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NATIONS**



**Convention to Combat
Desertification**

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Item 6 of the provisional agenda
Programme and budget

Programme and budget

Note by the secretariat

Addendum

**Audited financial statements for the Convention's trust funds for the
biennium 2004–2005 as at 31 December 2005, including
the report of the United Nations Board of Auditors**

Summary

By its decision 23/COP.7, the Conference of the Parties (COP) requested the Executive Secretary to report to the COP at its eighth session on the financial status of the Convention's trust funds.

This document contains the audited financial statements of the United Nations Convention to Combat Desertification for the biennium ended 31 December 2005.

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I. Executive summary to United Nations Convention to Combat Desertification financial statements for the biennium 2004–2005

1. Paragraph 20 of the United Nations Convention to Combat Desertification (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 December 2005 the United Nations external auditors carried out an interim financial audit of UNCCD. The final audit, based on the attached certified financial statements of 2004-2005, is due for completion in June 2006.

2. The permanent Secretariat of the UNCCD commenced operations in 1999. 2004-2005 was the third biennium of 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 USD 32,396,964, which is comprised of USD 17,670,505 under the core budget, USD 8,797,788 under the supplementary fund, USD 939,414 under the special fund for participation, USD 1,717,261 under the voluntary contribution of the Government of Germany for Convention related-events (Bonn Fund), and USD 3,271,996 under the Special Account for UNCCD Programme Support Cost.

3. In addition to core budget income of USD 17,670,505, the Conference of Parties at its Seventh Session (COP 7) authorized the Executive Secretary to draw up to USD 1.5 million from unspent balances, contributions from previous financial periods and miscellaneous income to cover staff related costs and other unavoidable operating expenses, which primarily resulted from the appreciation of the euro vs. the United States dollar, through the end of the biennium.

4. In 2004-2005 actual expenditures under all the trust funds amounted to USD 32,251,257. The actual expenditures of the core budget were USD 18,484,026. USD 8,080,775 was utilized from the Supplementary Fund. USD 1,248,953 was utilized under the Special Fund for Participation to facilitate the participation of delegates from the affected least developed and developing country Parties, as well as representatives of the non-governmental organizations (NGO) to the third meeting of the Committee to Review the Implementation of the Convention (CRIC 3) and the seventh session of the Conference of the Parties to the UNCCD (COP 7), and for the participation of eligible COP Bureau members. USD 1,559,336 of the Bonn Fund was utilized for events organized by the Secretariat, including CRIC 3, while USD 2,878,167 was utilized for Programme Support-related activities.

5. Brief descriptions of the major activities undertaken by the secretariat during the reporting period are presented below.

(a) *Service to the COP and its subsidiary bodies.* During the biennium the main activities of the secretariat were the organization of CRIC 3 and COP 7. Other core activities supported by the secretariat included follow-up to the work of the Committee of Science and Technology (CST) and its Group of Experts.

- (i) CRIC 3 was held in May 2005. It provided a thematically oriented review of the implementation of the Convention in Africa, based on reports prepared by

country Parties and observers. Close to one hundred reports were received from African and developed country Parties, United Nations system organizations and other intergovernmental organizations. Further input relating to the status of combating desertification in the region was received through three sub regional workshops that were organized in February 2005.

- (ii) COP 7 was held in October 2005. The fourth session of the CRIC and a meeting of the CST were held during the first week of the COP. COP 7 adopted 31 decisions, eight of which were derived from the CST and six from the CRIC. Many of these decisions reflect the aim of the Parties to complete the substantive and institutional move to the full implementation phase of the Convention, and to chart a strategic course for the Convention over the medium to long term.

(b) *Policy advocacy and awareness raising.* In order to further political commitment to the implementation of the Convention, the secretariat actively advocated the combat against desertification in relevant international forums and processes, as well as through consultative processes involving major cooperating partners. At the level of affected country Parties, the secretariat promoted the integration of the Convention's national action programmes (NAPs) into the national development strategies, and the involvement of a broader representation of political authorities as well as other relevant stakeholders in the Convention process at the national level. The secretariat also encouraged developed country Parties to mainstream UNCCD objectives in their relevant policy areas and the civil society organizations, including NGOs to participate actively in the UNCCD implementation. Information campaigns and other awareness-raising activities were carried out, including in the context of the celebration of the World Day to Combat Desertification and Drought, the tenth anniversary of the adoption of the Convention, and the preparations for the 2006 International Year of Deserts and Desertification.

(c) *Institutional liaison and coordination.* Promotion of synergies between the Rio conventions and other relevant multilateral environmental agreements; and support to the development of multilateral initiatives and collaboration for the Convention implementation was among the focus areas of the secretariat during the biennium 2004-2005. Strengthening coordination with the Global Mechanism was also an important aspect. Furthermore, closer cooperation was sought with specialized organizations that deal with drought, agricultural production and productivity in drylands.

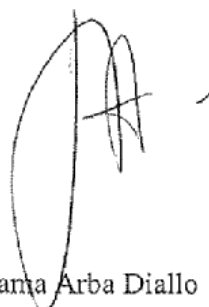
(d) *Targeted support to affected countries in the implementation of the Convention.* Within the limits of its mandate, the secretariat assisted affected country Parties, at their request, in advancing the implementation of the NAPs, including their continuing development. Particular attention was given to supporting collaboration on the priority substantive and thematic aspects particularly at the subregional and regional levels, the development of synergistic implementation at the national and local levels, and the facilitation of partnership building.

6. With regard to specific tasks in the field of administrative services, the secretariat continued to explore possibilities of collaborating with other United Nations organizations in Bonn with the aim of providing better services at reduced costs, including on matters related to the new United Nations campus. It also continued to develop internal financial and other controls to safeguard the resources of the organisation.

II. Certification of the financial statements

6 April 2006

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 series of loops and a final flourish.

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

III. Financial statements for the 24-month period of the biennium 2004–2005 ended 31 December 2005

Statement 1. Income and expenditures and changes in reserves and fund balances for the biennium 2004–2005 ended 31 December 2005
 (Expressed in United States dollars)

	SCHEDULE / NOTE REFERENCE	TRUST FUND FOR THE CORE BUDGET OF THE UNCCD (UXA)		TRUST FUND FOR PARTICIPATION OF REPRESENTATIVES OF STATE PARTIES IN THE SESSION OF THE UNCCD CONFERENCE (UVA)		TRUST FUND FOR VOLUNTARY FINANCING OF ACTIVITIES UNDER THE UNCCD (UWA)	
		2004-2005	2002-2003	2004-2005	2002-2003	2004-2005	2002-2003
INCOME:							
Assessed Contributions	Note 2 g(i)	15 939 000	15 325 200	-	-	-	-
Voluntary Contributions (Sch. 1.2)	Note 2 g(ii)	1 308 243	987 975	904 205	1 573 312	8 695 424	6 883 727
Programme Support Cost income	Note 10	-	-	-	-	-	-
Other/Miscellaneous Income							
Interest income	Note 2 g(iii)	167 366	238 117	30 046	50 039	96 435	190 959
Miscellaneous	Note 2 g(iv)	255 896	97 643	5 163	19 189	5 929	42 160
TOTAL INCOME		17 670 505	16 648 935	939 414	1 642 540	8 797 788	7 116 846
EXPENDITURES:							
Staff and other personnel costs		10 278 637	7 749 871	1 654	7 678	2 964 373	2 214 711
Travel		757 091	1 551 270	1 058 032	1 628 101	1 181 741	3 749 955
Contractual services		132 347	443 595	5 869	-	314 723	284 339
Operating expenses		838 375	466 398	39 713	2 464	58 510	84 239
Acquisitions		20 910	123 448	-	-	6 005	3 973
Fellowships grants and other		4 330 185	3 916 675	-	-	2 652 511	2 909 895
Total direct expenditures		16 357 545	14 251 257	1 105 268	1 638 243	7 177 863	9 247 112
Programme support costs		2 126 481	1 608 663	143 685	212 972	902 912	1 202 146
TOTAL EXPENDITURES	Note 3	18 484 026	15 859 920	1 248 953	1 851 215	8 080 775	10 449 258
Prior period adjustments		30 013	23 881	(2 610)	16 620	(1 511)	(85 790)
Refund to Donors	Note 4	-	-	-	-	-	(62 087)
NET EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURES		(783 508)	812 896	(312 149)	(192 055)	715 502	(3 480 289)
Transfers (to) from other funds	Note 5	-	-	326 945	50 000	(476 945)	(50 000)
Savings on prior period' obligations	Note 2 (e)	354 780	183 687	83 009	127 847	450 725	481 609
RESERVES AND FUND BALANCES: BEGINNING OF PERIOD		2 980 110	1 983 527	548 472	562 680	649 357	3 698 037
RESERVES AND FUND BALANCES: END OF PERIOD		2 551 382	2 980 110	646 277	548 472	1 338 639	649 357

Statement 2. Assets, liabilities, reserves and fund balances as at 31 December 2005
(Expressed in United States dollars)

	SCHEDULE / NOTE REFERENCE	TRUST FUND FOR THE CORE BUDGET OF THE UNCCD (UXA)		TRUST FUND FOR PARTICIPATION OF REPRESENTATIVES OF STATE PARTIES IN THE SESSION OF THE UNCCD CONFERENCE (UVA)		TRUST FUND FOR VOLUNTARY FINANCING OF ACTIVITIES UNDER THE UNCCD (UWA)	
		2004-2005	2002-2003	2004-2005	2002-2003	2004-2005	2002-2003
ASSETS							
Cash and term deposits	Note 2 (f), 6	1 476 312	3 257 259	673 836	696 673	1 594 332	1 139 898
Accounts receivable:							
Pledged and assessed contributions receivable	Sch. 1.1	1 807 265	1 254 073	-	1 480	-	-
Due from United Nations General Fund		-	-	-	-	-	-
Other accounts receivable	Note 7	244 866	491 319	16 532	4 025	146 815	107 189
Operating funds provided to executing agencies		-	1 632	-	-	699 002	7 174
TOTAL ASSETS		3 528 443	5 004 283	690 368	702 178	2 440 149	1 254 261
LIABILITIES							
Contributions/Payments received in advance	Sch. 1.3	693 647	622 929	-	-	-	-
Unliquidated obligations		162 357	1 171 993	43 084	91 380	1 078 570	586 959
Accounts payable:							
Inter-fund balances payable		-	88 037	-	62 326	1 934	-
Other accounts payable	Note 8	121 057	141 214	1 007	-	21 006	17 945
TOTAL LIABILITIES		977 061	2 024 173	44 091	153 706	1 101 510	604 904
RESERVES AND FUND BALANCES							
Operating reserve	Note 9	-	-	145 394	163 191	410 164	878 769
Working Capital Reserve	Note 9	750 210	690 721	-	-	-	-
Cumulative surplus (deficit)		1 801 172	2 289 389	500 883	385 281	928 475	(229 412)
TOTAL RESERVES AND FUND BALANCES		2 551 382	2 980 110	646 277	548 472	1 338 639	649 357
TOTAL LIABILITIES, RESERVES AND FUND BALANCES		3 528 443	5 004 283	690 368	702 178	2 440 149	1 254 261

Statement 3. Cash flow for the biennium 2004–2005 ended 31 December 2005
 (Expressed in United States dollars)

	UXA		UVA		UWA		BMA		ZQA	
	2005	2003	2005	2003	2005	2003	2005	2003	2005	2003
CASH FLOWS FROM OPERATING ACTIVITIES:										
Net excess (shortfall) of income over expenditures (Statement 1)	(783 508)	812 896	(312 149)	(192 055)	715 502	(3 480 289)	157 925	(42 962)	410 664	(369 656)
(Increase) decrease in contributions receivable	(553 192)	141 349	1 480	2 610	-	-	-	-	-	-
(Increase) decrease in other accounts receivable	246 453	(226 436)	(12 507)	(801)	(731 454)	(69 819)	2 836	(29 547)	5 015	(41 859)
(Increase) decrease in other assets	1 632	-	-	-	-	-	-	-	-	-
Increase (decrease) in contributions received in advance	70 718	(552 508)	-	-	-	(5 000)	-	-	-	-
Increase (decrease) in accounts payable	(20 157)	39 584	1 007	-	3 061	16 789	86	318	(3 121)	2 386
Increase (decrease) in unliquidated obligations	(1 009 636)	495 240	(48 296)	(37 255)	491 611	(199 166)	(195 700)	127 205	(13 185)	5 241
Less: Interest income	(167 366)	(238 117)	(30 046)	(50 039)	96 435	190 959	26 585	7 400	(19 085)	36 858
NET CASH FROM OPERATING ACTIVITIES	(2 215 056)	472 008	(400 511)	(277 540)	575 155	(3 546 526)	(8 268)	62 414	380 288	(367 030)
CASH FLOWS FROM INVESTING AND FINANCING ACTIVITIES:										
(Increase) decrease in interfund balances receivable	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in inter-fund balances payable	(88 037)	(253 921)	(62 326)	(6 499)	1 934	(435 524)	-	(2 746)	(17 482)	(4 957)
Plus: Interest income	167 366	238 117	30 046	50 039	(96 435)	(190 959)	(26 585)	(7 400)	19 085	(36 858)
NET CASH FROM INVESTING AND FINANCING ACTIVITIES	79 329	(15 804)	(32 280)	43 540	(94 501)	(626 483)	(26 585)	(10 146)	1 603	(41 815)
CASH FLOWS FROM OTHER SOURCES:										
Savings on prior periods' obligations	354 780	183 687	83 009	127 847	450 725	481 609	-	60 497	-	7 782
Other adjustments to fund balances	-	-	326 945	50 000	(476 945)	(50 000)	-	-	-	-
NET CASH FROM OTHER SOURCES	354 780	183 687	409 954	177 847	(26 220)	431 609	-	60 497	-	7 782
NET INCREASE (DECREASE) IN CASH AND TERM DEPOSITS	(1 780 947)	639 891	(22 837)	(56 153)	454 434	(3 741 400)	(34 853)	112 765	381 891	(401 063)
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
CASH AND TERM DEPOSITS	1 476 312	3 257 259	673 836	696 673	1 594 332	1 139 898	187 630	222 483	811 980	430 089

Statement 4. The core budget: Appropriations for the biennium 2004–2005 ended 31 December 2005
(Expressed in United States dollars)

Budget Classification	Appropriations				Expenditures			Balance
	Approved 2004–2005 budget	Adjustments	% of transfers within budget lines	Adjusted 2004- 2005 Budget	Disbursements	Unliquidated Obligations	Total	
Executive direction and management	1 550 000	685 100	44,20 %	2 235 100	2 177 279	57 475	2 234 754	346
Substantive Support to the COP and its Subsidiary Bodies	1 361 000	(301 300)	(22,14%)	1 059 700	1 056 446	3 252	1 059 698	2
Science and Technology	928 000	(153 800)	(16,57%)	774 200	764 906	7 768	772 674	1 526
Facilitation of Implementation and Coordination	4 009 000	225 600	5,63 %	4 234 600	4 204 604	29 454	4 234 058	542
External Relations and Public Information	900 000	536 100	59,57 %	1 436 100	1 435 833	-	1 435 833	267
Administrative Unit	2 533 000	335 700	13,25 %	2 868 700	2 860 705	58 823	2 919 528	(50 828)
Global Mechanism	3 701 000	-	-	3 701 000	3 701 000	-	3 701 000	-
Subtotal	14 982 000	1 327 400	-	16 309 400	16 200 773	156 772	16 357 545	(48 145)
Programme Support Costs	1 948 000	172 600	-	2 120 200	2 106 100	20 381	2 126 481	(6 281)
Total	16 930 000	1 500 000	-	18 429 600	18 306 873	177 153	18 484 026	(54 426)
Working Capital Reserve	119 000	-	-	119 000	119 000	-	168 210	(49 210)
Less: contribution from host country	1 110 000	-	-	1 110 000	638 318	-	1 308 243	(198 243)
Grand Total	15 939 000	1 500 000	-	17 438 600	17 787 555	177 153	17 343 993	94 607

Schedule 1. Status of outstanding contributions to the core budget for the biennium 2004–2005 ended 31 December 2005
(Expressed in United States dollars)

[illegible]

BALANCE OUTSTANDING FOR								TOTAL BALANCE OUTSTANDING 31 December 2005
Parties to the Convention	1999	2000	2001	2002	2003	2004	2005	
Costa Rica	-	-	-	-	-	406.19	1 500.00	1 906.19
Côte d'Ivoire	-	-	-	-	-	-	32.19	32.19
Cuba	-	-	-	-	-	-	41.05	41.05
Cyprus	-	10.00	390.00	390.00	380.00	510.00	2 920.00	4 600.00
Democratic Republic of the Congo */	-	-	-	-	-	85.00	320.00	405.00
Democratic People's Republic of Korea	-	-	-	-	-	-	710.00	710.00
Djibouti	-	-	-	-	-	-	4.45	4.45
Dominica	-	-	-	80.00	80.00	80.00	80.00	320.00
Dominican Republic	-	-	-	-	-	-	270.72	270.72
Egypt	-	-	-	-	5 900.00	6 200.00	6 080.00	18 180.00
El Salvador	-	-	-	-	-	-	1 340.00	1 340.00
Equatorial Guinea */	-	-	-	20.00	80.00	80.00	80.00	260.00
Fiji	-	-	-	-	-	-	-	-
Finland	-	-	-	-	-	-	24.85	24.85
Gabon	-	-	-	-	-	1 130.00	1 100.00	2 230.00
Gambia	-	-	-	-	5.00	80.00	80.00	165.00
Georgia	-	399.44	390.00	390.00	380.00	400.00	390.00	2 349.44
Germany							10.00	10.00
Ghana	-	-	-	-	-	-	390.00	390.00
Grenada	-	-	-	-	-	-	80.00	80.00
Guinea */	-	-	-	-	-	-	11.00	11.00
Guinea-Bissau */	-	-	-	-	-	-	6.85	6.85
Guyana	-	-	-	-	-	80.00	80.00	160.00
Haiti	-	-	-	-	-	160.00	160.00	320.00
Honduras	-	-	-	-	-	-	389.64	389.64
Hungary	-	-	-	-	-	-	23.50	23.50

[illegible]

BALANCE OUTSTANDING FOR								TOTAL BALANCE OUTSTANDING 31 December 2005
Parties to the Convention	1999	2000	2001	2002	2003	2004	2005	
Moldova	-	-	-	-	-	-	160.000	160.000
Monaco	-	-	-	-	-	-	20.00	20.00
Morocco	-	-	-	-	-	-	305.37	305.37
Myanmar	-	-	-	-	-	25.98	25.89	51.87
Nauru	-	-	-	-	-	-	60.00	60.00
Nepal	-	-	-	-	-	320.00	320.00	640.00
Netherlands	-	-	-	-	-	-	270.00	270.00
Nicaragua	-	-	-	80.00	80.00	80.00	80.00	320.00
Nigeria	-	-	4 240.00	4 270.00	4 910.00	5 230.00	5 130.00	23 780.00
Niue	-	-	-	-	-	-	80.00	80.00
Norway	-	-	-	-	-	-	25.00	25.00
Palau	-	-	-	-	-	30.00	80.00	110.00
Panama	-	-	-	-	-	1 370.00	1 340.00	2 710.00
Paraguay	990.00	1 270.00	1 110.00	1 240.00	1 210.00	1 210.00	1 180.00	8 210.00
Peru	-	6 140.00	8 100.00	8 930.00	8 620.00	9 090.00	8 920.00	49 800.00
Philippines	-	-	-	-	-	-	5 108.92	5 108.92
Poland	-	-	-	-	-	-	80.00	80.00
Rwanda	-	-	-	-	-	-	77.14	77.14
Saint Kitts and Nevis	-	-	-	-	-	-	80.00	80.00
Saint Lucia	-	-	240.00	160.00	150.00	160.00	160.00	870.00
Saint Vincent and the Grenadines	-	-	-	-	20.00	80.00	80.00	180.00
Samoa	-	-	-	-	-	-	25.00	25.00
San Marino	-	-	-	-	-	-	160.00	160.00
Sao Tome and Principe */	-	-	-	-	13.78	80.00	80.00	173.78
Seychelles	-	-	-	-	-	20.00	160.00	180.00
Sierra Leone */	-	-	-	-	-	-	6.63	6.63

Parties to the Convention	BALANCE OUTSTANDING FOR							TOTAL BALANCE OUTSTANDING 31 December 2005
	1999	2000	2001	2002	2003	2004	2005	
Solomon Islands	-	-	180.00	80.00	80.00	80.00	80.00	500.00
Somalia	-	-	-	-	-	80.00	80.00	160.00
Spain	-	-	-	-	-	-	390.00	390.00
Sri Lanka	-	-	-	-	-	-	270.00	270.00
Suriname	-	130.00	130.00	160.00	150.00	160.00	160.00	890.00
Syrian Arab Republic	-	-	-	-	-	-	18.24	18.24
The former Yugoslav Republic of Macedonia	-	-	-	-	35.00	480.00	470.00	985.00
Togo	-	-	-	-	-	-	-	-
Tonga	-	-	-	-	-	-	80.00	80.00
Turkey							0.30	0.30
Turkmenistan						240.00	240.00	480.00
Tuvalu	-	-	-	-	-	-	10.00	10.00
Uganda */	-	-	-	-	25.00	400.00	390.00	815.00
United Arab Emirates	-	-	-	-	-	-	42.00	42.00
United Republic of Tanzania */	-	-	-	-	-	-	-	-
United States of America **/	-	-	150 920.00	8 280.00	113 270.00	220 560.00	307 020.00	800 050.00
Uruguay	2 000.00	4 300.00	5 090.00	6 130.00	5 820.00	6 120.00	6 000.00	35 460.00
Vanuatu	-	-	-	-	-	18.00	80.00	98.00
Venezuela (Bolivarian Republic of)	-	-	-	-	-	-	8 541.46	8 541.46
Viet Nam	-	-	-	-	-	-	15.00	15.00
Yemen */	-	-	-	-	-	25.00	470.00	495.00
Zimbabwe	-	-	-	-	-	-	-	-
TOTAL	3 515.00	12 949.44	170 930.00	103 482.59	225 499.81	515 780.17	775 108.34	1 807 264.87

*/ Least developed countries.

**/ The United States of America views its funding to the core budget of the Convention as a voluntary contribution.

Schedule 2. Status of voluntary contributions for the biennium 2004–2005
ended 31 December 2005
(Expressed in United States dollars)

Countries/Trust Funds	Voluntary contributions for 2004–2005
<u>I. Trust Fund for the Core Budget of the UNCCD (UX)</u>	
Germany	1 308 243
Total	1 308 243
<u>II. Trust Fund for participation of representatives of States Parties in the session of the UNCCD conference (UV)</u>	
Canada	84 801
Denmark	88 661
European Union	200 178
Finland	36 585
Ireland	32 342
Italy	250 940
Luxembourg	19 405
Norway	62 740
Portugal	4 343
Slovenia	1 805
Switzerland	60 000
United Kingdom	62 405
Total	904 205
<u>III. Trust Fund for voluntary financing of activities under UNCCD (UW)</u>	
Austria	6 475
Canada	31 667
Convention on Biological Diversity	84 305
Cuba	50 098
Denmark	24 567
Finland	53 611
France	107 115
Germany	36 498
Global Environment Forum	5 409
Ghana	10 000
Italy	4 819 365
Netherlands	96 831
Monaco	121 646
Norway	507 018
Republic of Korea	25 000
Slovenia	12 200
Spain	73 256
Sweden	61 402
Switzerland	314 610
United Arab Emirates	7 475
Venezuela	463 021
Sub Total	6 911 569
<u>Other United Nations organizations</u>	
International Fund for Agricultural Development	1 552 120
Global Mechanism	220 750
World Meteorological Organization	10 985
Subtotal	1 783 855
Total	8 695 423

Countries/Trust Funds	Voluntary contributions for 2004–2005
IV. <u>Trust Fund for Convention events organized by the UNCCD secretariat (BM)</u>	
Germany	1 562 681
Total	1 562 681
GRAND TOTAL	12 470 552

Schedule 3. Contributions paid in advance in the biennium 2004–2005
ended 31 December 2005
(Expressed in United States dollars)

Party	Amount
Albania	20.00
Algeria	201.00
Bangladesh	50.05
Barbados	1 340.00
Belarus	10.00
Belize	80.00
Benin	1 050.61
Botswana	910.00
Burkina Faso	40.33
Cape Verde	26.59
Chile	2 320.00
Croatia	2 984.00
Democratic People's Republic of Korea	710.00
Denmark	57 586.00
Ecuador	1 373.00
Eritrea	113.00
Ethiopia	831.00
European Union	2 466.71
Fiji	310.00
Ghana	3.00
Greece	6.36
Guatemala	2 160.00
Indonesia	15 070.00
Israel	37 474.00
Italy	0.01
Libyan Arab Jamahiriya	2 637.09
Kenya	3.20
Latvia	1 244.00
Madagascar	1 347.78
Malta	1 161.00
Mauritius	912.00
Mongolia	83.00
Namibia	1 080.00
New Zealand	17 718.50
Niger	0.11
Pakistan	3 922.38
Papua New Guinea	489.24
Republic of Korea	680.00
Senegal	9 363.17
Singapore	31 170.00
Tajikistan	1 189.65
United Kingdom of Great Britain and Northern Ireland	491 846.00
United Republic of Tanzania	5.18
Uzbekistan	1 475.00
Zambia	184.00
	693 646.96

IV. Notes to the financial statements

Note 1 Statement of Purpose

7. The permanent Secretariat of the United Nations Convention to Combat Desertification was established on 1 January 1999 with the following purposes:

(a) To make arrangements for sessions of the Conference of the Parties (COP) and its subsidiary bodies established under the Convention and to provide them with services as required;

(b) To compile and transmit reports submitted to it;

(c) 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;

(d) To coordinate its activities with the secretariats of other relevant international bodies and conventions;

(e) To enter, under the guidance of the Conference of the Parties, into such administrative and contractual arrangements as may be required for the effective discharge of its functions;

(f) To prepare reports on the executions of its functions under this Convention and present them to the Conference of the Parties; and

(g) To perform such other secretariat functions as may be determined by the Conference of the Parties.

Note 2 Accounting Policies

8. The following are the significant accounting policies of the United Nations Convention to Combat Desertification (UNCCD):

(a) Rules and procedures

9. 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 subsequent revisions.

10. Under the financial procedures adopted by the Conference of the Parties, 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. In the biennium 2004-2005, the COP approved a core budget of USD 15.9 million, out of which the equivalent of EUR 1.31 million was paid by the host Government.

11. The remaining amount is raised by all Parties, who are invited to make contributions based on an adjusted United Nations scale of assessment. In addition to this, the seventh session of the Conference of Parties authorized an expenditure of up to USD 1.5 million, from unspent balances, contributions from previous financial periods and miscellaneous income, on staff related costs and other unavoidable operating expenses.

(b) Accounting convention

12. 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.

13. The UNCCD's accounts are maintained on a "fund accounting" basis. Separate funds for general or special purposes may be established by the Conference of the Parties 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

14. 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. They are under contractual arrangements with Van Breda & Co. International.

(d) Income tax refund policy

15. 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

16. 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

17. Funds on deposit in interest, non interest imprest bank accounts, petty cash, time deposits and call accounts are shown in the statements of assets and liabilities as cash. All term deposits are made in line with the United Nations investment policies and guidelines.

(g) Income

(i) Assessed contributions from Party members

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

(ii) Voluntary contributions

Voluntary contributions to UNCCD trust funds are recorded as income when received, which include funds received under Inter-Organization arrangements.

(iii) Interest income

Interest income is based only on amounts received and accrued from cash and term deposits relating to the financial period. Interest due from cash and term deposits made in the financial period but not maturing until future periods is recorded as accounts receivable.

(iv) Miscellaneous income

Refunds and adjustments 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 Secretariat's activities are deposited with United Nations Office in Geneva. Imprest accounts in Euro are established for UNCCD to cover expenditures for events organised in Bonn. Reports on the utilization of such imprest accounts are posted in the financial statements on a regular basis.

(h) Translation of currencies

18. The financial statements of the UNCCD are presented in United States Dollars ("USD"). As per United Nations Accounting standards, transactions in other currencies are recorded in United States Dollars by applying the United Nations operational rates of exchange at the time of the transactions. Realized exchange gains and losses are charged to miscellaneous income and operating expense accounts, respectively. An amount of USD 140,700 included in operating expenses relates to exchange losses during the reporting period.

Note 3 Trust Funds expenditures

19. The total expenditures of USD 32,251,257 in Statement I are summarized as follows, during the reporting period:

(in USD)

Description	As at 31 December 2005
Staff and other personnel costs	16 127 223
Travel on official business	3 449 517
Contractual services	886 476
Operating expenses	956 474
Acquisitions	26 915
Grants and contributions to joint activities	7 452 181
Programme support costs	<u>3 352 471</u>
Total	<u>32 251 257</u>

Note 4 Refunds to Donors

20. There were refunds to the Global Mechanism and Government of Netherlands for unspent contributions of USD 1,223 and USD 288, respectively, within the reporting period.

Note 5 Cost Reimbursable Accounts

21. Temporary cost reimbursable accounts shall be established to Income and Expenditures for irregular occurrences. At the end of the financial period such accounts are closed and any resulting payables/receivables are incorporated in the assets and liabilities statements of the core budget (UXA). In the biennium 2004 - 5 a cost reimbursable account (ZHA) was established to record funds received from the Government of Kenya to cover incremental costs of COP-7.

Note 6 Transfer to/from other trust funds

22. There was a transfer of USD 476,945 from UW to UV (USD 326,945) and ZHA (USD 150,000).

Note 7 Cash and term deposits

(in USD)

	As at 31 December 2005
Imprest bank account/petty cash	2 348
Interest-bearing bank deposits maturing within twelve months	<u>4 741 742</u>
Total	<u>4 744 090</u>

Note 8 Other accounts receivable

(in USD)

	As at 31 December 2005
Education grant advances	106 552
Deferred expenditures for education grants	109 452
Travel advances	62 222
Salary advances	6 875
Value added tax	33 357
Operating fund with UNDP	699 002
Accrued interest receivable	123 788
Pledges receivable	1 807 265
Others	32 257
Total	<u>2 980 770</u>

Note 9 Other accounts payable

(in USD)

	As at 31 December 2005
Staff costs -Repatriation	7 958
Reserve for Appendix D	103 334
Inter-fund balance	4 340
Others	30 829
Total	<u>146 461</u>

Note 10 Operating and Working Capital Reserve

23. Operating reserves are established at 15 % (UV and UW) of the total annual expenditures under the voluntary general trust funds while an operating reserve for programme support account (ZQ) is maintained at 20 % of annual programme support income earned. A working capital reserve is maintained at 8.3 % of the total annual expenditures under the core budget (UXA). The reserves are to cover unforeseen shortfalls, uneven cash flows, unplanned costs and other final contingencies. For the reported period there was no need to draw on the operating reserves. The level of the reserves was reported as USD 893,603 for the operating reserve and USD 750,210 for the working capital reserve (Statement II).

Note 11 Programme support

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

Note 12 Non-expendable Inventory

25. Most of the non-expendable property is attractive in nature and therefore valuation of all non-expendable property is limited to items with a value of USD 500 and above. During the biennium acquisitions amounted to USD 26,900, bringing the total value of non-expendable items to USD 627,300.

Note 13 Disclosure as to After Service Liabilities

26. UNCCD participated in the actuarial valuation survey conducted by an independent organization and coordinated by the United Nations Secretariat. The report was prepared using the same assumptions as for the entire UN, taking into account the plans of benefits in place, available claims experience, magnitude of staff members and UNCCD contributions towards the costs. The value of actuarial valuation of post-retirement medical and dental benefits as of 31 December 2005 is provided in the table below. In addition, the liability for accrued annual leave is estimated at USD 687,600, based upon the actual net monthly salary and the actual accrued number of leave days for each staff member.

	(in USD)	
	Present Value of Future Benefits	Accrued Liability as at 31 December 2005
Gross Liability	10 271 000	5 954 000
Retiree Contributions	(2 598 000)	(1 512 000)
Total	<u>7 673 000</u>	<u>4 442 000</u>

27. In accordance with the provisions of United Nations Accounting Standards (UNAS), the above amount will be disclosed until a decision on how to treat this future liability is taken by the Conference of Parties. No provision was effected in the 2004 - 2005 accounts.

Note 14 Disclosure as to participation in the United Nations Joint Staff Pension Fund

28. 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 organization to the United Nations Joint Pension Fund consists of its mandated contribution 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 15 Disclosure of donations in kind

29. Services of associate experts were provided by the Governments of France and Germany. The cost of these services was USD 363,375, as is indicated in the table below:

(in USD)

	As at 31 December 2005
Federal Republic of Germany (for 24 months)	171 000
Federal Republic of Germany (for 2 months)	14 500
Government of France (for 13 months)	91 250
Agence Internationale de la Francophonie (12 months)	<u>87 000</u>
Total	<u>363 375</u>

Annex

**Report of the Board of Auditors to the Conference of the Parties
on the financial statements of the United Nations Convention
to Combat Desertification for the biennium
ended 31 December 2005**

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Summary

The Board has audited the financial statements of United Nations Convention to Combat Desertification (UNCCD) in Bonn, for the biennium ended 31 December 2005. In addition, the Board has reviewed, under financial regulation 7.5, the operations of UNCCD in Bonn.

The Board expressed an unqualified opinion on the financial statements of the United Nations Convention to Combat Desertification for the biennium ended 31 December 2005.

Full disclosure in the financial statements

In its previous report the Board recommended that UNCCD disclose in the financial statements and in the same manner as the other trust funds, the income and the expenditure of the Special Account set for the Conferences of the Parties. The Board noted that there had been no change and that income and expenditure of the special account were still not disclosed in the financial statements contrary to UNSAS 25 which states, "All income and expenditure of the organization, whatever the source of funds, should be reported" in the statements.

Agreement between trial balance, journal of transactions and the financial statements

In several instances, the Board noticed discrepancies between general ledger transactions journal and the trial balances in respect of classification by object class, difference between the financial statements and the trial balance and general ledger transactions journal, and differences between the trial balance and the financial statements that resulted from manual adjustments made by UNCCD to the statements between object classes.

Contributions management

As at 31 December 2005, \$1.8 million of contributions were outstanding or an increase of 44 per cent compared to the previous biennium. This was partly due to the decision of one country party to treat its assessed contribution as voluntary and consequently submit partial payment for both 2004 and 2005 contributions. Furthermore, of the total outstanding contributions in 2000-2001, 2002-2003 and 2004-2005, 82 per cent, 37 per cent and 41 per cent, respectively, relate to this particular country party. There were as of 31 December 2005, 116 parties that owed assessed contributions or an increase of 38 per cent.

Out of the \$1.8 million outstanding at the end of 2005, \$20,463 or one per cent had been outstanding for more than three biennia and \$193,394 or 11 per cent had been outstanding for more than two biennia.

Expenditures

The Board noted that there was room for improvement in management in procurement since only one administrative assistant was in charge of procurement; there was no formal establishment of a procurement sub-unit; there were no formal procurement procedures in UNCCD; there were no formal procedures for the technical evaluation of bids, for the opening of the bids/submissions; there was no specific reception procedure to ensure the safeguarding of the submissions either; no procurement management tools had been developed such as a workplan nor a regular appraisal of the quality of the vendors, etc. The secretariat reported they were studying how best to handle its procurement activities in line with current needs, including joint procurement with other Bonn based organizations.

Exposure to foreign exchange risk

No progress has been made on mitigating foreign exchange risk in spite of the Conference of the Parties' recommendations on the matter.

After service liabilities

Overall, after-service liabilities increased by 103.8 per cent during the biennium 2004-2005 from \$2.5 million to \$5.1 million, including a 157.2 per cent rise for liabilities for after-service health insurance and a 13 per cent decrease for liabilities for accrued annual leave.

UNCCD has chosen however not to evaluate and disclose liabilities for certain end-of-service benefits, namely repatriation grants and other termination costs, contrary to United Nations System Accounting Standards.

Information technology

Although progress had been made to adopt and implement a comprehensive security policy for its information technology, UNCCD was still to test its protective features (passwords, access rights). The secretariat indicated it planned to develop and finalize its policies by late 2006 or early 2007.

Results based management

In line with results based management principles, key performance indicators were used to measure the achievement of expected results of objectives and subsequent targets derived from strategic and operational planning. While the Secretariat could identify objectives, outputs and priorities, the operational plans should provide inter alia proper key performance indicators, statement of expected results and key performance indicators for the applicable timeframe. The secretariat anticipated being able to implement this during 2007 or early in 2008.

A list of the Board's main recommendations is provided 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 United Nations Convention to Combat Desertification (UNCCD) for the biennium ended 31 December 2005, in accordance with decision 2/COP.1 of the Conference of the Parties (22 December 1997). The audit was conducted in conformity with article VII of the financial regulations and rules of the United Nations and the annex thereto, as well as the common auditing standards of the Panel of External Auditors of the United Nations, the specialised agencies, the International Atomic Energy Agency and the International Standards on Auditing. Those 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 financial statements of UNCCD presented fairly its financial position as at 31 December 2005 and the results of the operations and cash flows for the biennium then ended in accordance with the United Nations System Accounting Standards (UNSAS). This included an assessment as to whether the expenditures recorded in the financial statements for the period from 1 January 2004 to 31 December 2005 had been incurred for the purposes approved by the governing bodies and whether income and expenditure had been properly classified and recorded in accordance with the UN and UNCCD financial regulations and rules. 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 the Board considered necessary to form an opinion on the financial statements.

3. In addition to its audit of the accounts and financial transactions, the Board carried out reviews under United Nations financial regulation 7.5. The reviews primarily focused on procurement management, information and communication technology and results based management.

4. 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.

5. The present report covers matters that, in the opinion of the Board, should be brought to the attention of the Conference of the Parties. The Board's observations and conclusions were discussed with the UNCCD Secretariat, whose views have been appropriately reflected in the report.

6. A summary of the Board's main recommendations is contained in paragraph 10 below. The detailed findings are discussed in paragraphs 12 to 132.

1. Previous recommendations implemented or under implementation

Biennium ended 31 December 2003 (ICCD/COP(7)/2/Add.5 (A) from 19 August 2005)

7. For the biennium ended 31 December 2003, out of a total of 13 recommendations, one (8 per cent) had been implemented by June 2006, eight (62 per cent) were under

implementation and four (30 per cent) remained unimplemented. The current status of the recommendations has been summarized in the Appendix to this report.

Ageing of previous recommendations

8. The Board evaluated the ageing of its previous recommendations that were not yet fully implemented (as requested by ACABQ in its report A/59/736, para. 8 and paragraphs 12 and 20 of its report A/60/387).

9. Of the 12 recommendations not yet fully implemented, eight (75 per cent) relate to the 2002-2003 biennium and four (25 per cent) to the previous biennia. The Board's further comments on these specific outstanding recommendations are addressed elsewhere in this report.

2. Main recommendations

10. The Board's main recommendations are that UNCCD should:

- (a) **disclose all income and expenditures in its financial statements (para. 17);**
- (b) **ensure full consistency between information disclosed in the financial statements and accounting records and refrain from correcting the statements without first adjusting accounting records (para. 28);**
- (c) **continue its efforts to collect the remaining assessed contributions (para. 32);**
- (d) **define a write-off policy for long outstanding contributions (para. 34);**
- (e) **strictly comply with UN Regulations and Rules on procurement and adhere to the terms of its delegation of procurement authority (para. 50);**
- (f) **continue its discussion with the United Nations Secretariat to find a solution to manage its foreign exchange exposure (para. 55);**
- (g) **compute and disclose all after-service liabilities, including end-of-service benefits, as required by the UNSAS (para. 90);**
- (h) **adopt its security policy for information technology in a timely manner (para. 102);**
- (i) **further determine meaningful, relevant, verifiable and measurable indicators for the Results-Based Management (para. 128).**

11. The Board's other recommendations appear in paragraphs 20, 22, 24, 37, 39, 41, 59, 62, 65, 67, 69, 73, 78, 80, 83, 86, 93, 97, 100, 105, 108, 112, 115, 117, 119, 130 and 132.

B. DETAILED FINDINGS AND RECOMMENDATIONS

1. Financial overview

12. Table 1 reflects the income and expenditure and changes in reserves and fund balances over the past six years. For the last six years, total income for UNCCD increased slower than expenditures and reached \$32.4 million for the 2004-2005 biennium, compared to \$32.2 million for expenditures for the 2004-2005 biennium. Reserves and fund balances at the end of 2005 represented \$5.6 million or two months of expenditures compared to 3.7 months of expenditures at the end of 2001.

13. The reserves and fund balances at the end of 2005 comprised mainly \$2.5 million (45 per cent) from the Core Budget, \$0.6 million from the Trust Fund for participation of representatives of State parties in the session of the UNCCD Conference (UVA) (12 per cent), \$1.3 million from the trust fund for voluntary financing of activities under the UNCCD (24 per cent) and \$0.8 million from the Special Account for programme support costs (15 per cent). The total amount of \$5.6 million was \$0.93 million over the balance at the end of 2003. This increase was the result of the following:

a) There was an excess of income over expenditure of \$0.19 million for all Trust Funds compared to a shortfall of \$3.0 million at the end of 2003;

b) Whereas the core budget and the trust fund for participation of representatives incurred shortfalls of income over expenditures, the three other trust funds closed the biennium with income in excess over expenditures. For the core budget the shortfall can be explained as a result of the Conference of the Parties' approval to utilise the reserves to the level of \$1.5 million.

Table 1. Income and expenditure and changes in reserves and fund balances for 2000-2005

(millions of United States dollars)				
	2000/ 2001	2002/ 2003	2004/ 2005	2001/2005 variance (percentage)
Total income	24.96	29.65	32.4	30
Total expenditure	22.82	32.7	32.3	41
Excess (shortfall) of income over expenditure	2.14	(3.0)	0.2	(91)
Prior-year adjustments ^a	1.4	0.64	0.73	(47)
Reserve and fund balances, end of year	7.0	4.63	5.56	(21)

^a - Includes adjustments to prior-year contributions and expenditure and cancellations of prior-year obligations.

14. The results of some key financial indicators as set out in Table 2 show that at the end of 2005 there was sufficient money available to settle debts. However, other indicators such as the proportion of outstanding contributions receivable or the cash available to settle debts have deteriorated as compared to the biennium 2002 - 2003.

Table 2. Ratios of key financial indicators

	2000/200 1	2002/200 3	2004/2005
Outstanding assessed contributions/assets ^a	0.13	0.16	0.23
Cash and term deposits/assets ^b	0.83	0.75	0.61
Cash and term deposits/liabilities ^c	2.38	2.88	2.19
Unliquidated obligations/liabilities ^d	0.44	0.69	0.61
Liquidity position (assets/liabilities)	2.8	2.5	3.57

^a A low indicator depicts a healthy financial position.

^b A high indicator depicts a healthy financial position.

^c A low indicator is a reflection that insufficient cash is available to settle debts.

^d A low indicator is a positive reflection that obligations are being liquidated.

2. United Nations System Accounting Standards

15. The Board assessed the extent to which the financial statements for the biennium ended 31 December 2005 conformed to the United Nations System Accounting Standards. The review indicated that the financial statements were consistent with the standards except for the elements mentioned below.

3. Presentation of financial statements

Financial statements comprehensiveness

16. The Board noted that contributions from the host country of Conference of the Parties (COP) 7 were not reported in the financial statements contrary to UNSAS 25 that states, "All income and expenditure of the organization, whatever the source of funds, should be reported" in the statements. By not disclosing ZHA in the statements, UNCCD's financial statements understated income by \$155,000 and expenditures by \$153,496.

17. The Board recommends that UNCCD disclose all income and expenditures in its financial statements.

18. UNCCD Secretariat considered that the Income and Expenditures Account had not to be reported as since they are temporary by nature and normally immaterial. The Board considers that such a practice does not comply with UNSAS.

Statement of cash flow

19. The statement of cash flow included in the financial statements of UNCCD for the biennium 2004-2005 was prepared according to the indirect method (option A) of the UNSAS.

However all the elements required by the UNSAS were not reported in Statement III: increase (decrease) in investments, transfers to (from) reserves, other adjustments to reserves and fund balance. UNCCD considered that all these items were not that material to the statements of UNCCD, which was not correct for transfers to and from reserves as mentioned in paragraphs 84-86.

20. The Board recommends that UNCCD prepare its Statement III to ensure that it is fully compliant with the UNSAS.

Disclosure in the financial statements

21. In paragraph 34 of its previous report, the Board had recommended that UNCCD consider the disclosure of information in terms of best governance principles relating to oversight, performance reporting, social accounting issues, risk management, continuity and internal control issues. The UNCCD Secretariat explained that "*it will take the necessary steps to follow the developments in this area, and, if appropriate, incorporate similar such disclosures made by other UN organizations and future developments in this area into its next financial report*". However no action was taken in this regard.

22. The Board recommends that UNCCD follow, to the extent possible and/or appropriate the practices adopted by other UN organizations with regard to disclosure of performance, social accounting issues, risk management, continuity and internal control issues.

Statement IV of appropriations

23. The Board noted discrepancies between statement IV and IMIS records for the value of disbursements recorded in 2004-2005, for a total amount of \$52,727. With \$51,875, the Administrative Unit represented most of the deviation.

24. The Board recommends that UNCCD ensure that its statement IV accurately reflects the value of disbursements incurred in 2004-2005.

Agreement between trial balance, journal of transactions and the financial statements

25. In several instances the journal of transactions, the trial balance and the financial statements did not tally as detailed below:

- discrepancies between general ledger transactions journal (GL 6210 and 6310) and IMIS trial balances in respect of classification by object class, for which no explanation was provided: "obligations" for \$43,083.63 recorded as "travel" as per transaction journal, but recorded as "staff and other personnel costs" in the trial balance; different amounts recorded in the transaction journal and the trial balance (\$26.42 difference);
- difference of \$5,654 between the financial statements and the trial balance and general ledger transactions journal in respect of the value of unliquidated obligations (ULOs) at the end of the biennium 2004-2005;

- differences between the trial balance and the financial statements that resulted from manual adjustments made by UNCCD to the statements between object classes, to correct wrong coding: \$21,217 of expendable items inappropriately coded as "acquisitions" in IMIS and reflected as "operating expenses" in the statements; \$5,197 of expendable items inappropriately coded as "acquisitions" in IMIS and reflected as "operating expenses" in the statements. UNCCD indicated that this was due to the limited definitions of these specific object codes in IMIS.
- Manual adjustments were also done to correct the value of cash and term deposits different in the trial balance and the financial statements for an amount of \$7,174.

26. UNCCD agreed in principle that financial statements should be the direct result of accounting records summarized in trial balances, and that there should not be any difference between information reported in the financial statements and data recorded in the organization's books. However, it indicated: *"unfortunately this is not the case with UNCCD and other organisations which do not have a personalised financial management system. With IMIS, which is generally designed to suit the operations of the regular budget of UN Secretariats, all other users are forced to adjust to it. For instance, the GL 1850 is meant to accommodate both exp (loss) and income. This will not appear on GL 6210 or 6310 and one has to make manual adjustments. This is why an amount of \$140,700 included in the operating expenses relates to exchange losses during the reporting the reporting period, even though they were not included under the same in the trial balance. Furthermore, policies adopted by organisations in connection with non-expendable property are also different. It is only after the final analysis is complete that such adjustments are done. At UNCCD, we normally try to ensure that all adjustments are effected before the closure of the accounts, but some will always be made at the time of preparing the financial statements"*.

27. While acknowledging that each organisation may have its specificities that do not systematically match with the characteristics of the accounting and information system designed for a group of organisations, there was no reason why UNCCD could directly account for acquisition of expendable and non-expendable items in IMIS by using appropriate classification codes. Besides, such manual adjustments are usually not necessary in most organisations using IMIS, who also have their own reporting and accounting policies and constraints.

28. **UNCCD agreed with the Board's recommendation to ensure full consistency between information disclosed in the financial statements and accounting records and refrain from correcting the statements without first adjusting accounting records.**

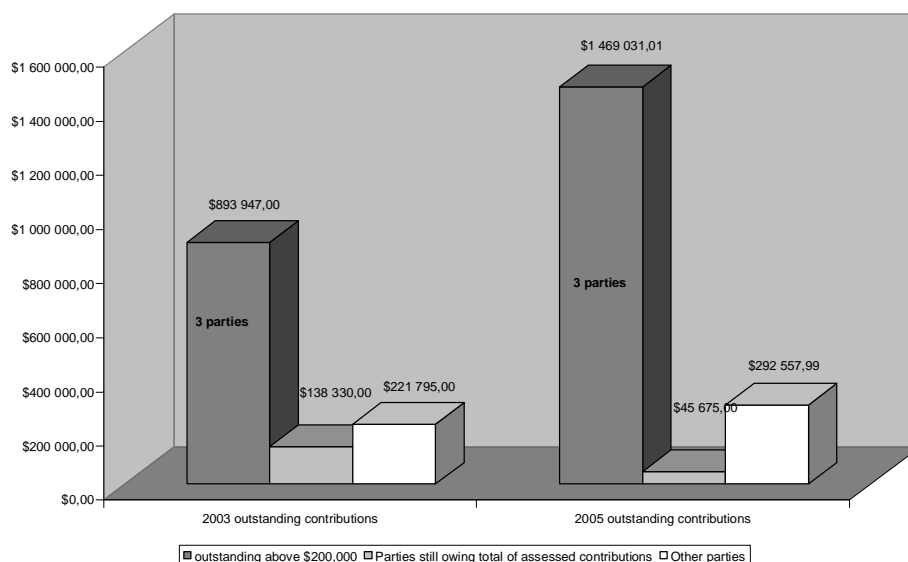
4. Contributions

Outstanding contributions

29. Concerning assessed contributions, in 2002-2003 the Board noted "according to the schedule, some \$1.25 million (8.2 per cent) remained outstanding at 31 December 2003; the figure for the preceding period had been \$1.40 million. 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 two groups among these that were of concern: on one

hand, unpaid contributions of over \$200,000 from three Member States totalled \$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 \$138,330. "

Chart 1. Evolution of outstanding contributions



30. As at 31 December 2005, the situation had deteriorated as shown in Chart 1. According to the schedule 1.1 of the financial statements, \$1.8 million were outstanding or an increase of 44 per cent compared to the previous biennium. This was partly due to the decision of one country party to treat its assessed contribution as voluntary and consequently submitted partial payment for both 2004 and 2005 contributions. There were as of 31 December 2005, 116 parties that owed assessed contributions or an increase of 38 per cent.

31. UNCCD explained "reminders were sent to all parties with outstanding contributions on a periodic basis throughout the year. In addition, the outstanding contributions were posted on the UNCCD website every month. Reports are also submitted to every bureau meeting, which has representation from all regions".

32. The Board reiterates its recommendation that UNCCD continue its efforts to collect the remaining assessed contributions.

33. Out of the \$1.8 million outstanding at the end of 2005, \$20,463 or one per cent had been outstanding for more than three biennia and \$193,394 or 11 per cent had been outstanding for more than two biennia. UNCCD has not written off these long outstanding contributions. The UNCCD Secretariat explained that it had already submitted this possibility to the Conference of the Parties, which requested that the Secretariat should continue its efforts of reminding Parties of their obligations to the Convention. The Board noted that

considering the age of some contributions the possibility of not being able to collect them is high.

34. The Board recommends that UNCCD define a write-off policy for long outstanding contributions, which are unlikely to be collected in order to present a more realistic and accurate financial position of the convention.

Reporting on contributions as per financial rules

35. Article 18 of UNCCD's financial rules mentions "*The head of the Convention Secretariat (...) shall inform the Parties, once a year, of the status of pledges and payments of contributions.*" However, the related report was only prepared every two years for the meeting of the Conference of the Parties.

36. UNCCD explained that every three months notifications are sent to each Party reminding them of their obligations to remit their outstanding contributions; information is provided to the Bureau which meets twice a year but that is limited to Regional Representatives; and through the website. The Board considers this practice as not compliant with article 18 of UNCCD's, financial rules.

37. The Board recommends to the UNCCD Secretariat to comply with article 18 financial rules on reporting annually to Parties on the status of pledges and payments of contributions.

Single audit principle

38. From a review of a sample of 10 donor agreements representing \$7.3 million of voluntary contributions (or 59 per cent of all voluntary contributions), the Board noted an instance where the agreement contained a provision allowing UNCCD's partner to conduct "audits at its own cost". UNCCD Secretariat also mentioned that other donors are insisting on having audits conducted by their own auditors. Such a requirement is contrary to the "single audit principle" of the United Nations. This principle has been reaffirmed by the Panel of external auditors of the United Nations and by the Secretary General. Its main purpose is to limit the burden of audit on the administration and to efficiently use scarce resources.

39. UNCCD agreed with the Board's recommendation that it avoid concluding agreements that provide for additional audits being undertaken by third parties.

Programme support costs in donor agreements

40. According to the financial statements, UNCCD applied a 13 per cent programme support cost to all contributions for the Supplementary Fund in accordance with ST/GB/188 on establishment and management of trust funds. However agreements reviewed showed that the support cost to UNCCD was limited to three per cent or zero per cent. The donors were eventually charged as per the agreement but this was not reflected in the financial statements, which were therefore overstated by \$174,312, representing the difference between what was actually charged and what is disclosed in the financial statements.

41. **The Board recommends that UNCCD disclose programme support costs to reflect the terms agreed with its donors.**

5. Expenditures

42. Total expenditure incurred by UNCCD in 2004-2005 amounted to \$32.3 million including \$3.4 million of programme support costs, or a 1.4 decrease compared to the previous biennium (direct expenditures diminished by 2.3 per cent in 2004-2005). Staff costs, which represented 56 per cent of the total direct expenditure incurred during the biennium increased however by 19 per cent, while the value of travel expenditure was halved.

Table 3. Evolution of expenditures

	2002-2003		2004-2005		Evol 2003/2 005 Per cent
	\$	Per cent total direct expenditures	\$	Per cent total direct expenditures	
Staff and other personnel costs	13 542 402	45.8	16 127 223	55.8	19.1
Travel	7 518 578	25.4	3 449 517	11.9	(54.1)
Contractual services	765 291	2.6	886 476	3.1	15.8
Operating expenses	589 782	2.0	956 474	3.3	62.2
Acquisitions	127 421	0.4	26 915	0.1	(78.9)
Fellowships, grants and other	7 026 092	23.8	7 452 181	25.8	6.1
Total direct expenditures	29 569 566		28 898 786		(2.3)
Programme support costs	3 148 613		3 352 471		6.5
Total expenditure	32 718 179		32 251 257		(1.4)

Procurement

43. The Board reviewed institutional contracts for a total of \$114,219 (or 40.3 per cent of the total) and procurement transactions for goods and services for \$512,327 (or 63 per cent of the total value of purchase orders issued by UNCCD in 2004-2005). The Board noted the following findings:

- only one administrative assistant was in charge of procurement due to the limited size of the administration and finance unit, coupled with the low level of procurement activities;
- there was no formal establishment of a procurement sub-unit. UNCCD considered that the number of annual procurement actions does not justify the formal establishment of a procurement sub-unit for UNCCD;
- there were no formal procurement procedures in UNCCD;

- there were no formal procedures for the technical evaluation of bids, for the opening of the bids/submissions (no opening committee, the bids were opened at the time fixed by the procurement assistant assisted by other staff members present at that time);
- there was no specific reception procedure to ensure the safeguarding of the submissions either;
- no procurement management tools have been developed such as a workplan, regular appraisal of the quality of the vendors, etc.

44. The Secretariat indicated that they were studying the option to outsource their procurement functions to UNFCCC in the future.

45. According to the delegation of procurement authority granted to UNCCD by the UN Secretariat on 2 September 2004, the Executive Secretary has been authorized to enter into contracts for the purchase or rental of services, supplies, equipments or other requirements up to \$150,000. A joint local committee on contracts (JLCC) with UNFCCC has been long established, that renders written advice to the Executive Secretary on all contracts for commitments and purchases in respect of expandable supplies, rental agreements, service contracts and non-expandable equipment in excess of \$50,000 but less than \$150,000. In addition, intended transactions that are estimated by the Executive Secretary, UNCCD to exceed \$150,000 should be submitted to the Procurement Service at UNOG for review of the proposed requisition in order to determinate whether appropriate procurement action should be taken at UNOG or by UNCCD. The procedure was not consistently followed by UNCCD.

46. In view of the Committee to Review Implementation of the Convention 3 meeting held in Bonn in May 2005, three cases were submitted to the Joint Local Committee on Contracts (JLCoC) for rental of conference facilities, rental of IT equipment and interpretation services (estimated values: \$159,928, \$194,000 and \$74,990 respectively). Without competitive selection, the JLCoC awarded the rental of the conference room to the vendor designated by the German government (which subsidized 90 per cent of the rental costs), but did not give any written advice on the two other cases. UNCCD explained that the JLCoC approved the rental of the conference rooms with the following paragraphs in the document: “(vi) When the proposed procurement contract is for the purchase or lease of real property and market conditions do not allow for effective competition; (vii) When there is an exigency for the requirement; (viii) When the proposed procurement contract relates to obtaining services that cannot be evaluated objectively”.

47. UNCCD submitted these cases to the UNOG Committee on Contracts less than 10 days before the event. The Committee on Contracts indicated that, due to the tight schedule, it had no choice but to entertain the request, but its decision stressed the non-compliance of the procurement process: not only had UNCCD not consulted with UNOG Procurement Service to decide on whether appropriate procurement action should be taken at UNOG or by UNCCD, as provided by the delegation of procurement authority to the Executive Secretary, but the Committee also considered that the exception to competitive bidding was not justified in the case of the rental of conference facilities, despite UNCCD's explanations that the building was offered at a 90 per cent discount rate and that it was satisfied with these facilities, already used in the past.

48. The Board also observed other several instances of non-compliance with the provisions of the UN procurement manual and UN Regulations and Rules in respect of procurement:

- UNCCD did not systematically use the standard purchase order form, including UN conditions, and in some cases no purchase order was issued (three cases for a total amount of \$47,414 or seven per cent of the sample reviewed);
- With regard to internal controls, the chief of administration and finance signed an institutional contract although he had not been delegated authority for that purpose;
- For two purchase orders (\$159,948.35 and \$194,000 for rental of conference facilities and related equipment, and \$74,980 for interpretation services), the requisitioner was the Executive Secretary, who also approved and signed the purchase orders and contracts, in contradiction with UN rules on segregation of duties for procurement. UNCCD reported that *“the small size of the secretariat makes a full segregation of duties difficult in many instances. The documents were signed by the Executive Secretary only after the approval from UNOG had been received. This was a one time occurrence, and the Executive Secretary generally does not sign such documents”*.

49. As regards competitive selection of vendors, the Board found instances when the requisitioner indicated the name of the selected supplier on the requisitions, which came from the fact that selection was completed prior to the creation of the requisition or, as explained by UNCCD, from the fact that procurement required very expert knowledge or technical specifications such as only supplier could be considered. As per UN financial Rule 105.16, reasons for exceptions to the use of formal methods of solicitation should be recorded by official who has been delegated procurement authority, which was not the case in the files reviewed.

50. **UNCCD agreed with the Board’s recommendation to comply with UN Regulations and Rules on procurement on competitive selection of vendors and adhere to the terms of its delegation of procurement authority.**

6. Dealing with exposure to foreign exchange risk

51. In paragraph 41 of its previous report, the Board noted that the UNCCD Secretariat agreed to submit the issue of exchange rate changes to the COP as a matter of priority. The 7th meeting of the Conference of the Parties *“Requested the Executive Secretary to determine with the assistance of United Nations Headquarters and United Nations Office at Geneva (UNOG) the costs of any changes to the Integrated Management Information System (IMIS) accounting system and any other related costs to account for the activities of the Secretariat in euros, and to report back to the President of COP 7 regarding the costs necessary to implement such changes; decided to introduce the euro as the budget and accounting currency from 2008-2009, and requested the Executive Secretary to report on all necessary changes in the programme and budget document for COP 8; Consequently authorized the Executive Secretary to notify UNOG that until 31 December 2007 contributions received in euros and any interest thereon should be treated as euro assets of the Secretariat and accounted for as*

such; while contributions received in United States dollars and interest thereon should be treated as United States dollar assets of the Secretariat and accounted for as such."

52. Following contacts with UNOG no progress has been made on this issue. The decisions of the COP seem to contravene UN Financial Regulation 6.3 *"The accounts of the Organization shall be presented in United States dollars. Accounting records may, however, be kept in such currency or currencies as the Secretary-General may deem necessary."* The Secretariat advised that it had informed the Bureau members in their meeting held on 31 January 2006 of the progress made to date on this issue. No further specific guidance on this issue has been received by the bureau of COP. The Secretariat has indicated that it wishes to maintain its close collaboration with the UN and continue to use the IMIS accounting system.

53. The COP's decision was intended to mitigate the effects of currency exchange fluctuations. The COP's decision has effects on the currency of accounting and on the currency of contributions/income.

54. For the currency in which contributions/income are acknowledged the matter could be pursued without contravening the UN rules. For contributions, in other European based UN agencies such as FAO, IAEA, UNIDO or UNESCO the "split currency system of assessment" would allow assessed contributions to be made in euros and US dollars. The split in the assessment would be declared at the time of the presentation of the budget to the COP and would be based on the best estimate of forecast expenditure in euro currency. This method protects the purchasing power of contributions received for euro expenses at no cost to the Secretariat. This would not prevent the organization from reporting its accounts in United States dollars. For interest income, the UN Headquarters manages a euro pool of investments, and UNCCD could benefit from it.

55. UNCCD agreed with the Board's recommendation to continue its discussion with the United Nations Secretariat to find a solution to manage its foreign exchange exposure.

7. Cash and Bank

56. Treasury and investments functions have not been delegated to UNCCD. UNCCD's funds are invested on its behalf by UNOG. However, as at 31 December 2005, UNCCD maintained two imprest bank accounts in Bonn, one for daily operations of the Secretariat ("imprest account") and one for conference activities ("conference account").

57. At the end of 2005, cash and term deposits amounted to a total of \$4.7 million, showing a 17 per cent decrease compared to the previous biennium. Out of this total, investments managed by UNOG represented \$4.7 million or 99 per cent. During the biennium 2004-2005, UNCCD received interest income of \$350,644 or 37 per cent less than during the previous biennium.

58. In its report on the financial statements of UNCCD for the period 2002-2003, the Board recommended UNCCD "(i) to reconsider the necessity of maintaining a Bonn bank account with a significant balance". In August 2004, following the Board's recommendation, UNCCD brought the account balance down to about euro 5,000. Only the payment of bank charges had been

recorded against the imprest account between February and December 2005 and the conference account was inactive in 2004 and in 2005, except for the months of April to August 2005, which corresponded to the organisation of the Committee to Review Implementation of the Convention 3 in Bonn (May 2005).

59. UNCCD agreed with the Board's reiterated recommendation to reassess the need for keeping two bank accounts in Bonn.

Authorization of payments

60. On 26 August 2004, the chief of administration and finance, requested a euro 118,613.40 (\$143,210.65) transfer of funds from UNCCD's imprest account to UNOG through electronic fund transfer. Only his signature was on the transfer slip, since the three other authorized bank signatories were on leave. This was not compliant with UN Financial Rule 104.4 (c), which states: "*two signatures, or their electronic equivalent, shall be required on all cheques and other withdrawal instructions, including electronic modes of payment*".

61. The purpose of the transfer was to bring the balance of the imprest account down to a level in line with the actual operating needs of the Secretariat, following an audit recommendation issued by the Board. Therefore there was no particular emergency justifying that the fund transfer was made during the absence of the other bank signatories, who came back shortly after the transaction occurred.

62. The Board recommends that UNCCD adhere to payments rules and ensure that two authorized signatories record on withdrawal instructions.

Bank reconciliations

63. The Board reviewed the bank reconciliations prepared by UNCCD Secretariat in 2004 and 2005, for the imprest and conference bank accounts opened with the Deutsche Bank.

64. Fourteen out of 24 reconciliations were performed with a delay of more than one month, and in two cases the reconciliation was not dated. Only the approval date was mentioned on the reconciliation form, not the preparation and certification dates.

65. UNCCD agreed with the Board's recommendation to perform bank reconciliations at the end of the month and ensure that reconciliation forms are properly dated.

66. In the case of the conference account, monthly bank statements were not systematically provided by the bank, but only when transactions were recorded against the account. This practice was contrary to UN financial rules 104.4 (b) "Banks shall be required to provide prompt monthly statements".

67. UNCCD agreed with the Board's recommendation to obtain monthly bank statements from the custodian bank.

68. Contrary to UN financial Rule 104.11, according to which “reconciliation must be performed by an official playing no actual part in the receipt or disbursement of funds”, all bank reconciliation forms were certified by the chief of administration and finance, and the deputy chief of administration and finance, who are both bank signatories. The staffing in the administration and finance does not allow for proper segregation of duties. This was explained as the main reason for why two additional signatures were required for the bank reconciliations.

69. The Board recommends that UNCCD comply with UN Financial Rule 104.11 and ensure that no official is performing functions that endanger the integrity of the internal controls.

Bank signatory

70. UN Financial Rule 104.5 requires that for each bank account, bank signatory authority be assigned to officials, who do not exercise approving functions, on a personal basis.

71. For the imprest account maintained by UNCCD, the official signatory panel available on file dated back to 2002, and included staff members who have since left the organisation. A request to update the bank signatory panel was issued to UNOG on 31 August 2004, but no confirmation that the requested changes were actually made was documented on file.

72. For the conference account, the specimen signature sheet attached to the form for opening the bank account was available on file, but it was not confirmed by a decision of the UN Treasurer or the Under-Secretary-General for Management, as required by UN rules and regulations. Besides, it included a staff member who had since left the organisation.

73. The Board recommends that UNCCD comply with UN Regulations and Rules in respect of bank signatory authority and promptly update and properly document the current signatory panels for both bank accounts it maintains in Bonn.

8. Unliquidated obligations (ULOs)

74. As of 31 December 2005, unliquidated obligations amounted to \$1.3 million or a 37 per cent decrease compared to the previous biennium. Overall, unliquidated obligations represented four per cent of the total amount committed by the organisation during the biennium 2004-2005.

75. With \$906,582 (or 69 per cent of the total) unliquidated obligations supported by miscellaneous obligating documents represented the largest category as at 31 December 2005, followed by travel requests, for a total of \$288,208 (22 per cent of the total). As previously recommended by the Board and instructed by the UN Controller, the use of miscellaneous obligating documents should be avoided. In the case of UNCCD they comprised mainly decisions pertaining to the allocation of grants.

76. As regards travel requests, the Board found that 14.8 per cent of the total, representing \$42,637 were issued in 2004 and still outstanding at the end of 2005, and that 62.5 per cent of the total, representing \$180,054 were issued between January 2004 and September 2005 and still

outstanding at the end of 2005. UNCCD indicated that monthly analysis of the outstanding advances were undertaken and included in the monthly management reports and staff members were reminded accordingly.

77. According to UN rules on travel (ST/AI/2000/20, section 11), “*the recovery of travel advances through payroll deduction shall be initiated if a staff member fails to submit a completed travel reimbursement claim with the supporting documentation within two calendar weeks after completion of travel*”.

78. **The Board recommends that UNCCD review obligations supported by travel requests to ensure that they are timely liquidated.**

9. Non expendable property

Note 12 to the financial statements on Non expendable property

79. The value of non-expendable property (NEP) was disclosed in note 12 to the financial statements, according to which it amounted to \$627,300 at the end of the 2004-2005 biennium. However, when considering only items with a value of \$500 and above, as indicated in note 12, the total inventory value as at 31 December would have been \$515,911.

80. **The Board recommends that UNCCD disclose the value of non expendable property in line with its accounting policy described in note 12 of the financial statements.**

Value of acquisitions

81. As per note 12, the value of non-expendable items purchased by UNCCD during the biennium 2004-2005 was \$26,900. The detail of acquisitions to be recorded as non-expendable property was established manually by UNCCD, by sorting non-expendable items out of expenditure recorded in IMIS.

82. According to explanations provided by UNCCD, after deduction of items categorised as expendable, the value of 2004-2005 acquisitions of non-expendable properties recorded in IMIS for 2004-2005 was \$86,701. There was no audit trail explaining how UNCCD went from these \$86,701 to the \$26,900 included in inventory records. Moreover, a rough estimate on the value of non-expendable items procured by UNCCD during the biennium (based on the log of purchase orders for goods, and limited to items with a more than \$500 value) led to an estimate of \$68,600 for 2004-2005 acquisitions.

Table 4. Value of 2004-2005 acquisitions

Fund	Total acquisitions	Less items categorized as expendable	Total non expendable acquisitions 2004-2005
UXA	102 397.50	21 217	81 180.50
UVA	0.00	0	0.00
UWA	10 717.87	5 197	5 520.87
BMA	0.00	0	0.00
ZQA	0.00	0	0.00

Total	113 115.37	26 414.00	86 701.37
<i>(United States dollars)</i>			
Source: IMIS - GL transactions journal by object class			

83. **The Board recommends that UNCCD properly record acquisitions in IMIS to avoid manual reconciliations.**

UNCCD reported that they were implementing a new property inventory system, which would minimise manual reconciliation.

10. Reserves and fund balances

84. Note 10 disclosed that "*Operating reserves are established at 15 % (UV and UW) of the total annual expenditures under the voluntary general trust funds while an operating reserve for programme support account (ZQ) is maintained at 20 % of annual programme support income earned. A working capital reserve is maintained at 8.3 % of the total annual expenditures under the core budget (UXA). The reserves are to cover unforeseen shortfalls, uneven cash flows, unplanned costs and other final contingencies. For the reported period there was no need to draw on the operating reserves. The level of the reserves was reported as being USD 893,603 for the operating reserve and USD 750,210 for the working capital reserve (Statement II).*" When applying these percentages to the last biennium of expenditures, the Board noted the following deviations:

Table 5. Deviation in amount of reserves and fund balances

US dollars	UXA	UVA	UWA	ZQA	Total
Reserves in financial statements	750 210	145 394	410 164	338 045	1 643 813
Theoretical according to policy note*	870 254	156 049	408 752	229 677	1 664 733
Difference	120 044	10 655	(1 412)	(108 368)	20 920

*Amounts obtained by applying the percentage indicated in the note to the 2005 total of expenditures (GL 6310, 6320) for each fund.

85. The Board therefore considers that the amount of reserves and fund balances disclosed in the financial statements were understated by \$20,920.

86. **The Board recommends that UNCCD correctly account for reserves in its financial statements.**

11. After-service liabilities

87. Overall, as reflected in the table 6, after-service liabilities increased by 103.8 per cent during the biennium 2004-2005, including a 157.2 per cent rise for liabilities for after-service health insurance and a 13 per cent decrease for liabilities for accrued annual leave.

Table 6. Evolution of after service liabilities

Comparison Reserves/ after service liabilities in \$ millions			
Reserves	2003	2005	Evolution 2003/200 Per cent
1. Earmarked	4 278 322	5 223 180	22.1
2. Not earmarked (A)	355 955	338 045	(5.0)
Total	4 634 277	5 561 225	20.0
After Service liabilities	2003	2005	Evol.2003/2005
After-service health insurance ^(a) (B)	1 727 000	4 442 000	157.2
Accrued annual leave	790 324	687 600	(13.0)
Termination benefits	N.A.	N.A.	N.A.
Total	2 517 324	5 129 600	103,8
Funding of after service health liabilities (=A/B)	0.21	0.08	

^(a) Accrued health liabilities, net of retirees' contributions

88. As explained by the UN Secretariat, the growth of liabilities for after-service health insurance during the biennium 2004-2005 was mainly attributable to methodological changes and revision of assumptions on which the actuarial valuation was based, namely: (i) the roll forward of liabilities from one financial period to another, (ii) updated census information, (iii) updated claim costs, (iv) updated demographic assumptions and (v) updated discount rate.

89. Total after-service liabilities were understated by UNCCD Secretariat. Contrary to UNSAS 58 ("*Liabilities for annual leave, end-of-service benefits and post-retirement 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 fully provided for, appropriate disclosure should be made in the notes to the financial statements and estimated liabilities quantified where possible, showing the basis of valuation. As far as after-service medical benefits are concerned, such liability should normally be determined by actuarial evaluation*"), UNCCD has again chosen not to evaluate and disclose liabilities for certain end-of-service benefits (i.e. repatriation grants and other termination costs).

90. **The Board recommends that UNCCD compute and disclose all after-service liabilities, including end-of-service benefits, as required by the UNSAS.**

91. The funding of after-service liabilities has deteriorated compared to the previous financial period. At the end of the biennium 2004-2005, the non earmarked reserves amounted to \$338,045 (or five per cent decrease since the end of 2003). Eight per cent of the \$5.1 million liabilities (which did not include liabilities for end-of-service benefits) were covered by reserves at the end of the biennium. Furthermore, according to the actuarial valuation report on "actuarial valuation of after-service health benefits as of December 31, 2005" dated 9 June 2006, "if UNCCD followed the accrual method of accounting for after-service health insurance as specified by accounting standards such as IAS 19 or FAS 106, then there would be an annual expense charged in the financial statements. If UNCCD had recognized this annual expense since inception of the plan, funded the liability on pay-as-you-go basis, had never

modified the plan eligibility, benefits or contributions, and had never had actuarial gains or losses from experience different than expected, then the annual expense for 2006 would be \$711,000". The financial position of UNCCD as at the end of the biennium 2004-2005 would not have allowed for such an expenditure without entailing financial difficulties.

92. Insufficient funding has been set aside by UNCCD to cover after-service liabilities. Nevertheless, unfunded after-service liabilities are a UN-wide issue. The General Assembly was expected to consider that matter during its 61st session.

93. The Board reiterates its recommendation that the Conference of the Parties consider at its next session the issue of funding after-service liabilities.

12. Write offs

94. UNCCD reported no write-off of losses of cash, stores and other assets during the biennium.

13. Fraud and presumptive fraud

95. UNCCD did not report any case of fraud or presumptive fraud during the biennium 2004-2005.

96. No action has been taken on the Board's recommendation to develop and implement a fraud prevention plan. A large portion of UNCCD's expenditures are dedicated to expertise and consultancy work, and to the purchase of goods and services, all areas that present potential risks. Best practice also prescribes that staff be reminded about definitions of fraud, and about risks of diversion of funds, on a regular basis, and that the organization adopts an ethics plan.

97. UNCCD agreed with the Board's reiterated recommendation to develop, document and implement a fraud prevention plan.

14. Ex gratia payments

98. UNCCD informed the Board that no ex gratia payments had been made during the financial period ended 31 December 2005.

15. Memoranda of Understanding with UNOG and UNHQ

99. In paragraph 2 d) and 58 of its 2004 report the Board¹ recommended UNCCD to update its delegation of authority from, and the memorandum of understanding with, the United Nations. No action has been taken on that issue.

100. The Board reiterates its recommendation that UNCCD update its delegation of authority from, and the memorandum of understanding with, the United Nations.

¹ ICCD/COP(7)/2/Add.5(A)

16. IT fraud prevention and management

IT security policies

101. On 20 December 2005, and in conformity with Secretary's General bulletin ST/SGB/2003/17, UNCCD officially established its Information and Communication Technology Committee (ICTC), with the objective to streamline IT procedures and guidelines. On the IT policy, the Board noted the following findings:

- UNCCD adopted an e-mail, Internet usage and electronic data protection policy. This policy had no relation to the UN document ST/SGB/2004/15 on the use of information and communication technology resources and data.
- UNCCD e-mail, Internet usage and electronic data protection policy defined electronic data theft, electronic data trespass, electronic data invasion of privacy, computer forgery and computer password disclosure. In case of violation, the system manager or the system administrator can restrict or prohibit access to the system.
- UNCCD e-mail, internet usage and electronic data protection policy did not specify which sanctions could be taken against offenders. In the absence of such policies, it would be hard if not impossible to take disciplinary action against offenders.
- UNCCD indicated that most issues were addressed in draft policies that would be adopted by the ICTC for formal adoption prior to the end of 2006.

102. The Board recommends that UNCCD adopt its security policy for information technology in a timely manner.

103. UNCCD policies were communicated on the Intranet and did not require acknowledgement of receipt or agreement from the recipient to follow such policies. Therefore, UNCCD did not have a mechanism to determine who had actually received these policy documents and read them nor to record that the recipient of these documents accepted the policy and agreed to follow it.

104. As security policies were not acknowledged, there was a risk they had not been read and were therefore not applied.

105. The Board recommends that UNCCD implement procedures to commit all parties to comply with its security policies.

106. UNCCD e-mail, internet usage and electronic data protection policy security addressed users. It did not specify if users included staff and non-staff. It did not specify if non-staff contracts included security clauses. UNCCD indicated that they had *"no supporting documentation in the area, whereas internal arrangements and practice do exist. For example, access right to the IT server room for the IT staff members is allowed whereas an IT consultant, intern or a staff on a short term contract would not be granted such access rights"*.

107. New staff was subjected to reference checks. UNCCD did not specify which steps were taken to validate the credentials but indicated that *"access rights policy was prepared for due consideration by the IT Task Force. It is expected to be reviewed by the IT Taskforce in the*

course of the year, taking into consideration the heavy workload of the IT group and individual units' staff (members of the Taskforce) as well as the move to the Secretariat new headquarters."

108. The Board recommends that UNCCD specify procedures to validate credentials, particularly for individuals granted privileged access rights (database and systems administrators, and other forms of super users).

Building protective features into computer systems

109. There were no policies or practices for classifying information as required by ISO 17799 Section 3. Consisting of 11 Sections, ISO 17799 - 2005 has been adopted as an international standard for the Code of Practice for the management of Information Security. While not mandatory, the implications of not adopting this standard were that individual organizations may be failing to adequately protect their information assets.

110. Security features in UNCCD computer applications and databases were not documented. There was a risk that control systems, though mandatory, are not designed and implemented. UNCCD explained that *"All software development is done according to standard procedures and policies and according to the UN standards. Development tools are carefully selected /developed keeping in mind the norms fixed by the "UN ICT Product Standardization Taskforce" with ref to the memorandum ITSD/05-00218 Dated July the 28th of 2005."*

111. UNCCD has taken several steps to ensure applications are designed and managed to protect the security and confidentiality of data. Users were not allowed to install unapproved software. Applications source code was not available on the network or to staff. Changes to computer programs were tested with users. However UNCCD did not provide the Board with the formal documentation related to these steps. UNCCD indicated that these policies would be adopted in the biennium 2006-2007.

112. UNCCD agreed with the Board's recommendation to ensure security is given due attention in the design, development and/or customization of applications and databases.

113. UNCCD had no password maintenance rules, but planned to implement rules for password content and expiration date: *"As a standard internal procedure UNCCD offers one-month email access to departing staff members. This privilege is granted for personal emails only. Accordingly, a filter is set up to forward personal emails to the user's new account and forward official mail to the newly responsible person, as designated by the head of unit. After one month all email and other accounts are archived for a period of 6 months. Upon the completion of this period, emails are stored on CD and ultimately deleted"*.

114. UNCCD did not conduct tests with password breaking software. UNCCD did not use authentication measures stronger than passwords. There was a risk that passwords do not provide an adequate level of security in UNCCD. UNCCD indicated that it submitted a specific password protection policy for due consideration by the IT Task Force, which was currently considering the document.

115. **The Board recommends that UNCCD provides an adequate level of security and obtain a formal statement of acceptance of this method of authentication from the data owners.**

116. UNCCD did not conduct formal tests to match available access rights with the actual persons who should be authorized. There was a risk of dormant accounts in UNCCD. However, UNCCD IT group has implemented the active directory set-up in August 2005, which allows IT staff to monitor and record usage history.

117. **UNCCD agreed with the Board's recommendation to conduct specific tests to determine the extent to which dormant accounts or accounts for former staff members or other people working at UNCCD remain current.**

118. UNCCD did not use computer facilities to monitor users' activity. There was a risk that users misuse or abuse IT facilities by program or data forgery, as well as by uncontrolled use of the Internet and download of inappropriate material. UNCCD explained that "*Electronic data is well protected by setting up the active directory system on the CCD network. Constant enhancements are being implemented to make sure any such attempts are reduced to the minimum*". UNCCD did not use any process to ensure that only authorized data leaves the organization and then by secure means.

119. **UNCCD agreed with the Board's recommendation to monitor activity to identify potential misuse or abuse and to implement processes to ensure that only authorized data leaves the organization.**

120. UNCCD expected that a new policy will be implemented in late 2006 or early 2007.

17. Results-based budgeting

RBB gradual introduction

121. The introduction of results-based budgeting in the United Nations system was launched with a comprehensive reform initiative in 1997. In response to a request of COP 3 (1999), the Secretariat presented to COP4 (2000) primary options for improving the budget process and to implement gradually results-based budgeting (RBB). While no formal decision was reached, the Secretariat included in the budget proposals to COP 5 and COP 6 expected outcomes, as well as indicators on results in the performance reports. The budget proposal for 2006-2007 was prepared with the earlier programme budget approach but went further to include more elements of results based budgeting. The COP 7 eventually decided in 2005 that the report to COP 8 in 2007 should be prepared in line with results-based planning programming and budgeting.

JIU recommendation on RBB

122. The Joint Inspection Unit report JIU/REP/2005/5 issued in 2005 recommended that the conference of the parties should endorse the benchmarking framework for results based management, approve the establishment of a task force to draw up a long strategic framework,

request the Executive Secretary to put forward RBB proposals based on the findings of the needs assessment review and linked to a medium-term plan in line with the benchmarking framework for results based management.

123. The parties in COP 7 decided to establish an ad hoc working group to consider the follow up to the JIU report, which included 24 other recommendations, and to develop a ten-year strategic framework for enhancing the implementation of the convention.

RBB Guidelines

124. The Secretariat explained that the budgeting process had shifted from an object-of-expenditure budget towards a more comprehensive resource management framework, and that consequently the information needs targeted to the units have also changed. Despite these significant steps, the Board noticed that the guidance provided was limited to the work programme and applied strictly the COP decision without a full RBB process. UNCCD lacked guidelines on the RBB process.

RBB Indicators

125. The programme and budget document for the biennium presented to COP 7 took into account the initial steps of the RBB process: context, main areas of work; for each programme, the document presented an overview of the programme, objectives of the biennium, the basis for activities linked to relevant UNCCD articles and COP decisions, activities, expected outputs and resources needs. But the Secretariat had not developed adequate indicators. The Secretariat explained that to adequately steer the Secretariat performance in the light of the expectations of parties, a set of indicators must flow from the strategic consensus of parties on the orientation and activities of the Secretariat, to be formulated by the Intersessional Intergovernmental Working Group (IIWG).

126. UNCCD indicated that “*many of the expected outputs were defined in a manner that allows for easy verification, and are potentially strictly*” linked with the deadlines provided by the COP decisions. But management recognized that some of them required specific indicators for reliable assessment, such as those referring to the efficiency or effectiveness to the actions in concern, or those on strengthening, enhancing or fostering some aspects of the Convention process.

127. Key performance indicators are used to measure the achievement of expected results of objectives and subsequent targets derived from strategic and operational planning. The logical linkage between aggregated outputs, programmes or project objectives provides a basis for understanding the relationship of outputs to the different goals of the Secretariat. While the Secretariat can identify objectives, outputs and priorities, the operational RBB's plan should provide inter alia key performance indicators and the statement of expected results and key performance indicators for the applicable timeframe.

128. **The Board recommends that UNCCD further determine meaningful, relevant, verifiable and measurable indicators for the Results-Based Management.**

RBB training

129. Arrangements had been made to bring in RBB trainers from New York in 2004, but due to budgetary constraints UNCCD cancelled the training session.

130. **The Board recommends that UNCCD provide its staff with appropriate training on results based-budgeting.**

18. Internal oversight

Audit committee

131. For the monitoring of implementation of external and internal audit recommendations, and in line with the World Summit outcome, which requested the Secretary-General to submit detailed proposals to the General Assembly at its sixtieth session for its early consideration on the creation of an independent oversight advisory committee, including its mandate, composition, selection process and qualification of experts, UNCCD should consider the establishment of an independent audit committee.

132. **The Board recommends that UNCCD consider establishing an independent audit committee.**

C. ACKNOWLEDGEMENT

133. 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.

(Signed) Philippe **Séguin**
First President of the Court of Accounts of France
Chairman of the Board
(Lead Auditor)

(Signed) Guillermo N. **Carague**
Chairman, Philippine Commission on Audit

(Signed) Terence **Nombembe**
Auditor-General of the Republic of South Africa

19 February 2007

Note: The Philippines and the South African members of the Board of Auditors have signed only the English version of the report, the French member of the Board has signed the English and the French version.

Appendix**Summary of status of implementation of recommendations of the Board for the financial period ended 31 December 2003²**

Topic	Financial period first reported	Implemented	Under implementation	Not implemented	Total Relevant paragraphs in the present report
Continue efforts to collect outstanding contributions	2001-2002		2 a)		1 29-32
Minimum amount of assessed contribution	2002-2003			2 a)	1
Improve fund-raising for the trust fund for voluntary financing	2001-2002		23		1
Enhance the governing body's capacity	2002-2003		2 b)		1
Review in conjunction with the UN administration the funding mechanisms for End of service liabilities	2000-2001		2 c)		1 87-93
Agreement with the OIOS for internal audit	2002-2003		2 e)		1 130-131
Comply with the rules on recruitment of consultants	2002-2003		2 g)		1
Ensure that purchase orders are adequately issued prior to the delivery of goods and services	2002-2003		45		1 48-50
Develop an anti-fraud plan	2002-2003			2 h)	1 95-97
Update its delegation of authority and the MOU with UNOG	2002-2003			2 d)	1 99-100
Submit the issue of exchange rate changes to its governing body as a matter of priority	2002-2003 ⁴¹				1 51-55
Submit the issue of the single audit to the COP 7	1998-1999		2 f)		1 38-39
Disclosure in the Financial Statements	2002-2003			34	1 21-22
Total number		1	8	4	13
Percentage		8	61	31	

² ICCD/COP(7)/2/Add.5 (A) from 19 August 2005

Audit Opinion

We have audited the accompanying financial statements of United Nations Convention to Combat Desertification, comprising statements numbered I to IV, schedules 1 and 2, and the supporting notes for the biennium ended 31 December 2005. The financial statements are the responsibility of the Executive Secretary of the Permanent Secretariat of the United Nations Convention to Combat Desertification. 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 specialised agencies and the International Atomic Energy Agency and 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, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Executive Secretary, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for the audit opinion.

In our opinion, the financial statements present fairly, in all respects, the financial position as at 31 December 2005 and the results of operations and cash flows for the biennium then ended, in accordance with the United Nations System Accounting Standards.

Furthermore, in our opinion, the transactions of the United Nations Convention to Combat Desertification that have come to our notice, 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 on the United Nations Convention to Combat Desertification.

(Signed) Philippe **Séguin**
First President of the Court of Accounts of France
Chairman of the Board
(Lead Auditor)

(Signed) Guillermo N. **Carague**
Chairman, Philippine Commission on Audit

(Signed) Terence **Nombembe**
Auditor-General of the Republic of South Africa

19 February 2007

Note: The Philippines and the South African members of the Board of Auditors have signed only the English version of the report; the French member of the Board has signed the English and the French version.

Annex II

Follow-up on action taken to implement the recommendations of the Board of Auditors

Management					
Component/Area of concern	Reference	Recommendation	As at 20 June 2007		Impact on organization
			Specific management action	Status of implementation	
(A)	(B)	(C)	(D)	(E)	(F)
1. Presentation of financial statements	Par. 17 of the Board Report for 2004-2005	<i>The Board recommends that UNCCD disclose all income and expenditures in its financial statements.</i>	Management has taken action to implement the recommendation	The implementation is complete and financial statements also include temporary accounts for organizing conferences outside of Bonn	A consolidated report on Status of income from all sources is now available in one report
	Par. 20 of the Board Report for 2004-2005	<i>The Board recommends that UNCCD prepare its Statement III to ensure that it is fully compliant with the UNSAS.</i>	Action was taken before the departure of the previous auditor	Implementation is complete and current financial statement III reflects this change	No further impact
	Par. 22 of the Board Report for 2004-2005	The Board recommends that UNCCD follow, to the extent possible and/or appropriate the practices adopted by other UN organizations with regard to disclosure of performance, social accounting issues, risk management, continuity and internal control issues.	Management is reviewing the progress within other UN organizations and will implement the best components of those actions	Implementation is in progress with full implementation expected to take place by the end of the biennium or during the next biennium.	Impact on organization is related to systematic UN wide developments
	Par. 24 of the Board Report for 2004-2005	The Board recommends that UNCCD ensure that its statement IV accurately reflects the value of disbursements incurred in 2004-2005.	Statement IV is in conformity with the other statements of the financial report	Statements prepared for the current external auditors indicate that action was already taken	No further impact

Management					
Component/Area of concern	Reference	Recommendation	As at 20 June 2007		Impact on organization
			Specific management action	Status of implementation	
(A)	(B)	(C)	(D)	(E)	(F)
2. Contributions	Par 32 of the Board Report for 2004-2005	The Board recommends to the Secretariat that UNCCD continue its efforts to collect the remaining assessed contributions.	Management continues its efforts to collect the unpaid contributions through reminders and monthly updates of its web based information on outstanding contributions. Each facilitation unit is apprised of the balances of countries in their respective regions and regular follow-up has occurred throughout the year.	Recommendation fully implemented	Many small outstanding contributions have been paid in full, and some countries have been making payments towards the total outstanding balance.
	Par. 34 of the Board Report for 2004-2005	<i>The Board recommends that UNCCD define a write-off policy for long outstanding contributions, which are unlikely to be collected in order to present a more a realistic and accurate financial position of the convention.</i>	Management presented the recommendation to COP and a decision was taken to not write off any unpaid balances	Action was taken to comply with this recommendation, but the COP agreed that all members have the obligation to pay their contributions and as such write-off option does not apply.	It should be noted that COP action is required before any receivable is written off, even where it is possible that amounts will not be fully realized.

Management					
Component/Area of concern	Reference	Recommendation	As at 20 June 2007		Impact on organization
			Specific management action	Status of implementation	
(A)	(B)	(C)	(D)	(E)	(F)
	Par. 37 of the Board Report for 2004-2005	The Board recommends to the UNCCD Secretariat to comply with article 18 financial rules on reporting annually to Parties on the status of pledges and payments of contributions.	This has always been made through the meetings of the subsidiary bodies and the bureau of the COP.	Recommendation fully implemented and parties continue to be updated on the status of contributions. Efforts are also underway to have this report in the web for all parties to have access to it.	Impact on organization is limited. Information is available to Parties, as required.
	Par. 39 of the Board Report for 2004-2005	<i>UNCCD agreed with the Board's recommendation that it avoid concluding agreements that provide for additional audits being undertaken by third parties.</i>	Action has been taken and new funding agreements are reviewed to ensure that third party audit is avoided	In the process of implementation.	Future costs of multiple audits are limited.
	Par. 41 of the Board Report for 2004-2005	<i>The Board recommends that UNCCD disclose programme support costs to reflect the terms agreed with its donors.</i>	Action is taken to ensure that the rates of programme support costs are included in the agreement	Ongoing practice is in compliance with recommendation, and final action shall be taken with the forthcoming preparation of a procedures manual.	Limited impact, as most donors are fully aware of programme support costs amount when agreements are signed.
3. Expenditures	Par. 50 of the Board Report for 2004-2005	<i>UNCCD agreed with the Board's recommendation to strictly comply with UN Regulations and Rules on procurement on competitive selection of vendors and adhere to the terms of its delegation of procurement authority.</i>	Action has been taken to ensure that rules and regulations are strictly adhered to. Due to lack of in-house capacity procurement is now being done through the assistance of UNFCCC.	Fully implemented	No further impact on secretariat.

Management					
Component/Area of concern	Reference	Recommendation	As at 20 June 2007		Impact on organization
			Specific management action	Status of implementation	
(A)	(B)	(C)	(D)	(E)	(F)
	Par. 55 of the Board Report for 2004-2005	<i>UNCCD agreed with the Board's recommendation to continue its discussion with the United Nations Secretariat to find a solution to manage its foreign exchange exposure.</i>	Reducing exchange rate exposures has been followed closely throughout the biennium, and new alternatives will be recommended to COP 8. It has been decided that accounting changes regarding this should best be postponed to adoption of IPSAS by 2010.	Implemented, but without effect due to the absence of a response from UNOPG. New partial solutions will be recommended to COP 8.	Financial risks remain, and continued decline of United States dollar vs. euro has effectively reduced the available funds for 2006 – 2007 and prior bienniums.
4. Cash and Bank	Par. 59 of the Board Report for 2004-2005	UNCCD agreed with the Board's reiterated recommendation to reassess the need for keeping two bank accounts in Bonn.	Action has been taken and one account will be closed by the end of June 2007.	Full implementation imminent	Minimal amount is maintained for emergency payments only.
	Par. 62 of the Board Report for 2004-2005	<i>The Board recommends that UNCCD adhere to payments rules and ensure that two authorized signatories are put on withdrawal instructions.</i>	Action has been taken to review the schedule of bank signatories	Fully implemented	No further impact.
	Par. 65 of the Board Report for 2004-2005	<i>UNCCD agreed with the Board's recommendation to perform bank reconciliations at the end of the month and ensure that reconciliation forms are properly dated.</i>	Action has been taken and reconciliations are done on a monthly basis	Continuous implementation	No further impact.
	Par. 67 of the Board Report for 2004-2005	<i>UNCCD agreed with the Board's recommendation to obtain monthly bank statements from the custodian bank.</i>	Action has been taken and reconciliations are done on a monthly basis	Continuous implementation	No further impact.

Management					
Component/Area of concern	Reference	Recommendation	As at 20 June 2007		Impact on organization
			Specific management action	Status of implementation	
(A)	(B)	(C)	(D)	(E)	(F)
	Par. 73 of the Board Report for 2004-2005	<i>The Board recommends that UNCCD comply with UN regulations and rules in respect of bank signatory authority and promptly update and properly document the current signatory panels for both bank accounts it maintains in Bonn.</i>	Management is in the process of reviewing all bank signatories, and these will be updated, as necessary, in June/July 2007.	Implementation in progress	No further impact.
5. Unliquidated Obligations	Par. 78 of the Board Report for 2004-2005	<i>The Board recommends that UNCCD review obligations supported by travel requests to ensure that they are timely liquidated.</i>	Obligations are reviewed on a monthly basis	Implemented Only valid obligations are retained in the records	Remaining funds from completed missions can be reallocated for other purposes.
6. Non-expendable property	Par. 80 of the Board Report for 2004-2005	<i>The Board recommends that UNCCD disclose the value of non-expendable property in line with its accounting policy described in note 12 of the financial statements.</i>	Action taken.	Continuous implementation	No further impact.
	Par. 83 of the Board Report for 2004-2005	<i>The Board recommends that UNCCD properly record acquisitions in IMIS to avoid manual reconciliations.</i>	Periodic, generally monthly, reconciliations are now being updated and adjustments will be recorded the following month.	Continuous implementation	Possibility that losses will not be noted on a timely basis.

Management					
Component/Area of concern	Reference	Recommendation	As at 20 June 2007		Impact on organization
			Specific management action	Status of implementation	
(A)	(B)	(C)	(D)	(E)	(F)
7. Reserve and fund balances	Par. 86 of the Board Report for 2004-2005	<i>The Board recommends that UNCCD correctly account for reserves in its financial statements.</i>	This is done at the end of the biennium, but reviews are done on a monthly basis	Continuous Implementation	No further impact.
	Par. 90 of the Board Report for 2004-2005	<i>The Board recommends that UNCCD compute and disclose all after-service liabilities, including end-of-service benefits as required by the UNSAS.</i>	This is information is routinely disclosed in the financial statements at the end of each biennium. UNCCD is following practices that are being adopted by other UN organizations, and will recommend to the COP adopting of the same procedures for UNCCD. As yet, there does not seem to be a single UN approach to recording the accrued liability.	Partially implemented.	A significant change in staffing levels could cause substantive cash outflows over a period of time for after-service liabilities.
	Par. 93 of the Board Report for 2004-2005	<i>The Board reiterate its recommendation that the Conference of the Parties consider at its next session the issue of funding after-service liabilities.</i>	The management will bring the issue to COP8 for action	Implementation in progress	A significant change in staffing levels could cause substantive cash outflows for after-service liabilities.

Management					
Component/Area of concern	Reference	Recommendation	As at 20 June 2007		Impact on organization
			Specific management action	Status of implementation	
(A)	(B)	(C)	(D)	(E)	(F)
8. Fraud and presumptive fraud	Par. 97 of the Board Report for 2004-2005	<i>UNCCD agreed with the Board's reiterated recommendations to develop, document and implement a fraud prevention plan.</i>	Management has already established a task force to come up with a guidelines and policy, reviews are being made of other organization's fraud prevention plans, and appropriate parts of each will be implemented into the UNCCD fraud prevention plan.	Implementation in progress in conjunction with other Bonn based UN organizations.	Losses from fraud may occur because plan has not yet been developed.
9. Memoranda of understanding with UNOG and UNHQ	Par. 100 of the Board Report for 2004-2005	<i>The Board reiterate its recommendation that UNCCD update its delegation of authority from, and the memorandum of understanding with, the United Nations.</i>	Management will review the delegation of authority and make recommendations for changes in the context of the overall strategic, structural and institutional review.	In process of implementation.	Limited impact, if any, on organization.

Management					
Component/Area of concern	Reference	Recommendation	As at 20 June 2007		Impact on organization
			Specific management action	Status of implementation	
(A)	(B)	(C)	(D)	(E)	(F)
10. IT fraud prevention and management	Par. 102 of the Board Report for 2004-2005	<i>The Board recommends that UNCCD adopt its security policy for information technology in a timely manner.</i>	UNCCD ERPI/IT developed different sector policies, specifically addressing <i>Information Technology and Data sensitivity</i> and presented them to the IT Task Force for review and consideration. These IT sector policies were formally endorsed by the IT Task Force and subsequently implemented, as of September 2006.	Implemented in September 2006	Implementation of these sector policies have provided the secretariat with an enabling framework for intervention, based on a very systematic approach for IT management and handling of the UNCCD electronic infrastructure.

Management					
Component/Area of concern	Reference	Recommendation	As at 20 June 2007		Impact on organization
			Specific management action	Status of implementation	
(A)	(B)	(C)	(D)	(E)	(F)
	Par. 105 of the Board Report for 2004-2005	<i>The Board recommends that UNCCD implement procedures to commit all parties to comply with its security policies.</i>	In order to ensure party compliance with security policies, UNCCD ERPI/IT designed a two-fold approach to increase efficiency and policy observance. The first level approach concerns a set of upstream measures whereby security policies are forced onto users (i.e. <i>Acceptable use</i> , <i>Risk Assessment</i> and <i>Acceptable Encryption</i> policies. The second level approach concerns specific measures taken downstream of the security process, as described under recommendation 10.A below.	Implemented in September 2006	With the effective implementation of targeted sector policies like the <i>Acceptable use policy</i> , <i>Risk Assessment policy</i> and <i>Acceptable Encryption policy</i> , the UNCCD Information Technology unit has been able to further improve the reliability of its electronic infrastructure while increasing its overall stability and robustness.

Management					
Component/Area of concern	Reference	Recommendation	As at 20 June 2007		Impact on organization
			Specific management action	Status of implementation	
(A)	(B)	(C)	(D)	(E)	(F)
	Par. 108 of the Board Report for 2004-2005	<i>The Board recommends that UNCCD specify procedures to validate credentials, particularly for individuals granted privileged access rights (database and systems administrators, and other forms of super users).</i>	UNCCD ERPI/IT developed as an integral part the Secretariat's sector IT policies, an <i>Email and Information Sensitivity</i> policies. These policies were adapted in September 2006, after formal review by and due recommendation of the IT Taskforce. These policies specifically cover the topic in question of "...validating the credentials for individuals having privileged access..."	Implemented in September 2006	After a few month of their respective entry into force, the implementations of the <i>Email and Information Sensitivity</i> policies have proven to constitute a central IT managerial pillar of Organization. Following the procedures described in these policies, the UNCCD Information Technology has been able to function in a much more systematic and structured way.

Management					
Component/Area of concern	Reference	Recommendation	As at 20 June 2007		Impact on organization
			Specific management action	Status of implementation	
(A)	(B)	(C)	(D)	(E)	(F)
	Par. 112 of the Board Report for 2004-2005	<i>UNCCD agreed with the Board's recommendation to ensure security is given due attention in the design, development and/or customisation of applications and databases.</i>	UNCCD ERPI/IT developed the UNCCD <i>Acceptable encryption policy</i> in early 2006, keeping in mind different software development standards and providing a secure tool for the mission critical data. After series of revisions, the IT Task force duly endorsed this sector IT policy in September 2006.	Implemented in September 2006	Following the various procedures described in the <i>Acceptable encryption policy</i> , the UNCCD Information Technology unit has implemented a UN secretariat wide security and interoperability standards, which has in turn allowed for an in-house development of fully integrated IT tools such as the <i>Jasmine</i> , the <i>Focal Points</i> , the <i>Roster of Independent Experts</i> databases and the UNCCD Intranet amongst others.

Management					
Component/Area of concern	Reference	Recommendation	As at 20 June 2007		Impact on organization
			Specific management action	Status of implementation	
(A)	(B)	(C)	(D)	(E)	(F)
	Par. 115 of the Board Report for 2004-2005	<i>The Board recommends that UNCCD provides an adequate level of security and obtain a formal statement of acceptance of this method of authentication from the data owners.</i>	An adequate level of security measures have been implemented, which is addressed and described throughout the different sector IT security policies. As a first step towards securing formal authentication from data owners, a communication with return of receipt was sent to all staff on 26 Nov 2006, as an acknowledgement of the measures described in the different sector policies.	Implemented in October 2006	Implementation of such a systematic approach, including downstream security measures as described here, have proven to bring a real comparative advantage in terms of authentication and compliance, by ensuring the effective implementation of necessary procedures, which would have otherwise proven to be difficult to systematically implement on the user side.

Management					
Component/Area of concern	Reference	Recommendation	As at 20 June 2007		Impact on organization
			Specific management action	Status of implementation	
(A)	(B)	(C)	(D)	(E)	(F)
	Par. 117 of the Board Report for 2004-2005	<i>UNCCD agreed with the Board's recommendation to conduct specific tests to determine the extent to which dormant accounts or accounts for former staff members or other people working at UNCCD remain current.</i>	A thorough procedure was established as a part of its <i>Email retention policy</i> . This policy as well was dully reviewed and formally adopted by the IT TASK Force in September 2006. Presently, the IT task Force is preparing an addendum to this policy with a view to cover some additional practices and procedures to be followed in the specific case of departing staff members.	Implemented in September 2006	The integrated implementation of this IT sector policy, in conjunction with other relevant ones as identified above, has allowed for the establishment of an updated and improved managerial framework for the secretariat email infrastructure, while enhancing its overall reliability and security.

Management					
Component/Area of concern	Reference	Recommendation	As at 20 June 2007		Impact on organization
			Specific management action	Status of implementation	
(A)	(B)	(C)	(D)	(E)	(F)
	Par. 119 of the Board Report for 2004-2005	<i>UNCCD agreed with then Board's recommendation to monitor activity to identify potential misuse or abuse and to implement processes to ensure that only authorized data leaves the organization.</i>	Various steps have been taken in order to monitor the daily usage of the secretariat's network, ensuring that only authorized data leaves the organization. In that regard, and in line with the <i>Information Technology strategy</i> referred to above, an <i>Acceptable Encryption policy</i> and <i>Information Sensitivity policy</i> were designed, formally adopted by the IT Task Force and subsequently implemented as of September 2006.	Implemented in September 2006	The implementation of such up-to-date monitoring guidelines, which constitute key elements of the extensive UNCCD IT managerial tools, has strongly contributed to the overall strengthening of the secretariat's Information and Communication Technology environment

Management					
Component/Area of concern	Reference	Recommendation	As at 20 June 2007		Impact on organization
			Specific management action	Status of implementation	
(A)	(B)	(C)	(D)	(E)	(F)
11. Results-based budgeting	Par. 127 of the Board Report for 2004-2005	<i>The Board recommends that UNCCD further determine meaningful, relevant, verifiable and measurable indicators for the Results-Based Management.</i>	Management intends to engage services of an expert with support from OIOS. Awaiting outcome of working group recommendation before implementation	Not implemented	Management would be able to better assess performance after implementation of RBM.
	Par. 129 of the Board Report for 2004-2005	<i>The Board recommends that UNCCD provide its staff with appropriate training on results based-budgeting.</i>	Management has engaged the services of an expert on the implications of RBM and a report will be forthcoming prior to COP 8.	In process of implementation	RBM cannot be fully implemented until after implementation of the recommendation and approval by the COP.
12. Internal oversight	Par. 131 of the Board Report for 2004-2005	<i>The Board recommends that UNCCD consider establishing an independent audit committee.</i>	Recruitment of internal auditor is underway and once on board this matter will be further discussed with that individual.	Not implemented	Management does not have the outside advice of an audit committee that would be relevant to certain audit issues or audit and financial accounting risks, which could be better addressed by the secretariat.