.
A. Introduction

1. The Board of Auditors has audited the financial statements of the United Nations University (UNU) for the period from 1 January 1998 to 31 December 1999 in accordance with General Assembly resolution 74 (I) of 7 December 1946 and article IX of the charter of UNU. The audit has been conducted in conformity with article XII of the Financial Regulations and Rules of the United Nations and the annex thereto, and the common auditing standards of the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency. These auditing standards require that the Board plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement.

2. The audit was conducted primarily to enable the Board to form an opinion as to whether the expenditures recorded in the financial statements for the period from 1 January 1998 to 31 December 1999 had been incurred for the purposes approved by the General Assembly; whether income and expenditures were properly classified and recorded in accordance with the Financial Regulations and Rules; and whether the financial statements of UNU presented fairly the financial position at 31 December 1999. 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 the Board considered necessary to form an opinion on the financial statements. The audit was carried out at the headquarters of the University at Tokyo.

3. In addition to the accounts and financial transactions, the Board carried out other reviews under regulation 12.5 of the Financial Regulations and Rules of the United Nations. The reviews concerned the efficiency of the financial procedures, the internal financial controls, human resources management and, in general, the administration and management of UNU.

4. The Board continued its practice of reporting the results of specific audits through management letters containing detailed observations and recommendations to the Administration. This practice helped in maintaining the ongoing dialogue with the Administration on audit issues.

5. The present report covers matters that, in the opinion of the Board, should be brought to the attention of the General Assembly. The Board’s observations on all matters contained in this report were communicated to the Administration, which confirmed the facts on which the Board’s observations and conclusions were based and provided explanations and answers to the Board’s queries. The report is divided into two parts, covering the audit of financial issues and management issues, respectively.

6. A summary of main recommendations is contained in paragraph 10. The detailed findings of the audit are reported in paragraphs 11 to 37.
7. In accordance with section A, paragraph 7, of General Assembly resolution 51/225 of 3 April 1997, the Board has reviewed the action taken by the Administration to implement the recommendations made in its report for the biennium ended 31 December 1995\(^1\) and confirmed that UNU has not yet implemented the Board’s recommendation contained in paragraph 10 (h) of that report concerning the need to prepare procurement plans. The Board comments on this matter in the present report.

8. In accordance with General Assembly resolution 48/216 B of 23 December 1993, the Board also reviewed the measures taken by the Administration to implement the recommendations made in its report for the biennium ending 31 December 1997.\(^2\) Details of the action taken and the comments of the Board are set out in the annex to the present report.

9. The General Assembly, in its resolution 52/212 B of 31 March 1998, accepted the recommendations of the Board of Auditors for improving implementation of its recommendations approved by the Assembly subject to the provisions contained in the resolution. The Board’s proposals, which were transmitted to the General Assembly in a note by the Secretary-General (A/52/753, annex), included the following main elements:

   (a) The need for specification of timetables for the implementation of recommendations;
   (b) The disclosure of office holders to be held accountable;
   (c) The establishment of an effective mechanism to strengthen oversight in regard to the implementation of audit recommendations. Such a mechanism could be in the form of either a special committee comprising senior officials or a focal point for audit and oversight matters.

The Board noted that UNU had generally complied with those requirements.

**Recommendations**

10. The Board recommends that UNU:

   (a) Present in the financial statements both the gains and loss on the sale of securities and equities in gross terms instead of presenting only the net amount, in accordance with the United Nations System Accounting Standards (para. 13);
   (b) Make provision for long-outstanding unpaid pledges (para. 16);
   (c) Comply with the requirement to complete a performance evaluation at the termination of contract prior to the renewal or extension of a special service agreement (para. 22);
   (d) Ensure that sufficient staff resources are secured to manage the projects (para. 26);
   (e) Prepare in advance annual procurement plans to ensure competitive bidding for goods and services (para. 31);

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\(^1\) Official Records of the General Assembly, Fifty-first Session, Supplement No. 5 (A/51/5), vol. IV.
\(^2\) Ibid., Fifty-third Session, Supplement No. 5 (A/53/5), vol. IV.
(f) Adhere to the procedures for tendering as laid down in the Procurement Manual for purchases under $25,000 as well as for purchases in excess of $25,000 (para. 36).

B. Financial issues

1. Financial statements

United Nations System Accounting Standards

11. The Board assessed the extent to which the University’s financial statements for the biennium 1998-1999 conformed to the United Nations System Accounting Standards. The review indicated that the presentation of the financial statements was generally consistent with the Standards except for the presentation of the gain and loss on sale of securities and equities, and the provision for long-outstanding unpaid pledges, as discussed below.

Gain on sale of securities and equities

12. The United Nations System Accounting Standards provide that significant items should not be offset against other items without separate identification. The Board noted that the loss on sale of securities and equities amounting to $4.8 million was offset against the gain of $20.7 million and presented in the financial statements as a net gain of $15.8 million. The Board is concerned that the presentation of the gain and loss on the sale of securities and equities in net terms is not in accordance with the Standards.

13. In order to inform the University’s policy makers on the actual performance of the portfolio, the Board recommends that the Administrator present in the financial statements both gains and loss on the sale of securities and equities in gross terms instead of presenting only the net amount, in accordance with the United Nations System Accounting Standards.

2. Unpaid pledges

14. The Board’s review of voluntary contributions at 31 December 1999 disclosed that out of the total unpaid pledges of $10.5 million, excluding pledges for future years, 99 per cent or $10.4 million have been outstanding for more than five years. This included an amount for $3 million and another for $3 million, which have been outstanding for more than 24 years and 13 years, respectively, representing 58 per cent of the long-outstanding pledges.

15. The Board is concerned that despite previous representation of the Administration that it would include a provision for long-outstanding unpaid pledges in the financial statements in line with the United Nations System Accounting Standards, the Administration has not done so.

16. The Board considers that the University should have made a provision of at least $6.05 million against the unpaid pledged contributions. In the absence of such provision, the Board has accordingly qualified its opinion in this regard. The Board therefore reiterates its recommendation that the Administration make provision for long-outstanding unpaid pledges.
3. **Liquidity**

17. The Board’s analysis of the statement of assets and liabilities, reserves and fund balances at 31 December 1999 disclosed that the current assets of $41.9 million (excluding inter-fund balances receivable and unpaid pledged contributions) are adequate to liquidate the current liabilities of $14.2 million (excluding inter-fund balances payable) by 2.96 times. The Board noted that the liquidity of UNU has remained high and that its total reserves and fund balances had consistently been increasing at an average rate of 12.8 per cent during the last two bienniums.

4. **Write-off of losses of cash, receivables and property**

18. The Administration informed the Board that there was no case of write-off of losses of cash, receivable and property during the biennium.

5. **Ex-gratia payments**

19. The Administration reported that no ex-gratia payments were made during the biennium.

C. **Management issues**

1. **Consultants and institutional contractors**

20. Existing policies provide that after completion of the service or delivery of the product specified in the special service agreement, the substantive office should evaluate and report on the performance of the individual contractor.

21. In the review of 21 special service agreements, the Board noted that 11 had been renewed or extended in the absence of a performance evaluation. There were therefore no records to confirm that the contractors had provided satisfactory service.

22. **The Board recommends that the Administration comply with the requirement to complete a performance evaluation at the termination of contract prior to the renewal or extension of a special service agreement.**

23. The Administration informed the Board that it would reissue the instructions to each programme unit, reminding them of their responsibilities with regard to the completion of performance evaluation.

2. **Programme management**

**Programme staffing**

24. The Board related the number of projects to be implemented during the biennium against the number of programme officers. Seven programme officers were responsible for managing 31 projects with a total biennial budget of $10,556,142, with each programme officer responsible for from three to seven programmes during the biennium. The Board noted that in the UNU strategic plan, an assessment of the programmes declared severe understaffing as one of the major weaknesses.
25. The Board also reviewed the status of accomplishments of the programmes and observed that of the 31 projects, 24 had not been completed in 1999 as expected. The Board is concerned that such delays could impact on the activities of future biennia to the detriment of newly formulated projects.

26. The Board recommends that in accepting new projects, UNU ensure that sufficient staff resources are secured to manage the projects.

3. Procurement

Procurement plan

27. The Procurement Manual states that procurement planning is essential for the effective and timely solicitation of bids and proposals, award of contracts and delivery of the goods and services required. Procurement planning also ensures well-directed procurement activities and decisions since all purchases would be made in accordance with the needs and requirements of the University.

28. The Board’s review of the procurement system revealed that no procurement plan had been prepared by UNU headquarters for the biennium ended December 1999. As such, requisitions were being placed on an as needed basis. Each request for procurement was processed separately, resulting in the piecemeal issuance of purchase orders.

29. For example, 21 requisitions for the purchase of computer hardware and peripherals, printers and other office supplies valued at $110,128 were received by the Purchasing Unit within a period of from 2 to 12 days. Moreover, some of the requisitions specified that the need for the item was urgent, suggesting a lack of planning.

30. The Board considers that piecemeal purchases are uneconomical since they entail additional resources, and prevent the University from taking advantage of bulk purchases, and are not in accordance with the procedures for competitive bidding as laid down in the Procurement Manual.

31. The Board reiterates the recommendation made in its report for the biennium 1994-1995 that the University should prepare in advance annual procurement plans to ensure competitive bidding for goods and services.

Request for quotation

32. Under the Procurement Manual competitive tending is not required for purchases up to $25,000. However, the Manual suggests that informal quotations should be obtained from at least three suppliers.

33. The Board’s review of 31 purchase orders covering the purchase of non-expendable property revealed that in 20 cases with amounts less than $25,000, the requests for price quotation were restricted to a sole vendor instead of the minimum requirement of three. UNU was also not adhering to this procedure with regard to the purchase of expendable items.

34. The Procurement Manual requires that for the procurement of goods and services exceeding $25,000, tenders should be invited by advertising through publications or distribution of formal invitations to bid. The Board noted that in the procurement of goods and services exceeding $25,000, the University had obtained
informal quotations using the request for quotation procedure rather than using the formal invitation to bid procedure as required by the Manual.

35. The Administration informed the Board that procurements by UNU consisted of simple and uncomplicated goods and that it did not have formal procedures for the public opening of bids since it invited bids from both local and international suppliers.

36. The Board recommends that the University adhere to the procedures for tendering as laid down in the Procurement Manual for purchases under $25,000 as well as for purchases in excess of $25,000.

4. Cases of fraud and presumptive fraud

37. The Administration informed the Board that no case of fraud or presumptive fraud had come to its notice during the biennium 1998-1999.

D. Acknowledgement

38. The Board of Auditors wishes to express its appreciation for the cooperation and assistance extended to the auditors by the Rector and his officers and staff.

(Signed) Sir John Bourn
Comptroller and Auditor General
of the United Kingdom of Great Britain and Northern Ireland

(Signed) Osei Tutu Prempeh
Auditor-General of Ghana

(Signed) Celso D. Gangan
Chairman, Philippine Commission on Audit

30 June 2000
Annex

Follow-up on actions taken to implement the recommendations of the Board of Auditors in its report for the biennium ended 31 December 1997

Recommendation 9 (a)

1. The University should either make a full provision for liabilities for end-of-service benefits, post-retirement benefits and annual leave or make appropriate disclosure in the notes to the financial statements.

Measures taken by the Administration

2. Following consultations with the Accounts Division of the United Nations Secretariat, the disclosure on liabilities for end-of-service benefits was made in the University’s financial statement ending 31 December 1999.

Comments of the Board

3. This recommendation has been implemented.

Recommendation 9 (b)

4. The University should intensify its efforts to attract the desired level of income.

Measures taken by the Administration

5. Efforts have been made during the biennium 1998-1999 to enhance the University’s ability to mobilize additional contributions by strengthening the academic capacity of the University. The development of the UNU Strategic Plan, 2000: Advancing knowledge for Human Security and Development, which was approved by the UNU Council on its forty-sixth session, in December 1999 is a first step towards strengthening the University’s fund-raising capacity.

Comments of the Board

6. The Board will review the implementation of the recommendation in its future audits.

Recommendation 9 (c)

7. The University should establish a time-bound strategy and action plan to improve the representation of consultants and experts from developing countries, in line with the charter of the University.

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Measures taken by the Administration

8. The UNU Strategic Plan, 2000, sets out the objective of making UNU a more open and proactive institution. A key area of outreach during the four-year period covered by the strategic plan will be enhancing involvement with members of the international academic community.

Comments of the Board

9. The Board will review the implementation of the recommendation in its future audits.

Recommendation 9 (d)

10. The University should reassess the need for the two long-outstanding consultancy assignments and, if appropriate, take action to recover the advances paid.

Measures taken by the Administration

11. The University has reviewed the two assignments mentioned. With regard to the first assignment, valid until 30 June 1999, the contractor has completed the work and final payment was made to him in December 1999 upon receipt of a manuscript on global environmental risk. The manuscript is now being prepared for publication and is expected to be released in August 2000. Concerning the second assignment, valid until 31 October 1999, of five manuscripts, one manuscript has already been published; another is in production. Efforts are being exerted to recover the materials developed and prepared to bring the projects to a successful conclusion.

Comments by the Board

12. To avoid similar occurrences in the future, payments should be linked to the completion of the services or delivery of the required output.

Recommendation 9 (e)

13. The University should review the optimum staffing requirement with reference to the activities of the University and make efforts to fill the vacancies.

Measures taken by the Administration

14. UNU appointed officers against existing but vacant posts in the staffing table as follows:

- Two Vice-Rectors, one senior adviser to the Rector April 1998
- One personnel officer July 1999
- Two academic programme officers August 1999
- One information technology officer October 1999
- One academic programme officer March 2000
- One programme coordinator April 2000
Comments by the Board
15. The Board will keep this matter under review.

Recommendation 9 (f)

16. The University should continue to explore ways to increase income through utilization of the UNU headquarters building and examine ways of reducing the expenditure on the operation and maintenance of the building.

Measures taken by the Administration

17. Additional efforts are being made to further reduce the net cost of the building through outsourcing of building management services and by increasing revenue from the rental of University conference facilities.

Comments by the Board

18. The Board will review the implementation of the recommendation in its future audits.
Chapter III

Audit opinion

We have audited the accompanying financial statements, comprising statements I to IV and the supporting notes, of the United Nations University (UNU) for the financial period ended 31 December 1999. These financial statements are the responsibility of the Rector. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the common auditing standards of the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, and as considered by the auditor to be necessary in the circumstances, evidences supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Rector as well as evaluating the presentation of the overall financial statement. We believe our audit provides a reasonable basis for the audit opinion.

Except for the value of unpaid pledged contributions for which the Board considers that a provision for long-outstanding pledges should have been made, in our opinion, these financial statements present fairly the financial position of UNU at 31 December 1999 and the results of its operations and cash flows for the period then ended in accordance with stated accounting policies set out in note 2 to the financial statements, which were applied on a basis consistent with that of the preceding financial period.

Further, in our opinion, the transactions of UNU which we have tested as part of our audit, have in all significant respects been in accordance with the Financial Regulations and legislative authority.

In accordance with the article of the Financial Regulations, we have also issued a long-form report on our audit of the financial statements of the United Nations University.

(Signed) Sir John Bourn
Comptroller and Auditor General
of the United Kingdom of Great Britain
and Northern Ireland

(Signed) Osei Tutu Prempeh
Auditor-General of Ghana

(Signed) Celso D. Gangan
Chairman, Philippine Commission on Audit

30 June 2000
Chapter IV
Certification of the financial statements

26 June 2000

I certify that the appended financial statements of the United Nations University numbered I to IV for the biennium 1998-1999 at 31 December 1999 are correct.

(Signed) Jean-Pierre Halbwachs
Assistant Secretary-General, Controller
Chapter V

Financial statements for the biennium ended
31 December 1999
Notes to the financial statements

Note 1. United Nations University and its activities

(a) The charter of the United Nations University (UNU) was adopted by the General Assembly on 6 December 1973 (resolution 3081 (XXVIII)).

(b) The mission of UNU, a non-traditional international educational institution, is to carry out scholarly work of the highest quality to help resolve pressing global problems of human survival, development and welfare. Towards this end, UNU focuses its research, postgraduate education and knowledge dissemination activities on the most critical problems of concern to the United Nations, particularly as they affect developing countries.

(c) Through its work, UNU strives to achieve two main goals: to strengthen the capacities of institutions of higher learning in developing countries to carry out high-quality research and training, and to make scholarly and policy-relevant contributions to the work of the United Nations.

(d) The University seeks to contribute to the work of the United Nations by serving as a reservoir of ideas and a catalyst for research and advanced training on policy-relevant issues. UNU disseminates the knowledge developed or illuminated through its efforts widely and in innovative media.

(e) UNU also seeks to strengthen the capacities of developing country institutions by bridging the gaps between these institutions and those in the industrial countries and promotes academic exchange among developing countries through networking. UNU efforts are targeted at institutions where it is possible to leverage additional human and financial resources and to enhance the cumulative impact of UNU capability-strengthening initiatives. The objective of UNU institution building is to create new centres of excellence in areas of importance to national development programmes.

(f) Academic activities are carried out at the UNU Centre and the research and training centres and programmes as follows:

(i) Peace and governance;
(ii) Environment and sustainable development;
(iii) Building capacities: UNU training and fellowships;
(iv) Dissemination and public information.

(g) To accomplish these objectives, the UNU Centre in Tokyo plans, coordinates and funds academic activities carried out through the Academic Division located at its headquarter in Tokyo and through eight research and training centres and programmes:

(i) The UNU World Institute for Development Economics Research (UNU/WIDER) in Helsinki;
(ii) The UNU Institute for New Technologies (UNU/INTECH) in Maastricht, the Netherlands;
(iii) The UNU International Institute for Software Technology (UNU/IIST) in Macao, China;
(iv) The UNU Institute for Natural Resources in Africa (UNU/INRA) in Accra;
(v) The UNU Institute of Advanced Studies (UNU/IAS) in Tokyo;
(vi) The UNU Programme for Biotechnology in Latin America and the Caribbean (UNU/BIO-LAC) in Caracas;
(vii) The UNU International Leadership Academy (UNU/ILA) in Amman;
(viii) The UNU International Network on Water, Environment and Health (UNU/INWEH) in Hamilton, Canada.

Note 2. Summary of significant accounting policies

The following are the significant accounting policies of the University.

(a) The UNU accounts are maintained in accordance with the Financial Regulations of the United Nations as adopted by the General Assembly, the rules formulated by the Secretary-General as required under the regulations, and administrative instructions issued by the Under-Secretary-General for Administration and Management or the Controller. They also take fully into account the United Nations System Accounting Standards, as adopted by the Administrative Committee on Coordination. The General Assembly has taken note of these standards in its resolution 48/216 C. The University follows international accounting standard 1 on the disclosure of accounting policies, as modified and adopted by the Consultative Committee on Administrative Questions at its fifty-fourth session, as shown below:

(i) Going concern, consistency and accrual are fundamental accounting assumptions. Where fundamental accounting assumptions are followed in financial statements, disclosure of such assumptions is not required. If a fundamental accounting assumption is not followed, that fact should be disclosed together with the reasons;

(ii) Prudence, substance over form, and materiality should govern the selection and application of accounting policies;

(iii) Financial statements should include clear and concise disclosure of all significant accounting policies which have been used;

(iv) The disclosure of the significant accounting policies used should be an integral part of the financial statements. The policies should normally be disclosed in one place;

(v) Financial statements should show corresponding figures for the preceding period;

(vi) A change in an accounting policy that has a material effect in the current period or may have a material effect in subsequent periods should be disclosed together with the reasons. The effect of the change should, if material, be disclosed and quantified;
(b) The UNU accounts are maintained on a “fund accounting” basis. Separate funds for general or special purposes may be established by the General Assembly or the Secretary-General. Each fund is maintained as a distinct financial and accounting entity with a separate self-balancing double-entry group of accounts. Each fund is reported separately in the financial statements;

(c) The financial period of UNU is a biennium and consists of two consecutive calendar years;

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

(e) The accounts of UNU are presented in United States dollars. Accounts maintained in other currencies are translated into United States dollars at the time of the transaction at rates of exchange established by the Controller. In respect of such currencies, the financial statements, prepared at such intervals as may be prescribed by the Controller under delegation of authority from the Under-Secretary-General for Management, shall reflect the cash, investments, unpaid pledges and current accounts receivable and payable in currencies other than United States dollars, translated at the applicable United Nations rates of exchange in effect as at the date of the statements. In the event that the application of actual exchange rates at the date of the statements would provide a valuation materially different from the application of United Nations rates of exchange for the last month of the financial period, a footnote will be presented quantifying the difference;

(f) The UNU financial statements are prepared on the historical cost basis of accounting and have not been adjusted to reflect the effects of changing prices for goods and services;

(g) The UNU financial statements are presented in accordance with the ongoing recommendations of the Consultative Committee on Administrative Questions (Financial and Budgetary Questions) Working Party on Financial Statements. In the interest of harmonizing the presentation of financial statements within the entire United Nations system, the recommended standards require the presentation of financial results for the University’s activities in statements I and II, a statement III presentation of its budget cash flows and a statement IV presentation of the status of its budget appropriations;

(h) Income and expenditure and changes in reserves and fund balances, as follows:

(i) The University derives its income from two sources — income from and Endowment Fund and contributions to the Operating Funds;

(ii) Pledged voluntary contributions from Governments to the Endowment Fund are recorded as income on the basis of a written commitment by a prospective donor to pay a monetary contribution at a specified time or times. Pledges for future years are recorded as other liabilities;

(iii) All government contributions, unless otherwise specified, are credited to the Endowment Fund. The income derived from the investment of the Endowment Fund is allocated for the financing of the entities of the University in accordance with the ratio of contributions to the Endowment Fund from the respective donors;
(iv) Transfers from other funds represent subventions from the Endowment Fund;

(v) Contributions for the University’s headquarters building represent contributions received from the United Nations and other organizations that occupy offices in the building and from outside users of the conference and exhibition facilities;

(vi) Interest income includes all interest and related investment income earned on invested funds, various bank accounts and time deposits;

(vii) Miscellaneous income includes sale of used or surplus property, refunds of expenditures charged to prior periods, income resulting from net gains in currency transactions, monies accepted for which no purpose was specified and other sundry income;

(viii) Other adjustments to reserves and fund balances represent transfers among Operating Funds and the amounts reinvested in the Endowment Fund as approved by the University Council;

(i) Assets:

(i) Cash and term deposits comprise funds on deposits, certificate of deposits and call accounts;

(ii) Investments comprise investment in bonds and equities managed by the United Nations Investment Management Service. Apart from changes in value arising from the retranslation of currencies as provided for in subparagraph (e) above, all investments are stated at cost. No provision is made for amortization of premiums or discounts which are taken into account as part of the gain or loss when investments are sold;

(iii) The balances of unpaid contributions due from Governments are reported in schedule 2.1;

(iv) For balance-sheet statement purposes, only that portion of the education grant advances that is assumed to pertain to the scholastic years completed as at the date of the financial statement is shown under deferred charges. The full amount of the advances is maintained as accounts receivables from staff members until such time as the staff member produces the required proof of entitlement to the education grant, at which time the budgetary accounts are charged and advances settled;

(v) Maintenance and repairs of capital assets are charged against the appropriate budgetary accounts. Furniture, equipment, other non-expendable property and leasehold improvements are not included in the assets of the University. Acquisitions are charged against budgetary accounts in the year of purchase. The value of non-expendable property is recorded in memoranda accounts, and is disclosed in notes to the financial statements;

(j) Liabilities and reserves and fund balances:

(i) Other liabilities include pledged contributions for future periods;

(ii) Working capital funds represent the Endowment Fund;
(iii) Authorized retained surplus represents the amounts set aside, as contingency funds approved by the University Council, to cover any shortfall or delay in the payment of expected contributions, compensate any reduction in estimated income due to currency fluctuations, and cover any special maintenance costs for the headquarters building;

(iv) Balances related to projects funded by donors represent the amount of specific programme contributions unspent during the period;

(k) Trust funds may be established by the Rector. The University follows the general provisions of the Secretary-General’s bulletin on the establishment and management of trust funds (ST/SGB/188) and also its supporting administrative instructions (ST/AI/284, ST/AI/285 and ST/AI/286), although as indicated in paragraph 3 of document ST/SGB/188, that bulletin does not apply to such institutions as UNU, which are subject to the administrative authority of their executive heads.

Note 3. Income and expenditure and changes in reserves and fund balances (statement I), assets, liabilities and reserves and fund balances (statement II) and cash flow (statement III)

(a) Statements I, II, and III contain financial results for all UNU funds, which are totalled into seven groups of related funds, namely UNU headquarters, UNU/WIDER, UNU/INTECH, UNU/IIST, UNU/INRA, UNU/BIOLAC, UNU/IAS, UNU/ILA, UNU/INWEH, and after eliminations consolidated into a grand total reflecting all activities of the organization. This consolidated presentation should not be interpreted to mean that any of the individual funds can be used for any other purpose than that for which it is authorized;

(b) To comply with the new uniform financial statement formats, statement I includes two calculations of the excess (shortfall) of income over expenditure. The first calculation is used on income and expenditure only for the current period in the biennium. The second calculation shown is a net one, which includes any prior period adjustments to income or expenditure.

Note 4. UNU funds (statements I, II and III)

(a) Cash and term deposits, and investments. The following table is a status of the cash and investments by currencies and by type of investments (expressed in thousands of United States dollars), included in statement II at 31 December 1999:

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>United States dollars</td>
<td>166</td>
<td>77</td>
</tr>
<tr>
<td>Euro</td>
<td>62</td>
<td>9</td>
</tr>
<tr>
<td>Japanese yen</td>
<td>51</td>
<td>0</td>
</tr>
<tr>
<td>Netherlands guilders</td>
<td>1</td>
<td>175</td>
</tr>
<tr>
<td>Other</td>
<td>42</td>
<td>71</td>
</tr>
<tr>
<td></td>
<td><strong>323</strong></td>
<td><strong>323</strong></td>
</tr>
</tbody>
</table>

*The market value of the funds at 31 December 1999 amounted to $361 million.*
(b) Voluntary contributions from Governments receivable. The following table is an aged analysis of the pledged contributions unpaid (expressed in thousands of United States dollars), included in statement II at 31 December 1999:

<table>
<thead>
<tr>
<th>Less than two years/Future years</th>
<th>More than two years less than five years</th>
<th>More than five years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td></td>
<td>3 044</td>
<td>3 044</td>
</tr>
<tr>
<td>Ghana</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>India</td>
<td>175</td>
<td>3 550</td>
<td>3 550</td>
</tr>
<tr>
<td>United Republic of Tanzania</td>
<td></td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td>Venezuela</td>
<td></td>
<td>3 003</td>
<td>3 003</td>
</tr>
<tr>
<td>Zambia</td>
<td></td>
<td>759</td>
<td>759</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>175</strong></td>
<td><strong>10 376</strong></td>
<td><strong>10 551</strong></td>
</tr>
</tbody>
</table>

(c) Non-expendable property. In accordance with United Nations accounting policies, non-expendable property is not included in the fixed assets of UNU but is charged against the current budget when acquired. The following table shows the non-expendable property (expressed in thousands of United States dollars), at the UNU headquarters and the UNU research and training centres and programmes, according to the cumulative inventory records (as purchased by UNU) at 31 December 1999:

UNU headquarters, Tokyo 2 053
  UNU/Office in North America, New York 61
  UNU/Office in Europe, Paris 37
UNU/WIDER, Helsinki 372
UNU/INTECH, Maastricht, the Netherlands 337
UNU/IIST, Macao, China 536
UNU/INRA, Accra 142
  UNU/INRA Unit, Lusaka 129
UNU/IAS, Tokyo 591
UNU/BIOLAC, Caracas 18
UNU/ILA, Amman 75
UNU/INWEH, Hamilton, Canada 90
Total 4 441

In addition to the above-listed inventory records, furniture and equipment for the UNU headquarters and the research and training centres and programmes have been made available by the respective host countries, and certain private donations have also been received. Separate inventory records are maintained for such furniture and equipment and donated items;

(d) Other accounts receivable. The following table is an aged analysis of other accounts receivable (expressed in thousands of United States dollars) included in statement II at 31 December 1999:
(e) Other assets. The following table is an analysis of other assets (expressed in thousands of United States dollars), included in statement II at 31 December 1999:

<table>
<thead>
<tr>
<th></th>
<th>Less than one year</th>
<th>More than one year</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staff</td>
<td>469</td>
<td>57</td>
<td>526</td>
</tr>
<tr>
<td>Vendor</td>
<td>24</td>
<td>84</td>
<td>108</td>
</tr>
<tr>
<td>Accrued interest</td>
<td>4 806</td>
<td>-</td>
<td>4 806</td>
</tr>
<tr>
<td>Others</td>
<td>8 039</td>
<td>-</td>
<td>8 039</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>13 338</td>
<td>141</td>
<td>13 479</td>
</tr>
</tbody>
</table>

(f) Other accounts payable. The following table is an analysis of other accounts payable (expressed in thousands of United States dollars), included in statement II at 31 December 1999:

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education grant advances</td>
<td>87</td>
</tr>
<tr>
<td>Charges in transit from offices away from Tokyo (inter-office vouchers)</td>
<td>4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>91</td>
</tr>
</tbody>
</table>

(g) Liabilities for end-of-service benefits. Retiring staff members are entitled to be paid for any unused vacation days they may have accrued up to a maximum limit of 60 days. The organization’s total liability for such unpaid accrued vacation compensation for 2000 is estimated to be approximately $94,000. Some staff members are entitled to repatriation grants and related expenditures of relocation upon their retirement from the organization based on the number of years of service. The organization’s total liability for such unpaid repatriation and relocation entitlement is estimated to be approximately $250,000.