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PROGRAMME AND BUDGET

Addendum

**Audited financial statements for the Convention's trust funds
for the biennium 2002-2003 ended 31 December 2003**

Report of the United Nations Board of Auditors

Note by the secretariat

EXECUTIVE SUMMARY

This document contains the report of the United Nations Board of Auditors on the financial and management issues of the United Nations Convention to Combat Desertification (UNCCD). Furthermore, it contains the audited and certified financial statements of UNCCD and the Executive Secretary's statement summarizing the performance of the secretariat for the biennium 2002-2003 ended 31 December 2003.

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I. BACKGROUND INFORMATION

1. Paragraph 20 of the UNCCD financial rules (ICCD/COP(1)/11/Add.1, decision 2/COP.1, annex) states that “the accounts and financial management of all funds governed by the present rules shall be subject to the internal and external audit process of the United Nations.”

2. In November 2004, the United Nations Board of Auditors completed its audit of the Convention’s operations for the biennium 2002-2003 ended 31 December 2003 and conducted a management review of the administrative arrangements established by the secretariat. The audit was conducted primarily to enable the Board to form an opinion as to whether the expenditures recorded in the financial statements for the biennium 2002-2003 had been incurred for the purposes approved by the COP of UNCCD, whether income and expenditure were properly classified and recorded in accordance with the Financial Regulations and Rules; and whether the financial statements presented fairly its financial position as at 31 December 2003 and the results of the operations and cash flows for the period then ended. The audit included a general review of financial systems and internal controls and a test examination of accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

3. The report by the auditors, which is being submitted herein in its entirety, indicates that UNCCD has conducted its operations in accordance with the United Nations accounting standards and has established a sound financial basis. The report has made suggestions for continuous improvement of both financial and administrative management of UNCCD.

II. CONCLUSION AND RECOMMENDATION

4. The COP may wish to consider the recommendations of the board of auditors and provide guidance to the Executive Secretary, as appropriate.

Annex I

**SIGNED AUDIT CERTIFICATE AND REPORT BY THE UNITED NATIONS BOARD
OF AUDITORS ON THE FINANCIAL STATEMENTS OF THE FUNDS OF THE
UNCCD FOR THE BIENNIUM 2002-2003 ENDED 31 DECEMBER 2003**

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Summary

The Board of Auditors has reviewed the operations of the UNCCD in Bonn. The Board has also audited the financial statements for the biennium ended 31 December 2003.

The Board's main findings are as follows:

- (a) Uncollected contributions remained at a high level, involving two-thirds of the Parties.
- (b) The resources of the Trust Fund for Voluntary Financing of Activities under the UNCCD were significantly below target.
- (c) The Bureau of the COP convened every eighteen months outside the COPs, and the Committee for the Review of the Implementation of the Convention (CRIC) convened every year, but they have no mandate to deal with urgent administrative and financial matters within the scope of the COP itself. This may impair UNCCD's ability to take action in a timely manner.
- (d) Unfunded liabilities for end-of-service and post-retirement benefits exceeded US\$ 2.5 million at the end of the biennium 2002-2003.
- (e) No internal audit has been conducted, and no arrangement has been put into place in this regard, since the creation of UNCCD in 1997.
- (f) Rules on the recruitment and monitoring of consultants were not always complied with.
- (g) Fraud prevention policies were prescribed in the delegation of authority to the approving officers, but UNCCD did not have a comprehensive anti-fraud and anti-corruption plan.

The Board recommended principally that UNCCD continue its efforts to collect contributions; enhance the Governing Body's capacity to react to administrative and financial issues between meetings of the COP in a timely manner; review the funding mechanisms and targets for end-of-service and post-retirement benefits liabilities; agree with the Office of Internal Oversight Services (OIOS) on a multi-year framework for internal audits; comply with the rules and instructions on consultancy; and develop an anti-fraud and anti-corruption plan. In September 2004, UNCCD reported that it had implemented a number of appropriate remedies and was pursuing appropriate responses to remaining issues.

A list of the Board's main recommendations appears in paragraph 10 of the present report.

A. Introduction

1. The Board of Auditors has audited the financial statements and reviewed the operations of the UNCCD for the period from 1 January 2002 to 31 December 2003. The audit was conducted in conformity with article VII of the Financial Regulations and Rules of the United Nations and the annex thereto, the common auditing standards of the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency and the International Standards on Auditing. These standards require that the Board plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement.
2. The audit was conducted primarily to enable the Board to form an opinion as to whether the expenditures recorded in the financial statements for the biennium 2002-2003 had been incurred for the purposes approved by the COP of UNCCD, whether income and expenditure were properly classified and recorded in accordance with the Financial Regulations and Rules; and whether the financial statements presented fairly its financial position as at 31 December 2003 and the results of the operations and cash flows for the period then ended. The audit included a general review of financial systems and internal controls and a test examination of accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.
3. In addition to the audit of the accounts and financial transactions, the Board carried out reviews under Financial Regulation 7.5 of the United Nations. The reviews primarily focused on the efficiency of financial procedures, the internal financial controls and, in general, the administration and management of the secretariat of the UNCCD ("the secretariat"). The audit was carried out at the secretariat in Bonn.
4. The General Assembly, in paragraph 6 of its resolution 57/278 of 20 December 2002, requested the Secretary-General and the executive heads of the funds and programmes of the United Nations to examine governance structures, principles and accountability throughout the United Nations system. UNCCD agreed with the Board's recommendation to take action, and was considering how to implement changes during the next biennium.
5. The Board continued its practice of reporting to the Administration the results of specific audits in management letters containing detailed observations and recommendations. The practice allowed for an ongoing dialogue with the Administration.
6. The present report covers matters that, in the opinion of the Board, should be brought to the attention of the COP. The Board's observations and conclusions were discussed with UNCCD, whose views have been appropriately reflected in the report.
7. A summary of the Board's main recommendations is contained in paragraph 10 below. The detailed findings are discussed in paragraphs 12 to 108.

1. Previous recommendations implemented or under implementation

Recommendations in the report for the biennium ended 31 December 1999¹

8. The Board has reviewed the measures taken by UNCCD to implement the recommendations made in its report for the biennium ended 31 December 1999. There are no outstanding matters.

Recommendations in the report for the biennium ended 31 December 2001²

9. The Board reviewed the measures taken by UNCCD to implement the recommendations made in its report for the biennium ended 31 December 2001 (ICCD/COP(6)/2/Add.5). Details of action taken and the comments of the Board are included in the report and have been summarized in the annex to the present chapter. Out of a total of seven recommendations, three (43 per cent) were implemented, three (43 per cent) were under implementation and one (14 per cent) was overtaken by events.

2. Main recommendations

10. UNCCD agreed with the Board's main recommendations which are to:

(a) **Continue its efforts to collect contributions, and to implement its rule concerning the minimum amount of assessed contribution or modify it (paragraph 19);**

(b) **Consider appropriate means to enhance the Governing Body's capacity to react to administrative and financial issues between meetings of the COP (paragraph 43);**

(c) **Review, in conjunction with the Administration of the United Nations and other funds and programmes, the funding mechanisms and targets for end-of-serve and post-retirement benefits liabilities (paragraph 55);**

(d) **Update its delegation of authority from, and the memorandum of understanding with, the United Nations (paragraph 58);**

(e) **Agree with the OIOS on a multi-year framework for internal audits (paragraph 61);**

(f) **Submit, should it contemplate allowing donors to conduct their own third-party external audits of UNCCD projects, the issue of "single audit" to the COP, after consultation with the Board of Auditors (paragraph 66);**

(g) **Comply with the rules and instructions on consultancy (paragraphs 82, 85, 87, 89, 91 and 98);**

¹ ICCD/COP(4)/2/Add.5(A).

² ICCD/COP(6)/2/Add.5.

(h) **Develop an anti-fraud and anti-corruption plan, in coordination with the United Nations and the other funds and programmes to obtain the benefit of best practices (paragraph 108).**

11. The Board's other recommendations appear in paragraphs 23, 34, 41, 45, 47, 50, 68, 72, 79, 101 and 105.

B. Financial issues

1. Financial overview

Overall position

12. The Board performed an analysis of the financial position as at 31 December 2003.

Table 1. Ratios of key financial indicators

Description of ratio	2000/2001	2002/2003
Outstanding assessed contributions / total assets ⁽¹⁾	0.13	0.16
Cash assets / liabilities ⁽²⁾	2.38	1.88
Overall cash and available reserves / liabilities ⁽²⁾	3.84	2.72
Unliquidated obligations / liabilities ⁽³⁾	0.44	0.69
Outstanding assessed contributions / total assessed contribution income	0.11	0.08
Voluntary contribution income / total contribution income	0.44	0.41
Liquidity position (assets/liabilities)	2.8	2.5

(1) A low indicator indicates a healthy financial position.

(2) A high indicator reflects the extent of cash available to settle debts.

(3) A high ratio indicates that significant parts of liabilities are accounted as expenditures not cleared at the account closure at biennium-end.

13. As shown in Statement I, the total expenditures of US\$ 32.7 million in 2002-2003 exceeded the total income of US\$ 29.6 million by US\$ 3.3 million, including prior-period adjustments of US\$ 0.21 million. This excess of expenditure over income, together with transfers from other funds, depleted UNCCD's combined fund balance to US\$ 4.6 million as at 31 December 2003. The overall fund reserve balance decreased by US\$ 2.4 million compared to the previous biennium.

14. The ratio of overall cash and available reserves / liabilities decreased by 30 per cent, from 3.84 to 2.72. This was due mainly to the decrease of the reserve and fund balances of the two voluntarily funded trust funds.

15. Statement II and table 1 above show that the overall liquidity position slightly deteriorated since the last biennium, although it remained at a satisfactory level with a ratio of assets (US\$ 7.7 million) to liabilities (US\$ 3.1 million) of 2.5 compared to 2.8 at the end of the previous biennium. This deterioration was due, in particular, to the decrease of net assets of the Trust Fund for Voluntary Financing of Activities (UWA): the cash and term deposit balances of US\$ 4.8 million at the end of 2001 decreased to US\$ 1.1 million at the end of 2003.

Assessed contribution income

16. Schedule 1.1 to the financial statements shows total assessed contributions of US\$ 15,325,200 for the biennium. According to the schedule, some US\$ 1,254,072 (8.18 per cent) remained outstanding at 31 December 2003; the figure for the preceding period had been US\$ 1,399,512. These figures show a decrease by 10 per cent of assessed outstanding contributions over the previous biennium. There were 84 Parties that owed assessed amounts; the Board noticed two groups among these that were of concern: on one hand, unpaid contributions of over US\$ 200,000 from three Parties totalled US\$ 893,947 or 71.2 per cent of the outstanding amount (5.8 per cent of the total assessed contributions for the biennium). On the other hand, 26 Parties still owed the whole of their assessed amount at the end of 2003, for a total of US\$ 138,330.

17. The assessed contributions of 97 countries represented less than 0.01 per cent of the total of assessed contributions. UNCCD's financial rules state that contributions should be adjusted to ensure that no Party contributes less than 0.01 per cent of the total, except for least developed countries where the contribution should not exceed 0.01 per cent of the total. Since only 49 of the 97 countries that contributed less than 0.01 per cent were least developed countries, most of the 97 countries should have contributed more than 0.01 per cent of the total. The secretariat commented that it based assessed contributions on the percentages established by the General Assembly and approved by the COP.

18. The Board commends UNCCD for improving the collection of contributions but notes that uncollected contributions remain at a high level, involving two-thirds of the Parties.

19. **UNCCD agreed with the Board's recommendation to (i) continue its efforts to collect assessed contributions, and (ii) implement its rule concerning the minimum amounts assessed or modify it.**

Core Budget implementation

20. At its fifth session, the COP approved for 2002-2003 a Core Budget of US\$ 15,325,200. It also approved a contingency budget of US\$ 5,583,000 for conference servicing, should resources from the United Nations regular budget be unavailable, and authorized the Executive Secretary to make transfers between appropriation lines. For transfers, the authorization specified a limit of 15 per cent of the total estimated expenditure for those appropriation lines, with a further limit of up to minus 25 per cent of each appropriation line. Those limits have been respected. The final revised budget figures were US\$ 15.3 million in income and 15 million in expenditure.

Other trust funds

21. Out of the four Trust Funds other than the Core Budget Trust fund, two benefit from a guaranteed income. The "Trust Fund for Convention Events Organized by the UNCCD Secretariat" (BMA) is funded by the pledged contribution of host countries, and the "Special account for UNCCD programme support costs" (ZQA), obtains resources based on levies on the other Trust Funds. Two other Trust funds depend fully on voluntary contributions: the "Trust Fund for Participation of Representatives of Parties in the Sessions of the UNCCD" (UVA), and the "Trust Fund for Voluntary Financing of Activities under the UNCCD" (UWA). Contributions to the latter reached only 56 per cent of the 2002-2003-target income.

Table 2. Implementation of the Trust Funds budgets for the biennium 2002-2003
(in thousands of United States dollars)

	Trust Fund for Participation of Representatives of Parties in the Sessions of the UNCCD (UVA)	Trust Fund for Voluntary Financing of Activities Under the UNCCD (UWA)
Approved estimated resource requirements	1,243	12,643
Income (per cent of budget)	1,643 132 %	7,117 56 %
Expenditure (a) (per cent of budget)	1,851 149 %	10,449 83 %
Net excess (Shortfall) (b) (per cent of budget)	(192) (15) %	(3,480) (28) %

(a) As per statement I.

(b) Including prior-period adjustments. The funds earmarked for utilization in the previous biennium were reprogrammed and therefore most of the activities undertaken in the 2002-2003 biennium were utilizing the balances brought forward.

22. The under-achievement of voluntary contribution targets for the Supplementary Activities Trust Fund led to a shortfall compensated by the previous biennium's balance, carried-over. UNCCD commented that the above table reflects the funds actually mobilized by the secretariat for financing activities; it further commented that it always attempts to collect funds in advance from donors, and that planned activities do not occur without the raising of funds. It considers that the fund reserve is therefore not at a risk to be depleted. However, the Board notes that should the above-mentioned shortfall be repeated, the fund reserve would be depleted in two biennia.

23. The Board recommends that UNCCD further improve its fund-raising for the Trust Fund for Voluntary Financing of Supplementary Activities.

2. United Nations system accounting standards

24. The Board assessed the extent to which the financial statements for the period ended 31 December 2003 conformed to the United Nations System Accounting Standards. The review indicated that the financial statements were consistent with the standards.

3. Presentation of financial statements

Disclosure of financial statements

25. In paragraph 12 of its resolution 55/220 of 23 December 2000, the General Assembly requested the Secretary-General and the executive heads of the funds and programmes of the United Nations, in conjunction with the Board of Auditors, to continue to evaluate what financial information should be presented in the financial statements and schedules and what should be presented in annexes to the statements. The Board has thus conducted a preliminary review of

the general presentation and disclosure in the financial statements for the biennium ended 31 December 2003.

26. The General Assembly resolution A/RES/57/278, paragraph 6, requested “the Secretary-General and the executive heads of the funds and programmes of the United Nations to examine governance structures, principles and accountability throughout the United Nations system.”

27. UNCCD provides an “Executive Summary to UNCCD Financial Statements”, with two paragraphs on income and expenditure, as well as data on programme delivery and human resources. However, it includes no overview of the financial statements, key indicators and ratios, such as current liabilities as a percentage of total liabilities.

28. The commentaries in the “Executive Summary to UNCCD Financial Statements” prepared by UNCCD do not mention the governance issues discussed below.

Performance reporting and non-financial information

29. Non-financial information is important in the Executive Summary. Key objectives are mentioned, but there is little data on related performance. Such information and other non-financial information disclosures could be of value to the stakeholders.

“Social accounting” issues

30. “Social accounting” includes such issues as environmental reporting; human resources reporting (composition of staff, current skills compared to skills needed; future staff requirements, including continuity plan and rotation policy); health and safety issues; and social reporting, i.e. the organization’s external impact or influence on social issues. UNCCD does not include such data in its “Financial Performance” report.

Risk management, continuity and internal control

31. Continued performance is dependent, *inter alia*, on the constant identification of risks and development of systems and controls to address those risks. As such, risk information disclosures are relevant to the needs of financial statement users: measures in place to address financial risks, to safeguard assets and financial records, and to ensure continuity in the event of a disaster. UNCCD does not include such data in its financial report or related documents.

32. Reporting would also be useful on issues such as the internal audit function and its oversight, the ethics infrastructure and measures put in place to safeguard the integrity of management and financial information.

33. Some of these issues are included in other documents issued to the COP as part of the normal reporting process.

34. **The Board recommends that UNCCD consider disclosing items in the financial report in terms of best governance principles relating to oversight, performance reporting, social accounting issues, risk management, continuity and internal control issues. In this regard, UNCCD could revert to paragraph 6 of resolution 57/278, by which the General**

Assembly requested the Secretary-General and the executive heads of the funds and programmes of the United Nations to examine governance structures, principles and accountability throughout the United Nations system, since better disclosure would be a step towards taking a proactive approach to the review requested by the Assembly.

35. The secretariat reported that it would, if appropriate, incorporate similar disclosures made by other United Nations organizations and developments in this area into its next financial report.

4. Personnel expenditures

36. Since the previous biennium, the total expenditures have increased as shown in the table below:

Table 3. Increase of expenditures for the biennium 2002-2003 (in United States dollars)

Fund*	UXA	UVA	UWA	BMA	ZQA	Total
2002-2003	15,859,920	1,851,215	10,449,420	1,085,078	3,472,708	32,718,341
2000-2001	12,692,784	1,941,220	6,573,358	978,535	634,502	22,820,399
Increase	25.0%	-4.6%	59.0%	10.9%	447.3%	43.4%

* UXA: Trust Fund for the Core Budget of the UNCCD
 UVA: Trust Fund for the Participation of Representatives of Parties in the Sessions of UNCCD
 UWA: Trust Fund for Voluntary Financing of Activities Under the UNCCD
 BMA: Trust Fund for Convention Events Organized by the UNCCD Secretariat
 ZQA: Special account for UNCCD programme support costs

37. Staff and other personnel costs represented 41 per cent of the total expenditures for the biennium 2002-2003 (35 per cent in 2000-2001), an increase of 70 per cent over the previous biennium. Ten new posts filled during the biennium 2002-2003 cost over US\$ 1.3 million.

38. The increase in staff costs was also due to external factors, such as currency fluctuations. UNCCD has provided estimates of the impact of currency exchange movements on staff expenditures to the Bureau of the COP in 2004. Similar information was included as part of the budget submission to COP 6 in 2003. The Board notes, however, that UNCCD has no recosting policy.

39. The total net contributions due by UNCCD to the United Nations Volunteers programme administered by the United Nations Development Programme in 2003 for the occupation of its premises in Bonn was US\$ 254,609. This was twice the contributions due in 2002 (US\$ 121,759). UNCCD explained that this was due to more occupied space, to significant increases in electricity (used for heating as well as electrical power), security and other costs associated with the United Nations premises being spread over two buildings beginning in early 2003.

5. Consequences of the exchange rate evolution of the US dollar

40. On 1 January 2002, the United Nations exchange rate was US\$ 1 for Euro 1.162, while the post adjustment for staff expenditure was 3.4 per cent. In December 2003, the respective figures were 0.801 and 36 per cent. In purchasing-power terms, the budget's dollar part spent in Euro would have had to increase by nearly 30 per cent, to fulfill the same expenditure objectives in October 2003 than in January 2002. But UNCCD has no particular policy nor tool (such as

recosting policy, increased reserve, assessed contributions in Euro, reporting in Euro, etc.) to deal with the consequences of exchange rate fluctuations. The secretariat has submitted the above issue to the Bureau of the COP, with no decision at the time of our audit since only the COP is empowered to act on such matters.

41. The UNCCD secretariat agreed with the Board's recommendation to submit the issue of exchange rate changes to the COP as a matter of priority.

42. As mentioned above, only the COP has the mandate for administrative and financial matters; it convenes every two years, with the next session to be held in the autumn of 2005. The Bureau has convened – outside the COPs – every eighteen months on average during the past three years, and the Committee for the Review of the Implementation of the Convention (CRIC), every year; they have not been given the mandate to deal with administrative and financial matters should circumstances require immediate changes to prior decisions. The exchange rates issue illustrates the need to reconsider this lack of delegation, in order to provide the stakeholders with appropriate reactivity, without the cost of convening an extraordinary session of the COP.

43. The UNCCD secretariat agreed with the Board's recommendation to consider appropriate means to enhance the Governing Body's capacity to react to administrative and financial issues between sessions of the COP. The secretariat stated that it would submit this issue to the next COP (COP 7).

6. Procurement

44. The Board's review of a US\$ 127,000 sample in purchase orders issued since the introduction of Integrated Management Information Systems (IMIS) in April 2003 showed that for transactions amounting to US\$ 90,701 UNCCD created the purchase orders after the delivery of goods or services and/or after receipt of the invoices issued by the vendors. This was not compliant with United Nations Financial rules 105.4 to 105.6 and UNCCD procurement guidelines: funds should be obligated prior to payment and on the basis of an appropriate document, duly certified and approved. The practice of goods and services being delivered prior to obligating, certifying and approving increases the risk that sufficient resources may not be available when the payment is due and may lead to unauthorized commitments and over-expenditures.

45. UNCCD agreed with the Board's recommendation to issue purchase orders prior to the delivery of goods and services.

7. Accounts receivable and accounts payable

46. Regarding receivables, 21 per cent of travel advances were outstanding for a period between 6 months and one year (US\$ 24,013). ST/AI/2000/20 on Official travel states in paragraph 11.2 that recovery of travel advances shall be initiated through payroll deduction if a staff member fails to submit duly a travel reimbursement claim together with the supporting documentation, within 2 calendar weeks after completion of travel. The above figures also cover non-staff members (e.g. other persons, consultants, experts, etc.). For the staff, UNCCD

generates a monthly recovery list of the amounts to be deducted from payroll. For other persons, the travel advance should be cleared before final payments of fees are made.

47. The secretariat agreed with the Board's recommendation that it recover long-outstanding travel advances in compliance with ST/AI/2000/20.

8. Unliquidated obligations (ULOs)

48. The ratio of unliquidated obligations to total liabilities has doubled since the last biennium, from 0.44 to 0.69 (table 1). Such a high ratio indicates that significant parts of liabilities are accounted as expenditures not cleared at the account closure at biennium-end. It was mainly due to the creation on 30 October 2003 of a US\$ 974,000 obligation for a payment to the International Fund for Agricultural Development (IFAD) for the approved budget of the Global Mechanism, of which US\$ 500,000 had been disbursed as of June 2004.

49. Out of US\$ 2,098,733 in obligations reported as unliquidated at biennium end in the financial statements for the biennium 2002-2003, the Board reviewed a sample of 24 transactions for a total value of US\$ 1,213,733 (57.8 per cent of the line). The review showed that four unliquidated obligations, for a total value of US\$ 46,285 (3.8 per cent of the sample and 2.2 per cent of the total unliquidated obligations reported in the financial statements), were not supported by valid documents, contrary to United Nations System Accounting Standards 38 to 40, United Nations financial regulation 5.3 and 5.4 and United Nations financial rules 105.9. These unliquidated obligations should have been reviewed in order to support them by valid obligating documents, or to cancel them at year-end. The secretariat explained that this problem was mostly due to the delayed submission by other United Nations organizations of inter-office vouchers.

50. UNCCD agreed with the Board's recommendation to thoroughly review unliquidated obligations at biennium end.

9. Liabilities for end-of-service and post-retirement benefits

51. The value of after-service health insurance liabilities is disclosed in note 12 to the financial statements for the biennium 2002-2003, based on an actuarial valuation survey conducted by a consultant and coordinated by the United Nations Secretariat. Neither liabilities for annual leave nor end-of-service benefits are mentioned in note 12, in contravention with UNSAS 57³.

52. In its report on the financial statements for 2000-2001, the Board of Auditors had reiterated its previous recommendation on the disclosure of after-service liabilities in the notes to the financial statements, indicating the value and method of valuation of liability for end-of-service benefits, post-retirement benefits and annual leave. The Board had recommended that UNCCD, in conjunction with United Nations Headquarters, other funds and programmes, review

³ "Liabilities for annual leave, end-of-service benefits and post-retirements benefits, including after-service medical benefits, should be provided for in the financial statements to the extent required by the financial policies of the organization. In so far as such liabilities are not provided for, appropriate disclosure should be made in the notes to the financial statements and estimated liabilities quantified where possible, showing the basis for valuation (...for) after-service medical benefits (...they) should normally be determined by actuarial evaluation".

the funding mechanism and targets for after-service benefits to provide for the full estimated liability (paragraphs 21-22).

53. As indicated in note 12, the accrued liabilities for after-service health insurance amounted to a net total of US\$ 1,727,000 at the end of the biennium 2002-2003; in addition, UNCCD estimated the value of accrued annual leave as at 31 December 2003 at US\$ 790,324. UNCCD has not computed liabilities for end-of-service payments. The organization has not considered establishing a specific provision to cover these liabilities so far, although they amounted to over US\$ 2.5 million, excluding end-of-service payments.

Table 4. Table on unfunded after-service liabilities
(in United States dollars)

	UXA	UVA	UWA	BMA	ZQA	Total
Total non-earmarked funds (1+2)	0	0	0	0	355,955	355,955
Total earmarked reserves and fund balances	2,980,110	548,472	649,195	18,539	81,844	4,278,160
Total reserves and fund balances	2,980,110	548,472	649,195	18,539	437,799	4,634,115

54. As at 31 December 2003, UNCCD had a total of non-earmarked reserves of only US\$ 355,955, representing the operating reserve of the programme support fund (ZQA), maintained "to protect against unforeseen shortfalls in delivery, inflation and currency adjustments or to liquidate legal obligations in the cases of abrupt termination of activities financed from extra budgetary resources". The reserves for the other Funds are earmarked. Thus available reserves at the end of the biennium 2002-2003 covered less than 15 per cent of the organization's liabilities for after-service health insurance and accrued annual leave. UNCCD did not set aside funding for these after-service liabilities.

55. UNCCD agreed with the Board's recommendation to review, in conjunction with the Administration of the United Nations and other funds and programmes, the funding mechanisms and targets for end-of-serve and post-retirement benefits liabilities, and planned to submit the issue to the next COP (COP 7).

10. Write-off of losses of cash, receivables and property

56. Approvals of write-off of receivables amounted to US\$ 203.53 and losses of property to US\$ 5,120.

57. UNCCD had yet to write off 30 computers of a residual value of Euro 4,500 (US\$ 5,618). These five-year old computers could not support standard software used by UNCCD, and were proposed for donation to a UNCCD national focal point. In accordance with paragraph 5 of the delegation of Authority to the Executive Secretary of UNCCD for the establishment of a Joint Local Property Survey Board of 5 June 2001, the Joint Local Property Survey Board (on 2 March 2004) and UNOG (on 23 April 2004) recommended the approval to the United Nations Headquarters. However, no decision was taken; this was a consequence of the fact that the arrangements between UNCCD, UNOG and, if any is needed, the United Nations Headquarters have not been updated to reflect the current situation.

58. We recommend that UNCCD clarify and update its delegation of authority from, and the memorandum of understanding with, the United Nations.

11. Ex gratia payments

59. UNCCD informed the Board that no *ex gratia* payments had been made during the financial period ended 31 December 2003.

C. Management issues

1. Internal audit

60. According to the financial rules (ICCD/COP(1)/11/Add.1, paragraph 20), the accounts and financial management are subject to the internal audit process of the United Nations. By July 2004, there had been no internal audit performed at UNCCD and no arrangement for such an important function since its inception in 1997. UNCCD reported that it had at the time of the audit already been contacted by OIOS, and had begun plans for the establishment of a multi-year framework for periodic internal audits.

61. UNCCD agreed with the Board's recommendation to adopt with the OIOS a multi-year framework for periodic internal audits.

2. Third-party audits

62. The agreements between UNCCD and donors stipulate either that the donor should receive upon completion of the activities a complete report and financial statement, verified by an independent accountant, or that the secretariat had to maintain separate accounts and financial records for the purpose of producing financial or additional reports required by the donor.

63. One agreement ("purchase order 7017419", paragraph 35) with the Canadian International Development Agency (CIDA) also provides that UNCCD "shall ensure that CIDA (or its representative) are able to audit the accounts and financial records and shall give access to all supporting documentation relating to expenses incurred to implement the project. For this purpose, the Organization shall afford CIDA (or its representatives) proper facilities for the duration of the audit".

64. The Board of Auditors has been aware for a long time that United Nations organizations have come under increasing pressure from donors of extra-budgetary funds to allow independent auditors to carry out audits or reviews of United Nations operations. The consensus between the United Nations Secretary-General and the Panel of External Auditors of the United Nations, of the specialized agencies and the International Atomic Energy Agency has been that such reviews might affect the authority and the independence of the appointed External Auditors, who are solely responsible for the conduct of the audit of United Nations Organizations, and that inefficient use of resources might ensue from additional audits. This concern applies to the above-mentioned provision agreed upon between UNCCD and CIDA, both in legal and in operational terms.

65. The Advisory Committee on Administrative and Budgetary Questions (ACABQ) stated in its report A/52/7, on the proposed Programme Budget for 1998-1999, that any third-party audit agreement should be the object of prior approval by the competent legislative bodies. This was subsequently accepted by the Fifth Committee in its report A/52/744 and adopted by the General Assembly in its resolution A/RES/52/220.

66. The UNCCD secretariat agreed with the Board's recommendation to submit, should it contemplate allowing donors to conduct their own, third-party external audits of UNCCD projects, the issue of "single audit" to the COP, after consultation with the Board of Auditors. The UNCCD secretariat stated that it would attempt to have donors agree in future agreements to a "single audit" approach for all such matters.

3. Fundraising and donor reporting

67. The secretariat provided complete and accurate information about its fundraising. The follow-up by donor or project was properly documented. However, internal procedures relating to fundraising were not documented in written guidelines. This presents a risk for the continuity of fundraising activities should the staff in charge – the Executive Secretary and an assistant – change.

68. UNCCD agreed with the Board's recommendation to prepare guidelines for its fundraising procedures.

4. Relationship with the United Nations Office at Geneva (UNOG)

69. The initial Memorandum of Understanding (MoU) covering the year 2002 was signed by UNOG and UNCCD in January 2003. As requested by UNCCD on 8 January 2003, this MoU was extended for one year on the same terms and conditions.

70. Total reimbursable costs for the services to be provided in 2002 were estimated at US\$ 219,710. The MoU was extended to 2003 by a simple letter from the Executive Secretary of UNCCD to UNOG, and the cost estimates for 2003 were not updated. The actual amounts to be paid by UNCCD to UNOG during the biennium were not mentioned.

71. UNCCD indicated that UNOG made a charge, as allowed by the MoU but without providing a breakdown of the details of the charges. Additionally, UNOG did not provide a summary of the actual workload incurred by the provision of services to UNCCD, preventing the secretariat from checking the accuracy of costs charged to its budget. This is contrary to the provision of the MoU. The secretariat commented that with the implementation of IMIS, the relationship with UNOG has changed significantly, and it would review the services provided by UNOG, and attempt to lower their cost thereof.

72. UNCCD agreed with the Board's recommendation to comply with the MoU on the reimbursement of services provided by UNOG and to ensure proper control of payments.

5. Bank account management

73. The Board had noted in its previous report that the United Nations Headquarters Treasury had authorized the opening of a UNCCD bank account in Bonn in 1999. The monthly imprest level of 750,000 DM at the end of 2001 was increased to 500,000 Euro. UNCCD received no interest on the balance of its bank account opened at Bonn while at the same time it paid for bank services.

74. The Board had recommended that UNCCD renegotiate banking conditions and services and that the United Nations Headquarters Treasurer through UNOG formally approve a new agreement with the bank.

75. UNCCD did not implement this recommendation, and stated that it would no longer be necessary with the implementation of IMIS. However, the balance on hand at month-end remained rather high (US\$ 157,664 on average), and there were very few transactions on the bank account (three in 8 months in 2003) as shown in the table below.

Table 5. Bank account balance at month end (in United States dollars)

	Euros	US\$ equivalent	Number of transactions, apart from bank charges
May 2003	116,519.00	145,466.92	1
June 2003	116,505.76	145,450.39	0
July 2003	129,484.95	161,654.12	1
August 2003	129,630.86	161,836.28	0
September 2003	129,619.14	161,821.65	1
October 2003	129,531.14	161,711.79	0
November 2003	129,517.81	161,695.14	0
December 2003	129,504.48	161,678.50	0

76. The bank account received principally value-added tax (VAT) refunds that could as well be posted on the main bank accounts of UNOG.

77. The bank reconciliation statements were properly signed by all officers concerned (preparation, certification, approval) but only in November and December 2003 and not for the other months between May and November 2003.

78. The secretariat reported that the balance in the bank account was subsequently reduced to EUR 5,000 by September 2004. It considered that it was more cost effective to use a EUR-denominated bank account for VAT refunds than to use the main bank accounts of UNOG. This channel avoided bank charges, and required only one larger transfer once several smaller amounts are collected. VAT refunds are no longer deposited to this bank account. In 2002 and 2003, the secretariat explored changing banks to obtain interest-bearing bank accounts as recommended by the Board of Auditors in their prior report, but due the implementation of IMIS, the bank account balance will be significantly reduced, and this search has been discontinued.

79. UNCCD agreed with the Board's recommendation (i) to reconsider the necessity of maintaining a Bonn bank account with a significant balance, and (ii) if the account is kept open, to conduct reconciliations in a proper manner.

6. Consultancy expenditures

80. Following a previous audit, UNCCD issued guidelines on "Administrative Policy on recruitment of consultants and individual contractors" dated 31 May 2004 in order to clarify procedures applicable to recruitment, remuneration and evaluation of consultants and individual contractors. Those guidelines are compliant with the provisions of ST/AI/1999/7.

81. The Board reviewed, on a sample basis, the consultancy expenditure incurred in 2002 and 2003, prior to the issuance of the aforementioned guidelines. Out of US\$ 1.5 million in fees and travel as of 31 December 2003, 12 contracts amounting to over US\$ 500,000 were reviewed. The information relating to consultancy contracts and expenditures was scattered in different locations (substantive unit, finance unit, human resource management unit).

82. UNCCD agreed with the Board's recommendation to consolidate the data relating to consultants, and reported it had begun to do so by September 2004.

83. In the files reviewed, neither the request form nor the terms of reference gave an overall estimate of the cost of a contract because travel costs and daily subsistence allowance (DSA) were not estimated, as the usual notation for travel expenditure was "if the work assignment needs". While recognizing the need and merits of maintaining a single document with total estimate costs for both fees and travel, the secretariat indicated that travel requirements are not always known at the time of establishing a contract and therefore it is not always possible to issue a travel obligation at this point. As mentioned by the secretariat, the recent introduction of quarterly travel plans should allow for a better anticipation of travel needs and costs, including for consultants.

84. The secretariat has begun to make appropriate estimates when signing agreements with consultants, but noted that such estimates will always be subject to change.

85. UNCCD agreed with the Board's recommendation to fully document the estimated cost breakdown for consultancy contracts.

86. The selection process and especially the reasons for the absence of a competitive process in the recruitment of the consultants were not documented, in many cases. The secretariat acknowledged the need to select consultants through a competitive process, and to document it adequately. UNCCD expected that the development of its activities and the increasing notoriety of the Convention would enable it to benefit from a wider range of experts.

87. UNCCD agreed with the Board's recommendation to comply with the ST/AI/1999/7 instruction on consultancy competitive sourcing, and has reported that it was implementing new procedures to document the competitive processes followed in the selection of consultants.

88. The secretariat asserted that its standard practice was to request a documentary output from consultants. However, some contracts did not precisely specify the expected deliverables: usually they only mentioned “advice, strategic advice, intergovernmental facilitation”. There was no description of the expected deliverables (such as report, mission report, guidelines...) during the course of the consultant’s contract.

89. UNCCD agreed with the Board’s recommendation to ensure that contracts specify expected deliverables, and reported it had strengthened its procedures to ensure that the reports are received prior to making final payments to the consultants involved.

90. A consultant signed six contracts with UNCCD between 1 May 2003 and 26 February 2004, but there was no evaluation of the consultant’s work on file; UNCCD explained that it had processed the evaluations by e-mail, without filing them. The terms of reference were not attached to the contracts, but provided by e-mail and their content did not fit with requirements of ST/AI/1999/7, section 3.

91. UNCCD agreed with the Board’s recommendation to systematically document on-file the performance reports on consultants and individual contractors, and reported that it has taken the steps necessary to do so.

92. Two of the consultants were ambassadors or high-ranking officials of Parties at the time of their initial recruitment. It was not documented that they had withdrawn from any official function related to their Government when UNCCD signed a contract with them. UNCCD assumed that consultants who have accepted such an assignment have done so in full compliance with the rules of their respective Governments. This may create a contravention to the instruction ST/AI/1999/7 paragraph 5.4, which stipulates that a “consultant will serve in a personal capacity and not as representative of a Government”. The secretariat indicated that in each case it was satisfied that the consultants had accepted and served their assignments in their personal capacities – not as representatives of their Governments, but in compliance with the latter’s rules.

93. One of the consultants was a former senior official of the Organization of African Unity (OAU). He signed with UNCCD a series of fifteen consultancy contracts. While being a consultant, he also signed - acting for UNCCD - two agreements on grants between the Special Assistance Emergency Fund of the OAU and UNCCD (for US\$ 300,000 and US\$ 540,140). This was not compliant with ST/AI/1999/7 section 2.f., which states “Consultants shall not perform functions of staff members of the Organization”. A letter from the Executive Secretary stating the extent of the representation and confirming that it was a one-time undertaking by the consultant cannot exempt UNCCD from complying with the rules.

94. One of the consultants had been, until his retirement, coordinator of a unit at the UNCCD secretariat. Since retiring in 2002, he has been periodically paid a monthly consultancy fee of US\$ 7,000 under several contracts, assigning him to define a long-term oriented programme of work to facilitate a political consensus among the different constituencies in view of the forthcoming Global Environment Facility (GEF) Councils. UNCCD stated that at no time did he provide any of the services that he had performed as a staff member, but much of his activities also involved the preparation and follow up of COP 6 held in Havana, Cuba. The Board considers that by undertaking such function, the “consultant” was tasked with duties in line with

those of an “individual contractor”, as defined in ST/AI/1999/7 part III and not of a consultant. A different contract with ensuing limitations should have been used.

95. UNCCD has appointed another consultant to liaise with Governments in the preparation and follow-up of COP 6 and in the preparation of a workshop on “strengthening synergies among Rio conventions” (two contracts). The terms of reference included the organization and arrangements of the meetings (logistic arrangements, travel, secretariat, preparation and circulation of background documents, inspection of conference facilities), and ensuring effective flow of information between Governments and the secretariat. As mentioned on the request for outside expertise or professional services, these activities were outsourced because “limited personnel capacity of the secretariat does not allow assigning these tasks to a staff member”. Therefore, in compliance with ST/AI/1999/7, and notably its section 2, the consultant should have been hired under a contract for individual contractor, instead of a contract for consultant, and ensuing limitations should have been applied. In particular, the contractor was employed by UNCCD for ten consecutive months, although paragraph 8.3 of ST/AI/1999/7 provides that “the services of an individual contractor shall be limited to six or, in special circumstances, nine work-months in any period of twelve consecutive months.”

96. A consultant was hired from 2 June 2003 to 31 December 2004 with three successive contracts for a total remuneration of US\$ 79,500. None of these contracts was signed prior to the beginning of the assignments, and in two cases the request for outside expertise or professional services was even issued after that date.

97. UNCCD was of the view that each of the consultants and independent contractors was hired under the most appropriate agreement. It has issued new written procedures regarding the preparation of contracts and the documents required for the issuance of new consultant and individual contractor contracts, and stated that it would undertake the steps necessary to minimize such issues in the future

98. UNCCD agreed with the Board’s recommendation to comply with instructions relating to consultants.

7. Travel

99. Travel represents approximately 30 per cent of total expenditures of the secretariat (participants and representatives, staff members for service purposes, education grant, home leave and separation). The travel of participants and representatives are mainly financed through the Trust Fund for Supplementary Activities and the Special Fund for Participation. It represents some two-thirds of the total travel expenditures.

Travel procedures

100. UNCCD incurred US\$ 7.5 million in travel expenditures for the biennium 2002-2003, which makes it the main customer of the common United Nations travel agent in Bonn (nearly 40 per cent of the latter’s activity), but UNCCD had at the time no comprehensive travel plan with a schedule of forthcoming meetings and data on the expected participation. After an interim audit by the Board, UNCCD has established, effective 1 January 2004, comprehensive quarterly travel plans, in conjunction with the substantive units, which could generate savings through

appropriate fare negotiations. It has also noted that such plans, particularly for non-staff travel, are subject to frequent and significant changes.

101. The Board commends UNCCD for the establishment of accurate travel plans.

Staff travel to the sixth session of the COP

102. The DSA rate for this meeting was established in the annex to the Agreement between the secretariat and the host Government regarding COP 6 and an internal mail issued by Administration and Finance Unit. It was set at 60 per cent of the monthly rate (US\$ 125 per day instead of \$ 208), since the hotel rooms were paid by the host country. Section 4 “Reduction of rates” of ST/AI/1998/3 of 23 January 1998 sets that “*when accommodation and [...] are provided free of charge by [...] a government, the rate of the daily subsistence allowance shall be reduced by 50 per cent if accommodation is provided*”. In respect of this instruction, the DSA rate should have been reduced not to US\$ 125 but to US\$ 104 (50 per cent of US\$ 208). Based on nearly 1,200 DSAs paid to staff members, the overcost amounted to some US\$ 25,000 – agreed with and paid for by the host Government.

103. Staff rules 107.16 states that “*in the event of staff members being assigned to conferences or..., the Secretary-General may establish a special rate of subsistence allowance*”. The special rate was mentioned in an annex to the agreement with the host country, but UNCCD did not document its formal decision establishing it.

104. UNCCD mentioned in the travel authorization forms the DSA amounts only as a lump sum for the entire stay, while for verification purposes they should explicitly mention both the daily rate and the number of days.

105. UNCCD agreed with the Board’s recommendation to comply with administrative instructions relating to daily subsistence allowances, and to document appropriately special rates.

8. Fraud and presumptive fraud

106. UNCCD did not report any case of fraud or presumptive fraud during the biennium 2002-2003. Fraud prevention policies were prescribed in the delegation of authority to the approving officers of the UNCCD, but the fraud-awareness policy established by UNCCD was limited. Like other organizations in the United Nations system, UNCCD did neither have a comprehensive internal anti-fraud and corruption plan, nor a proactive anti-fraud and corruption strategy and plan, which means that internal risks may not be properly addressed. Due to this lack of a comprehensive anti-fraud plan, UNCCD had:

(a) No effective framework for internal fraud prevention, detection, resolution and reporting;

(b) No formal internal corruption and fraud risk assessment mechanism; and no internal corruption and fraud-prevention committee;

(c) Reported no ethics, anti-corruption and fraud-awareness training sessions and workshops held during the biennium;

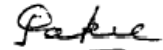
(d) No specific resolution mechanisms for reported and detected internal incidents and allegations of corruption and fraud (although it relies on OIOS to do so).

107. The Board also noted that UNCCD was not contacted by the OIOS to respond to the request of the General Assembly (resolution 57/282 of 29 January 2003) for a review of the practices involving programme managers in investigative processes.

108. UNCCD agreed with the Board's recommendation to develop, document and implement a plan against the risk of internal corruption and fraud, including fraud-awareness initiatives, in coordination with the Administration of the United Nations and the other funds and programmes to obtain the benefit of best practices, where available.

D. Acknowledgement

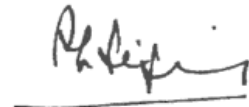
109. The Board of Auditors wishes to express its appreciation for the cooperation and assistance extended to its audit teams by the Executive Secretary and staff of UNCCD.



Shauket A. Fakie
Auditor-General of the Republic of South Africa



Guillermo N. Carague
Chairman, Philippine Commission on Audit



Philippe Séguin
First President of the Court of Accounts of France

Note: The members of the Board of Auditors have signed only the original English version of the report.

30 November 2004

Appendix

SUMMARY OF STATUS OF IMPLEMENTATION OF RECOMMENDATIONS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2001

Topic	Implemented	Under implementation	Overtaken by events	Total	Reference to inclusion in current year report
A. Financial issues					
After-service liabilities		Paragraph 22			Paragraphs 59-64
Bank arrangements			Paragraph 26		Paragraphs 90-95
Contributions receivable		Paragraph 13			
Budget revisions	Paragraph 17				
B. Management issues					
Arrangements with UNOG and other UN organizations	Paragraph 31				Paragraphs 67-69 Paragraphs 85-89
IMIS implementation	Paragraph 33				
Communication with UNOG		Paragraph 29			Paragraphs 85-89
Total					
Number	3	3	1	7	
Percentage	43%	43%	14%		

Audit opinion

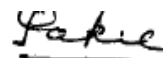
We have audited the accompanying financial statements of the UNCCD, comprising statements numbered I to IV, schedules 1 and 2, and the supporting notes for the biennium ended 31 December 2003. These financial statements are the responsibility of the Executive Secretary of the secretariat of the UNCCD. Our responsibility is to express an opinion on these financial statements based on our audit.

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

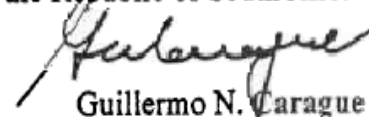
In our opinion, these financial statements present fairly, in all material respects, the financial position as at 31 December 2003 and the results of operations and cash flows for the biennium then ended in accordance with the UNCCD's stated accounting policies set out in note 2 of the financial statements, which were applied on a basis consistent with that of the preceding financial period.

Furthermore, in our opinion, the transactions of UNCCD that have come to our notice or which we have tested as part of our audit have, in all significant respects, been in accordance with the Financial Regulations and Legislative authority.

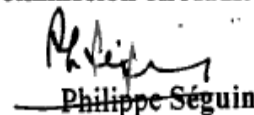
In accordance with article VII of the Financial Regulations, we have also issued a long-form report on our audit of the financial statements of UNCCD.



Shauket A. Fakie
Auditor-General of the Republic of South Africa



Guillermo N. Carague
Chairman, Philippine Commission on Audit



Philippe Séguin
First President of the Court of Accounts of France

Note: The members of the Board of Auditors have signed only the original English version of the audit opinion.

29 November 2004

Annex II

**AUDITED AND CERTIFIED FINANCIAL STATEMENTS OF THE UNCCD
FOR THE BIENNIUM 2002-2003 ENDED 31 DECEMBER 2003**

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Executive summary

1. Paragraph 20 of the UNCCD Financial rules (ICCD/COP(1)/11/Add.1) states that “the accounts and financial management of all funds governed by the present rules shall be subject to the internal and external audit process of the United Nations.” In November 2003 and June 2004, the United Nations external auditors carried out a financial audit of UNCCD. This report is therefore based on the audited financial statements of the UNCCD.
2. The permanent secretariat of the UNCCD started its operations in 1999. Thus, 2002-2003 was the second biennium for the secretariat's operations. The financial resources available for the functioning of the secretariat during the period covered by the audited financial statements amounted to US\$ 29,656,597, which comprised of US\$ 16,648,935 under the Core Budget, US\$ 7,116,846 under the voluntary Supplementary Fund, US\$ 1,642,540 under the Special Fund for Participation and US\$ 1,034,251 under the supplementary contribution of the Government of Germany for Convention related-events (Bonn Fund), and US\$ 3,214,025 under the Special Account for UNCCD Programme Support Cost.
3. In 2002-2003 actual expenditures under all the trust funds amounted to US\$ 32,718,179. Under the Core Budget, the actual expenditure was US\$ 15,859,920. US\$ 10,449,258 was utilized from the Supplementary Fund. US\$ 1,851,215 was spent under the Special Fund for Participation to facilitate the participation of delegates from the affected least developed and developing country Parties to the first session of the CRIC (CRIC 1) and the sixth session of the COP (COP 6), which were held in November 2002 in Rome, Italy and August-September 2003 in Havana, Cuba, respectively, as well as the participation of COP Bureau members in four inter-sessional meetings. Under the Bonn Fund, US\$ 1,085,078 was spent on events organized by the secretariat, while US\$ 3,472,708 was spent on programme support-related activities. Here are some of the major activities and results thereof undertaken by the secretariat during the reporting period.
4. Major focus of the secretariat's activities during the period under review include the preparations of the UNCCD official events, namely CRIC 1 and CRIC 2, COP 6, and the meeting of the Committee on Science and Technology (CST) that met in parallel with COP 6. For these events, the secretariat prepared and made available approximately 80 documents, carried out the logistical arrangements together with the host countries, and facilitated the participation of, and interaction between, Parties in the events. The secretariat also provided assistance towards strengthening capacities for preparing national, subregional and regional action programmes (NAPs, SRAPs and RAPs) under the UNCCD.
5. CRIC 1 provided a thematically oriented review that highlighted constraints and progress made, and facilitated the duplication of success stories identified in the course of implementation, on the basis of seven key thematic topics identified by COP 5. This review was based on reports prepared by country Parties and observers, in many cases with technical and financial assistance from the secretariat. 195 reports were transmitted to the secretariat, and consequently compiled and analysed for CRIC 1. CRIC 2, which was held in parallel to COP 6 discussed the outcome of the comprehensive review made by CRIC 1, and considered the future implementation of the UNCCD, related institutional modalities and financial arrangements.

6. The CST continued its work on a number of scientific and technological issues crucial to the implementation of the UNCCD, including traditional knowledge, benchmarks and indicators, early warning systems and modalities for assessing desertification. The CST also considered the work of the Group of Experts to increase its effectiveness and efficiency.

7. COP 6 adopted in total 30 decisions including the decisions on the further steps in the enhancement of the implementation of the Convention and its institutional development as submitted by the CRIC, the budget of the secretariat and the Global Mechanism for the biennium 2004-2005, the collaboration with the GEF, and the programme of work of the CST.

8. In parallel with the official sessions of COP 6, two important events took place in Havana, namely the fifth Round Table of Members of Parliament, which was held on 3 and 4 September 2003, and the Forum of Arts and Culture in the Context of Implementation of the UNCCD, which was held on 30 and 31 August 2003. The outcomes of these two events in the form of a Declaration and the Call of Culture and the Programme of Action were included in the final report of COP 6.

9. During the biennium, the secretariat also supported affected country Parties, upon their request, in meeting their obligations under the UNCCD. The preparation and implementation of national, subregional and regional action programmes was facilitated through, *inter alia*, fostering regional cooperation on the priority thematic issues in the implementation of the UNCCD, provision of information and technical assistance, organization of national workshops and seminars on synergies, as well as strengthening the involvement of donor partners in the action programme processes. Particular attention was given to the integration of action programmes into other sustainable development frameworks, policies and strategies.

10. Important results for the Convention were achieved through active policy advocacy in relevant international forums, notably in the context of World Summit on Sustainable Development (WSSD) and the GEF. The WSSD proved to be a success from the viewpoint of the UNCCD. In the Plan of Implementation, the Summit acknowledged the Convention as an important tool for poverty eradication. The Summit also stressed the need to mobilize adequate and predictable financial resources, transfer of technologies and capacity-building for strengthening the implementation of the Convention, and called on the GEF Assembly to take action on designating land degradation (desertification and deforestation) as a focal area of the GEF as a means of GEF support for the successful implementation of the UNCCD. The Second GEF Assembly, in October 2002, concurred with the call of the WSSD and decided to declare the GEF's availability to serve as a financial mechanism of the UNCCD. COP 6 decided to accept the GEF as a financial mechanism of the UNCCD.

11. With the aim to foster the synergistic implementation of the three Rio conventions, strengthened collaboration with other convention secretariats was sought through the establishment of a joint liaison group and joint public information activities, among others. In addition to increased collaboration with other Conventions, the secretariat established and deepened working relationships with several relevant organizations and institutions, including United Nations system organizations, Bretton Woods institutions, regional development banks and regional and subregional institutions, with a view to raising the response level for land degradation and desertification in these institutions and to spelling out modalities for concrete

cooperation. A Joint Work Programme with the Global Mechanism was established and to considerable extent implemented during the biennium.

12. To enhance the visibility of the Convention and to reach out to a wider public at events and conferences, UNCCD exhibition panels were produced and displayed. In addition, custom-tailored leaflets, brochures and booklets were produced and distributed together with the UNCCD newsletters and kits to targeted groups at major international conferences, including WSSD, in order to achieve a global outreach.

13. Most of the activities of the secretariat were conducted with the full support of bilateral and multilateral partners. Positive developments leading to progress in the implementation of the Convention were accomplished at all levels. During the biennium, the ratification of the Convention became universal, with 191 Parties joined the UNCCD. The majority of countries affected by desertification had their national action programmes finalized, and regional cooperation on the priority thematic issues increased in depth and scope. The activities carried out by the secretariat during the biennium, particularly those aiming at strengthening the involvement of donor partners, scientific community and relevant organizations, the development of synergies at the institutional and country level, and the continued effort to raise awareness on the UNCCD, served the Parties in fulfilling their obligations vis-à-vis the Convention.

14. Achievements in the area of administration and finance during the biennium included improvements in the quality and timeliness of submission of donor reports through the establishment, and further development of a system to facilitate the process of funds monitoring and reporting. Preparation and presentation of the budget documents for the conference of the Parties was improved. Internal financial and other controls, through development of specific administrative policies, were strengthened. IMIS was implemented by the secretariat, with certain treasury and human resources functions being retained by UNOG.

15. During the biennium UNCCD continued to collaborate with other United Nations organizations in Bonn with a view to improving efficiency in its delivery of services. For instance staff training and implementation of the IMIS was affected jointly with United Nations Framework Convention on Climate Change (UNFCCC). Contracts review and property survey boards are jointly operated. The secretariat is continuing to collaborate with other organizations in areas of health and safety, particularly during the planning of the new United Nations campus in Bonn, and will continue to explore the possibilities of other joint activities with the secretariat of UNFCCC, and other Bonn-based United Nations organizations, so that further cost efficiencies can be achieved. Communications and flow of information were strengthened through the organization of a staff retreat, regular general staff and departmental staff meetings. The secretariat continues to maintain institutional linkages with the United Nations, relying more on the administrative instructions issued by the UNOG. Furthermore, the secretariat continues to develop internal financial and other controls to safeguard the resources of the organization. The second audit report of the secretariat as submitted to COP 6 confirmed that the operations of the secretariat are properly carried out in accordance with the governing rules and regulations of the United Nations.

Financial report for the biennium 2002-2003 as at 31 December 2003

1. The Executive Secretary has the honour to submit herewith the financial report, together with the accounts of the biennium 2002–2003 as at 31 December 2003, of the UNCCD. The report is presented in accordance with paragraphs 7-11 of the financial rules for the COP, its subsidiary bodies and the Convention secretariat (ICCD/COP(1)/11/Add.1).

A. Statement I: Statement of income and expenditure and changes in reserves and fund balances

1. Trust Fund for the Core Budget of UNCCD

2. The amount of US\$ 15,325,200, shown in statement I represents indicative contributions from Governments. The amount of US\$ 987,975 represents voluntary contributions paid by the host country to the core budget for the biennium 2002–2003 (schedules 1.1 and 1.2). In addition, US\$ 238,117 was received as interest income, and US\$ 97,643 was received as other income, bringing the total income to US\$ 16,648,935. Included in indicative contributions are US\$ 1,291,552 for the years 1999-2003 which were not paid by the Governments during the biennium, and are still outstanding as at 31 December 2003.

3. Expenditures for the biennium 2002–2003 amounted to US\$ 15,859,920, which resulted in an excess of income over expenditures of US\$ 789,015. The prior period adjustments of US\$ 23,881 increased the excess to US\$ 812,896. This excess is added to the reserve and fund balances brought forward from the prior biennium.

4. The reserve and fund balance of the core budget amounted to US\$ 2,980,110 at 31 December 2003.

2. Trust Fund for Participation of Representatives of Parties in the Sessions of the UNCCD

5. A total amount of US\$ 1,573,312 was received during the biennium 2002–2003 as voluntary contributions from various Governments (schedule 1.2). In addition, US\$ 50,039 was received as interest income, and US\$ 19,189 was received as other income. The total income of the fund was US\$ 1,642,540.

6. The total expenditures were US\$ 1,851,215, resulting in a shortfall of income below expenditures of US\$ 208,675. The prior period adjustment of US\$ 16,620 reduced the shortfall to US\$ 192,055.

7. The reserve and fund balance of the fund was US\$ 548,472 at 31 December 2003.

3. Trust Fund for Voluntary Financing of Activities Under the UNCCD

8. Voluntary contributions to the fund amounted to US\$ 6,883,727 for the biennium 2002–2003 (schedule 1.2). Total income of this fund was US\$ 7,116,846 including interest income of US\$ 190,959 and US\$ 42,160 of miscellaneous income.

9. Total expenditures were US\$ 10,449,258 which resulted in a net shortfall of income over expenditures of US\$ 3,332,412. The prior period adjustment of US\$ 85,790 and the refund to donors of US\$ 62,087 increased the net shortfall to US\$ 3,480,289.

10. The reserve and fund balance was US\$ 649,357 at 31 December 2003.

4. Trust Fund for Convention Events Organized by the UNCCD Secretariat

11. The contributions of US\$ 1,002,746 were received from the Government of Germany for the biennium 2002–2003. Total income of the fund after inclusion of interest income of US\$ 30,417 and miscellaneous income of US\$ 1,088 amounted to US\$1,034,251.

12. Expenditures amounted to US\$ 1,085,078, which resulted in a shortfall of income over expenditures of US\$ 50,827. The prior period adjustment of US\$ 7,865 decreased the shortfall to US\$ 42,962.

13. The reserve and fund balance was US\$ 18,539 at 31 December 2003.

5. Special account for programme support costs

14. The programme support cost income received during the biennium amounted to US\$ 3,164,728. The total income of this fund was US\$ 3,214,025, after inclusion of US\$ 49,297 of interest income.

15. Total expenditures were US\$ 3,472,708, which resulted in a shortfall of income below expenditures of US\$ 258,683. The shortfall increased to US\$ 369,656 because of a prior period adjustment of US\$ 110,973.

16. The reserve and fund balance was US\$ 437,799 at 31 December 2003.

B. Statement II: Statement of assets, liabilities, reserves and fund balances

1. Trust Fund for the Core Budget of UNCCD

17. The assets of the fund amounted to US\$ 5,004,283, consisting of cash deposits of US\$ 3,257,259, pledged and assessed contributions receivable of US\$ 1,254,073, operating funds provided to executing agencies of US\$ 1,632, and other accounts receivable of US\$ 491,319.

18. The liabilities of US\$ 2,024,173 consisted of contributions received in advance of US\$ 622,929, unliquidated obligations of US\$ 1,171,993, inter-fund balances payable of US\$ 88,037, and other accounts payable of US\$ 141,214.

19. At 31 December 2003 the working capital reserve was US\$ 690,721, and the cumulative surplus of the fund was US\$ 2,289,389, before deduction of pledged and assessed contributions receivable of US\$ 1,254,073, other accounts receivable of US\$ 491,319, and operating funds provided to executing agencies of US\$ 1,632.

2. Trust Fund for Participation of Representatives of Parties in the Sessions of the UNCCD

20. The assets of the fund amounted to US\$ 702,178, consisting of cash deposits of US\$ 696,673, pledged and assessed contributions receivable of US\$ 1,480, and other accounts receivable of US\$ 4,025. The liabilities consisted of unliquidated obligations of US\$ 91,380 and inter-fund balances payable of US\$ 62,326. At 31 December 2003, the cash operating reserve of the fund was US\$ 163,191, and the cumulative surplus was US\$ 385,281.

3. Trust Fund for Voluntary Financing of Activities Under the UNCCD

21. The assets of the fund amounted to US\$ 1,254,261, consisting of cash deposits of US\$ 1,139,898, other accounts receivable of US\$ 107,189, and operating funds provided to executing agencies of US\$ 7,174.

22. The liabilities consisted of unliquidated obligations of US\$ 586,959, and other accounts payable of US\$ 17,945.

23. At 31 December 2003 the cash operating reserve amounted to US\$ 878,769, and the cumulative deficit was US\$ 229,412.

4. Trust Fund for Convention Events Organized by the UNCCD Secretariat

24. The total assets of the fund amounted to US\$ 254,073, consisting of cash deposits of US\$ 222,483 and other accounts receivable of US\$ 31,590. The liabilities included unliquidated obligations of US\$ 235,216, and other accounts payable of US\$ 318. The cumulative surplus at 31 December 2003 amounted to US\$ 18,539.

5. Special account for programme support costs

25. The assets of the fund amounted to US\$ 472,640, consisting of cash deposits of US\$ 430,089 and other accounts receivable of US\$ 42,551.

26. The liabilities consisted of unliquidated obligations of US\$ 13,185, inter-fund balances payable of US\$ 18,535, and other accounts payable of US\$ 3,121. At 31 December 2003 the cash operating reserve was US\$ 355,955, and the cumulative surplus amounted to US\$ 81,844.

Financial statements for the biennium 2002-2003 ended 31 December 2003

18 June 2004

I certify that the appended financial statements of the United Nations Convention to Combat Desertification numbered I to IV are fairly stated.

A handwritten signature in black ink, consisting of a large, stylized 'H' followed by a smaller 'A' and a final flourish.

Hama Arba Diallo
Executive Secretary
Permanent Secretariat
United Nations Convention to Combat Desertification

Statement I

Statement of income and expenditure and changes in reserves and fund balances for the biennium 2002-2003 as at 31 December 2003
(in United States dollars)

	SCHEDULE / NOTE REFERENCE	TRUST FUND FOR THE CORE BUDGET OF THE UNCCD (UXA)		TRUST FUND FOR PARTICIPATION OF PARTIES REPRESENTATIVES OF IN THE UNCCD SESSIONS (UVA)			TRUST FUND FOR VOLUNTARY FINANCING OF ACTIVITIES UNDER THE UNCCD (UWA)	
		2002-2003	2000-2001	2002-2003	2000-2001	2002-2003	2002-2003	2000-2001
INCOME:								
Assessed contributions	Note 2 g(i)	15,325,200	12,859,300	-	-	-	-	-
Voluntary contributions	Note 2 g(ii)	987,975	976,465	1,573,312	1,354,117	6,883,727	6,773,464	
Programme support cost income	Note 10	-	-	-	-	-	-	
Other/Miscellaneous income								
Interest income	Note 2 g(iii)	238,117	192,932	50,039	70,775	190,959	283,072	
Miscellaneous	Note 2 g(iv)	97,643	52,415	19,189	4,436	42,160	35,756	
TOTAL INCOME		16,648,935	14,081,112	1,642,540	1,429,328	7,116,846	7,092,292	
EXPENDITURES:								
Staff and other personnel costs	-	7,749,871	6,164,219	7,678	-	2,214,711	1,105,386	
Travel		1,551,270	1,381,364	1,628,101	1,689,774	3,749,955	2,087,627	
Contractual services		443,595	183,564	-	19,826	284,339	162,377	
Operating expenses		466,398	486,639	2,464	8,294	84,239	185,915	
Acquisitions		123,448	80,446	-	-	3,973	-	
Fellowships grants and other		3,916,675	2,936,320	-	-	2,909,895	2,275,835	
Total direct expenditure		14,251,257	11,232,552	1,638,243	1,717,894	9,247,112	5,817,140	
Programme support costs		1,608,663	1,460,232	212,972	223,326	1,202,146	756,218	
TOTAL EXPENDITURES	Note 3	15,859,920	12,692,784	1,851,215	1,941,220	10,449,258	6,573,358	
Prior period adjustments		23,881	19,011	16,620	30,548	(85,790)	77,875	
Refund to donors	Note 4					(62,087)		
NET EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURES		812,896	1,407,339	(192,055)	(481,344)	(3,480,289)	596,809	
Transfers (to) from other funds	Note 5	-	(131,690)	50,000	403,585	(50,000)	296,042	
Savings on prior period' obligations	Note 2 (e)	183,687	146,237	127,847	234,984	481,609	260,728	
RESERVES AND FUND BALANCES: BEGINNING OF PERIOD		1,983,527	561,641	562,680	405,455	3,698,037	2,544,458	
RESERVES AND FUND BALANCES: END OF PERIOD		2,980,110	1,983,527	548,472	562,680	649,357	3,698,037	

Statement I (Concluded)

Statement of income and expenditure and changes in reserves and fund balances for the twelve-month period of the biennium 2002-2003 ending 31 December 2002 (in United States dollars)

SCHEDULE/ NOTE REFERENCE	TRUST FUND FOR CONVENTION EVENTS ORGANIZED BY THE UNCCD SECRETARIAT (BMA)		SPECIAL ACCOUNT FOR UNCCD PROGRAMME SUPPORT COST (ZQA)		TOTAL	
	2002-2003	2000-2001	2002-2003	2000-2001	2002-2003	2000-2001
INCOME:						
Assessed contributions	-	-	-	-	15,325,000	12,859,300
Voluntary contributions	1,002,746	900,577	-	-	10,447,760	10,004,623
			3,64,728	1,421,736	3,164,728	1,421,736
Programme support cost income	-	-	-	-	-	-
Other/Miscellaneous income	30,417	23,017	49,297	12,439	558,829	582,235
Interest income	1,088	-	-	-	160,080	92,607
Miscellaneous						
TOTAL INCOME	1,034,251	923,594	3,214,025	1,434,175	29,656,597	24,960,501
EXPENDITURES:						
Staff and other personnel costs	135,943	111,798	3,434,199	634,502	13,542,402	8,015,905
Travel	587,287	368,735	1,965	-	7,518,578	5,527,500
Contractual services	35,133	30,605	2,224	-	765,291	396,372
Operating expenses	2,361	238,255	34,320	-	589,782	919,103
Acquisitions	-	-	-	-	127,421	80,446
Fellowships grants and other	199,522	116,567	-	-	7,026,092	5,328,722
Total direct expenditure	960,246	865,960	3,472,708	634,502	29,569,566	20,268,048
Programme support costs	124,832	112,575	-	-	3,148,613	2,552,351
TOTAL EXPENDITURES	1,085,078	978,535	3,472,708	634,502	32,718,179	22,820,399
Prior period adjustments	7,865	5,609	(110,973)	-	(148,397)	133,043
Refund to donors					(62,087)	
NET EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURES	(42,962)	(49,332)	(369,656)	799,673	(3,272,066)	2,273,145
Transfers (to) from other funds	-	-	-	-	-	567,937
Savings on prior period' obligations	60,497	43,146	7,782	-	861,422	685,095
RESERVES AND FUND BALANCES: BEGINNING OF PERIOD	1,004	7,190	799,673	-	7,044,921	3,518,744
RESERVES AND FUND BALANCES: END OF PERIOD	18,539	1,004	437,799	799,673	4,634,277	7,044,921

Statement II
Statement of assets, liabilities, and reserves and fund balances for the biennium 2002-2003 as at 31 December 2003
(in United States dollars)

	SCHEDULE / NOTE REFERENCE	TRUST FUND FOR THE CORE BUDGET OF THE UNCCD (UUA)		TRUST FUND FOR PARTICIPATION OF REPRESENTATIVES OF PARTIES IN THE UNCCD SESSIONS (UVA)		TRUST FUND FOR VOLUNTARY FINANCING OF ACTIVITIES UNDER THE UNCCD (UWA)	
		2002-2003	2000-2001	2002-2003	2000-2001	2002-2003	2000-2001
<u>ASSETS</u>							
Cash and term deposits	Note 2 (f), 6	3,257,259	2,617,368	696,673	752,826	1,139,898	4,881,298
Accounts receivable:							
Pledged and assessed contributions	Sch. 1.1 & 1.2	1,254,073	1,395,422	1,480	4,090	-	-
receivable		-	-	-	-	-	-
Due from United Nations General Fund	Note 7	491,319	264,883	4,025	3,224	107,189	44,544
Other accounts receivable							
Operating funds provided to executing agencies		1,632	1,632	-	-	7,174	-
TOTAL ASSETS		5,004,283	4,279,305	702,178	760,140	1,254,261	4,925,842
<u>LIABILITIES</u>							
Contributions/Payments received in advance	Sch. 1.1	622,929	1,175,437	-	-	-	5,000
Unliquidated obligations		1,171,993	676,753	91,380	128,635	586,959	786,125
Accounts payable:							
Inter-fund balances payable		88,037	341,958	62,326	68,825	-	435,524
Other accounts payable		141,214	101,630	-	-	17,945	1,156
TOTAL LIABILITIES	Note 8	2,024,173	2,295,778	153,706	197,460	604,904	1,227,805
<u>RESERVES AND FUND BALANCES</u>							
Operating reserve	Note 9	-	-	163,191	140,366	878,769	441,370
Working capital reserve	Note 9	690,721	528,037	-	-	-	-
Cumulative surplus (deficit)		2,289,389	1,455,490	385,281	422,314	(229,412)	3,256,667
TOTAL RESERVES AND FUND BALANCES		2,980,110	1,983,527	548,472	562,680	649,357	3,698,037
TOTAL LIABILITIES, RESERVES AND FUND BALANCES		5,004,283	4,279,305	702,178	760,140	1,254,261	4,925,842

Statement II (Concluded)
Statement of assets, liabilities, reserves and fund balances as at 31 December 2003
(in United States dollars)

	SCHEDULE / NOTE REFERENCE	TRUST FUND FOR CONVENTION EVENTS ORGANIZED BY THE UNCCD SECRETARIAT (BMA)		SPECIAL ACCOUNT FOR UNCCD PROGRAMME SUPPORT COST (ZQA)		TOTAL	
		2002-2003	2000-2001	2002-2003	2000-2001	2002-2003	2000-2001
<u>ASSETS</u>							
Cash and term deposits	Note 2 (f), 6	222,483	109,718	430,089	831,152	5,746,402	9,192,362
Accounts receivable:							
Pledged and assessed contributions receivable	Sch. 1.1 & 1.2	-	-	-	-	1,255,553	1,399,512
Due from United Nations General Fund	Note 7	31,590	2,043	42,551	692	676,674	315,386
Other accounts receivable		-	-	-	-	8,806	1,632
Operating funds provided to executing agencies		-	-	-	-	-	-
TOTAL ASSETS		254,073	111,761	472,640	831,844	7,687,435	10,908,892
<u>LIABILITIES</u>							
Contributions/Payments received in advance	Sch. 1.1	-	-	-	-	622,929	1,180,437
Unliquidated obligations		235,216	108,011	13,185	7,944	2,098,733	1,707,468
Accounts payable		-	2,746	18,535	23,492	168,898	872,545
Inter-fund balances payable	Note 8	318	-	3,121	735	162,598	103,521
Other accounts payable		-	-	-	-	-	-
TOTAL LIABILITIES		235,534	110,757	34,841	32,171	3,053,158	3,863,971
<u>RESERVES AND FUND BALANCES</u>							
Operating reserve	Note 9	-	-	355,955	280,547	1,397,915	862,283
Working capital reserve	Note 10	-	-	-	-	690,721	528,037
Cumulative surplus (deficit)		18,539	1,004	81,844	519,126	2,545,641	5,654,601
TOTAL RESERVES AND FUND BALANCES		18,539	1,004	437,799	799,673	4,634,277	7,044,921
TOTAL LIABILITIES, RESERVES AND FUND BALANCES		254,073	111,761	472,640	831,844	7,687,435	10,908,892

Statement III

Statement of cash flows for the biennium 2002-2003 ending 31 December 2003 (in United States dollars)

	UXA		UVA		UWA		BMA		ZQA	
	2003	2001	2003	2001	2003	2001	2003	2001	2003	2001
CASH FLOWS FROM OPERATING ACTIVITIES:										
Net excess (shortfall) of income over expenditure (Statement I)	812,896	1,407,339	(192,055)	(481,344)	(3,480,289)	596,809	(42,962)	(49,332)	(369,656)	799,673
(Increase) decrease in contributions receivable	141,349	(998,686)	2,610	(4,090)	-	-	-	-	-	-
(Increase) decrease in other accounts receivable	(226,436)	241,294	(801)	66,069	(69,819)	8,228	(29,547)	(156)	(41,859)	(692)
(Increase) decrease in other assets	-	(1,632)	-	-	-	-	-	-	-	-
Increase (decrease) in contributions received in advance	(552,508)	773,312	-	-	(5,000)	5,000	-	-	-	-
Increase (decrease) in accounts payable	9,584	(70,237)	-	-	16,789	(9,346)	318	(29,331)	2,386	735
Increase (decrease) in unliquidated obligations	495,240	199,698	(37,255)	(800,671)	(199,166)	236,696	127,205	(26,678)	5,241	7,944
Less: Interest income	(238,117)	(192,932)	(50,039)	(70,775)	190,959	(283,072)	7,400	(23,017)	36,858	(12,439)
NET CASH FROM OPERATING ACTIVITIES	472,008	1,358,156	(277,540)	(1,290,811)	(3,546,526)	554,315	62,414	(128,514)	(367,030)	795,221
CASH FLOWS FROM INVESTING AND FINANCING ACTIVITIES:										
(Increase) decrease in inter-fund balances receivable	-	131,913	-	-	-	217,223	-	-	-	-
Increase (decrease) in inter-fund balances payable	(253,921)	341,958	(6,499)	58,874	(435,524)	435,524	(2,746)	(35,597)	(4,957)	23,492
Plus: Interest income	238,117	192,932	50,039	70,775	(190,959)	283,072	(7,400)	23,017	(36,858)	12,439
NET CASH FROM INVESTING AND FINANCING ACTIVITIES	(15,804)	666,803	43,540	129,649	(626,483)	935,819	(10,146)	(12,580)	(41,815)	35,931
CASH FLOWS FROM OTHER SOURCES:										
Savings on prior periods' obligations	183,687	146,237	127,847	234,984	481,609	260,728	60,497	43,146	7,782	-
Other adjustments to fund balances	-	(131,690)	50,000	403,585	(50,000)	296,042	-	-	-	-
NET CASH FROM OTHER SOURCES	183,687	14,547	177,847	638,569	431,609	556,770	60,497	43,146	7,782	-
NET INCREASE (DECREASE) IN CASH AND TERM DEPOSITS	639,891	2,039,506	(56,153)	(522,593)	(3,741,400)	2,046,904	112,765	(97,948)	(401,063)	831,152
CASH AND TERM DEPOSITS	2,617,368	577,862	752,826	1,275,419	4,881,298	2,834,394	109,718	207,666	831,152	-
CASH AND TERM DEPOSITS	3,257,259	2,617,368	696,673	752,826	1,139,898	4,881,298	222,483	109,718	430,089	831,152

Schedule 1.1
Status of assessed contributions as at 31 December 2003
(in United States dollars)

Parties	Assessed contributions receivable as at 01.01.2002	Contributions received in advance as at 01.01.2002	Assessed contributions for 2002/03 and adjustment of prior periods	Collections in 2002/03	Contributions received in advance for 2003	Assessed contributions receivable as at 31.12.2003
Afghanistan	970	-	1,220	-	-	2,190
Albania	-	35	460	425	-	-
Algeria	-	1,430	10,430	9,201	(201)	-
Andorra	-	-	380	380	-	-
Angola	1,260	-	310	1,400	-	170
Antigua and Barbuda	130	-	310	730	(290)	-
Argentina	91,627	-	171,280	32,232	-	230,675
Armenia	1,430	-	310	660	-	1,080
Australia	-	26,180	242,470	218,270	(1,980)	-
Austria	-	17,050	141,090	124,998	(958)	-
Azerbaijan	2,860	-	610	3,470	-	-
Bahamas	720	-	1,760	3,450	(970)	-
Bahrain	-	330	2,760	2,410	-	20
Bangladesh	1,780	-	1,540	-	-	3,320
Barbados	-	110	1,380	3,211	(1,941)	-
Belarus	130	-	2,840	3,050	(80)	-
Belgium	-	19,090	168,290	150,500	(1,300)	-
Belize	-	-	160	160	-	-
Benin	-	1,681	310	-	(1,371)	-
Bhutan	-	-	-	-	-	-
Bolivia	-	-	1,220	-	-	10
Bosnia and Herzegovina	-	-	300	300	-	-
Botswana	-	250	1,540	3,100	(1,810)	-
Brazil	257,030	-	332,350	198,578	-	390,802
Brunei Darussalam	-	-	1,970	1,950	-	20
Bulgaria	520	-	1,600	2,120	-	-
Burkina Faso	-	-	310	349	(39)	-
Burundi	-	-	160	160	-	-
Cambodia	190	-	310	500	-	-
Cameroon	-	715	1,380	655	-	10
Canada	-	54,685	381,250	329,059	(2,674)	-
Cape Verde	-	-	160	160	-	-
Central African Republic	180	-	160	238	-	102
Chad	70	-	160	150	-	80
Chile	7,760	-	29,550	25,300	-	12,010
China	-	32,510	228,300	198,470	(2,680)	-
Colombia	-	6,754	27,560	-	-	20,806
Comoros	180	-	160	260	-	80
Congo	370	-	160	530	-	-
Cook Islands	70	-	160	-	-	230
Costa Rica	-	380	2,990	2,610	-	-
Cote d'Ivoire	2,050	-	1,380	-	-	3,430
Croatia	-	-	5,820	8,880	(3,060)	-
Cuba	3,500	-	4,440	8,036	(96)	-
Cyprus	-	-	5,670	3,990	-	1,680
Czech Republic	-	22,330	27,710	14,970	(9,590)	-
Democratic Republic of the Congo	1,710	-	610	-	-	2,320
Denmark	-	15,860	111,650	96,590	(800)	-
Djibouti	180	-	160	370	(30)	-
Dominica	180	-	160	180	-	160
Dominican Republic	3,940	-	3,370	-	-	7,310
Ecuador	4,910	-	3,670	6,850	-	1,730
Egypt	-	1,710	12,030	4,420	-	5,900
El Salvador	3,160	-	2,760	5,920	-	-
Equatorial Guinea	85	-	160	145	-	100
Eritrea	20	-	160	155	-	25

Ethiopia	-	1,076	610	1,005	(1,471)	-
European Community	8,380	-	383,130	395,062	(3,552)	-
Fiji	-	300	610	-	-	310
Finland	-	11,155	77,780	67,140	(515)	-
France	-	137,430	963,520	833,210	(7,120)	-
Gabon	3,350	-	2,150	-	-	5,500
Gambia	-	-	160	155	-	5
Georgia	1,190	-	770	-	-	1,960
Germany	-	207,100	1,455,500	1,260,170	(11,770)	-
Ghana	1,460	-	770	2,216	-	14
Greece	-	55,310	80,240	34,301	(9,371)	-
Grenada	180	-	160	340	-	-
Guatemala	4,700	-	3,990	8,759	(69)	-
Guinea	650	-	460	-	-	1,110
Guinea-Bissau	180	-	160	340	-	-
Guyana	180	-	160	340	-	-
Haiti	470	-	310	780	-	-
Honduras	319	-	690	386	-	623
Hungary	-	2,310	17,850	15,758	(218)	-
Iceland	-	780	4,900	6,675	(2,555)	-
India	-	6,820	50,800	44,430	(450)	-
Indonesia	-	20,740	29,810	24,440	(15,370)	-
Iran, Islamic Republic of	17,608	-	37,740	35,446	-	19,902
Ireland	(6,080)	-	43,910	38,139	(309)	-
Israel	-	8,819	61,920	85,051	(31,950)	-
Italy	347,010	-	754,700	1,043,144	-	58,566
Jamaica	-	55	610	544	-	11
Japan	-	104,079	2,908,430	2,827,800	(23,449)	-
Jordan	-	80	1,220	1,260	-	480
Kazakhstan	5,995	-	4,210	10,179	-	26
Kenya	1,218	-	1,220	3,058	(620)	-
Kiribati	70	-	160	125	-	105
Kuwait	-	2,940	21,920	19,050	(70)	-
Kyrgyzstan	1,170	-	160	-	-	1,330
Lao People's Democratic Rep.	180	-	160	-	-	340
Latvia	-	-	690	690	-	-
Lebanon	3,380	-	1,840	4,285	-	935
Lesotho	-	-	160	135	-	25
Liberia	410	-	160	-	-	570
Libyan Arab Jamahiriya	25,000	-	9,960	-	-	34,960
Liechtenstein	-	-	920	920	-	-
Lithuania	-	-	210	210	-	-
Luxembourg	11,380	-	11,880	23,260	-	-
Macedonia (FYR)	-	-	680	645	-	35
Madagascar	-	82	460	-	-	378
Malawi	130	-	310	440	-	-
Maldives	-	-	80	80	-	-
Malaysia	32,290	-	35,100	67,620	(230)	-
Mali	-	146	310	290	-	150
Malta	1,040	-	2,290	3,285	-	45
Marshall Islands	130	-	160	290	-	-
Mauritania	-	-	160	157	-	3
Mauritius	-	260	1,680	2,310	(890)	-
Mexico	232,700	-	161,950	377,973	-	16,677
Micronesia	-	-	160	240	(80)	-
Monaco	280	-	610	890	-	-
Mongolia	-	-	160	160	-	-
Morocco	3,010	-	6,670	3,980	-	5,700
Mozambique	-	40	160	120	-	-
Myanmar	-	500	1,540	1,040	-	-
Namibia	-	707	1,070	883	(520)	-
Nauru	180	-	160	440	(100)	-
Nepal	-	70	610	540	-	-
Netherlands	-	37,230	258,950	223,020	(1,300)	-
New Zealand	-	18,382	35,940	36,128	(18,570)	-
Nicaragua	180	-	160	90	-	250
Niger	-	290	160	-	(130)	-
Nigeria	9,900	-	9,180	5,660	-	13,420

Niue	20	-	160	100	-	80
Norway	-	13,740	96,330	83,230	(640)	-
Oman	4,310	-	9,120	13,590	(160)	-
Pakistan	13,640	-	9,040	22,875	(195)	-
Palau	-	100	160	110	(50)	-
Panama	-	580	2,760	2,180	-	-
Papua New Guinea	330	-	840	1,159	-	11
Paraguay	3,370	-	2,450	-	-	5,820
Peru	14,240	-	17,550	-	-	31,790
Philippines	9,970	-	14,950	15,171	-	9,749
Poland	-	-	49,730	49,800	(70)	-
Portugal	-	14,310	68,890	34,391	-	20,189
Qatar	-	720	5,050	4,310	-	20
Republic of Korea	-	36,690	275,810	241,400	(2,280)	-
Republic of Moldova	2,290	-	310	2,550	-	50
Romania	3,920	-	8,730	10,733	-	1,917
Russian Federation	-	-	29,180	-	-	-
Rwanda	-	3	160	160	(3)	-
Saint Kitts and Nevis	180	-	160	420	(80)	-
Saint Lucia	240	-	310	-	-	550
Saint Vincent and the Grenadines	180	-	160	320	-	20
Samoa	70	-	160	210	-	20
San Marino	130	-	310	440	-	-
Sao Tome and Principe	160	-	160	-	-	340
Saudi Arabia	-	1,900	82,610	81,270	(560)	-
Senegal	122	-	770	11,045	(10,153)	-
Seychelles	470	-	310	-	-	780
Sierra Leone	180	-	160	340	-	-
Singapore	-	8,284	58,540	50,701	(445)	-
Slovakia	-	-	5,590	5,590	-	-
Slovenia	1,370	-	7,450	8,970	(150)	-
Solomon Islands	180	-	160	-	-	340
Somalia	-	-	80	-	-	80
South Africa	-	30,925	60,850	36,845	(6,920)	-
Spain	-	53,930	375,360	324,470	(3,040)	-
Sri Lanka	2,890	-	2,450	4,897	-	443
Sudan	1,470	-	920	-	-	2,390
Suriname	260	-	310	-	-	570
Swaziland	270	-	310	580	-	-
Sweden	-	23,290	153,040	130,810	(1,060)	-
Switzerland	-	26,885	189,120	163,600	(1,365)	-
Syrian Arab Republic	-	6,999	11,950	5,090	(139)	-
Tajikistan	140	-	160	980	(680)	-
Thailand	8,160	-	32,650	41,120	(310)	-
Timor-Leste	-	-	-	-	-	-
Togo	-	-	160	110	-	50
Tonga	180	-	160	340	-	-
Trinidad and Tobago	-	-	2,450	2,450	-	-
Tunisia	2,090	-	4,520	6,811	(201)	-
Turkey	-	9,470	65,600	56,660	(530)	-
Turkmenistan	1,300	-	460	-	-	1,760
Tuvalu	70	-	160	205	(80)	25
Uganda	528	-	770	872	-	426
Ukraine	-	-	4,240	-	-	4,240
United Arab Emirates	29,764	-	30,040	61,629	(1,825)	-
United Kingdom	-	117,520	824,890	1,133,590	(426,220)	-
United Republic of Tanzania	710	-	610	-	-	1,320
United States of America	170,920	-	3,371,550	3,270,000	-	272,470
Uruguay	11,390	-	11,950	-	-	23,340
Uzbekistan	-	4,915	1,680	-	(3,235)	-
Vanuatu	180	-	160	342	(2)	-
Venezuela	-	4,180	30,960	-	-	26,780
Viet Nam	-	210	2,220	2,220	(210)	-
Yemen	1,780	-	990	2,737	-	33
Zambia	470	-	310	-	-	780
Zimbabwe	1,340	-	1,220	2,560	-	-
Total	1,384,536	1,172,632	15,325,200	14,874,608	(621,153)	1,254,072

Statement IV
THE CORE BUDGET: STATEMENT OF APPROPRIATIONS FOR THE 2002-2003 AS AT 31 DECEMBER 2003
(in United States dollars)

Budget classification	Expenditures				Balance
	Initial approved 2002-3 budget (COP 5)	Adjusted 2002-3 budget	Disbursements	Unliquidated obligations	Total
Executive Direction and Management	1,550,000	1,550,000	1,544,654	5,315	1,549,969
Substantive Support to the COP and its Subsidiary Bodies and Legal Advice	2,289,600	2,289,600	2,227,252	52,944	2,280,196
Facilitation of Implementation and Coordination	3,486,500	3,886,500	3,867,410	18,722	3,886,132
External Relations and Public Information	1,030,000	1,130,000	1,110,063	19,492	1,129,555
Administration and Finance	2,386,000	1,886,000	1,779,884	100,821	1,880,705
Global Mechanism	3,524,600	3,524,600	2,550,000	974,700	3,524,700
Subtotal	14,266,700	14,266,700	13,079,263	1,171,994	14,251,257
Programme support costs	1,854,700	1,854,700	1,608,663	-	1,608,663
Total	16,121,400	16,121,400	14,687,926	1,171,994	15,859,920
Working capital reserve	112,800	112,800	112,800	-	112,800
Less: contribution from host country	909,000	909,000	984,953	-	984,953
Grand Total	15,325,200	15,325,200	13,815,773	1,171,994	14,987,767
					337,433

Schedule 1.2
Status of voluntary contributions as at 31 December 2003
(in United States dollars)

Countries/Trust funds	Voluntary contributions for 2002/2003
I. Trust Fund for the Core Budget of the UNCCD (UXA)	
Germany	984,953
Total	984,953
II. Trust Fund for Participation of Representatives of Parties in the UNCCD Sessions (UVA)	
Croatia	2,885
Canada	142,263
Cyprus	2,800
Czech Republic	5,000
Denmark	58,288
European Community	271,150
Finland	212,473
Germany	17,143
Italy	466,920
Luxembourg	9,980
Netherlands	100,000
Norway	100,000
Sweden	64,039
Switzerland	120,370
Total	1,573,311
III. Trust Fund for Voluntary Financing of Activities Under the UNCCD (UWA)	
Canada	117,739
China	84,985
Czech Republic	5,000
European Community	14,086
Denmark	99,994
Finland	382,752
France	156,961
Germany	429,563
Italy	2,680,011
Korea	28,617
Monaco	35,119
Netherlands	723,381
Norway	735,343
Spain	35,211
Switzerland	231,260
United Arab Emirates	229,981
Subtotal	5,990,003
Subventions	
IFAD	230,013
UNEP	7,500
OAU	540,140
World Meteorological Organization (WMO)	116,071
Subtotal	893,724
Total	6,883,727
IV. Trust Fund for Convention Events Organized by the UNCCD Secretariat (BMA)	
Germany	1,002,745
Total	1,002,745
GRAND TOTAL	10,444,736

Notes to the financial statements

Note 1: Statement of purpose

The permanent secretariat of the UNCCD was established on 1 January 1999 with the following purposes:

- To make arrangements for sessions of the COP and its subsidiary bodies established under the Convention and to provide them with services as required;
- To compile and transmit reports submitted to it;
- To facilitate assistance to the affected developing country Parties, on request, particularly those in Africa, in the compilation and communication of information required under the Convention;
- To coordinate its activities with the secretariats of other relevant international bodies and conventions;
- To enter, under the guidance of the COP, into such administrative and contractual arrangements as may be required for the effective discharge of its functions;
- To prepare reports on the execution of its functions under this Convention and present them to the COP; and
- To perform such other secretariat functions as may be determined by the COP.

Note 2: Accounting policies

The following are the significant accounting policies of the UNCCD.

A. Rules and procedures

The accounts of the Convention are maintained in accordance with the Financial Regulations of the United Nations, its own Financial Rules and in conformity with the United Nations System Common Accounting Standards (A/48/530) as recognized by General Assembly resolution 48/216 C of 23 December 1993 and its subsequent revisions.

Under the financial procedures adopted by the COP, the Executive Secretary prepares the administrative core budget for the following biennium and submits it to the COP for its consideration and approval. The approved budget constitutes authority to the Executive Secretary to issue allotments, incur obligations and make payments for the purposes for which the appropriations were approved. For the biennium 2002-2003, the COP approved a core budget of US\$ 15.3 million, out of which the host Government paid the equivalent of EUR 1.02 million. The remaining amount is raised from all Parties, who are invited to make contributions based on an adjusted United Nations scale of assessment.

B. Accounting basis

The accounts are prepared on the historical cost basis, modified to the extent that the cost of all property acquired is charged as an expense in the year of purchase except for the period under review where property donated in kind by the host Government was valued using the average United Nations rate of exchange.

The UNCCD's accounts are maintained on a "fund accounting" basis. Separate funds for general or special purposes may be established by the COP or the Executive Secretary. Each fund is maintained as a distinct financial and accounting entity, with a separate self-balancing double-entry set of accounts.

C. Contingent liabilities

The expenditures do not include possible costs to cover contingencies under Appendix D to the United Nations staff rules, for personnel financed under resources obtained from contributions. Such costs are covered under contractual arrangements with Van Breda & Co. International.

D. Income tax refund policy

The UNCCD salaries are charged to the budget on a net basis during the year in which the services have been rendered. Income tax refunds are charged to the year in which they are made to the staff member.

E. Unliquidated obligations

Unliquidated obligations are expenditures based on firm obligations entered into, but not disbursed, in the financial period. Unliquidated obligations for the current period in respect of all UNCCD activities remain valid for 12 months following the end of the period to which they relate.

F. Cash and term deposits

Funds on deposit in interest bearing bank accounts, time deposits and call accounts are shown in the statements of assets and liabilities as cash. All term deposits are placed following the United Nations investments policies and guidelines.

G. Income

(i) Assessed contributions from Parties

Income from assessed contributions is recognized on an accrual basis based on the budget approved by the COP.

(ii) Voluntary contributions

Voluntary contributions to UNCCD trust funds are recorded as income when received, which includes funds received under inter-organization arrangements. However, during 2002-2003 an outstanding amount of US\$ 1,480 transferred in 2001 from assessed contributions was recorded on an accrual basis.

(iii) Interest income

Interest income from cash and term deposits is recorded on the accrual basis during the financial period. Interest income accrued from cash and term deposits not maturing until future periods is recorded as accounts receivable.

(iv) Miscellaneous income

Refunds of expenditures charged to prior financial periods, net gains on exchange, moneys accepted for which no purpose is specified and proceeds from the sale of surplus property, are credited to miscellaneous income.

(v) Contributions

All contributions to the secretariat's activities are deposited with UNOG. UNCCD operates an imprest account in Euros to cover its expenditure in Bonn. Reports on the utilization of the imprest account are submitted to UNOG on a regular basis.

H. Translation of currencies

The financial statements of the UNCCD are presented in United States dollars (US\$). As per United Nations Accounting Standards, transactions in other currencies are recorded in US\$ by applying the United Nations operational rate of exchange at the time of the transaction. Realized exchange gains and losses are charged to miscellaneous income and operating expense accounts, accordingly.

Note 3: Trust funds expenditures

The total expenditures of US\$ 32,718,179 in Statement I were as follows during the reported period:

Description	As at 31 December 2003 (in United States dollars)
Staff and other personnel costs	13,542,402
Travel on official business	7,518,578
Contractual services	765,291
Operating expenses	589,782
Acquisitions	128,273
Grants and contributions to joint activities	7,026,092
Programme support costs	<u>3,148,613</u>
Total	32,718,179

Note 4: Refund to donors

This represents a refund of US\$ 62,087 to the United Arab Emirates representing the unexpended balance from the funding provided for the organization of an Asia regional meeting.

Note 5: Transfer to/from other trust funds

There was one transfer of US\$ 50,000 from UWA to UVA from the Japanese contribution to UWA.

Note 6: Cash and term deposits

	As at 31 December 2003 (in United States dollars)
Interest-bearing bank deposits maturing within twelve months	5,746,408

Note 7: Other accounts receivable

	As at 31 December 2003 (in United States dollars)
Education grant advances	96,537
Travel advances	138,709
Salary advances	14,596
Value Added Tax	63,761
Imprest – Bonn	160,070
Imprest – UNDP F.O.	8,806
Accrued interest receivable	29,977
Pledges receivable	1,255,553
Others	173,024
Total	1,941,033

Note 8: Other accounts payable

	As at 31 December 2003 (in United States dollars)
Staff salaries-Bonn	33,277
Staff salaries-Field	11,262
Reserve for Appendix D	61,425
Others	56,634
Total	162,598

Note 9: Operating and working capital reserve

Operating reserves are established at 15 per cent (UVA and UWA) of the total annual expenditures under the voluntary general trust funds, while an operating reserve for the programme support account (ZQA) is maintained at 20 per cent of the annual programme

support income earned. The working capital reserve is maintained at 8.3 per cent of the total annual expenditures under the core budget (UXA). The purpose of the operating and working capital reserve is to fund unforeseen shortfalls, uneven cash flows, unplanned costs and other contingencies. For the reported period there was a need to draw on the operating reserves of UWA in the amount of US\$ 229,412 due to the late receipt of a pledge. The level of the reserves was US\$ 1,397,915 (operating reserve) and US\$ 690,721 (working capital reserve) (Statement II).

Difference between actual and required reserves
(in United States dollars)

	UXA	UVA	UWA	BMA	ZQA	Total
Operating reserve	-	163,191	878,769	-	355,955	1,397,915
Working capital reserve	690,721	-	-	-	-	690,721
Cumulative surplus (deficit)	2,289,389	385,281	(229,574)	18,539	81,844	2,545,479
Total reserves and fund balances	2,980,110	548,472	649,195	18,539	437,799	4,634,115
Total annual expenditure	7,929,960	925,608	522,471	542,539	1,736,354	
Programme support income	-	-	-	-	1,582,364	
% reserve (actual)	8,7 %	17,6 %	16,8 %	0,0 %	22,5 %	
Reserve requirements at specified rates	658,187	138,841	783,707	-	316,473	1,897,207
Difference between actual and estimated reserve	32,534	24,350	95,063	-	39,482	191,429

Note 10: Programme support

Programme support at 13 per cent of the actual expenditures of all established UNCCD trust funds is maintained in a separate account (ZQA), subject to specific exceptions made by the Controller. When a project is shared between UNCCD and another United Nations agency, programme support charges are also shared accordingly between both organizations with the combined amount not exceeding 13 per cent.

Note 11 : Non-expendable inventory

Non-expendable property is limited to items with a value of US\$ 500 and above. During the biennium acquisitions amounted to US\$ 127,421 and disposals totalled US\$ 51,629, resulting in a balance of non-expendable items of US\$ 600,444.

(in United States dollars)		
Balance as at 1 January 2002		524,652
Total acquisitions 1 January 2002 - 31 December 2003		
(a) Locally procured	127,421	
(b) Received from other offices/missions	-	
		127,421
Total disposals 1 January 2002 – 31 December 2003		
(a) Write-offs	(4,450)	
(b) Sales	-	
(c) Donations	(47,179)	
(d) Transfers to other offices/missions	-	
		(51,629)
Balance as at 31 December 2003		600,444
Rented or leased equipment balance as at 31 December 2003		-
Write-offs during the two years ended 31 December 2003		
(i) Accident		-
(ii) Theft		-
(iii) Damaged or destroyed		-
(iv) Obsolescence (wear and tear)		(4,450)
(v) Other		-
		(4,450)

There were no cases pending write-off at 31 December 2003.

Note 12: Disclosure as to after-service liabilities

UNCCD participated in the actuarial valuation survey conducted by an independent organization and coordinated by the United Nations Secretariat. The report was prepared using identical assumptions for the entire United Nations, taking into account the plans of benefits in place, available claims experience, magnitude of staff member and UNCCD contributions towards the cost. Valuation methodologies, policies and procedures undertaken in determining the actuarial valuation of future liabilities under after-service health insurance (ASHI) plan as of December 2003 are provided in the detailed report. The value of actuarial valuation of post-retirement medical and dental benefits as of 31 December 2003 is provided in the table below. In addition, the liability for accrued annual leave is estimated at US\$ 784,000, based upon the actual monthly salary and accrued days of leave for each staff member, including related common staff costs.

(in United States dollars)

	Present value of future benefits	Accrued liability as at 31 December 2003
Gross liability	5,350,000	2,304,000
Retiree contributions	(1,338,000)	(577,000)
Net liability	4,012,000	1,727,000

Note 13: Disclosure as to participation in the United Nations Joint Staff Pension Fund

UNCCD is a member organization participating in the United Nations Joint Staff Pension Fund, which was established by the United Nations General Assembly to provide retirement, death, disability and related benefits. The financial obligation of the secretariat to the United Nations Joint Pension Fund consists of its mandated contributions at the rate established by the United Nations General Assembly together with its share of any actuarial deficiency payments that might become payable pursuant to article 36 of the regulations of the United Nations Joint Staff Pension Fund.

Note 14: Disclosure of donations in kind

Services of a senior scientific officer were donated by the WMO. In addition, the Governments of Finland, Germany and Italy, and the *Agence intergouvernementale de la Francophonie* provide the services of one junior professional each. The cost of these services, at United Nations approved salary and benefit rates, and for actual costs related thereto (primarily travel and training costs), was US\$ 579,400 as indicated in the table below:

	As at 31 December 2003 (in United States dollars)
WMO (1 P-5)	124,800
Germany (8 months)	50,900
Germany (1.5 months)	9,500
Finland (1 year and 5 months)	108,100
Italy (8 months)	50,900
Italy (23 months)	146,200
<i>Agence intergouvernementale de la Francophonie</i> (14 months)	89,000
Total	579,400
