



**United Nations**

**United Nations Institute for Training  
and Research**

**Financial report and audited  
financial statements**

**for the year ended 31 December 1999 and**

**Report of the Board of Auditors**

**General Assembly**

**Official Records**

**Fifty-fifth session**

**Supplement No. 5D (A/55/5/Add.4)**

**General Assembly**  
Official Records  
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United Nations • New York, 2000



*Note*

Symbols of United Nations documents are composed of capital letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

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## Letters of transmittal

Sir,

Pursuant to financial regulation 11.4, I have the honour to submit the 1998-1999 biennial accounts of the United Nations Institute for Training and Research (UNITAR) as at 31 December 1999, which I hereby approve.

Because of the amendment, effective for the biennium 1998-1999, to article VIII, paragraph 11, of the UNITAR Statute on biennial accounts, the corresponding figures for the biennium 1996-1997 are revised from the previous statements.

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

Accept, Sir, the assurances of my highest consideration.

*(Signed)* Marcel **Boisard**  
Executive Director

The Chairman  
The Board of Auditors  
United Nations  
New York

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30 June 2000

Sir,

I have the honour to transmit to you the financial statements of the United Nations Institute for Training and Research for the biennium 1998-1999 ended 31 December 1999, which were submitted by the Executive Director. 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

### **Financial report for the biennium ended 31 December 1999**

1. The Executive Director has the honour to submit herewith the financial report, together with the accounts for the biennium ended 31 December 1999, of the United Nations Institute for Training and Research (UNITAR). This report is presented in accordance with article IV, subparagraph 3 (i), and article VIII, paragraph 11, of the Statute of the Institute.

#### **Statement I. Statement of income and expenditure and changes in reserves and fund balances**

##### **General Fund**

2. An amount of \$899,545 was paid by Governments and various donors as contributions to the General Fund for 1998 and 1999 and in payment of outstanding pledges. In addition, \$19,446 was received under inter-organizational arrangements, \$827,681 for programme support income and \$232,439 as other income, bringing the total income to \$1,979,111. Expenditure for the biennium amounted to \$1,708,898, resulting in an excess of income over expenditure of \$270,213. The prior period adjustment of \$12,742 reduced the excess to \$257,471. The reserve and fund balance at the end of the biennium amounted to \$854,864.

##### **Special Purpose Grants Fund**

3. A total amount of \$6,791,284 was received as grants. Total income in this fund was \$7,221,497 after inclusion of interest income and miscellaneous income. Total expenditure was \$8,065,365, resulting in a shortfall of income over expenditure of \$843,868 for the Special Purpose Grants Fund as a whole. The prior period adjustment of \$275,260 reduced the shortfall of income over expenditure to \$568,608. After inclusion of savings on prior period obligations of \$375,307, refunds to donors of \$6,077 and transfers to other funds of \$8,440, the fund balance amounted to \$2,359,965.

##### **Activities financed by the United Nations Development Programme**

4. The total amount allocated by the United Nations Development Programme (UNDP) was \$814,173. Total expenditure amounted to \$814,173, including programme support costs of \$87,482.

#### **Statement II. Statement of assets, liabilities, reserves and fund balances**

##### **General Fund**

5. The assets of the General Fund included cash of \$867,065, pledged contributions receivable of \$3,865, other accounts receivable of \$25,580 and inter-fund balances receivable of \$46,130. Liabilities consisted of unliquidated obligations of \$49,160, accounts payable of \$24,751, contributions received in advance of \$10,000 and deferred income of \$3,865, corresponding to pledge

contributions receivable. The operating reserve was \$131,565, and the cumulative surplus amounted to \$723,299.

#### **Special Purpose Grants Fund**

6. Total assets of \$2,837,623 included cash of \$2,687,003, accounts receivable of \$115,273 and inter-fund balances receivable of \$35,347. Liabilities consisted of unliquidated obligations of \$410,588 and other accounts payable of \$67,070.

7. The balance relating to projects funded by donors was \$2,359,965 as at 31 December 1999.

#### **Activities financed by the United Nations Development Programme**

8. Assets consisted of cash of \$970,327, inter-fund balances receivable of \$3,469, other accounts receivable of \$77,529 and unspent allocations of \$94,057.

9. Liabilities included contributions received in advance from UNDP of \$899,454, other liabilities of \$94,057 (deferred income) and unliquidated obligations of \$151,871.

#### **Statement IV. Status of expenditure against approved budget**

10. Statement IV gives the status of expenditure against the approved budget for the biennium 1998-1999. Total expenditure amounted to \$1,708,898. The breakdown of expenditure by major object of expenditure is as follows:

	<i>United States dollars</i>	<i>Percentage</i>
Staff and other personnel costs <sup>a</sup>	1 165 929	68.23
Travel	96 141	5.63
Contractual services	47 944	2.80
Operating expenses	267 357	15.64
Acquisitions	40 696	2.38
Other	90 831	5.32
<b>Total</b>	<b>831 798</b>	<b>100.00</b>

<sup>a</sup> Includes fixed-term and short-term staff, individual contractors and consultants' fees and travel.

#### **Write-off of losses of cash and receivables**

11. In accordance with General Assembly resolution 47/227 of 8 April 1993, \$283,215 was written off during the biennium ended 31 December 1999 as part of the global debt of UNITAR against United Nations reserves. This consisted of negative balances on special purpose grant projects and was related to activities undertaken before 1992.

## Chapter II

### Report of the Board of Auditors

#### *Summary*

The Board of Auditors has reviewed the operations of the United Nations Institute for Training and Research (UNITAR), which has changed from annual to biennial accounting with effect from the biennium 1998-1999. The Board also audited the financial statements of UNITAR for the biennium ended 31 December 1999 and conducted a management audit covering the appointment and conditions of service of Special Fellows.

The Board's main findings are:

(a) UNITAR did not disclose in notes to the financial statements the value and method of valuation of non-expendable property or the amount of liability for end-of-service and post-retirement benefits;

(b) The Special Purpose Grants Fund had a net shortfall of income over expenditure of \$568,608 in 1998-1999, compared with a net excess of \$415,867 in 1996-1997;

(c) The process of selecting and appointing Special Fellows lacked full transparency;

(d) Letters of appointment of Special Fellows did not address important factors such as agreed hours, copyright of written material, property title rights and other standard arrangements, which are generally included in contracts with consultants;

(e) Letters of appointment of Special Fellows did not always include a clear description of the nature of the work to be performed;

(f) UNITAR had granted annual and sick leave to Fellows, contrary to the terms and conditions set out in the letters of appointment.

The Board made recommendations to improve the disclosure of liabilities in the financial statements and to strengthen control over the procedures for selecting, appointing and remunerating Fellows.

A list of the Board's main recommendations is included in paragraph 10.

## A. Introduction

1. The Board of Auditors has audited the financial statements of the United Nations Institute for Training and Research (UNITAR) for the period from 1 January 1998 to 31 December 1999, in accordance with article VIII, paragraph 12, of the Statute of UNITAR. UNITAR changed from annual to biennial accounting with effect from the biennium 1998-1999. The audit was conducted in accordance with article XII of the Financial Regulations and Rules of the United Nations and the annex thereto and with the common auditing standards adopted by the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency. Those standards require that the Board plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from 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 governing body; whether income and expenditures had been properly classified and recorded in accordance with the Financial Regulations and Rules of the United Nations; and whether the financial statements of UNITAR 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 accounting records and other supporting evidence.

3. In addition to its audit of the accounts and financial transactions, the Board carried out reviews under regulation 12.5 of the Financial Regulations and Rules of the United Nations. The reviews primarily concern the efficiency of financial procedures, the internal financial controls and, in general, the administration and management of UNITAR. In 1998-1999, the Board examined the appointment and conditions of service of Special Fellows.

4. The Board continued its practice of reporting the results of specific audits in management letters containing detailed observations and recommendations to the Administration.

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 and conclusions were discussed with the Administration, whose views, where appropriate, have been reflected in the present report.

6. The Board's main recommendations are presented in paragraph 10 below. The detailed findings are reported in paragraphs 12 to 55.

7. 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 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 UNITAR had generally complied with those requirements.

## **1. Previous recommendation not fully implemented**

8. In accordance with section A, paragraph 7, of General Assembly resolution 51/225 of 3 April 1997, the Board has confirmed that UNITAR has fully implemented the recommendations made in reports of the Board of Auditors for the financial periods ended 31 December 1996 and earlier.

9. In accordance with General Assembly resolution 48/216 B of 23 December 1993, the Board carried out a review of the measures taken by UNITAR in response to the recommendations made by the Board in its audit report for the financial period ended 31 December 1997. Details of the actions taken and the comments of the Board are set out in the annex to the present report.

## **2. Main recommendations of the present report**

10. The Board's main recommendations are that UNITAR:

(a) Disclose in the financial statements the value and method of valuation of non-expendable property and the amount of liability for end-of-service benefits, post-retirement benefits and annual leave (para. 15);

(b) Regularly review unliquidated obligations in order to cancel those which are no longer valid (para. 20);

(c) Ensure that funds are available in advance of signing any contracts with staff or Special Fellows (para. 24);

(d) Establish clear procedures for selecting and appointing Special Fellows and Senior Special Fellows, which should include:

(i) A clear statement of their purpose and functions;

(ii) Clear criteria to be met by all candidates;

(iii) A requirement to consider as wide a selection of candidates as is possible and feasible;

(iv) A process of review, carried out independently of the recommending staff member (para. 38);

(e) Establish guidelines for the duration of contracts of Special Fellows and Senior Special Fellows (para. 40);

(f) Ensure that appointment letters for Special Fellows provide a clear description of the duties to be performed, including precise and measurable outputs (para. 46);

(g) Ensure that payments to Fellows follow the principles set out in the United Nations guidelines on consultant remuneration, which require the primary considerations to be the complexity, difficulty and extent of the work to be performed and the degree of expertise required to accomplish it (para. 52);

(h) Ensure that any benefits provided to Fellows are in accordance with article VI of the Statute and are clearly stated in the appointment letters (para. 54).

11. The Board's other recommendations are in paragraphs 22, 28 and 43.

## **B. Financial issues**

### **1. Change to biennial reporting**

12. In accordance with General Assembly resolution 52/212 of 22 December 1997, the Executive Director of UNITAR consulted with the Board of Auditors on the implications of submitting biennial instead of annual reports. As a result, in April 1998, the Chairman of the UNITAR Board of Trustees notified the Secretary-General of a proposal to change the UNITAR Statute, article VIII, part 11, to specify the preparation of biennial accounts. Article XI of the same Statute requires that the Secretary-General, in consultation with the Board of Trustees, make such a change. This was done in January 2000, and UNITAR has produced its first biennial accounts, covering the period from 1 January 1998 to 31 December 1999.

13. For purposes of the financial statements, UNITAR has combined the annual figures for 1996 and 1997 to provide consistent figures for comparison with the amounts reported in the biennial financial statements for 1998-1999.

### **2. United Nations accounting standards**

14. The General Assembly, in its decision 51/453 of 18 December 1996, took note of the report of the Secretary-General containing the revised United Nations accounting standards (A/51/523, annex), which were subsequently amended (see ACC/1997/14). The Board of Auditors confirmed that UNITAR had generally applied the revised accounting standards for the biennium ended 31 December 1999, except that the value and method of valuation of non-expendable property were not disclosed in the notes to the accounts. In addition, UNITAR had not made specific disclosure in the financial statements of the amount of liability for end-of-service benefits, post-retirement benefits and annual leave indicating the basis of valuation, although that was required in paragraph 57 of the United Nations accounting standards. UNITAR estimated liabilities for end-of-service benefits alone to amount to some \$350,000, excluding medical service entitlements.

**15. The Board recommends that, in future, UNITAR disclose in the financial statements the value and method of valuation of non-expendable property and the amount of liability for end-of-service benefits, post-retirement benefits and annual leave.**

### **3. General Fund**

16. In paragraph 25 of its report on the financial statements of UNITAR for 1996,<sup>1</sup> the Board stressed the importance of safeguarding the long-term future of the General Fund through continued efforts to control costs and attract additional funds. Statement IV shows that the budget for administration, which amounted to \$2.1

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<sup>1</sup> *Official Records of the General Assembly, Fifty-second Session, Supplement No. 5D* (A/52/5/Add.4), chap. II.

million, was underspent by \$441,000 (21 per cent), mainly as a result of a 32 per cent decrease in staff and other personnel costs related to vacant posts.

17. The net excess of income over expenditure of \$257,471 in the General Fund for 1998-1999 represented an improvement over 1996-1997, when there was a net shortfall of \$85,370. There was a significant increase in income (\$1,979,111 in 1998-1999, compared with \$1,723,146 in 1996-1997). This was obtained mainly by expanding the donor base to 38 countries (compared with 21 in 1997) and earning increased interest on cash and term deposits. As a result, total reserves and fund balances had increased to \$854,864 at the end of 1999.

#### 4. Special Purpose Grants Fund

18. The income and expenditure statement for the Special Purpose Grants Fund (see Statement I) shows that during 1998-1999 the Fund had a net shortfall of \$568,608, compared with a net excess of \$415,867 in 1996-1997. Voluntary contributions decreased by \$1,460,868 (from \$8,252,152 in 1996-1997 to \$6,791,284 in 1998-1999), while expenditure fell by \$162,309 (from \$8,227,674 to \$8,065,365).

19. The Special Purpose Grants Fund total of \$10,425,330 included other income and adjustments, amounting to a net value of \$1,066,263 (see statement V). This included \$391,916 of interest earned, savings of \$375,301 on prior period obligations and \$275,260 for net prior period adjustments. The latter net figure included \$283,215 from United Nations reserves to write off deficit balances and net charges relating to the transfer of a number of small long-standing balances on dormant funds, in accordance with General Assembly resolution 47/227 of 3 April 1993. UNITAR notified the donors of these transferred charges wherever significant.

**20. The Board recommends that UNITAR regularly review unliquidated obligations in order to cancel those which are no longer valid.**

21. Statement V shows that three projects had deficit balances totalling \$51,375 at the end of 1999, which had been outstanding for more than four years. The Board has regularly referred to the importance of clearing deficit balances, most recently in its 1997 report.<sup>2</sup> As a result of the Board's examination, UNITAR reduced these deficits by \$10,143 during 1999 by obtaining the reimbursement of a repatriation grant that should have been refunded to UNITAR in November 1997.

**22. The Board recommends that UNITAR appraise the recoverability of the remaining deficit balances and write off any amounts that are not recoverable.**

23. The Board found that expenditure on the Special Purpose Grants Fund had been understated by \$17,500 because liabilities for contracts for two Special Fellows were not included in the financial statements at 31 December 1999. Since initial funding for the project was not received until January 2000, UNITAR did not record the liability for the contracts in the 1998-1999 financial statements and did not pay the consultants until February 2000.

**24. The Board recommends that UNITAR ensure that funds are available in advance of signing any contracts with staff or Special Fellows.**

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<sup>2</sup> Ibid., *Fifty-third Session, Supplement No. 5D (A/53/5/Add.4)*, chap. II.

## 5. Accounting for United Nations Development Programme projects

25. The United Nations Development Programme (UNDP) submits monthly operating fund statements detailing its record of expenditures incurred on behalf of UNITAR. However, there have been significant delays in the receipt by UNITAR of inter-office vouchers from UNDP field offices, and UNITAR received only one operating fund statement during 1999. This control weakness increases the risk that project expenditure will not be recorded promptly. However, the United Nations Office at Geneva planned to introduce the Integrated Management Information System (IMIS) in April 2000, which it hoped would expedite inter-office voucher reconciliation with United Nations Headquarters in New York.

26. In its 1997 report, the Board noted that the year-end reconciliation to the operating fund statement identified outstanding inter-office vouchers with a net value of \$51,214, some of which dated from 1991. The Board noted that as at December 1999, UNITAR had made considerable efforts to reduce the balance to \$25,001, the remaining amount relating to UNDP charges for which UNITAR has no supporting documentation (see table 1).

Table 1  
**Outstanding inter-office vouchers from United Nations Development Programme/Institute records**

(United States dollars)

<i>Period</i>	<i>Net amount (In United States dollars)</i>
Pre-1994	23 918
1994-1995	115
1996-1997	968
<b>Total</b>	<b>25 001</b>

27. The Board is concerned that long-outstanding inter-office vouchers may represent expenditure on closed projects that would be difficult to recover from the donors.

**28. The Board recommends that UNITAR obtain from UNDP supporting documentation for the outstanding inter-office vouchers, in the absence of which UNITAR should agree with UNDP how the amounts concerned should be cleared.**

## 6. Write-off of losses of cash, receivables and property

29. UNITAR has not reported any write-offs of losses of cash, stores or other assets.

## 7. Ex gratia payments

30. UNITAR reported no ex gratia payments during the period.

## C. Management issues

### 1. Special Fellows

#### *Background*

31. UNITAR is funded by voluntary contributions (\$7.7 million in 1998-1999). In addition to its 19 staff, the Institute employs a number of Fellows, experts and consultants. Fellows, who may be paid or unpaid, are classed as either Full-time Senior Fellows, Special Fellows, or Senior Special Fellows and are used to provide specialized expertise in relevant areas. During 1998-1999, UNITAR made payments totalling some \$800,000 to Special Fellows and Senior Special Fellows, whose numbers increased from 35 in 1998 to 50 in 1999. Full-time Senior Fellows are paid travel and subsistence costs only.

#### *Authority for appointment*

32. Under article VI of the UNITAR Statute, the Secretary-General may appoint Full-time Senior Fellows in recognition of outstanding contributions that they have made in fields germane to the work of the Institute. Such Fellows are unpaid and may be invited to participate as lecturers or research scholars in the work of the Institute. Currently, there are two Full-time Senior Fellows.

33. Article VI also authorizes the UNITAR Executive Director to employ consultants, Fellows and experts to contribute to the analysis and planning of the activities of the Institute or for special assignments in connection with the Institute's programmes of training and research. Although the Statutes refer only to the appointment of "Fellows" in general, traditionally, those Fellows appointed by the Executive Director are further classified as either Special Fellows or Senior Special Fellows.

#### *Duties of Fellows*

34. Prior to 1996, most Special Fellows and Senior Special Fellows were retired United Nations staff members with valuable experience that they were willing to share without charge. Since then, UNITAR has expanded the use of such Fellows to undertake a wider range of activities, including:

- (a) Financial administration of specific programmes;
- (b) Developing new training programmes or pilot activities;
- (c) Delivering training seminars;
- (d) General administrative tasks.

#### *Scope of examination*

35. The Board reviewed the way in which the Institute appoints and compensates Fellows, including:

- (a) Selection and appointment procedures;
- (b) Contractual terms and conditions.

*Selection and appointment*

36. UNITAR has not documented formal procedures for the selection of Special Fellows. Programme managers nominate individuals on the basis of their personal knowledge, the individual's reputation or previous work carried out for UNITAR. The Executive Director is responsible for formally appointing Special Fellows and Senior Special Fellows. In some cases there will be a limited number of suitable candidates, for example, where highly specialized expert knowledge is required. The Board also noted that, of the 96 Special Fellows appointed from 1997 to 1999, 53 (55 per cent) were re-appointed at least once.

37. The Board is concerned that the process of selecting and appointing Special Fellows lacks full transparency.

**38. The Board recommends that UNITAR establish clear procedures for selecting and appointing Special Fellows and Senior Special Fellows, which should include:**

- (a) A clear statement of their purpose and functions;**
- (b) Clear criteria to be met by all candidates;**
- (c) A requirement to consider as wide a selection of candidates as is possible and feasible;**
- (d) A process of review, carried out independently of the recommending staff member.**

*Duration of contracts*

39. As UNITAR relies on voluntary contributions, the Board of Trustees decided in 1997 to base the length of staff contracts on the availability of funds. Consequently, staff contracts currently vary from six months to, in exceptional cases, three years. Senior Fellow appointments also depend on funding, but there are no guidelines on the length of service appropriate to Special Fellows and Senior Special Fellows. The Board noted that at 31 December 1999, UNITAR had employed nine Special Fellows for continuous periods of up to at least two years, and seven others for at least three years.

**40. The Board recommends that UNITAR establish guidelines for the duration of contracts of Special Fellows and Senior Special Fellows.**

*Terms and conditions of employment*

41. The terms and conditions of employment of Special Fellows are set out in a letter of appointment signed by the Executive Director. This sets out the nature of work to be performed, the level of compensation payments, travel insurance and relevant references to the UNITAR Statute and the Convention on the Privileges and Immunities of the United Nations (General Assembly resolution 22 A (I)).

42. The Board noted that letters of appointment did not address important factors, such as agreed hours, copyright of written material, property title rights and other standard arrangements that are generally included in contracts with consultants. In contrast, the contract for the Full-time Senior Fellow appointed by the Secretary-General in 1989 included a range of clauses addressing property title rights, taxes, pensions and disputes.

43. **The Board recommended that UNITAR append a standard set of conditions to all letters of appointment that addresses key issues such as confidentiality, avoidance of conflicts of interest, title rights for work produced and arbitration of disputes.**

44. UNITAR informed the Board that it would consider ways of addressing the concerns raised.

*Description of duties*

45. In four letters of appointment examined by the Board, there was considerable variation in the descriptions of the nature of the work to be performed. In one case the letter provided a full list of objectives and outputs, while in three others the letter described the duties of the Fellow in imprecise terms (for example “to contribute to the implementation of the programme”).

46. **The Board recommends that UNITAR ensure that appointment letters for Special Fellows provide a clear description of the duties to be performed, including precise and measurable outputs.**

*Compensation payments*

47. In accordance with article VI of the Statute, Special Fellows and Senior Special Fellows of the Institute are not members of the United Nations staff and are therefore not entitled to benefits such as pensions or medical insurance. This is made clear in the letter of appointment. However, UNITAR makes monthly compensation payments to certain fellows in lieu of these benefits and, in the case of one Special Fellow, has agreed to meet medical insurance costs amounting to \$480 per annum.

48. Table 2 shows the number of Special Fellows under contract during the period from 1997 to 1999. Over this period, the number of Fellows receiving compensation increased from 9 in 1997 (27 per cent of Fellows) to 27 in 1999 (54 per cent). The total expenditure on compensation increased from \$284,000 in 1997 to \$453,000 in 1999. In addition, the transfer of two Special Fellows onto the UNITAR staff complement in 1999 transferred \$114,000 to the staff costs from fellowship charges.

*Rates of compensation*

49. UNITAR has no formal guidelines on the rate of compensation to be applied. The Executive Director authorizes compensation payments on the basis of the nature of the work to be carried out and an assessment of the Fellow’s specialist skills and experience.

Table 2  
**Special Fellows and Senior Special Fellows under contract from 1997 to 1999**

	1997		1998		1999	
	Number of Fellows	Percentage	Number of Fellows	Percentage	Number of Fellows	Percentage
Not paid compensation	24	73	22	63	23	46
Paid compensation	9	27	13	37	27	54
<b>Total</b>	<b>33</b>	<b>100</b>	<b>35</b>	<b>100</b>	<b>50</b>	<b>100</b>
Average length of contract	7.5 months		7 months		8 months	
Expenditure during period	\$284 000		\$347 000		\$453 000	

50. Table 3 shows the range of compensation payments made to Fellows during the period from 1997 to 1999.

Table 3  
**Monthly compensation paid to Fellows**  
 (United States dollars)

Monthly compensation	Number of Fellows		
	1997	1998	1999
Less than 2 000	2	7	13
2 000-3 999	3	3	11
4 000-5 999	2	2	3
6 000-7 999	2	-	-
8 000-9 999	-	1	-
<b>Total</b>	<b>9</b>	<b>13</b>	<b>27</b>

51. The Executive Director reviews the compensation awards periodically and may vary the rates. The Board noted that in two cases compensation payments had been increased significantly: increases of 46 per cent and 10 per cent were agreed for two Fellows after they had been under contract for four months. In the absence of detailed justification for the increases or written guidelines on the rate of compensation to be applied, the Board was unable to confirm the reasonableness of the increased compensation awards.

52. **The Board recommends that payments to Fellows follow the principles set out in the United Nations guidelines on consultant remuneration, which require the primary considerations to be the complexity, difficulty and extent of the work to be performed and the degree of expertise required to accomplish it.**

#### *Annual and sick leave*

53. Fellows are not entitled to annual or sick leave. However, the Board noted that UNITAR maintained the same attendance records for Fellows receiving compensation as for UNITAR staff members, who were entitled to two and a half

days of paid annual leave per calendar month. On reviewing the attendance records of four Fellows, the Board found that they had been granted a total of over 40 days of annual leave in the first eight months of 1999. The records showed a balance of 35 days of leave available to the Fellows. Granting annual and sick leave entitlements to Fellows conflicts with the terms and conditions set out in their letters of appointment, which state that Fellows are not entitled to any benefits.

**54. The Board recommends that UNITAR ensure that any benefits provided to Fellows are in accordance with article VI of the Statute and are clearly stated in the letter of appointment.**

**2. Cases of fraud and presumptive fraud**

55. UNITAR reported no cases of fraud or presumptive fraud in 1998-1999.

**D. Acknowledgement**

56. The Board of Auditors wishes to express its appreciation for the cooperation and assistance extended to its auditors by the Executive Director and staff of UNITAR and the United Nations.

*(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 action taken by the United Nations Institute for Training and Research to implement the recommendations of the Board of Auditors in its report for the year ended 31 December 1997<sup>a</sup>**

#### **Recommendation 10 (a)**

1. UNITAR should carry out periodic reconciliations between its accounting information system and the independent records of the United Nations Office at Geneva.

#### **Measures taken by the Institute**

2. UNITAR makes monthly reconciliations between its records and the United Nations Office at Geneva's accounting records. This exercise is a valuable financial control. At the end of 1999 all UNITAR records agreed with United Nations Office at Geneva records.

#### **Comments of the Board**

3. The Board welcomes the introduction of reconciliations, which have operated effectively from January 1999.

#### **Recommendation 10 (b)**

4. UNITAR should take action to clear inter-office vouchers identified as outstanding in the year-end reconciliation between United Nations Development Programme (UNDP) and UNITAR accounting records.

#### **Measures taken by the Institute**

5. UNITAR has cleared inter-office vouchers dating from prior to 1998. However, according to the operating fund statement a balance of \$25,001 is still outstanding as a liability, which UNITAR is unable to identify. This balance refers mainly to transactions from 1992 and 1993. UNITAR has contacted UNDP to provide supporting documentation to substantiate this balance but, as at January 2000, UNDP was unable to produce supporting documentation. UNITAR intended to ask UNDP to write off that balance. There is also a balance of \$9,747 in accounts receivable comprising two amounts charged to UNITAR for travel from the Soviet Union in 1987. The United Nations Office at Geneva has written to UNDP to propose the write-off of these old balances.

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<sup>a</sup> *Official Records of the General Assembly, Fifty-third Session, Supplement No. 5D (A/53/5/Add.4), chap. II.*

**Comments of the Board**

6. The Board notes the improvement achieved and comments further on these matters in the present report.

**Recommendation 10 (c)**

7. UNITAR should ensure that inter-office vouchers are immediately transferred to the United Nations Office at Geneva for recording.

**Measures taken by the Institute**

8. UNITAR immediately examines incoming inter-office vouchers and, after certification, sends them to the United Nations Office at Geneva for processing.

**Comments of the Board**

9. The Board welcomes this improvement.

**Recommendation 10 (d)**

10. UNITAR should seek clarification of the regularity of the planned promotion procedures from the Office of Legal Affairs before implementation.

**Measures taken by the Institute**

11. UNITAR believes this proposal is no longer relevant, as the UNITAR Board of Trustees did not accept the promotion procedures concerned.

**Comments of the Board**

12. The Board notes that the planned promotion procedures have been rejected by the Board of Trustees.

**Recommendation 10 (e)**

13. UNITAR should document performance assessment procedures to ensure transparency.

**Measures taken by the Institute**

14. UNITAR has created a specifically designed and documented performance appraisal system. All staff members completed the appraisal report in 1999.

**Comments of the Board**

15. The Board will review the effectiveness of the procedures.

**Recommendation 10 (f)**

16. UNITAR should review its procurement operations in the light of the new procurement practices to be introduced by the United Nations Office at Geneva.

**Measures taken by the Institute**

17. UNITAR continues to use the services of the United Nations Office at Geneva for some minor purchases. UNITAR is still confident that its own procurement practices result in efficient and economical services.

**Comments of the Board**

18. The Board will continue to monitor the Institute's procurement procedure.

## Chapter III

### Audit opinion and certification of the financial statements

#### Audit opinion

We have audited the accompanying financial statements, comprising statements I to V, schedule 1.1 and the supporting notes of the United Nations Institute for Training and Research for the financial period ended 31 December 1999. The financial statements are the responsibility of the Executive Director. 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, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Executive Director, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for the audit opinion.

In our opinion, these financial statements present fairly, in all respects, the financial position as at 31 December 1999 and the results of operations and cash flows for the period then ended in accordance with the Institute's 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 the Institute, which we have tested as part of our audit, have in all significant respects been in accordance with the Financial Regulations and the legislative authority.

In accordance with article XII of the Financial Regulations, we have also issued a long form report on our audit of the Institute's financial statements.

*(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

### **Certification of the financial statements**

I certify that the appended financial statements of the United Nations Institute for Training and Research, numbered I to V, for the biennium 1998-1999 as at 31 December 1999 are correct.

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

20 June 2000

**Chapter IV**  
**Financial statements for the biennium ended**  
**31 December 1999**





















## **Annex**

### **Notes to the financial statements**

#### **Note 1**

#### **The United Nations Institute for Training and Research and its activities**

The United Nations Institute for Training and Research (UNITAR) was established in 1965 as an autonomous body within the United Nations with the purpose of enhancing the effectiveness of the Organization through appropriate training and research. UNITAR is governed by a Board of Trustees and is headed by an Executive Director. The Institute is supported by voluntary contributions from Governments, intergovernmental organizations, foundations and other non-governmental sources.

UNITAR develops, improves and extends training programmes in the fields of international affairs management and in economic and social development. The Institute's functions may be summarized as follows:

- (a) To conduct training programmes in multilateral diplomacy and international cooperation for diplomats accredited to the United Nations and national officials involved in work related to United Nations activities;
- (b) To carry out a wide range of training programmes in the field of social and economic development, generally at the request of Governments, multilateral organizations and public and private development cooperation agencies;
- (c) To establish and strengthen cooperation with faculties and academic institutions, in particular for the development of research on and for training.

Current UNITAR training programmes are presented under the following titles:

- (a) Multilateral diplomacy, negotiations and conflict resolution;
- (b) Preventive diplomacy, peacemaking and peacekeeping;
- (c) Environmental and natural resources management;
- (d) Debt and financial management (legal aspects);
- (e) Energy management;
- (f) Disaster control.

UNITAR receives requests for programme design and implementation from the United Nations Development Programme, the United Nations Environment Programme and other United Nations bodies, as well as the secretariats of United Nations conventions (such as those dealing with the United Nations Framework Convention on Climate Change, the United Nations Convention to Combat Desertification in Those Countries Experiencing Serious Drought and/or Desertification, particularly in Africa, and the Basel Convention on the Control of Transboundary Movements of Hazardous Waste and Their Disposal). UNITAR has also developed a training programme on the London Guidelines for the Exchange of Information on Chemicals in International Trade, including the toxic chemicals and pollutant release transfer register. The Institute views this as a part of its mission to

be an effective training arm of the United Nations organization. With the new cooperative links being established with agencies and organs of the United Nations system, with governmental and private development cooperation agencies and with training institutes in industrialized and developing countries and countries in transition (in Africa, Asia, Latin America and the Caribbean and Europe), the Institute is becoming an increasingly important provider of training to a large constituency in different sectors.

## **Note 2**

### **Summary of significant accounting policies**

Following are the significant accounting policies of UNITAR:

(a) As provided in article VIII of its Statute, the accounts of the United Nations Institute for Training and Research 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 Management or the Controller. They also take fully into account the common accounting standards for the United Nations system, as adopted by the Administrative Committee on Coordination. The Assembly took note of those standards in its resolution 48/216 C of 23 December 1993. The United Nations 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, the 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 that have been used;
- (iv) The disclosure of the significant accounting policies 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 that 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) Fund accounting. The Institute's accounts are maintained on a fund accounting basis. Separate funds for general or special purposes may be established by the General Assembly or the Executive Director. Each fund is maintained as a distinct financial and accounting entity, with a separate self-balancing double-entry

group of accounts. Separate financial statements are prepared for each fund or for a group of funds of the same nature.

(c) The financial period of the Institute consists of one biennium, effective from the 1998-1999 period.

(d) In accordance with article VIII, paragraph 3, of the revised Statute of UNITAR, income is recognized on a paid-in contributions basis.

(e) Translation of currencies. The accounts of the Institute are presented in United States dollars. Accounts maintained in other currencies are translated into United States dollars at the time of the transaction at the rate 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 rate of exchange in effect as at the date of the statements. In the event that the application of the actual exchange rate at the date of the statements would provide a valuation significantly different from the application of the United Nations rate of exchange for the last month of the financial period, a footnote will be included quantifying the difference.

(f) The Institute's 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) Pledged contributions. Pledges are recorded as deferred income on the basis of a written commitment by a prospective donor to pay a monetary contribution at a specific time or times. These pledges are recorded in a memorandum account and are reflected in note 2. Only paid pledges are recorded as income.

(h) Cash and investments. Funds on deposit in interest-bearing bank accounts, time deposits and call accounts are shown as cash in the statement of assets and liabilities.

(i) Fixed assets. Maintenance and repairs are charged against the appropriate budgetary account. Furniture, equipment, other non-expendable items and leasehold improvements are not included in the assets of the Institute. Acquisitions are charged against budgetary accounts in the year of purchase.

(j) The expenditures do not include possible costs to cover contingencies under appendix D to the United Nations Staff Rules for personnel financed under resources obtained from voluntary contributions to the UNITAR General Fund and the Special Purpose Grants Fund. The term "expenditure" designates total obligations incurred, whether liquidated or unliquidated.

(k) Miscellaneous income:

(i) The net income realized from revenue-producing activities is reported as miscellaneous income;

(ii) Refunds of expenditure charged to prior financial periods are credited to miscellaneous income;

(iii) Monies accepted in respect of which no purpose is specified have been treated as miscellaneous income;

(iv) On the closing of the accounts at the end of each financial period, if the balance of the exchange accounts reflects a net loss on exchange, it is charged to the budgetary account. If there is a net gain, this is credited to miscellaneous income;

(v) The proceeds from the sale of surplus property are credited to the miscellaneous income of the respective funds.

(l) The trust fund statements reflect the "clean surplus theory" by processing adjustments through the current income and expenditure accounts. Material adjustments for prior periods are, however, shown in the financial statements below the results of the current period so as not to distort them.

(m) Income tax refund policy. UNITAR salaries are charged to the budget on a net basis during the year in which the services have been rendered. Income tax refunds are charged to the year in which they are made to the staff member.

(n) Unliquidated obligations for the current period in respect of General Fund and Special Purpose Grants Fund activities remain valid for 12 months following the end of the year to which they relate.