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Naples, 29 November 1997
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**UNITED NATIONS EDUCATIONAL
SCIENTIFIC AND CULTURAL ORGANIZATION**

**CONVENTION CONCERNING THE PROTECTION OF THE
WORLD CULTURAL AND NATURAL HERITAGE**

**WORLD HERITAGE COMMITTEE
Twenty-first session**

Naples, Italy

1-6 December 1997

Item 11 of the Provisional Agenda: Presentation of the World Heritage Fund and of the state and forecasts of income; approval of the workplan and budget for 1998, and of the provisional budget for 1999.

SUMMARY

Attached hereto are the audited financial statements of the World Heritage Fund for the year ended 31 December 1996.

Taking into account the decision of the World Heritage Committee made at its twentieth session (2-7 December 1996, Merida, Mexico), the Director-General requested the External Auditor of UNESCO to undertake an audit of the World Heritage Fund for the year ended 31 December 1996.

The audited financial statements of the World Heritage Fund for the year ended 31 December 1996, Report of the External Auditor and comments of the Director-General thereto were submitted to the World Heritage Bureau meeting at its twenty-first session in Paris from 23 to 28 June 1997.

The External Auditor's report and the comments of the Director-General thereto are presented to the Committee with the Report of the Rapporteur under Document WHC-97/CONF.204/11 in Annex VIII. This document contains the audited financial statements of the World Heritage Fund for the year ended 31 December 1996.



AUDITOR GENERAL OF CANADA

VÉRIFICATEUR GÉNÉRAL DU CANADA

EXTERNAL AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

To the Director-General
United Nations Educational,
Scientific and Cultural Organization

I have audited the statement of assets, liabilities, reserves and fund balances of the World Heritage Fund as at 31 December 1996 and the statement of income and expenditures and changes in reserves and fund balances for the year then ended. These financial statements are the responsibility of management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with the United Nations Educational, Scientific and Cultural Organization's Financial Regulations and with generally accepted auditing standards, conforming with international standards on auditing, 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 I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 1996 and income over expenditures for the year then ended in accordance with the Fund's stated accounting policies in Note 2 to the financial statements. As required by UNESCO's Financial Regulations, I report that, in my opinion, these policies have been applied on a basis consistent with that of the preceding year.

The financial statements of the preceding year are unaudited.

Further, in my opinion, the transactions of the Fund that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with the Fund's and UNESCO's Financial Regulations and legislative authorities.

L. Denis Desautels, FCA
Auditor General of Canada
External Auditor

Ottawa, Canada
3 June 1997

CERTIFICATION OF FINANCIAL STATEMENTS

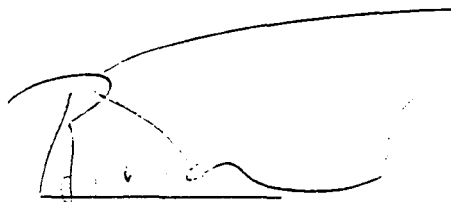
U N E S C O

WORLD HERITAGE FUND

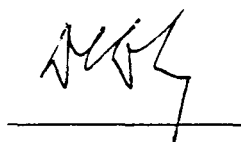
FOR THE YEAR ENDED 31 DECEMBER 1996

The appended financial statements I and II (one page each) and Schedule 1.1,
accompanied by notes are approved:

Bernd von Droste
Director, WHC

A handwritten signature in dark ink, appearing to be 'B. von Droste', written over a horizontal line.

Daniel Daly
UNESCO Comptroller

A handwritten signature in dark ink, appearing to be 'D. Daly', written over a horizontal line.

UNESCO

WORLD HERITAGE FUND

STATEMENT OF INCOME AND EXPENDITURE AND CHANGES IN RESERVES AND FUND BALANCES
FOR THE YEAR ENDED 31 DECEMBER 1996

(EXPRESSED IN US DOLLARS)

	Reference	Programme Activities	Earmarked Activities	Emergency Reserve Fund	Total	Biennium 1994-95 (Unaudited)
Income						
Assessed contributions:						
Compulsory		2 049 296			2 049 296	3 476 864
Voluntary		779 149			779 149	1 802 952
Total assessed contributions		2 828 445			2 828 445	5 279 816
Other income:						
Interest		244 894			244 894	449 376
Earmarked	Note 3		552 944		552 944	322 657
Non-earmarked	Note 4	169 044			169 044	
Total other income		413 938	552 944		966 882	772 033
Total income		3 242 383	552 944		3 795 327	6 051 849
Total expenditure	Schedule 1.1	2 468 128	286 873	129 746	2 884 747	6 518 828
Excess (shortfall) of income over expenditure		774 255	266 071	(129 746)	910 580	(466 979)
Prior period adjustments	Note 5	164 686			164 686	
Net excess of income over expenditure		938 941	266 071	(129 746)	1 075 266	(466 979)
Savings on prior years' obligations	Note 11	261 455			261 455	199 883
Transfer (to)/from other funds	Note 10	(202 990)		202 990	0	
Reserves and fund balances, beginning of the period (Unaudited)		4 319 687		297 010	4 616 697	4 883 793
Reserves and fund balances, end of the period		5 317 093	266 071	370 254	5 953 418	4 616 697

See accompanying notes

UNESCOWORLD HERITAGE FUNDSTATEMENT OF ASSETS, LIABILITIES, RESERVES AND FUND BALANCES
AS AT 31 DECEMBER 1996

(EXPRESSED IN US DOLLARS)

	Reference	1996	1995 (Unaudited)
Assets:			
Cash and term deposits	Note 6	5 101 661	4 264 269
Compulsory assessed contributions receivable from states parties	Note 7	1 997 075	1 992 407
Accounts receivable - other		-	41 000
Total Assets		7 098 736	6 297 676
Liabilities:			
Unliquidated obligations - current year		746 268	1 453 090
Unliquidated obligations - prior years	Note 8	391 035	110 573
Total unliquidated obligations		1 137 303	1 563 663
Contributions received in advance		8 015	11 061
Other liabilities		-	106 255
Total liabilities		1 145 318	1 680 979
Reserves and fund balances:			
Contingency reserve	Note 9	2 000 000	2 000 000
Emergency reserve fund	Note 10	370 254	297 010
Earmarked activities	Note 3	266 071	-
Operating reserves		3 317 093	2 319 687
Total reserves and fund balances		5 953 418	4 616 697
Total liabilities, reserves and fund balances		7 098 736	6 297 676

See accompanying notes

UNESCOWORLD HERITAGE FUND

**SCHEDULE OF APPROPRIATIONS AND EXPENDITURE
FOR THE YEAR ENDED 31 DECEMBER 1996**

(EXPRESSED IN US DOLLARS)

	Allocation	Disbursements	Unliquidated Obligations	Total Expenditure	Unobligated Balance
A. Approved budget					
Chapter I					
Assistance to experts from LDC's to attend statutory meetings	80 000	13 027	15 973	29 000	51 000
Support to the Secretariat	360 000	358 650	0	358 650	1 350
Chapter II					
Global Strategy	70 000	53 053	3 170	56 223	13 777
Advisory Services	522 000	476 000	46 000	522 000	0
Chapter III					
Preparatory assistance	175 000	50 034	38 209	88 243	86 757
Technical co-operation	685 000	301 278	255 473	556 751	128 249
Training	550 000	284 383	134 125	418 508	131 492
Chapter IV					
Monitoring	260 000	107 167	82 661	189 828	70 172
Chapter V					
Promotion and education	298 000	214 002	34 923	248 925	49 075
Sub-total	3 000 000	1 857 594	610 534	2 468 128	531 872
B. Earmarked activities:					
Secondments	169 468	149 039	11 573	160 612	8 856
Promotional	121 496	21 856	1 557	23 413	98 083
Other	261 980	82 769	20 079	102 848	159 132
Sub-total	552 944	253 664	33 209	286 873	266 071
C. Emergency reserve fund	500 000	27 221	102 525	129 746	370 254
TOTAL	4 052 944	2 138 479	746 268	2 884 747	1 168 197

World Heritage Fund

Notes to the Financial Statements
for the year ended 31 December 1996

1. Objectives

The World Heritage Fund (WHF) was established as a Trust Fund of the United Nations Education, Scientific and Cultural Organization (UNESCO) further to the adoption on 16 November 1972 of the Convention for the Protection of World Cultural and Natural Heritage by the seventeenth session of the General Conference of UNESCO, with the objective of complementing the protection of cultural and natural heritage of outstanding and universal value. An intergovernmental committee, called the World Heritage Committee, was established by the same Convention to decide on the use of the resources of the WHF. The Committee is assisted by a Secretariat appointed by the Director-General of UNESCO.

2. Significant accounting policies

a) Financial Statements

The WHF financial statements are maintained in accordance with the special financial regulations of the WHF as noted by the Executive Board of UNESCO at its ninety-third session. They are presented in United States dollars (US dollars).

b) Appropriations

Appropriations represent amounts that have been approved by the World Heritage Committee for different programme elements, which can be spent for the purpose for which they have been voted, to the extent that funds are available.

c) Income

Income is recognized on an accrual basis of accounting except for voluntary assessed and other contributions which are recognized only when funds are received.

d) Expenditures

Expenditures, which include amounts for goods supplied and services rendered in the financial period as well as amounts for legal obligations of the financial period are recorded on an accrual basis of accounting. Where there is a choice under several legislative authorities to charge expenditure to the WHF or other funding sources within UNESCO, such expenditure will remain as recorded in the audited financial statements.

e) Translation of Foreign Currencies

Transactions carried out during the period in currencies other than US dollars are translated to US dollars using the United Nations operational rate of exchange at the date of the transaction. At the year end, accounts expressed in currencies other than US dollars are translated at the UN operational rate of exchange then prevailing.

3. Earmarked income

Earmarked income relates to contributions received from donors for specific purposes. This income is used for project expenditures pertaining to the purpose of the donor's contribution. At the end of an earmarked project, any remaining balance is transferred to the operating reserves of the WHF, if desired by the donor.

4. Non-earmarked income

Non-earmarked income relates to contributions to the WHF which have no specific purpose. Funds so received are transferred to the operating reserve.

5. Prior period adjustments

The adjustments which relate to 1995 or earlier years are:

Income:

Voluntary contribution from France for 1995 recorded in another trust fund in 1995 and correctly recorded in the Fund in 1996	201 189
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Other prior year income received in 1993 deposited in 1996	<u>13 497</u>
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Total Income	<u>214 686</u>
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Expenditure:

Contract relating to 1995 recorded in the accounts in 1996	<u>(50 000)</u>
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Total:	<u>164 686</u>
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6) Cash and term deposits

These deposits, are principally term deposits that are pooled with other UNESCO Special Accounts and Trust Funds. The average interest rate earned by these pooled term deposits was approximately 5.3 % in 1996.

7) Compulsory assessed contributions receivable

Of the balance of \$1 997 075 due by States Parties at 31 December 1996, \$458 286 relate to 1996 assessments and \$1 538 789 to earlier years.

8) Prior years' unliquidated obligations

Prior years' unliquidated obligations include an amount relating to payments held back pending the receipt by the WHF of final reports from contractees. As of 3 June 1997, there was such an amount approximating \$120 000 that would be credited back to savings if the

required reports are not received back before 30 June 1997.

9) **Contingency reserve**

A contingency reserve of \$2 000 000 has been maintained in accordance with the decision of the World Heritage Committee meeting at its seventeenth session.

10) **Emergency reserve fund**

In accordance with Financial Regulation, Article 5.1 a reserve fund for emergency assistance has been maintained and as agreed by the nineteenth session of the World Heritage Committee an amount of \$202 990 was transferred from the operating reserves to replenish the emergency reserve fund to \$500 000 at 1 January 1996; with another amount of \$ 129 746, to be transferred on 1 January 1997.

11) **Savings on prior years' obligations**

The savings on prior years' obligations represent the difference between the unliquidated obligation balance at the end of the prior year less the disbursements against the same obligation made during the current year when the obligation was liquidated.

12) **Staff cost contribution**

In 1996 UNESCO's Regular Programme provided services without charge to the World Heritage Fund of \$1 362 500 in respect of the Secretariat administering the World Heritage Fund.