## Convention to Combat Desertification

Distr.: General
7 September 2015
English only

Conference of the Parties<br>Twelfth session<br>Ankara, Turkey, 12-23 October 2015<br>Item 5 (b) of the provisional agenda<br>Programme and budget<br>Financial performance for the Convention trust funds, including an update on the arrangements for the Global Mechanism

## Audited financial statements for the Convention trust funds for the biennium 2014-2015 as at 31 December 2014

## Note by the secretariat

## Summary

In accordance with section 21 of the financial rules of the Conference of the Parties, its subsidiary bodies and the Convention secretariat (decision 2/COP.1), the secretariat shall provide the Parties with an interim statement of accounts for the first year of the financial period.

This document contains the audited financial statements of the United Nations Convention to Combat Desertification for the biennium ended 31 December 2014, issued as received without formal editing and with the original pagination.


# United Nations Nations Unies 

## BOARD OF AUDITORS

TEL.: 1 (212) 963.5623

23 July 2015
Dear Ms. Barbut,

Subject: Report of the Board of Auditors

I am pleased to enclose a copy of the report of the Board of Auditors on the United Nations Convention to Combat Desertification (UNCCD), for the year ended 31 December 2014.

Sincerely Yours,


Ms. Monique Barbut
Executive Secretary
United Nations Convention to Combat Desertification (UNCCD)
Bonn, Germany

United Nations

Report of the United Nations Board of Auditors on the financial statements of the United Nations Convention to Combat Desertification
for the year ended 31 December 2014

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## Chapter I

## Report of the Board of Auditors on the financial statements: Audit opinion

## Report on the financial statements

We have audited the accompanying financial statements of the United Nations Convention to Combat Desertification (UNCCD), which comprise the statement of financial position as at 31 December 2014 (statement I), the statement of financial performance (statement II), the statement of changes in net assets (statement III), the statement of cash flow (statement IV) and the statement of comparison of budget and actual amounts (statement V) for the year ended 31 December 2014 and the notes to the financial statements.

## Management's responsibility for the financial statements

The Executive Secretary of UNCCD is responsible for the preparation and fair presentation of these financial statements in accordance with the International Public Sector Accounting Standards (IPSAS) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

## Basis for qualified opinion

The Board of Auditors had qualified the financial statements of UNCCD for the biennium ended 31 December 2013 on the ground that the accounts of Global Mechanism (GM) which had been consolidated into UNCCD's financial statements had not been subjected to audit by the appointed external auditors of the Global Mechanism. Consequently, the Board had no assurance over the amount of $\$ 1.41$ million transferred and consolidated in the financial statements of UNCCD for the biennium ended 31 December 2013. The Board was unable to determine whether any adjustment to them were necessary. While UNCCD has taken steps during 2014 to initiate an audit of the financial statements of GM for both 2012 and up to 30 September 2013, the outcome of the audit is awaited. Thus, the Board still has no assurance about the accuracy and completeness of the amounts transferred during 2013 and included as opening balances in the financial statements for the year 2014.

## Qualified Opinion

In our opinion, except for the possible effects of the matters described in the Basis for qualified opinion paragraph, financial statements present fairly, in all material respects, the financial position of the United Nations Convention to Combat Desertification as at 31 December 2014 and its financial performance and its cash flow for the year then ended, in accordance with IPSAS.

## Report on other legal and regulatory requirements

Further to our opinion, the transactions of the United Nations Convention to Combat Desertification that have come to our notice or that we have tested as part of our audit have, in all significant respects, been in accordance with the Financial Regulations and Rules of the United Nations and legislative authority. In accordance with article VII of the Financial Regulations and Rules, we have also issued a long-form report on our audit of the United Nations Convention to Combat Desertification.


Comptroller and Auditor-General of India
(Lead Auditor)

## Chapter II

## Long Form Report of the Board of Auditors

## Summary

The United Nations Convention to Combat Desertification (UNCCD) was established in 1994 and is the binding international agreement linking environment and development to sustainable land management. The Board of Auditors audited the financial statements and reviewed the operations of the United Nations Convention to Combat Desertification (UNCCD) for the year ended 31 December 2014. The audit was carried out at UNCCD's headquarters in Bonn, Germany.

## Qualified audit opinion

The Board issued a qualified opinion on the financial statements of UNCCD for the year under review as reflected in Chapter I of this report.

## Overall conclusion

During the period under review, UNCCD prepared its first IPSAS based financial statements and made efforts to initiate audit of the Global Mechanism for the period from 2012 to September 2013, maintain sound internal controls, enhance accountabilities and promote good governance structures. However, the Board has identified certain areas for further improvement including strengthening the preparation and presentation of the financial statements, establishing a process for assessing and mitigating enterprise risks and fixing targets for effective monitoring of its globally dispersed operations.

## Key findings

## Strengthening preparation of financial statements

IPSAS compliant financial statements were prepared for the first time in UNCCD. During the course of the Board's audit, a number of errors were detected which were rectified by the management in the revised financial statements. These included improper accounting of $\$ 807,481$ of savings on prior period accruals as revenue and non-incorporation of events having financial impact in the financial statements after the reporting date and inconsistencies in physical verification reports of assets with the financial statements. Further, the amounts of $\$ 109,018$ as receivable and $\$ 969,699$ as payable have been recognised in the revised financial statements for the year 2014 based on the
audit finding relating to a project funded by the Government of Venezuela which was closed during 2014. This has increased the deficit for the year by an amount of $\$ 860,681$.

## Non-updating of Enterprise Risk Assessment

A study on Enterprise Risk Assessment carried out by the Office of Internal Oversight Services (OIOS) in 2007 had identified certain risk areas and classified them in categories of higher risk, medium risk and lower risk. However, no documented strategy or mechanism was subsequently put in place to mitigate the risks identified. Further, the Enterprise Risk Assessment had not been updated since 2007.

## Performance of Globally Dispersed Operations

UNCCD has offices in Chile, Italy, Thailand and USA apart from its headquarters at Bonn in Germany. The office at New York acts as a liaison office with UN Headquarters. The offices in Chile and Thailand act as Regional Co-ordination Units (RCU) for Latin American and Asian countries respectively. In addition, there is one RCU at Bonn for African countries. Two year work programme targets are fixed by the Conference of Parties (COP) for each RCU based on operational objectives. A review of the work programme targets and monitoring reports at RCU indicated that the work programme targets vis-à-vis the performance report were descriptive in nature and did not have any fixed quantitative/measurable targets. Furthermore, no targets are directly associated with the performance of the RCUs making empirical assessment of performance difficult.

## Main recommendations

In light of our audit findings, we recommend that UNCCD:
(a) Strengthen its internal mechanisms to ensure that all information in respect of accrued expenses that is necessary to make provisions as per IPSAS is available so as to improve the preparation, presentation and accuracy of its financial statements;
(b) Put in place a formal structured process for assessing, monitoring and mitigating enterprise risks; and
(c) Fix targets for the two-year work programmes in measurable terms so that the same can be compared with actual achievements in order to assess the performance of RCUs.

## Key facts

| \$18.85 million: | Revenue |
| ---: | :--- |
| $\$ 19.88$ million: | Expenses |
| $\$ 1.03$ million: | Deficit for the year |
| $\$ 20.93$ million: | Assets |
| $\$ 21.83$ million: | Liabilities |
| $-\$ 0.90$ million: | Fund balances $\&$ reserves |

## A. Mandate, scope and methodology

1. The United Nations Convention to Combat Desertification (UNCCD), established in 1994, is an international agreement linking environment and development to sustainable land management. The convention addresses specifically the arid, semi-arid and dry humid areas, known as the dry lands, which has some of the most vulnerable eco systems in the globe. In the 10 -years strategy of the UNCCD that was adopted in 2007, the parties expressed their intention "to forge a global partnership to reverse and prevent desertification/land degradation and to mitigate the effects of drought in affected areas in order to support poverty reduction and environmental sustainability"
2. The Board of Auditors (the Board) has audited the financial statements of the UNCCD and has reviewed its operations for the financial year from 1 January 2014 to 31 December 2014 in accordance with General Assembly (GA) resolution 74 (I) of 1946. The audit was conducted in conformity with Article VII of the Financial Regulations and Rules of the United Nations (UNFRR) and the annex thereto as well as the International Standards on Auditing. Those standards require that the Board comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.
3. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements presented fairly the financial position of UNCCD as at 31 December 2014 and the results of its operations and cash flows for the financial year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS). This included an assessment as to whether the expenditures recorded in the financial statements had been incurred for the purposes approved by the governing bodies and whether income and expenditure had been properly classified and recorded in accordance with the UNFRR. The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.
4. In addition to the audit of the accounts and financial transactions, the Board carried out reviews of UNCCD operations under financial regulation 7.5. This requires the Board to make observations with respect to the efficiency of the financial procedures, the accounting system, and the internal financial controls and, in general, the administration and management of UNCCD operations. The Board also followed up on its previous recommendations and addressed these matters in the relevant sections of this report.
5. The present report covers matters that in the opinion of the Board, should be brought to the attention of the Conference of Parties (COP). The Board's observations and conclusions were discussed with the UNCCD Secretariat whose views have been appropriately reflected in the report.

## B. Findings and recommendations

1. Status of implementation of previous audit recommendations
2. Of the ten outstanding recommendations made for the biennium 2010-11 and 2012-2013, four (40 per cent) had been implemented and six ( 60 per cent) were under implementation. Details of status of implementation of pending recommendations are indicated in the Annex I to this report.
3. The Board is concerned about the delay in implementation of these recommendations and encourages the Secretariat to increase its efforts to implement the recommendations as early as possible.

## 2. Financial overview

8. The total revenue for the year ended 31 December 2014 was $\$ 18.85$ million and the total expenses amounted to $\$ 19.88$ million resulting in a deficit of $\$ 1.03$ million. Assets as at 31 December 2014 totalled $\$ 20.93$ million compared to those at 1 January 2014 (adjusted to be IPSAS compliant) of $\$ 18.20$ million and liabilities as at 31 December 2014 totalled $\$ 21.83$ million ( $\$ 14.28$ million as at 1 January 2014). The important financial ratios are presented in the table below:

Table II.1: Ratio analysis

| Ratio | 31 December 2014 | 1 January 2014 |
| :--- | :---: | :---: |
| Total assets: total liabilities <br> Assets: liabilities | 0.96 | 1.27 |
| Current ratio <br> Current assets: current liabilities | 3.92 | 6.18 |
| Quick ratio <br> c <br> (Cash + short term investments + accounts receivable) : <br> current liabilities | 3.88 | 5.76 |
| Cash ratio <br> (Cash + short term investments) : current liabilities | 3.49 | 4.88 |

Source: UNCCD's revised financial statements for the year 2014
Notes:
${ }^{a} \mathrm{~A}$ high ratio is a good indicator of solvency.
${ }^{\text {b }}$ A high ratio indicates an entity's ability to pay off its current liabilities.
${ }^{\circ}$ The quick ratio is more conservative than the current ratio because it excludes inventory and other current assets, which are more difficult to turn into cash. A higher ratio means a more liquid current position.
${ }^{d}$ The cash ratio is an indicator of an entity's liquidity by measuring the amount of cash, cash equivalents or invested funds there are in current assets to cover current liabilities.
9. There was a decrease in all the financial ratios as at 31 December 2014 in comparison to those as at 1 January 2014. This is mainly due to the increase in liabilities on account of increase in advance receipt, employee benefit liability and other current liability.

## 3. Implementation of IPSAS

10. IPSAS compliant financial statements were prepared for the first time in UNCCD. The Board did not identify any material errors or deviations from IPSAS relating to the financial statements. During the course of audit, certain deficiencies were noticed that were subsequently rectified by the management in the revised financial statements. These related to improper accounting of $\$ 807,481$ of savings on prior period accruals as revenue and non-incorporation of events having financial impact in the financial statements after the reporting date, for example, non-disclosure of the fact that balance in the escrow account held by International Fund for Agricultural Development (IFAD) amounting to $\$ 3.3$ million was paid to UNCCD and inconsistencies in physical verification reports of assets with the financial statements.
11. The Board noted that an amount of $\$ 2$ million was received by UNCCD in October 2006 for Project "Demonstration on Rehabilitation of Degraded Lands and Drought Mitigation under Venezuela Fund" to support implementation of the common actions proposed by the UNCCD secretariat in the South Pacific Island Nations. This was funded by the Republic of Venezuela. Though the project was closed in February

2014, the balance amount of $\$ 969,699$ funds required to be returned to the Government of Venezuela was not recognised in the financial statements. Similarly, the amount of $\$ 109,018$ receivable from the participating nations was not recognised as receivables. On these being pointed out during the audit, UNCCD recognised the amounts in the financial statements for the year 2014. This has resulted in increase in the deficit for the year by $\$ 860,681$.
12. The Board also noted two payments amounting to $\$ 35,647$ made between January 2015 and February 2015 that related to services rendered in the year 2014 for which necessary liabilities should have been created in the financial statements for the year ended 31 December 2014 based on accrual principle under IPSAS. This has resulted in an understatement of expenses as well as the deficit for the period by $\$ 35,647$. UNCCD explained that the absence of payment related information led to making payments in 2015. The Board is of the view that UNCCD should recognise liability when it accrues as per the terms of the contract.

## 13. The Board recommends that UNCCD strengthen its internal mechanisms to ensure that all information in respect of accrued expenses that is necessary to make provisions as per IPSAS is available so as to improve the preparation, presentation and accuracy of its financial statements.

## 4. Global Mechanism

14. UNCCD created the Global Mechanism (GM) as a means of mobilizing resources to protect dry land areas. At the first Conference of Parties (COP) held in October 1997, the International Fund for Agricultural Development (IFAD) was selected to house the Global Mechanism. The COP subsequently decided in October 2011 that the accountability and the legal representation of the GM, formerly carried out by IFAD on behalf of the COP, would be transferred to the UNCCD Secretariat and the UNCCD Executive Secretary would assume overall management responsibility including accounting and reporting of the GM. In September 2013, the COP in its Eleventh Session authorised the Executive Secretary to take all necessary measures to develop the institutional arrangements in an expeditious manner from 1 October 2013 so as to ensure that the administrative, procedural and legal aspects were implemented.
15. IFAD which had administered the Global Mechanism until 30 September 2013 indicated that it had placed a restriction on funds it was holding in an escrow account pending resolution of actions taken to the ILO Administrative Tribunal (ILOAT) by staff of the Global Mechanism. These actions were resolved by the Tribunal in its $119^{\text {th }}$ Session in February 2015 and IFAD has indicated to UNCCD that the restriction will be lifted and the funds transferred to UNCCD. In March 2015, the balance in the escrow account held by IFAD of $\$ 3.3$ million was paid to UNCCD excluding a contingency reserve to cover any contingent liabilities. IFAD is also holding an amount of $\$ 0.36$ million related to travel and other advances. Besides, IFAD had retaincd $\$ 0.77$ million representing net payable due to IFAD without details. At the instance of
the Board, UNCCD has disclosed this information in the notes to the financial statements as 'events after the reporting date.'
16. The Board of Auditors had qualified the financial statements of UNCCD for the biennium ended 31 December 2013 on the ground that the accounts of Global Mechanism (GM) which had been consolidated into UNCCD's financial statements had not been subjected to audit by the appointed external auditors of the Global Mechanism and consequently the Board had no assurance over the amounts transferred and consolidated and were unable to determine whether any adjustment to them were necessary. While UNCCD has taken steps to initiate an audit of the financial statements of GM for both 2012 and up to 30 September 2013, the outcome of the audit is awaited. Thus, the Board still has no assurance about the accuracy and completeness of the amounts transferred during 2013 and included as opening balances in UNCCD's financial statements for the year 2014.
17. UNCCD informed the Board that they had been actively pursuing the matter with IFAD and had since revised the financial statements of Global Mechanism as at 30 September 2013 based on ILOAT's decision and subsequent transfer of cash to UNCCD.
18. The Board recommends that UNCCD continue to actively pursue the matter so as to ensure that the audit of the financial statements of GM is completed during the year 2015.

## 5. Non-updating of Enterprise Risk Assessment

19. A study on Enterprise Risk Assessment was carried out by the Office of Internal Oversight Services (OIOS) in 2007. The risk assessment by OIOS had included strategic management and governance, financial management and logistics management in higher risk; human resource management, procurement and contract administration, programme and project management, safety and security, information technology and conference and documents management in medium risk; and properties and facilities management in lower risk.
20. The Board noted that there was neither any documented strategy nor any mechanism put in place to mitigate the risks identified. While activities against certain risks have been taken, no formal structure of enterprise risk assessment and management was found to exist. The Board also observed that the Enterprise Risk Assessment of 2007 needed to be periodically updated by the management and activities identified to manage those risks.
21. UNCCD stated that formal recording of action taken has not been done in Risk Register but attempts had been made to address some of the concerns outlined in the risk assessment. UNCCD assured to take measures to formalize a process of monitoring its risks.
22. As agreed, the Board recommends that UNCCD put in place a formal structured process for assessing, monitoring and mitigating enterprise risks.

## 6. Performance of Globally Dispersed Operations

23. UNCCD has offices in Chile, Italy, Thailand and USA apart from its headquarters at Bonn in Germany. The office at New York acts as a liaison office with UN Headquarters. The Global Mechanism liaison office for Rome based organisations is located in the office of Food and Agriculture Organisation of the United Nations (FAO), Italy.. The offices in Chile and Thailand act as Regional Co-ordination Units (RCU) for Latin American and Asian countries respectively apart from one RCU at Bonn for African countries.
24. The staff at RCUs have not been delegated any authorities. Two-year work programme targets are fixed by the Conference of Parties (COP) for each RCU for all the five operational objectives namely (i) advocacy, awareness-raising and education, (ii) policy framework, (iii) science, technology and knowledge, (iv) capacity building and (v) financing and technology transfer.
25. A review of the work programme targets and monitoring reports at RCU indicated that the work programme targets vis-à-vis the performance report were descriptive in nature. For instance, under the operational objective of capacity building, the expected accomplishment for the year 2014 was improvement in opportunities for targeted capacity-building under the Convention and the performance indicator against this was the extent to which the capacity building marketplace is used. Thus, the performance indicators for achieving the operational objective of capacity building did not have any fixed quantitative/measurable targets. Similarly, under the operational objective of financing and technology transfer, the expected accomplishment for the year 2014 was increased support from developed countries and multilateral donors in addressing desertification/land degradation and drought (DLDD) issues/UNCCD implementation and the performance indicator was the extent to which developed countries/multilateral donors express their commitment to supporting DLDD issues/UNCCD implementation. Again, the performance indicators of the objective did not have any fixed quantitative/measurable targets. Further, no targets were directly associated with the performance of the RCUs making empirical assessment of performance difficult.
26. UNCCD agreed to consider developing measurable targets in its next work programme for the biennium 2016-2017.
27. As agreed, the Board recommends that UNCCD fix targets for the two-year work programmes in measurable terms so that the same can be compared with actual achievements in order to assess the performance of RCUs.

## C. Disclosures by management

28. In accordance with International Standards on Auditing (ISA 240), the Board plans its audits of the financial statements so that it has a reasonable expectation of identifying material misstatements and irregularity (including those resulting from fraud). Our audit, however, should not be relied upon to identify all misstatements or irregularities. The primary responsibility for preventing and detecting fraud rests with management.
29. During the audit, the Board makes enquiries of management regarding their oversight responsibility for assessing the risks of material fraud and the processes in place for identifying and responding to the risks of fraud, including any specific risks that management has identified or brought to their attention. We also inquire whether management have any knowledge of any actual, suspected or alleged fraud, and this includes enquiries of the Office of Internal Oversight. The additional terms of reference governing external audit include cases of fraud and presumptive fraud in the list of matters that should be referred to in its report.
30. UNCCD reported to the Board that there were no write-off of cash and receivables, however, there was write off of assets valued at $\$ 393,190.24$ during the year. UNCCD also made ex-gratia payments of $\$ 4,760.15$. UNCCD further reported that there was no case of fraud and presumptive fraud that could have a material effect on the financial statements or notes thereto for the financial year ended 31 December 2014.

## D. Acknowledgement

31. The Board wishes to express its appreciation for the co-operation and assistance extended to it by the Executive Secretary and staff members of UNCCD.


Controller and Auditor-General of the
United Republic of Tanzania
(Chair of the United Nations Board of Auditors)


Comptroller and Auditor-General of India,
(Lead Auditor)
 Comptroller and Auditor-General, United Kingdom of Great Britain and Northern Ireland

## Annex I

Status of implementation of outstanding audit recommendations for the biennium ended 31 December 2013

| $\begin{aligned} & \text { Sl. } \\ & \text { No } \end{aligned}$ | Reference to <br> Report <br> and <br> Financial <br> Period | Recommendations | Action Reported by the Management | Status after Verification |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  |  | Board's Assessment |  |  |  |  |
| 1 | Para 31 of Board Report 2010/2011 | Strengthen the management of ticket bookings | Secretariat introduced a stricter policy (21 June 2013) requiring booking of tickets in advance by four weeks ( 28 days), as opposed to the UN policy (12 August 2013) permitting to book tickets only 16 days in advance of actual travel. | Board noted delays in travel bookings in 151 cases out of 184 cases representing 82 per cent of the cases where guidance was not complied with. |  | X |  |  |
| 2 | Para 37 of Board Report 2010/2011 | Co-ordinate with related countries to expedite implementation of projects | Executive Secretary informed the countries that the project would be closed and that funding would no longer be available. | Final financial settlements are pending. |  | X | . |  |
| 3 | Para 41 of Board Report 2010/2011 | Update the inventory lists and reconcile the discrepancy of NEP records | Physical check had been implemented in 2014. | There is a difference of $\$ 57,770$ in the Financial Statements (FS) as at 31 December 2014 and corresponding details in <br> Asset <br> Management Database. | - | X |  |  |
| 4 | Para 43 of Board Report 2010/2011 | Finalise the implementation of the disaster recovery server | Critical back up is now maintained in another building. | The disaster recovery server remains to <br> be implemented and the same is yet to be finalised. |  | X | $\cdots$ |  |
| 5 | Para 41 of | Expedite the | Necessary action | The actions | X |  |  |  |


|  | Board Report 2010/2011 | write-off and disposal of property | has been taken. | taken are adequate. |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| 6 | Para 43 of <br> Board <br> Report <br> 2010/2011 | Store offsite all critical | Critical back up is now maintained in another building. | The actions taken are adequate. | X |  |  |  |
| 7 | Para 13 of Board Report 2012/2013 | Improve the implementation plan to ensure targets are set for key activities, and to expedite the finalization of accounting policies as well the recruitment of a consultant. Training of key staff would also be accelerated so that IPSAS could be implemented in a timely manner. |  | This has been implemented. | X |  | . |  |
| 8 | Para 20 of Board Report 2012/2013 | Obtain reliable and independent verification of the accuracy and completeness of records and balances transferred in respect of Global Mechanism. | UNCCD has taken steps to initiate an audit of financial statements of GM for both 2012 and up to 30 September 2013. | The outcome of the audit is awaited. |  | X |  |  |
| 9 | Para 26 of <br> Board <br> Report <br> 2012/2013 | Finalising internal policy on <br> administration of credit cards and <br> b) segregation of duties is followed for credit card payments. | Necessary action has been taken. | The actions taken are adequate. | X |  |  |  |
| 10 | Para 30 of Board Report 2012/2013 | Expedite efforts to collect the outstanding assessed contributions and seek to | . | The efforts  <br> have not <br> yielded  <br> desired  <br> results.  |  | X |  |  |


|  | increaser fund <br> raising through <br> improved <br> advocacy work, <br> demonstrating <br> and <br> documenting <br> morer clearly <br> the "impact <br> chain" <br> projects of and <br> continuous <br> coordination of <br> fund-raising <br> activities with <br> the GM. |  |  |  |  |
| :--- | :--- | :--- | :--- | :--- | :--- | :--- | :--- |

## Annex II

Certification of Financial Statements, Financial report on the 2014 accounts, Financial Statements and Notes

## Certification of the financial statements

The financial statements of the United Nations Convention to Combat Desertification (UNCCD) for the financial year ended 31 December 2014 have been prepared in accordance with financial rule 106.1. This is the first time that the financial statements have been prepared under the International Public Sector Accounting Standards (IPSAS).

The summary of significant accounting policies applied in the preparation of these statements is included as notes to the financial statements. The notes provide additional information on and clarification of the financial activities undertaken by UNCCD during the period covered by the statements, for which the Executive Secretary has administrative responsibility.

The accounts of UNCCD are maintained in accordance with the Financial Rules of the Conference of Parties.

I certify that the appended financial statements of the United Nations Convention to Combat Desertification (UNCCD), numbered I to V are correct.

## Financial report on the 2014 accounts

## Introduction

1. The financial statements of the United Nations Convention to Combat Desertification (UNCCD) are prepared and submitted to the Conference of Parties in accordance with the Financial Rules. The financial statements include all of the operations under the direct authority of the Executive Secretary including the regular budget, the Global Mechanism and extra-budgetary financed activities.
2. The 2014 financial statements are for the first time prepared based upon the International Public Sector Accounting Standards (IPSAS) in accordance with the decision of the United Nations General Assembly, provide increased information on actual assets and liabilities enabling in improved internal control and enhanced management of UNCCD's total resources. The statements include additional information on revenue and expense to senior management to support decision-making and enhance strategic planning.
3. The financial statements prepared under IPSAS use full accrual-based accounting which is a significant change from the modified cash basis of accounting applied under the United Nations System Accounting Standards (UNSAS) previously in use. Accrual based accounting requires the recognition of transactions and events when they occur. Under IPSAS:

- Revenue from voluntary contributions to technical cooperation is recognized when the contract with the donor becomes binding (i.e. at the time of signature of both parties, rather than when cash is received.
- In the case of contributions that impose conditions requiring return of funds not utilized in accordance with the terms of the agreement, revenue is not recognized until UNCCD delivers the services specified in the agreement with the donor.
- Expenses are recognized when services or goods are received or delivered rather than when a commitment is recognized.
- The annual changes in employee defined benefit obligations (other than those caused by adjustments in actuarial assumptions) are now recognized as expenses rather than in fund balance.
- The value of software acquired has been capitalized rather than expensed. Included in expense for 2014 is the amortization of software capitalized.


## 2014 Financial Highlights

## 2014 Financial Results (in USD)

## Total revenue:

4. Revenue in 2014 totalled USD 18.8 million as follows:

5. The principal sources of revenue were:

- The indicative contributions from signatories of the Convention. The indicative contributions for 2014 totalling USD $\$ 9.9$ million
- Voluntary contributions from donors totalled USD 8.8 million.
- Interest paid and unrealized gain on investments held by the UN Euro Cash Pool.

6. Comparative information for 2013 is not included since revenue in 2013 was computed on an UNSAS (modified cash) rather than based on full accrual accounting.
7. Total expenditure: Expenses in 2014 totalled USD 19.9 million as follows:

8. The main expense categories are staff costs of USD 9.9 million or $52.0 \%$, non-employee (consultants and subcontracts) compensation of USD 1.8 million or $9.5 \%$, general operating expenses of USD 3.0 million or $15.8 \%$ and travel of USD 1.4 million or $7.1 \%$. In addition, expenses include the impact of an unrealized exchange loss of $\$ 2.9$ resulting from the reduction in the USD value of assets held in the United Nations Treasury Euro cash pool. Information for 2013 is not presented since these were prepared on a UNSAS (commitment) basis which is not comparable. Staff costs include USD 3.1 million of interest and current service costs related to defined benefit obligations (After-Service Health Insurance [ASHI], annual leave and repatriation grant/travel).
9. Operating result: The net deficit of expense over revenue in 2014 , as measured under IPSAS, is USD 1.0 million
10. Assets: Assets as of 31 December 2014 totalled USD 20.9 million compared to the balance at 31 December 2013 (adjusted to be IPSAS compliant) of USD 18.2 million. The major components of UNCCD's assets are as follows:

| Summary of assets at 31 December (in US Dollars) | 2014 | 2013 | Difference |
| :---: | :---: | :---: | :---: |
| Cash and cash equivalents | 6213122 | 5856295 | 356827 |
| Investments | 12361538 | 9417666 | 2943872 |
| Sub total assets held in UN Euro cash pool | 18574660 | 15273961 | 3300699 |
| -.. Cash held in field offices | 5521 | 6856 | (1 335) |
| Indicative contributions receivable | 3804779 | 4007644 | (202 865) |
| Less provision for doubtful debts | (1894426) | (2195886) | 301460 |
| Net indicative contributions receivable | 1910353 | 1811758 | 98595 |
| Other accounts receivable | 138280 | 91409 | 46871 |
| Other assets | 233356 | 909754 | (676 398) |
| Intangible assets | 63798 | 103225 | (39 427) |
| Total Assets | 20925968 | 18196963 | 2729005 |

11. The major assets at 31 December 2014 are cash, cash equivalents and investments totalling USD 18.6 million representing $89.0 \%$ of the total assets and indicative contributions from signatories to the convention receivable of USD 1.9 million, or 9.1 per cent. The remaining assets consist of other accounts receivable, other assets (primarily staff advances), and software.
12. Cash, cash equivalents and investments: Cash, cash equivalents USD 18.6 held in the UN Treasury Euro Pool. This represents an increase of USD 3.3 million over the balance held at the end of 2013 due primarily to an increase in collection of receivables, receipt of additional voluntary contributions and the lower USD value of Euro based expenditure.
13. Accounts receivable: Under IPSAS, accounts receivable from indicative contributions are recognized net of a provision of $50 \%$ for all amounts receivable for three years and $100 \%$ for all amounts receivable for four or more years. Other receivables include the funds held by South Pacific Islands Nations and the Secretariat of the Pacific Community representing the unused balance of grants forming part of a voluntary contribution made by the Bolivarian Republic of Venezuela. Small receivables for outstanding VAT balances are also included in other receivables.
14. Liabilities: Liabilities as of 31 December 2014 totalled USD 21.8 million (USD 14.3 million as at 31 December 2013) as follows:

| Summary of liabilities at 31 December (in US Dollars) | 2014 | 2013 | Difference |
| :---: | :---: | :---: | :---: |
| Accounts payable and accruals | 431923 | 1324953 | ( 893030 ) |
| Advance receipts | 2382484 | 635894 | 1746590 |
| Employee benefitt liabilities | 17093283 | 12319466 | 4773817 |
| Provisions | - | - | - |
| Other liabilities | 1923217 | - | 1923217 |
| Total Liabilities | 21830907 | 14280313 | 7550594 |

15. The most significant liability is the employee benefits earned by staff members and retirees but not paid at the reporting date, primarily the liability for ASHI. These liabilities total USD 17.1 million, represent $82.2 \%$ of UNCCD's total liabilities and are explained in detail in note 12 to the financial statements. The increase of USD 4.8 million is caused primarily by the reduction of the discount rate utilized to convert the outstanding obligation to net present value in accordance with the requirements of IPSAS. The lower the discount rate the higher the liability.
16. The other significant liability, advance receipts which covers indicative contributions received in advance of the start of the year to which they are related and voluntary contribution including funds due to the Government of the Bolivarian Republic of Venezuela and other voluntary contributions provided by donors that contain conditions requiring the return of funds not spent in accordance with the terms of the agreement. The balance represents the portion of the contribution at 31 December that has not been recognized as revenue since it has not been earned by UNCCD by performing the services covered by the agreement.
17. Net assets: The movement in net assets during the year reflects a decrease of USD 4.8 million from USD 3.9 million in 2013 to USD ( 0.9 ) million in 2014 due to the negative actuarial change of USD 3.8 million and the operating loss of USD 0.9 million. Net assets include the operating reserves which remained at USD 1.9 million.

## Core budget

18. The Conference of the Parties approved a Core budget for the 2014-2015 financial period, amounting to EUR 16.1 million (USD 21.4 million) of which EUR 7.9 million (USD 10.5 million) was programmed for 2014. In addition, the Conference of the Parties approved a budget for the transfer of the Global Mechanism to Bonn for the 2014-2015 financial period amounting to EUR 0.351 million (USD 0.466 million).
19. The regular budget continues to be prepared on a modified cash basis in accordance with the UN Financial Regulations. The overall budgetary results for the first 12 months of the 2014-2015 financial period are summarized in Statement V. The differences between the net results on the IPSAS (full accrual) basis and those in accordance with the adopted budget are explained in note 17 .
20. Valued in US dollars at the average USD $1=$ EUR 0.75258 at the rate of exchange set by the United Nations and using the modified cash method of accounting, total Core budgetary income for 2014 amounted to USD 9.4 million. Expenditure under the regular budget during 2014 amounted to USD 7.3 million resulting in a net surplus of USD 2.1 million. The surplus is primarily due to savings accrued from vacant posts, namely two Director level posts, one of which was filled in the first quarter of 2015, in addition to two Professional and three General Service positions in both the secretariat and the Global Mechanism. The UNCCD secretariat and the Global Mechanism have made further savings through cost efficiencies in the utilization of consultants and have made efforts to pursue on-line training courses for staff development training, wherever possible. As the core budget of the UNCCD is approved on a biennial basis, it is anticipated that much of the savings in 2014 will be spent in the course of 2015 .
21. Total Global Mechanism budgetary income to support the move to Bonn, Germany for 2014 amounted to USD 0.413 million. Expenditure under the regular budget during 2014 amounted to USD 0.373 million resulting in a net surplus of USD 0.04 million.

## STATEMENT I

## UNITED NATIONS CONVENTION TO COMBAT DESERTIFICATION

Statement of Financial Position as at 31 December 2014
(United States Dollars)

| $\because$ | Note | $\begin{aligned} & 31 \text { December } \\ & 2014 \end{aligned}$ | $\begin{gathered} 01 \text { January } 2014 \\ \text { Restated } \end{gathered}$ |
| :---: | :---: | :---: | :---: |
| Assets |  |  |  |
| Current Assets |  |  |  |
| Cash and cash equivalents | 6 | 6218643 | 5863151 |
| Short-term investments | 6 | 12361538 | 4691614 |
| Indicative contributions receivable | 7 | 1910353 | 1811758 |
| Other accounts receivable | 7 | 138280 | 91409 |
| Other current assets | 8 | 233356 | 909754 |
| Total current Assets |  | 20862170 | 13367686 |
|  |  |  |  |
| Non-Current Assets |  |  |  |
| Intangible assets | 9 | 63798 | 103225 |
| Long-term investments | 6 | - | 4726052 |
| Other non-current assets |  | - | - |
| Total Non-Current Assets |  | 63798 | 4829277 |
| Total Assets |  | 20925968 | 18196963 |
| Liabilities |  |  |  |
| Current liabilities |  |  |  |
| Accounts payable and accrued expenses | 10 | 431923 | 1324953 |
| Advance receipts | 11 | 2382484 | 635894 |
| Employee benefit liability | 12 | 586248 | 201916 |
| Other current liabilities | 13 | 1923217 | - |
| Total Current Liabilities |  | 5323873 | 2162763 |
| Non-Current Liabilities |  |  |  |
| Employee benefit liability | 12 | 16507035 | 12117550 |
| Total Non-Current Liabilities |  | 16507035 | 12117550 |
| Total Liabilities |  | 21830908 | 14280313 |
|  |  |  |  |
| Net Assets |  | (904 940) | 3916650 |
|  |  |  |  |
| Net Assets/Equity |  |  |  |
| Accumulated surpluses/(deficits) |  | 929805 | 1964395 |
| Actuarial gain (loss) recognized in net assets | 12 | (3787000) | - |
| Operating reserves | 16 | 1952255 | 1952255 |
| Total Fund Balances and Reserves |  | (904940) | 3916650 |

The accompanying notes form an integral part of these financial statements


The accompanying notes form an integral part of these financial statements

## STATEMENT III

UNITED NATIONS CONVENTION TO COMBAT DESERTIFICATION
Statement of Changes in Net Assets for the year ended 31 December 2014
(United States Dollars)


The accompanying notes form an integral part of these financial statements

## STATEMENT IV

## UNITED NATIONS CONVENTION TO COMBAT DESERTIFICATION

Statement of Cash Hlow for the period 1 January 2014 to 31 December 2014

| (in United States dollars) | Notes | 2014 |
| :---: | :---: | :---: |
| Cash flows from operating activities |  |  |
| Surplus (deficit) for the period | Statement II | (1034 589) |
| Depreciation and amortization - Initial Recognition of PPE | $9 \& 10$ | 39427 |
| Increase (decrease) in provision for doubtful debts | 7 | (301 460) |
| (Increase) decrease in receivables | 7 | 155994 |
| (Increase) decrease in other current assets | 8 | 676398 |
| Increase (decrease) in advance receipts | 11 | 1746590 |
| Increase (decrease) in accounts payable | 10 | ( 893 030) |
| Increase (decrease) in other current liabilities | 13 | 1923216 |
| Increase (decrease) in employee benefit liabilities recognized in surplus | 12 | 986817 |
| Net cash flows from operating activities |  | 3299364 |
|  |  |  |
| Cash flows from investing activities |  |  |
| (Increase) decrease in short-term investments | 6 | (7669924) |
| (Increase) decrease in long-term investments | 6 | 4726052 |
| Net cash flows from investing activities |  | (2943 872) |
|  |  |  |
| Net increase in cash and cash equivalents |  | 355492 |
|  |  |  |
| Cash and cash equivalents at beginning of year | 6 | 5863151 |
|  |  |  |
| Cash and cash equivalents at end of year | 6 | 6218643 |

[^0]United Nations Convention to Combat Desertification
V Statement of Comparison of Budget and Actual amounts for the year ended at 31 December 2014 (United States dollars)

| STATEMENTV |  | .... |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| UNITED NATIONS CONVENTION TO COMBAT DESER | ATION |  |  |  |  |  |
| STATEMENT OF BUDGET TO ACTUAL COMPARISON |  |  |  |  |  |  |
| CORE BUDGET |  |  |  |  |  |  |
| For the period 1 January 2014 to 31 December 2014 |  |  |  |  |  |  |
| (in United States dollars and euros) |  |  |  |  |  |  |
| Core budget of the Secretariat | Original budget | Final Budget | Actual | Original budget | Final Budget | Actual |
| Programmes |  | in euro |  | in U | ted States doll |  |
| A. Advocacy, awareness raising and education | 965150 | 965150 | 868675 | 1282449 | 1282449 | 1154257 |
| B. Policy franework | 764800 | 764800 | 656266 | 1016233 | 1016233 | 872018 |
| C. Science, tectmology and knowledge | 1146800 | 1146800 | 974494 | 1523818 | 1523818 | 1294865 |
| D. Capacity building | 317175 | 317175 | 221025 | 421448 | 421448 | 293688 |
| E. Financing and tectmology transfer | 787250 | 787250 | 519409 | 1046064 | 1046064 | 690169 |
| F. Executive direction and management | 1532843 | 1532843 | 952788 | 2036774 | 2036774 | 1266023 |
| G. Conference servics | 336250 | 336250 | 288885 | 446794 | 446794 | 383858 |
| Fi. Administration and tinance services | 1219438 | 1219438 | 1045114 | 1620336 | 1620336 | 1388702 |
| Sub total | 7069706 | 7069706 | 5526656 | 9393916 | 9393916 | 7343580 |
| Programme support costs | 919062 | 919062 | 718466 | 1221209 | 1221209 | 954665 |
| Working capital reserve | (65651) | (65651) |  | (87234) | (87234) | - |
| TOTALCore Budget of the Secretariat | 7923117 | 7923117 | 6245122 | 10527891 | 10527891 | 8298245 |
| Coniribution from the host Government | 511292 | 511292 | 511292 | 679382 | 679382 | 660137 |
| Unspent balances or contributions from prior financial periods | 202054 | 202054 | - | 268479 | 268479 | - |
| Trdicative contributions | 7209771 | 7209771 | 6442753 | 9580026 | 9580026 | 9944345 |
| TOTALincome | 7923117 | 7923117 | 6954045 | 10527887 | 10527887 | 10604482 |


| Global Meclanism - Transfer to Bonn | 310526 | 310526 | 280825 | 412746 | 412746 | 373148 |
| :--- | ---: | ---: | ---: | ---: | ---: | ---: | ---: |
| Progranme support costs | 40368 | 40368 | 36506 | 53639 | 53639 | 48507 |
| Total other budgets approved by the Conference of the Parties | 350894 | 350894 | 317331 | 466385 | 466385 | 421655 |

*At the average monthly exchange rate of the United Nations for the year 2014 with 1 USD $=0.75258$ EUR.
The accompanying notes form an integral part of these financial statements

## UNITED NATIONS CONVENTION TO COMBAT DESERTIFICATION

## Notes to the financial statements

Note 1: The reporting entity
Note 2: Basis of preparation
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Note 22: Events after the reporting date
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Statement of Financial Position by Fund
Statement of Financial Performance by Fund

## NOTE 1: The Reporting Entity

The permanent secretariat of the United Nations Convention to Combat Desertification (UNCCD) was established in December 1996. The Strategy is to forge global partnerships to reverse and prevent desertification and land degradation. These partnerships are also meant to mitigate the effects of drought in affected areas. Coupled with the vision is a Strategy mission: To provide a global framework to support the development and implementation of national and regional policies that are to contribute to the reduction of poverty.

1. UNCCD is governed by the following constiluent bodies:

Conference of the Parties (COP) is the supreme decision-making body of the Convention. All States that are Parties to the Convention are represented at the COP, at which they review the implementation of the Convention and any other legal instruments that the COP adopts and take decisions necessary to promote the effective implementation of the Convention, including institutional and administrative arrangements

## The Bureau of the COP

At the beginning of the first meeting of each ordinary session, a President and nine Vice-Presidents are elected from among the representatives of the Parties present at the session in a manner that every geographical region shall be represented by at least two members. They serve as the Bureau of the session. One of the Vice-Presidents shall act as Rapporteur.

The President declares the opening and closing of the session, presides at the meetings of the session, ensures the observance of the present rules, and has complete control of the proceedings and over the maintenance of order thereat. The President, if temporarily absent from a meeting or any part thereof, shall designate a VicePresident to act as President.

The Bureau of the COP has an important role in the UNCCD process also outside the sessions, as it directs various aspects concerning the follow-up of the COP and the preparations of the next one. The COP Bureau is also often assigned by the COP to supervise specific, particularly demanding or sensitive tasks or processes that are carried out between the COP sessions.
2. UNCCD is financed by indicative contributions paid by Parties to the Convention, and voluntary contributions from Parties to the Convention and other donors.
3. The Organization enjoys privileges and immunities as granted under the 1947 Convention on Privileges and immunities of the United Nations and the 1996 Headquarters agreement with the Federal Government of Germany, notably being exempt from most forms of direct and indirect taxation.

## NOTE 2: Basis of Preparation

4. The financial statements of the UNCCD have been prepared on the accrual basis of accounting in accordance with the International Public Sector Accounting Standards (IPSAS) using the historic cost convention. The statements are prepared on a going concern basis based upon approval by the Conference of Parties of the 2014-15 Programme and budget and the 10 year (2008-2018) strategic plan and framework to enhance the implementation of the Convention,
the historical trend of collection of assessed and voluntary contributions over the past years and that the Conference of Parties has not made any decision to cease the operations of the Organization.
5. These are the first set of financial statements to be prepared in accordance with IPSAS. The adoption of IPSAS has required changes to be made to the accounting policies previously followed by UNCCD, including the preparation of a single set of financial statements covering both Core budget and extra-budgetary activities, which are presented throughout in United States dollars (USD). In accordance with IPSAS, the 2014 financial statements are presented on an annual basis covering the period 1 January 2014 to 31 December 2014.
6. The audited financial statements for the period ending 31 December 2013 were originally presented on a biennial basis covering the period 1 January 2012 to 31 December 2013. The adoption of the new accounting policies has resulted in changes to the assets and liabilities recognized in the Statement of Financial Position. Accordingly, the last audited Statement of Financial Position, dated 31 December 2013, has been restated and the resulting changes are reported in the Statement of Changes in Net Assets and Note 4.
7. The revised 31 December 2013 Statement of Financial Position is described in these financial statements as the opening balance on 1 January 2014 (restated). The net effect of the changes brought about by the adoption of IPSAS in the Statement of Financial Position amounted to a decrease in total net assets of USD 2.7 million on 1 January 2014. In addition to this effect, IPSAS requires a single report on all assets and liabilities controlled by the Organization, and consequently the previous presentation on a fund accounting basis has been integrated into a single overall position.
8. As permitted on the initial adoption of IPSAS, transitional provisions have been applied whereby comparative information has not been provided in the Statements of Financial Performance and Cash Flow (IPSAS 1) and the application of IPSAS 31, Intangible Assets has been applied prospectively to internally developed software beginning on 1 Jan 2014.
9. The Cash Flow Statement is prepared using the indirect method.

### 2.1 Functional and Presentation Currency

10. The financial statements are presented in United States dollars, which is the functional and presentation currency of UNCCD.

### 2.2 Foreign Currency Translation

11. Transactions in currencies other than USD are translated into USD at the prevailing United Nations Operational Rates of Exchange (UNORE) which represent the prevailing rate at the time of transaction. Assets and liabilities in currencies other than USD are translated into USD at the UNORE year-end closing rate. Resulting gains or losses are accounted for in the Statement of Financial Performance. There are no foreign currency gains and losses relating to the opening IPSAS balance adjustments as the exchange rates for the closing balance 31 December 2013 and the opening balances on 01 January 2014 are the same for the USD and EUR.
12. The Core budget and the budget for the Resources requirements for transferring the Global Mechanism to Bonn are approved in euros. The contingency budget for conference services of UNCCD is approved by the COP; however, funds are not assessed unless required. Information on the Statements of Budget to Actual Comparisons for each budget is presented in both euros and US dollars.

### 2.3 Materiality and use of judgment and estimates

13. Materiality is central to the UNCCD financial statements. The UNCCD's accounting materiality framework provides a systematic method to identify, analyse, evaluate, endorse and periodically review materiality decisions crossing a number of accounting areas. The financial statements necessarily include amounts based on judgments, estimates and assumptions by management. Actual results may differ from these estimates. Changes in estimates are reflected in the period in which they become known. Accruals, equipment depreciation and employee benefit liabilities are the most significant items for which estimates are utilized.

## NOTE 3: Significant Accounting Policies

## Assets

### 3.1 Cash and Cash Equivalents

14. Cash and cash equivalents are held at fair value and comprise cash on hand, cash at banks, money market and shortterm deposits. Investment revenue is recognized as it accrues taking into account the effective yield.

### 3.2 Financial Instruments

15. Financial instruments were initially measured at fair value. Subsequent measurement of all financial instruments is at fair value except for accounts receivable and accounts payable, which are measured at amortized cost using the effective interest method. A provision has been made for the difference between the nominal value of the accounts receivable and accounts payable.
16. Financial instruments are recognized when UNCCD becomes a party to the contractual provisions of the instrument until the rights to receive cash flows from those assets have expired or have been transferred and the UNCCD has transferred substantially all the risks and rewards of ownership.
17. The Euro Cash pool comprises participating entity shares of cash and term deposits, short-term and long-term investments and accrual of investment income, all of which are managed by the UN Treasury. UNCCD's share of the cash pool is disclosed in the notes to the financial statements and on the Statement of Financial Position. Detailed information on the holdings of the Euro Cash Pool may be obtained in the Financial Statements of the United Nations.
18. Gains or losses arising from changes in the fair value of financial instruments are included within the statement of financial performance in the period in which they arise. Gains or losses arising from a change in the fair value of the financial assets held in the Euro Cash Pool are presented in the Statement of Financial Performance in the period in which they arise as finance costs if net loss or investment revenue if net gain.
19. Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. UNCCD's receivables comprise assessed contributions receivable from member countries and other accounts receivable recognized on the Statement of Financial Position. Receivables are measured at amortized cost
taking into account a provision for impairment and an adjustment to reflect the time value of money based on the interest rate generally applicable to securities of similar maturity and currency.

### 3.3 Inventories

20. UNCCD does not maintain an inventory of tangible assets that are held for resale or consumed in the distribution in rendering of services.

### 3.4 Property, Plant and Equipment

21. Equipment with a cost above US $\$ 5,000$ is valued at historical cost less accumulated depreciation and any impairment losses. UNCCD is deemed to control equipment if it can use or otherwise benefit from the asset in the pursuit of its objectives and if UNCCD can exclude or regulate the access of third parties to the asset.

## Depreciation

22. Depreciation is calculated over their estimated useful life of equipment using the straight-line method. The estimated useful life for equipment classes are as follows:

| Class | Estimated useful life (years) |
| :--- | :---: |
| Computer Equipment | 5 |
| Communication and audio equipment | 5 |
| Furniture and fittings | 10 |
| Vehicles | 10 |
| Leasehold improvements | 10 (or lease term, whichever shorter) |

23. Impairment reviews are undertaken for all assets at least biennially and any impairment losses are recognized in the Statement of Financial Performance. The useful lives of equipment are reviewed and adjusted, if applicable.

### 3.5 Intangible Assets

24. Intangible assets are valued at historical cost less accumulated amortization and any impairment losses. Intangible assets acquired externally are capitalised if their costs exceeds the threshold of US $\$ 5,000$. Internally developed software is capitalized if its cost exceeded a threshold of USD $\$ 100,000$ excluding research and maintenance costs and including directly attributable costs such as staff assigned full time to a development projects, subcontractors and consultants.

## Amortization

25. Amortization is provided over the estimated useful life using the straight-line method. The estimated useful lives for intangible asset classes are as follows:

| Class | Estimated useful life (years) |
| :--- | :---: |
| Software acquired externally | 5 |
| Internally developed software | $3-6$ |

26. Impairment reviews are undertaken for all intangible assets at least every two years and any impairment losses are recognized in the Statement of Financial Performance.

## Liabilities

### 3.6 Employee Benefits

27. UNCCD provides the following employee benefits:

- Short-term employce benefits comprise first-time employee benefits (assignment grants), regular monthly benefits (wages, salaries, allowances), compensated absences (paid sick leave, maternity/paternity leave) and other short-term benefits (education grant, reimbursement of taxes)which fall due wholly within twelve months after the end of the accounting period in which employees render the related service;
- Post-employment benefits including ASHI, repatriation grant, separation related travel and shipping costs, accumulated annual leave on separation and death benefit; and
- Termination benefits include indemnities for voluntary redundancy payable once a plan has been formally approved.

28. The liability recognized for post-employment benefits is the present value of the defined benefit obligations at the reporting date. An independent actuary using the projected unit credit method calculates the defined benefit obligations. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-grade corporate bonds with maturity dates approximating those of the individual plans.
29. Employee benefits including payments to staff members on separation from service such as repatriation grant, accrued annual leave, repatriation travel and removal on repatriation are expensed on an accrual basis.
30. Actuarial gains and losses related to post-employment benefits for after service health insurance are recognised in the period in which they occur on the statement of changes in net assets as a separate item in net assets/equity.
31. UNCCD is a member organization participating in the United Nations Joint Staff Pension Fund (UNJSPF), which was established by the United Nations General Assembly to provide retirement, death, disability and related benefits to employces. The Pension Fund is a funded, multi-employer defined benefit plan. As specified by Article 3(b) of the Regulations of the Fund, membership in the Fund shall be open to the specialized agencies and to any other international, intergovernmental organization that participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.
32. The plan exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets, and costs to individual organizations participating in the plan. UNCCD, in line with the other participating organizations in the Fund, is not in a position to identify its share of the underlying financial position and performance of the plan with sufficient reliability for accounting purposes and hence has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 25: Employee benefits. UNCCD's contributions to the plan during the financial period are recognized as expenses in the statement of financial performance.

### 3.7 Provisions

33. Provision are made for future liabilities and charges where UNCCD has a present legal or constructive obligation as a result of past events and is probable that UNCCD will be required to settle the obligation, and the value can be reliably measured.

### 3.8 Contingent liabilities and contingent assets

34. Contingent liabilities, where their existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events that are not wholly within the control of UNCCD or where the value cannot be reliably estimated, are disclosed in the Notes to the financial statements. Contingent liabilities are evaluated continually to determine whether an outflow of resources has become probable. If an outflow becomes probable, a provision is recognized in the financial statements in the period in which probability occurs.

### 3.9 Leases

35. Leases, where the lessor retains a significant portion of the risks and rewards inherent in ownership, are classified as operating leases. Payments, made under operating leases are charged on the Statement of Financial Performance as an expense on a straight-line basis over the period of the lease.

## Revenue

### 3.10 Non-exchange Revenue and Receivables

36. Indicative contributions to the Core Budget and are recognised at the beginning of the year to which the assessment relates. The revenue amount is determined based on the approved budgets and the scale of assessment approved by the United Nations General Assembly as adopted by the Conference of the Parties.
37. Voluntary contributions are recognised upon the signing of a binding agreement with the donor. Revenue is recognised immediately if no condition is attached. If conditions are attached, including a requirement that funds not utilized in accordance with the agreement must be returned to the contributing entity, revenue is recognised only upon satisfying the conditions. Until such conditions are met a liability (deferred revenue) is recognised. Voluntary contributions such as pledges and other promised donations which are not supported by binding agreements are considered contingent assets and are recognised as revenue when received and disclosed in the Notes to the financial statements if receipt is considered probable.
38. Multi-year voluntary conditional contributions due in future financial periods are recognized as receivables on the signing of the agreement along with a liability (deferred revenue) until the conditions are met.
39. Goods in kind are recognised at their fair value, measured as of the date the donated assets are acquired. Services in kind including the use of space provided are not recognized.
40. UNCCD charges projects financed by voluntary contributions with the cost of providing programme support services. The charge is recognized as revenue in the funds performing the service and expense in the funds receiving support services and reflected in the statement of financial performance by fund. In the consolidated Statement of Financial Performance (Statement II) both programme support revenue and expense are eliminated since they represent inter-fund charges and revenue.
41. Receivables are stated at amortized cost less allowances for estimated irrecoverable amounts. A provision is established equal to $50 \%$ of assessed contributions receivable outstanding for more than 36 months and $100 \%$ of receivables outstanding for more than 48 months. A provision is established for all other receivables equal to $50 \%$ of the amount outstanding for more than 24 months and $100 \%$ for receivables outstanding for more than 36 months.

### 3.11 Exchange Revenue

42. Interest income is recognised on a time proportion basis as it accrues, taking into account the effective yield.

### 3.12 Expenses

43. Expenses arising from the purchase of goods and services are recognized when the services or goods have been received and accepted by UNCCD. Services are considered received on the date when the scrvice is certified as rendered. For some service contracts, this process may occur in stages. Balances of unliquidated obligations recognized as expenses in the Core Budget on the Statement of Budget to Actual Comparison related to services or goods not received and accepted by UNCCD at the reporting date are not recognized as expenses on the Statement of Financial Performance.
44. Savings resulting from the cancellation of expenses accrued in prior period and from instances where actual costs incurred are lower than the amount accrued in a prior period are recognized as a reduction of expense in the current period on the Statement of Financial Performance.

### 3.13 Segment Reporting

45. UNCCD is a single purpose entity with a mandate to assist the signatories of the UN Convention to Combat Desertification to the living conditions for people in drylands, to maintain and restore land and soil productivity, and to mitigate the effects of drought. Its operations, therefore, consist of a single segment. However, to provide additional information for use to senior management and Parties to the Convention supplemental disclosures are prepared on a fund accounting basis, showing at the end of the period the consolidated position of all UNCCD funds. A fund is a self balancing accounting entity established to account for the transactions of a specified purpose or objective. Fund balances represent the accumulated residual of revenue and expenses.
46. UNCCD classifies all projects, operations and fund activities into seven funds and special accounts:

- Trust fund for the Core Budget of UNCCD financed from assessed contributions (or general purpose contributions from donors),
- Trust fund for Participation of representatives of State Parties in the session of UNCCD Conference
- Trust fund for convention events organized by the UNCCD Secretariat
- Trust fund for Voluntary financing of activities under the UNCCD
- Special account for UNCCD Programme Support
- UNCCD Cost Recovery under Host Country Agreement
- Trust fund for the voluntary financing of the UNCCD Global Mechanism

47. Transactions occurring between funds are accounted for at cost and eliminated on consolidation.
48. UNCCD reports on the transactions of each fund during the financial period, and the balances held at the end of the period.

### 3.14 Budget Comparison

49. UNCCD's budget is prepared on a modified cash basis and the financial statements are prepared on an accrual basis. The budget is adopted on a biennial basis and presented in annual estimates in the financial statements. Unexpended balances at the end of the first year of the biennium are carried forward and added to the annual budget estimate for the second year of the biennium.
50. Statement V Comparison of budget and Actual Amounts compares the final budget to actual revenue and expense amounts calculated on the same basis as the corresponding approved budget.
51. As the basis used to prepare the budget and financial statements differ, Note 18 provides a reconciliation between the actual amounts presented in statement V and the actual amounts presented on the Statement of Financial Performance.
52. The COP approves the biennial Core budget of the secretariat and the Global Mechanism. The COP has delegated authority to the Executive Secretary to make transfers between each of the main appropriations lines in Statement V up to an aggregate limit of 20 percent of the total estimated expenditure for those appropriation lines subject to a further limitation of up to minus 25 per cent of each appropriation line.

## NOTE 4: First Implementation of IPSAS

53. Opening balances represent the 2013 audited Statement of Assets, Liabilities and Fund Balances which have been restated to incorporate adjustments made due to the adoption of IPSAS effective 1 January 2014.
54. The net financial impact of IPSAS adoption on opening balances amounted to an increase of USD 2.1 million as of 1 January 2014. The recognition of a provision for indicative contributions receivable amounting to USD 2.2 million are the main factors that caused a decrease in net assets.

Opening Balances Adjustment (Restatement)
(United States dollars)

|  | 31 December 2013 (audited) | Adjustments required by transition to IPSAS | 1 January 2014 (restated) |
| :---: | :---: | :---: | :---: |
| ASSETS |  |  |  |
| Current Assets |  |  |  |
| Cash and cash equivalents | 15280816 | (9417665) | 5863151 |
| Short-term investments | - | 4691614 | 4691614 |
| Assessed contributions receivable | 4007644 | (2 195886 ) | 1811758 |
| Other receivables | 341547 | ( 250138 ) | 91409 |
| Inventory | - | - | - - |
| Other current assets | 684899 | 224855 | 909754 |
| Total current ass ets | 20314906 | (6947220) | 13367686 |
| Non current assets |  |  |  |
| Intangible assets | - | 103225 | 103225 |
| Long-term investments | - | 4726052 | 4726052 |
| Other non-current asset | - | - | - |
| Total Non-current assets | - | 4829277 | 4829277 |
| TOTAL ASSETS | 20314906 | (2117943) | 18196963 |
|  |  | ... |  |
| LIABILITIES |  |  |  |
| Current liabilities |  |  |  |
| Payables and accruals | 374329 | 950624 | 1324953 |
| Advance receipts | 387650 | 248244 | 635894 |
| Unliquidated obligations | 1765217 | (. 1765217 ) | - |
| Employee benefits | - | 201916 | 201916 |
| Provisions | - | - | - |
| Other current liabilities | - | - | - |
| Total current liabilities | 2527196 | ( 364433 ) | 2162763 |
| Non-current liabilities |  |  |  |
|  |  |  |  |
| Employee benetits payable | 12091000 | 26550 | 12117550 |
| Provisions | - | - | - |
| Total Non current liabilities | 12091000 | 26550 | 12117550 |
| TOTAL LIABILITIES | 14618196 | (337 883) | 14280313 |
|  |  |  |  |
| EQUTTY |  |  |  |
| Accumulated surpluses/(deficits) | 3744455 | (1780060) | 1964395 |
| Reserves | 1952255 | - | 1952255 |
| TOTAL EQUITY | 5696710 | (1780060) | 3916650 |
| TOTAL LIABILITIES AND NET ASSETS/EQUITY | 20314906 | (2117943) | 18196963 |

- Other current assets include Travel Advance, Education Grant Advance, Interfund billings, travel, UNDP service clearing accounts, salary advance and third party advance less provisions.

55. The main adjustments to opening balances pertain to the adoption of IPSAS are:

- reclassification of accumulated surplus/deficit;
- Recognition of employee benefit liabilities related to death benefits, education grants, home leave and tax reimbursements
- establishment of a provision for a assessed contribution doubtful accounts;
- deferral of revenue from conditional voluntary contributions;
- adjustment of capitalisation of equipment and intangible assets (externally acquired software);


## Note 5 - Financial Risk and Instruments

### 5.1 Financial risk factors

56. UNCCD's operations may expose it to a variety of tinancial risks: market risk (including foreign exchange risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

### 5.2 Market risk

## (a) Foreign exchange risk

57. UNCCD operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the euro. Foreign exchange risk arises from operating revenue and expenses and recognized assets and liabilities. Management requires that the Organization manage its currency risk against its functional currency by structuring contributions from its owner organizations to correspond to the euro which is the foreign currency needed for operational purposes. Expenditure controls are also established to ensure that the total expenses incurred in connection with projects financed from voluntary contributions do not exceed the US dollar value of the contribution at the date of receipt.
58. As of 31 December 2014, if the US dollar had weakened/strengthened by $5 \%$ against the euro with all other variables held constant, net financial instruments for the year would have been US $\$ 1.025$ million higher/lower, mainly as a result of foreign exchange gains/losses on translation of euro denominated receivables.

## (b) Price risk

59. The Organization may be exposed to price risk because of investments held in the Euro cash pool which are classified in the Statement of Financial Position at fair value through surplus or deficit. The share of any realized loss or gain on the Organization's holdings in the Euro cash pool is recognized in surplus or deficit.
60. Fixed-rate cash and cash equivalents and investments are the Organization's interest bearing financial instruments. As at the reporting date, the Euro Pool invested primarily in securities with shorter terms to maturity, with the maximum being less than five years. The average duration of the Euro Pool was 0.22 years, which is considered to be an indicator of low risk.

## Euro Pool interest rate risk sensitivity analysis

61. This analysis shows how the fair value of the Euro Pool as at the reporting date would increase or decrease should the overall yield curve shift in response to changes in interest rates. $\Lambda$ s these investments are accounted for at fair value through surplus and deficit, the change in fair value represents the increase/decrease of the surplus or deficit and Net

Assets. The impact of a shift up or down of up to 200 basis points in the yield curve is shown ( 100 basis points equals one per cent). These basis point shifts are illustrative.
Euro Pool interest rate risk sensitivity analysis as at 31 December 2014

## Shift in yield curve

| Shift in yield curve |  |  |  |  |  |  |  |  |  |
| :--- | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Basis points | -200 | -150 | -100 | -50 | 0 | 50 | 100 | 150 | 200 |
| Increase / (decrease) in fair value | (Millions of USD): |  |  |  |  |  |  |  |  |
| Ecuro Pool | 0.6 | 0.5 | 0.4 | 0.1 | - | $(0.1)$ | $(0.3)$ | $(0.5)$ | $(0.6)$ |

## Other market price risk

62. The Euro Pool is not exposed to significant other price risk, as it does not sell short, borrow securities, or purchase securities on margin, which limits the potential loss of capital.
Accounting classifications and fair value - Euro Pool

### 5.3 Credit risk

63. Credit risk refers to the risk that counterparty to a financial instrument will default on its contractual obligations resulting in a financial loss to the Organization. The carrying value of financial assets equates to the maximum exposure to credit risk as at balance date. The Organization does not hold any collateral as security.

## OAH cash pool related credit risk disclosures

64. In addition to directly held cash, the UNCCD participates in the United Nations Cash Pools. Pooling the funds has a positive effect on overall investment performance and risk, because of economies of scale, and by the ability to spread yield curve exposures across a range of maturities. The allocation of Cash Pools assets (cash and cash equivalents, short-term investments and long-term investments) and income is based on each participating entity's principal balance. The carrying value of investments carried at fair value through surplus and deficit is fair value. For cash and cash equivalents, carrying value is a fair approximation of fair value.
65. UNCCD participates only in the Euro Cash Pool, which comprises investments in Euro currency. The pool participants are mostly Offices of the United Nations Secretariat away from Headquarters (OAH) who may have surplus of Euros from their operations. At 31 December 2014, the Euro Pool held total assets of $\$ 146$ million. Of this amount, $\$ 18.6$ million or $12.7 \%$ was due to the UNCCD.

66. The net income to UNCCD from the Euro Pool was $\$ 2.2$ million; the net loss was due to a $\$ 2.2$ million foreign exchange loss relating to the Euro currency weakening against the United States dollar. Of this amount approximately $12.7 \%$ is reflected as investment income and exchange gain (loss) on UNCCD's financial statement.

## Summary of net income and expenses of the Euro Pool

(United States dollars)

|  | Euro Pool |
| :--- | ---: |
| Investment revenue | 132 |
| Financial exchange gains/(losses) | $(14396)$ |
| Unrealised gains/(losses) | 9 |
| Bank fees | $(2)$ |
| Net income from Euro Pool | $(14257)$ |

## Financial risk management

67. United Nations Treasury is responsible for investment and risk management for the Euro Pool including conducting investment activities in accordance with the Guidelines. The investment management objectives are to preserve capital and ensure sufficient liquidity to meet operating cash requirements while attaining a competitive market rate of return. Investment quality, safety and liquidity are emphasized over the market rate of return component of the
objectives. An Investment Committee periodically evaluates investment performance and assesses compliance with the Guidelines and makes recommendations for updates thereto.

## Financial risk management: credit risk

68. The Guidelines require ongoing monitoring of issuer and counterparty credit ratings. Permissible investments may include, but are not restricted to, bank deposits, commercial paper, supranational securities, government agency securities and government securities with maturities of five years or less. The Euro Pool does not invest in derivative instruments such as asset-backed and mortgage-backed securities or equity products.
69. The Guidelines require that investments not be made in issuers whose credit ratings are below specifications, and also provide for maximum concentrations with given issuers. These requirements were met at the time the investments were made.
70. The credit ratings used are those determined by major credit-rating agencies: Standard \& Poor's, Moody's and Fitch are used to rate bonds and discounted instruments, and the Fitch viability rating is used to rate bank term deposits. At the year-end the credit ratings were:

Investments of the Euro Pool by credit ratings as at 31 December 2014
(Thousands of United States dollars)

| Euro Pool | Ratings |
| :--- | ---: |
| Bonds | S\&P: $100 \% \mathrm{AA}+$; Moody's: $100 \%$ Aaa; Fitch: $100 \%$ not rated |
| Term deposits | Fitch: $22.1 \%$ aa- and $77.9 \% \mathrm{a}+/ \mathrm{a} / \mathrm{a}-$ |
| Total investments |  |

71. UN Treasury actively monitors credit ratings and given that the Organization has invested only in securities with high credit ratings, management does not expect any counterparty to fail to meet its obligations, except for any impaired investments.

## Financial risk management: liquidity risk

## Other credit risk disclosures

72. Indicative contributions from governments representing the signatories of the Convention comprise the majority of the Organization's contributions receivable. Credit risk is considered minimal since the donors are sovereign entities.

## Liquidity risk

73. Cash flow forecasting is performed by the Organization in conjunction with the United Nations Office at Geneva (UNOG) which monitors rolling forecasts of liquidity requirements to ensure it has sufficient cash to meet operational needs. There are no restrictions on the amount that UNCCD may withdraw at any time after providing the UN Treasury with seven days' notice.

## OAH cash pool related liquidity risk disclosures

74. Surplus cash held by the Organization over and above the balance required for working capital management is transferred to the Euro cash pool managed by the UN Treasury. The Euro Pool is exposed to liquidity risk associated with the requirement of participants to make withdrawals on short notice. It maintains sufficient cash and marketable securities to meet participants' commitments as and when they fall due. The major portion of cash and cash equivalents and investments are available within one day's notice to support operational requirements. The Euro Pool liquidity risk is therefore considered to be low.

## Financial Instruments

(United States dollars)

| . | 2014 | $\begin{gathered} \hline 1 \text { January } 2014 \\ \text { (restated) } \end{gathered}$ |
| :---: | :---: | :---: |
| Cash and cash equivalents at fair value through surplus and deficit | 6218643 | 5863151 |
| Short-term investments at fair value through surplus and deficit | 12361538 | 4691614 |
| Long-term investments at fair value through surplus and deficit |  | 4726052 |
| Accounts Receivable at amortized cost | 2048633 | 1903167 |
| Accounts Payable at amortized cost | (141836) | (440328) |
| Total net financial instruments | 20486978 | 1674365 |

75. The carrying amounts of the indicative contributions receivable are denominated in euros
76. The age of contributions receivables at the reporting date are as follows.
(United States dollars)


## Note 6: Cash, Cash EquivaIents and Investments

(United States dollars)

|  | 2014 | 1 Samuary 2014 (restated) |
| :--- | ---: | ---: |
| Cash at bank and on hand | 5521 | 6856 |
| Cash and cash equivalents held in OAH Euro dollar | $\underline{6213122}$ | $\underline{5856295}$ |
| Cash Pool | 6218643 | 5863151 |
| Total cash | $\underline{12361538}$ | 4691614 |
| Short-term investments | 18580181 | $\mathbf{1 0 5 5 4 7 6 5}$ |
| Total current cash and short-term investments | - | 4726052 |
| Long-term investments | $\mathbf{1 8 5 8 0 1 8 1}$ | $\mathbf{1 5 2 8 0 8 1 7}$ |
| Total cash and investments |  |  |

77. Most of UNCCD cash forms part of the Euro cash pool that is maintained and managed by the UN Treasury. The Euro cash pool comprises UNCCD's participating share of cash and term deposits, short term and long term investments and accrual of investment income all of which are managed in the pool.

## Note 7: Accounts receivable

| Accounts receivable | 2014 | 1 January 2014 (restated) |
| :--- | ---: | ---: |
| Assessed Contributions due from Parties to the <br> Convention (Non-exchange transactions) (in US <br> dollars) |  |  |
| $\quad$ Current | 3804779 |  |
| $\quad$ Less provision for doubtful debts | $(1894426)$ | 4007644 |
| Sub-total indicative contributions | $\mathbf{1 9 1 0 3 5 3}$ | $\mathbf{1 8 1 1 7 5 8}$ |

78. Assessed contributions reflect the contributions receivable from Parties to the Convention to fund the Core Budget in accordance with the Financial Rules adopted by the COP.
79. Other receivables represent amounts invoiced for taxes reimbursable under the headquarters agreement with the host government.

| Other receivables (in US dollars) | 2014 | 1 January 2014 <br> (restated) |
| :--- | ---: | ---: |
| VAT | 29262 | 58275 |
| Cost sharing IBRD | 1480 | 33134 |
| Contributions - conference participation trust <br> fund | 21 | 1480 |
| Other receivables (exchange transactions) | 109018 | 21 |
| Funds held by South Pacific Islands Nations <br> and Secretariat of the Pacific Community | $(1501)$ | (1501) |
| Less provision for doubtful debts | 138280 | 91409 |
| Sub-total |  |  |

80. Provisions have been established covering assessed contributions receivable and other receivables equal to $50 \%$ of amounts outstanding for more than three but less than four years and $100 \%$ of amounts outstanding for more than four years.

## Note 8: Other current assets

81. Other current assets consist of the following:
(United States dollars)

|  | 2014 | 1 January 2014 <br> (restated) |
| :--- | ---: | ---: |
| Other current assets (in US dollars) |  | 7408 |
| Travel advance | 13730 | 21103 |
| Education grant advance | 129440 | 0 |
| Interfiud billings | 75744 | 1776838 |
| Project clearing account | - | 16733 |
| Salary advance | - | 994 |
| UNDP Remittances net of charges | 933 | 933 |
| Imprest replenishment clearing | 13509 | - |
| Other | 9714 | 9714 |
| Third party advance | $(9714)$ | $(9714)$ |
| Less provision for doubtful advance | 233356 | 909754 |
| Total other current assets |  |  |
|  |  |  |

## Note 9: Intangibles


82. UNCCD has utilized the transition provision in PPSAS-31. Intangible assets and the value of intangibles assets has been recognized prospectively beginning with costs incurred on or after 1 January 2014.

## Note 10: Payables and Accruals

83. Payables to vendors relate to amounts due for goods received and services rendered payment had not been completed.
84. Education grant payables represent the portion of education grants earned by eligible staff at the reporting date.
85. Accruals are liabilities for goods and services that have been received or provided to UNCCD during the year and which have not been invoiced by suppliers.

## Note 11: Advance receipts and deferred revenue

(United States dollars)

|  | 2014 | I.January 2014 <br> (restated) |
| :--- | ---: | ---: |
| Conditional voluntary contributions | 241998 | 248244 |
| Fund due to the Government of the Bolivarian <br> Republic of Venezuela | 969699 | - |
| Indicative contributions received in advance | 1170787 | 387650 |
| Total advance receipts | $\mathbf{2 3 8 2 4 8 4}$ | 635894 |

86. UNCCD recognizes a liability in cases where conditions are attached to voluntary contributions. Conditions are imposed by donors on the use of contributions, and include both an obligation to use the donation in a specified manner and an obligation to return any amount not expended in accordance with performance specified by the donation. The amount recognised as a liability is the best estimate of the amount that would be required to settle the obligation at the reporting date. As UNCCD satisfies the conditions on voluntary contributions through performance in the specified manner, the carrying amount of the liability is reduced and an amount of revenue equal to that reduction is recognised.
87. Assessed contributions received in advance cover amounts received before the due date as established by the Financial Regulations.

## Note 12: Employee Benefits

88. The employee benefit liabilities outstanding at the reporting date are as follows:
(United States dollars)

89. The methodology for estimating the amounts of each liability is as follows:

## Short term benefits:

Education grant: Internationally recruited staff members are eligible for partial reimbursement of the amounts paid for the education of dependent children up to maximum allowances established by the International Civil Service Commission (ICSC). The liability relates to the amount earned but not claimed at the reporting date

Home leave: Non-locally recruited UNCCD staffs are entitled to reimbursement for the costs of travel to their home country in the second year after their initial appointment and thereafter, every second year. The liability recorded has been calculated proportionately reflecting the number of months of home leave entitlement earned by officials since their last entitlement at the reporting date.

US taxes: American citizens that are officials of UNCCD are reimbursed for the amount of income taxes payable on the compensation they earn from the Organization.

## Post-employment benefits

Anmual leave: In accordance with UN Staff Rules and Staff Regulations, UNCCD staff may accumulate annual leave of up to 60 working days which is payable on separation from service.

Repatriation grant and travel: In accordance with UN Staff Rules and Staff Regulations, non-locally recruited UNCCD staff are entitled to a grant calculated based on length of services and family status on separation from service if they have completed at least one year of service outside their home country. In addition, non-locally recruited UNCCD staff are entitled to reimbursement of travel and transport of personal effects on separation for themselves, their spouse and their dependent children.

After Service Health Insurance (ASHI): Staff members (and their spouses, dependent children and survivors) retiring from service at the age of 55 or later are eligible for ASHI coverage if they have contributory health insurance coverage prior to retirement for at least five years of service for staff hired before 1 July 2007 and ten years of service for staff hired after 1 July 2007. Staffs hired before 1 July 2007 who retire with less than ten years but more than 5 years of covered receive unsubsidized coverage until enrolled for 10 years at which time the coverage is subsidized. UNCCD's liability for ASHI is calculated as the residual liability after deducting contributions from retirees and a portion of the contribution from active staff. For 2014, the gross liability was calculated by the actuary as $\$ 14,776,000$ net of contributions from plan participants ( $\$ 10,090,000$ at 31 December 2013).
90. An actuarial valuation at 31 December 2013 was utilized for the calculation of the opening balance liabilities for after-service health insurance, repatriation grants and travel, accumulated leave and death benefits. An actuarial valuation at 31 December 2014 has been utilized to determine the UNCCD's estimated liability and expenses recognized on the Statement of Financial Performance for repatriation grants and travel, death benefit, accumulated leave and after-service health insurance at the reporting date.
91. Each year, the UNCCD reviews and selects assumptions and methods that will be used by the actuaries in the valuation to determine the expense and contribution requirements for the UNCCD's after-service medical care plans and separation benefit plans. The discount rate is determined by calculating the expected benefit payments for each future year attributable to past service as of the valuation date and then discounting these benefit payments using spot
rates for high quality corporate bonds. A single equivalent discount rate was then determined that resulted in the same past service obligation. The resulting single discount rate was rounded to the nearest $1 / 2$ basis point.
92. The following assumptions and methods have been used to determine the value of after-service medical care liabilities for the UNCCD at 31 December 2013 and at 31 December 2014.

93. The effect of a one percent change in the health care trend rate on UNCCD's defined benefit obligation for ASHI for 2014 is as follows:
(United States dollars)

| Impact of change in medical trend rate | Change | After service health <br> insurance |
| :--- | ---: | ---: |
| (in thousands of US dollars) | $1 \%$ | 4318.0 |
| On total defined benefit obligation | $-1 \%$ | - |
|  |  |  |
| On current service cost and interest cost component of |  | 3197.0 |
| liability | $1 \%$ |  |
|  | $-1 \%$ | - |

94. The liabilities established for defined benefit obligations and the net service costs for 2014 are as follows:
(Thousands of United States dollars)

|  | ASHI | Repatriation Grant \& Travel | Anmual Leave | Death Benefft |
| :---: | :---: | :---: | :---: | :---: |
| Reconciliation of defined benefit obligation |  |  |  |  |
| Defined benefit obligation, beginning of year | 10090.0 | 1386.0 | 615.0 | 22.0 |
| Adjustment to opening balance to reflect change in valuation methodology recognized in net assets | - - | - | 13.0 | 3.0 |
| Sub total adjusted opening balance | 10090.0 | 1386.0 | 628.0 | 25.0 |
| Current service cost | 868.0 | 99.0 | 115.0 | 1.0 |
| Interest cost | 199.0 | 49.0 | 22.0 | 1.0 |
| Benefits paid (net of participant contribution) | (71.0) | (179.0) | (156.0) | (3.0) |
| Liability (gain)/loss duc to actuarial assumptions and experience recognised in net assets | 3690.0 | 37.0 | 43.0 | 1.0 |
| Total liability recognized on Statement of Financial Position | 14776.0 | 1392.0 | 652.0 | 25.0 |
| Annual expense for calendar ycar |  |  |  |  |
| Current service cost | 868.0 | 99.0 | 115.0 | 1.0 |
| Interest cost | 199.0 | 49.0 | 22.0 | 1.0 |
| Benefits paid (net of participant contribution) | (71.0) | (179.0) | (156.0) | (3.0) |
| Total (charge)/credit recognized on statement of financial performance | 996.0 | (31.0) | (19.0) | (1.0) |
| Estimated benefiit payments net of participant contributions payable in 2015 | 82.0 | 148.0 | 115.0 | 3.0 |
| Cumulative amount of actuarial (gain)//oss recognized in net assets |  |  |  |  |
| Amount at beginning of year | - | - - | - | - |
| Adjustment to opening balance to reflect change in valuation methodology recognized in net assets | - | - | 13.0 | 3.0 |
| Liability (gain)/loss due to actuarial assumptions and experience recognised in net assets | 3690.0 | 37.0 | 43.0 | 1.0 |
| Total portion of cumulative liability recognized in net assets at end of year | 3690.0 | 37.0 | 56.0 | 4.0 |

95. Comparative information on defined benefit obligations for the current year and four previous years is as follows:
(Thousands of United States dollars)

| Historical Information <br> Present value of liability <br> for defmed benefit <br> obligations at 31 December | 2014 | 2013 | 2012 | 2011 | 2009 (Note 1) |
| :--- | ---: | ---: | ---: | ---: | ---: | ---: |
| After service health <br> insurance | 14776.0 | 10090.0 | 8348.0 | 7665.0 | 4153.0 |
| Repatriation grant and <br> travel | 1392.0 | 1386.0 | 979.0 | 944.0 | 600.0 |
| Annual leave | 652.0 | 615.0 | 360.0 | 336.0 | 358.0 |
| Death benefit | $\underline{25.0}$ | $\underline{22.0}$ | $\underline{28.0}$ | $=$ |  |
| Total | 16845.0 | 12113.0 | 9715.0 | 8945.0 | 5111.0 |

Note 1 - actuarial valuations calculated on biennially through 2011
96. Under IPSAS-25: Employee benefits, the liabilities for ASHI, repatriation grant and travel, death benefit and accumulated leave are considered unfunded and, therefore, no fair value of plan assets has been recognized and the entire ASHI liability is recognized as a liability of the UNCCD.
97. Beginning in 2014 with the adoption of IPSAS, interest cost and current service cost related to the defined benefit obligation for ASHI liability, repatriation grant and travel, death benefits and accumulated leave are recognized on the statement of financial performance as a component of staff costs. Actuarial gains or losses for the ASHI defined benefits plan results from changes in actuarial assumptions or experience adjustments including experience adjustments are directly recognized in the consolidated statement of changes in net assets. Actuarial adjustments for other long-term benefits including repatriation grants, death benefits and accumulated leave are recognized directly in the Statement of Financial Performance. The balance of each provision is reviewed annually and adjusted to reflect actual experience.
98. Short-term employee benetit liabilities for education grants and home leave are recognized at an undiscounted amount. Short-term compensated absences are recognized, as employees earn their entitlement to future compensated absences through rendering a service to the UNCCD. For non-accumulating compensating absences an expense is recognized when the absence occurs.

## United Nations Joint Staff Pension fund

99. The Pension Fund's Regulations state that the Pension Board shall have an actuarial valuation made of the Fund at least once every three years by the Consulting Actuary. The practice of the Pension Board has been to carry out an actuarial valuation every two years using the Open Group Aggregate Method. The primary purpose of the actuarial valuation is to determine whether the current and estimated future assets of the Pension Fund will be sufficient to meet its liabilities.
100. UNCCD's financial obligation to the UNISPF consists of its mandated contribution, at the rate established by the

United Nations General Assembly (currently at $7.9 \%$ for participants and $15.8 \%$ for member organizations) together with any share of any actuarial deficiency payments under Article 26 of the Regulations of the Pension Fund. Such deficiency payments are only payable if and when the United Nations General Assembly has invoked the provision of Article 26 , following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Pension Fund as of the valuation date. Each member organization shall contribute to this deficiency an amount proportionate to the total contributions that each paid during the three years preceding the valuation date.
101. The latest actuarial valuation was performed as of 31 December 2013. The valuation revealed an actuarial deficit of $0.72 \%$ ( $1.87 \%$ in the 2011 valuation) of pensionable remuneration, implying that the theoretical contribution rate required to achieve balance as of 31 December 2013 was $24.42 \%$ of pensionable remuneration, compared to the actual contribution rate of $23.7 \%$. The actuarial deficit was primarily attributable to the lower than expected investment experience in recent years.
102. At 31 December 2013, the funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, was $127.5 \%$ ( $130 \%$ in the 2011 valuation). The funded ratio was $91.2 \%$ ( $86 \%$ in the 2011 valuation) when the current system of pension adjustments was taken into account.
103. In December 2012 and April 2013 the General Assembly authorized an increase to age 65 in the normal retirement age and in the mandatory age of separation respectively for new participants of the Fund with effect not later than 1 January 2014. The related change to the Pension Fund's Regulations was approved by the General Assembly in December 2013. The increase in the normal retirement age is reflected in the actuarial valuation of the fund as of 31 December 2013.
104. During 2014, contributions paid to UNJSPF amounted to USD 1,086,092. Expected contributions due in 2015 are 1.1 million.
105. The United Nations Board of Auditors carries out an annual audit of the UNJSPF and reports to the UNJSPF Pension Board on the audit every year. The UNJSPF publishes quarterly reports on its investments and these can be viewed by visiting the UNJSPF at www.unjspf.org.

## Note 13: Other current liabilities

(United States dollars)

|  | 2014 | 1 January 2014 <br> (restated) |
| :--- | ---: | ---: |
| Provisions | 48781 | - |
| Inter-fund balances | 1874437 | - |
| Total provisions | 1923218 | - |

106. A provision has been established relating to legal claims and claims before the Administrative Tribunal of the International Labour Organization (ILO) responsible for hearing claims presented by present and former employees of
the Global Mechanism during the period the Global Mechanism was administered by IFAD. The amount provided represents the actual award issued by the Tribunal.
107. Other current liabilities include the net amount of interfund balances due to and from each of the funds administered by UNCCD to the United Nations and other entities within the United Nations system at the reporting date. In 2013 the balance represented an amount due from the United Nations and is included in other current assets.

## Note 14: Revenue

108. Indicative contributions are funds received from Parties to the Convention toward funding the Core Budget based on the United Nations scale of assessment. The contributions are based on a biennium budget adjusted for changes in exchange rates and post adjustments and are recognized as of the first day of the year to which they relate. Indicative contributions are considered to be without conditions.
109. Voluntary contributions are recognised as revenue at the point of signature except where such agreement contains a condition in which case recognition as revenue is deferred until the conditions specified in the donor agreement have been satisfied.
110. Program Support Revenue is charged in line with the UN financial procedures, where UNCCD charges a standard programme support cost of $13 \%$ on technical cooperation financed activities and $12 \%$ for Associate Experts.
Programme support revenue and matching expense is eliminated in the financial statements since they represent interfund charges and revenue.
111. Exchange differences represent gains realized on transactions occurring in currencies other than US dollars and unrealized losses resulting from revaluation of monetary assets.

## Note 15: Expenses

112. Employee salaries, allowances and benefits are for all international and national staff expenses such as salaries, post adjustments, entitlements, pension and health plan contributions for professional and general service category staff. It also includes temporary staff expenses such as costs relating to the employment of temporaries and supernumeraries.
113. Non-employee compensation and allowances cover the cost of contracting with individual experts and consultants, including insurances and travel expenses.
114. Travel covers the cost of airfare and other transport cost, daily support allowances and terminal allowances. (United States dollars)

|  | 2014 <br> USD |
| :--- | ---: |
| Other operating expenses | 81266 |
| Bank Charges | 2114134 |
| Communications Utilities | 20979 |
| Contracted services | 595540 |
| Insurance | 17129 |
| Joint activitics | 437 |
| Maintenance | 87348 |
| Foreign exchange loss | 9513 |
| Shared services | 29252 |
| Rental | 22246 |
| Shipping | 6228 |
| Hospitality and official functions | 58012 |
| Others | 3042082 |
| Total Other Operating Expenses |  |

115. Fellowship grants are made to individuals to attend educational institutions, seminars and workshops to carry out the mandates contained in the Convention.
116. Exchange revaluation differences represent losses realized on transactions occurring in currencies other than US dollars and unrealized losses resulting from revaluation of monetary assets.

## Note 16: Reserves

117. A working capital reserve has been established for the Core Budget as part of the adoption of the budget by the COP along with operating reserves established for the Trust Fund for Voluntary Financing, Trust Fund for participation of State Parties in the Conference and Special Account for Programme Support. The total reserves at the reporting date totalled USD 2.0 million (USD 2.0 million at the opening balance date of 01 January 2014).

## Note 17: Budget Comparison and Reconciliation

118. UNCCD's budget is prepared on a modified cash accounting basis and the financial statements are prepared on a full accrual basis in accordance with IPSAS. On statement V, the budget has been adopted on a biennial basis and divided into annual amounts for presentation in the financial statement. Comparison of budget and actual amounts compares the final budget to actual amounts calculated on the same basis as the corresponding budgetary appropriations. The comparison is only made in respect of budgets adopted by the COP
119. The actual amounts presented on a comparable basis to the budget are not prepared on a comparable basis to the Statement of Financial Performance. A reconciliation of the budgetary amounts to the amounts presented on the financial statements, identifying separately any basis, entity differences. There may also be differences in formats and classification schemes adopted for presentation of financial statements and the budget.

Presentation differences are differences in the format and classification schemes in the Statement of Financial Performance which includes both revenue and expense and the Statement of Comparison of Budget and Actual Amounts which includes only revenuc.

Basis differences capture the differences resulting from preparing the budget on a modified cash basis. In order to reconcile the budgetary results to the net results on an IPSAS basis the non-cash elements such as unliquidated obligations, payments against prior year obligations and outstanding assessed contributions are included as basis differences.

Entity differences represent funds other than Core budget, contingency budget for conference servicing and the Resource requirements for the transferring the Global Mechanism to Bonn that are reported in the Statement of Financial Performance.
120. The reconciliation between the actual amounts presented in statement V , and the actual amounts presented on the Statement of Financial Performance is as follows:
(United States dollars)

| Reconciliation of net result on budgetary and IPSAS basis | Operations <br> (in | Investing <br> in United States dollars | Total |
| :---: | :---: | :---: | :---: |
| Actual net result on the Statement of budgets to actual comparison |  |  |  |
| Core Budget (UXA) Revenue | 10604482 | - | 10604482 |
| Statement V Corc Budget (UXA) expense on budgetary bas is | 8298245 | - | 8298245 |
| Global mechanism cost of move to Bonn | 421655 |  | 421655 |
| Core Budget (UXA) Expense | 8719900 |  | 8719900 |
| Core Budget (UXA) Actual net result on budgetary basis | 1884581 | - | 1884581 |
| Basis differences |  |  |  |
| Miscellaneous revenue not included in budget | 14019 |  | 14019 |
| Capitalization of equipment \& intangible assets | (39 428) | - | (39428) |
| Unliquidated obligations included in budgeted expense | 73323 | - | 73323 |
| Changes in provision for doubtful debts | 301460 | - | 301460 |
| Mark investments to market | 2199 | - | 2199 |
| Exchange loss | (1255 710). | - - | (1255 710) |
| Cancellation of prior period obligations | 300814 | , | 300814 |
| Expense education grant earned |  | - | - |
| Prior period obligations delivered in 2014 | (885 019) | - | (885 019) |
| Changes in employee benefit provisions | (616530) | - | (616530) |
| Sub-total presentation differences | (2 104872 ) | - | (2 104872 ) |
|  |  |  |  |
| Full accrual based net result for Core Budget | (220 291) | - | (220291) |
|  |  |  |  |
| Entity differences on IPSAS Basis |  |  |  |
| Global Mechanism (GMZ) | (1501291) | - | (1501 291) |
| Participation in UNCCD COP Sessions (UVA) | (39 902) | - | ( 39902 ) |
| Convention events organized by Secretariat (BMA) | 160616 | , | 160616 |
| Programme support costs (ZQA) | (955 862) | - - | (955 862) |
| Cost Recovery under host country agreement (ZHC) | 14648 | , | 14648 |
| Voluntary Fmancing of activities (UWA) | 1507493 | - | 1507493 |
| Sub-total entity differences | (814 298) | ) | (814298) |
| Actual net result on the Statement of Financial Performance | (1034 589) | - - | (1034 589) |

## Note 18: Budget to Actual variance analysis

121. Explanations of material differences between the original budget and final budget, and final budget and the actual amounts are presented in the statement from the Executive Secretary accompanying these statements.

## Note 19: Related Parties

122. The key management personnel of UNCCD are the Executive Secretary, Deputy Executive Secretary and Coordinators of major organizational units, who have the authority and responsibility for planning, directing and controlling the activities of UNCCD and influencing its strategic direction.
123. Key management remuneration

| (United States dollars) |  |  |
| :--- | ---: | ---: |
|  | Number of Individuals ffill <br> time equivalents) | Aggregate Remuneration |

124. The aggregate remuneration paid to key management personnel includes gross salaries, post adjustment, entitlements, assignments and other grant, rental subsidy, personal effects shipment costs, income tax reimbursement, employer contributions to pension plan and current health insurance contributions. Key management personnel are also qualified for post-employment benefits which are payable only upon separation.
125. Key management personnel are ordinary members of the United Nations Joint Staff Pension Fund (UNJSPF).
126. Advances are those made against entitlements in accordance with the staff rules and regulations. There were no loans granted to key management personnel.
127. Except otherwise noted in these statements for revenue from non-exchange transactions including contributions in kind, all transactions made with 3rd parties occur within a normal supplier or client/recipient relationship or at arm's length terms and conditions.
128. The charges paid to the United Nations (UN Office at Geneva - UNOG) for services related to security, payroll, treasury and other services are considered to be provided on a normal supplier basis. The United Nations Secretariat also provides support services on a normal supplier basis such as translation and editing of documents related to the meetings of the Conference of Parties to the Organization. In addition, the United Nations Volunteers (UNV) is responsible for the management of the building occupied by UNCCD in Bonn, Germany. UNV charges UNCCD for the costs of space occupancy and security services on a normal supplier basis.
129. The authority to establish funds is vested in the Secretary General of the United Nations with the approval of the Conference of the Parties. All such funds must be consistent with the objectives of the UN Convention to Combat Desertification. The termination of any existing fund by the Conference of the Parties and the distribution of any remaining fund balance is subject to consultation with the Secretary General of the United Nations.
130. The Organization reimburses the United Nations for the cost of all services provided at such rates as may from time to time be agreed upon for that purpose by both organizations.

## Note 20: Leases and commitments and Contingencies

131. UNCCD has operating leases for photocopiers, water coolers, data and telecommunications equipment and outsourced computer services. The leases for photocopiers provide for the payment of costs per copy made above a maximum monthly amount, the leases for the water coolers for water supplies and for computer services provide for special services charged on an as needed basis. These additional charges are considered contingent rents and are not included in the minimum lease payments disclosed below.
132. The minimum lease payments under non-cancellable property leases are shown below:
(United States dollars)

| Equipment Non-cancellable leases | 2014 | 1 January 2014 <br> (restated) |
| :--- | ---: | ---: |
|  | 10320 | 41280 |
| No later than one year | $\mathbf{1 0 3 2 0}$ | $\mathbf{4 1 2 8 0}$ |
| Total Equipment Leases |  |  |

133. UNCCD has no outstanding leases qualifying as finance leases at the reporting date. Lease payments recognised as expense in the period are USD 62,461 .
134. Other commitments relate to the acquisition of goods and services contracted for, but not delivered, as at 31 December 2014 amount to USD 591,175.

## Note 21: Contingent assets and contingent liabilities

135. There are contingent assets of $\$ 351,000$ which relate to pledges of voluntary contributions made by various donors to UNCCD. It is probable that the formal pledge will be received within the coming 12 months.
136. IFAD which had administered the Global Mechanism until 30 September 2013 indicated that it had placed a restriction on funds it was holding in an escrow account pending resolution of actions taken to the ILO Administrative Tribunal by Global Mechanism staff. These actions were resolved by the Tribunal in decisions made at its $119^{\text {th }}$ Session in February of 2015 and IFAD has indicated in writing to UNCCD that the restriction will be lifted and the funds returned to UNCCD. However, IFAD has retained a portion of the funds to cover any potential liability resulting from the appeal by one of the staff members against the ILO Administrative Tribunal's decision. Since the basis of the appeal and the potential of its success are unknown at the date of filing these statements, insufficient information is available to estimate any potential outflow of resources. There are no other contingent liabilities arising from legal actions and claims that are likely to result in a significant liability to UNCCD.

## Note 22: Events after the reporting date

137. UNCCD's reporting date is 31 December 2014. The financial statements were authorized for issuc on 31 March 2015, the date at which they were submitted to the External Auditor by the Executive Secretary. After the reporting date on 11 February 2015 the International Labour Organization Administrative Tribunal issued judgements on two cases related to staff of the Global Mechanism providing for the payment to the staff of a total of EUR 40,000 (USD 45,790).

This amount will be charged against a provision of USD 48,780 included in 2014 liabilities. In March 2015, the balance in the escrow account held by IFAD of USD 3.3 million was paid to UNCCD excluding a contingency reserve to cover any contingent liabilities as discussed above. IFAD is also holding an amount of USD 355,000 related to travel and other advances. IFAD had retained $\$ 0.77$ million representing net payable due to IFAD without details, which will be included in the audit of Global Mechanism to be conducted by the external auditing firm.
138. In 2014, the secretariat took steps to close a multi-year project funded by a voluntary contribution from the Bolivarian Republic of Venezuela. All participating countries in the project were informed of the closure and action taken to reconcile their respective financial reports. The funds held by the participating countries in the amount of $\$ 109,018$, and $\$ 860,681$ due to the Government of Bolivarian Republic of Venezuela has been included in the 2014 financial statements.

## Note 23: In-kind contributions of services

139. The UNCCD receives in-kind contributions from the government of the Federal Republic of Germany of the right to use land, office space and other facilities in its operations. The Organization has not received title to these properties which remain with the government. The facilities are provided to UNCCD without charge. The agreement under which the facilities are provided may be cancelled by the UNCCD or by the government with twelve months' notice but, in such case, would remain in force for whatever additional period is required for UNCCD to cease its activities in the Federal Republic of Germany in an orderly manner. UNCCD does not recognize the value of in-kind contributions of services including the financial value of the donated right to use the facilities provided by the Federal Republic of Germany on the financial statements.

## Note 24: Fund Accounting

140. The UNCCD is a single purpose entity established by the Parties to the Convention and the United Nations. The UNCCD has one major mandate to assist the signatories of the Convention. It, therefore, does not have segments as defined under IPSAS-18: Segment reportings.
141. However, to provide essential information to senior management and owners on the utilization of resources by funding source, separate funds have been established to reflect the major funding sources of UNCCD as follows:

- Trust fund for the Core Budget of UNCCD financed from assessed contributions (or general purpose contributions from donors) supports the core functions of the secretariat.
- Trust fund for Participation of Representatives of eligible State Parties affected by Desertification and/or Drought in the sessions of the Conference of the Parties and its Subsidiary Bodies.
- Sub-Fund of the Special Fund for the voluntary financing of activities under the UNCCD (United Nations Convention to Combat Desertification) enabling a donor or a recipient government to make voluntary contributions supports mandated activities for which provisions are not made under the Core budget.
- Trust fund for the Sub-Fund of the Trust Fund for Convention Events organized by the UNCCD Secretariat
- Trust Fund for voluntary financing of Global Mechanism
- Special account for Programme Support Costs financed from charges made to the projects financed from voluntary contributions used to manage the overhead charges payable on all trust funds to cover costs relating to administrative services.
- Special account for UNCCD Cost Recovery under the Host Country Agreement used to finance costs associated with the hosting of the Conference of the Parties under the host country agreement. Balances in this account are refunded to the host country.

142. All funds elimination includes revenue and expense arising from transfers between funds which are accounted for at cost and are eliminated on consolidation.
United Nations Convention to Combat Desertification
I．Statement of Financial Position by Fund as at 31 December 2014 （United States dollars）



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Board Report 2014

United Nations Convention to Combat Desertification
II. Statement of Financial Performance for the period 1 January to 31 December 2014 by fund (United States dollars)



ACRONYMS

| ASHI | After service health insurance |
| :--- | :--- |
| ICSC | International Civil Service Commission |
| IFAD | International Fund for Agricultural Development |
| IPSAS | International Public Sector Accounting Standards |
| PP\&E | Property, plant and equipment |
| UN | United Nations |
| UNCCD | United Nations Convention to Combat Desertification |
| UNDP | United Nations Development Programme |
| UNJSPF | United Nations Joint Staff Pension Fund |
| UNOG | United Nations Office at Geneva |
| UNORE | United Nations operational rate of exchange |
| UNV | United Nations Volunteers |
| USD | United States dollar |


[^0]:    The accompanying notes form an integral part of these financial statements

