



United Nations

**International Residual Mechanism for
Criminal Tribunals**

Financial report and audited financial statements

for the year ended 31 December 2018

and

Report of the Board of Auditors

General Assembly

Official Records

Seventy-fourth Session

Supplement No. 5O



International Residual Mechanism for Criminal Tribunals

**Financial report and audited
financial statements**

for the year ended 31 December 2018

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Report of the Board of Auditors



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Note

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

Contents

<i>Chapter</i>	<i>Page</i>
Letters of transmittal	5
I. Report of the Board of Auditors on the financial statements: audit opinion	7
II. Long-form report of the Board of Auditors	10
Summary	10
A. Mandate, scope and methodology	13
B. Findings and recommendations	14
1. Follow-up of previous recommendations	14
2. Financial overview	14
3. Anti-fraud and anti-corruption measures	16
4. Facilities management	17
5. Enterprise risk management	19
6. Construction and contracts management	20
7. Consultants and individual contractors	21
8. Data centre management	22
C. Disclosures by management	23
1. Write-offs of losses of cash, receivables and property	23
2. Ex gratia payments	23
3. Cases of fraud and presumptive fraud	23
D. Acknowledgement	24
Annex	
Status of implementation of recommendations up to the year ended 31 December 2017	25
III. Letter dated 20 March 2019 from the Assistant Secretary-General, Controller, addressed to the Chair of the Board of Auditors	37
IV. Financial report for the year ended 31 December 2018	38
A. Introduction	38
B. Overview of the financial statements for the year ended 31 December 2018	39
Annex	
Supplementary information	46
V. Financial statements for the year ended 31 December 2018	47
I. Statement of financial position as at 31 December 2018	47

II.	Statement of financial performance for the year ended 31 December 2018	48
III.	Statement of changes in net assets for the year ended 31 December 2018	49
IV.	Statement of cash flows for the year ended 31 December 2018	50
V.	Statement of comparison of budget and actual amounts for the year ended 31 December 2018.....	52
	Notes to the 2018 financial statements.....	54

Letters of transmittal

Letter dated 28 March 2019 from the Secretary-General addressed to the Chair of the Board of Auditors

In accordance with financial regulation 6.2, I have the honour to submit herewith the financial statements of the International Residual Mechanism for Criminal Tribunals of the United Nations for the year ended 31 December 2018, which I hereby approve. The financial statements have been completed and certified by the Controller as correct in all material respects.

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

(Signed) António **Guterres**

**Letter dated 24 July 2019 from the Chair of the Board of Auditors
addressed to the President of the General Assembly**

I have the honour to transmit to you the report of the Board of Auditors on the financial statements of the International Residual Mechanism for Criminal Tribunals for the year ended 31 December 2018.

(Signed) Kay **Scheller**
President of the German Federal Court of Auditors
Chair of the Board of Auditors

Chapter I

Report of the Board of Auditors on the financial statements: audit opinion

Opinion

We have audited the financial statements of the International Residual Mechanism for Criminal Tribunals, which comprise the statement of financial position (statement I) as at 31 December 2018 and the statement of financial performance (statement II), the statement of changes in net assets (statement III), the statement of cash flows (statement IV) and the statement of comparison of budget and actual amounts (statement V) for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Mechanism as at 31 December 2018 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS).

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing. Our responsibilities under those standards are described in the section below entitled “Auditor’s responsibilities for the audit of the financial statements”. We are independent of the Mechanism, in accordance with the ethical requirements relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the financial statements and the auditor’s report thereon

The Secretary-General of the United Nations is responsible for the other information, which comprises the financial report for the year ended 31 December 2018, contained in chapter IV below, but does not include the financial statements and our auditor’s report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, on the basis of the work that we have performed, we conclude that there is a material misstatement in the other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

The Secretary-General of the United Nations is responsible for the preparation and fair presentation of the financial statements in accordance with IPSAS and for such internal control as management determines to be necessary to enable the

preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the ability of the Mechanism to continue as a going concern, disclosing, as applicable, matters related to the going concern and using the going-concern basis of accounting unless management intends either to liquidate the Mechanism or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of the Mechanism.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the International Standards on Auditing will always detect a material misstatement when it exists. Misstatement can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentation or the overriding of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Mechanism's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Draw conclusions as to the appropriateness of management's use of the going-concern basis of accounting and, on the basis of the audit evidence obtained, whether a material uncertainty exists in relation to events or conditions that may cast significant doubt on the ability of the Mechanism to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Mechanism to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

In our opinion, the transactions of the Mechanism that have come to our notice or that we have tested as part of our audit have, in all significant respects, been in accordance with the Financial Regulations and Rules of the United Nations and legislative authority.

In accordance with article VII of the Financial Regulations and Rules of the United Nations, we have also issued a long-form report on our audit of the Mechanism.

(Signed) Kay **Scheller**
President of the German Federal Court of Auditors
Chair of the Board of Auditors

(Signed) Jorge **Bermúdez**
Comptroller General of the Republic of Chile
(Lead Auditor)

(Signed) Rajiv **Mehrishi**
Comptroller and Auditor General of India

24 July 2019

Chapter II

Long-form report of the Board of Auditors

Summary

On 22 December 2010, the Security Council adopted its resolution [1966 \(2010\)](#) to establish the International Residual Mechanism for Criminal Tribunals. The Mechanism was created to complete the remaining tasks of the International Tribunal for the Prosecution of Persons Responsible for Serious Violations of International Humanitarian Law Committed in the Territory of the Former Yugoslavia since 1991 and the International Criminal Tribunal for the Prosecution of Persons Responsible for Genocide and Other Serious Violations of International Humanitarian Law Committed in the Territory of Rwanda and Rwandan Citizens Responsible for Genocide and Other Such Violations Committed in the Territory of Neighbouring States between 1 January and 31 December 1994. It operates from two branches, located in Arusha, United Republic of Tanzania, and The Hague, Netherlands.

The Board of Auditors has audited the financial statements and reviewed the operations of the International Residual Mechanism for Criminal Tribunals for the year ended 31 December 2018.

Scope of the report

The report covers matters that, in the opinion of the Board, should be brought to the attention of the General Assembly and have been discussed with the Mechanism's management, whose views have been appropriately reflected.

The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements present fairly the financial position of the Mechanism as at 31 December 2018 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS). The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

The Board also reviewed the Mechanism's operations under regulation 7.5 of the Financial Regulations and Rules of the United Nations, which allows the Board to make observations on the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of operations. The Board examined the following main areas of the Mechanism's activities: procurement management, anti-fraud and anti-corruption measures, organizational structure management, facilities management, enterprise risk management, human resources management, travel management, construction and contracts management, consultants and individual contractors and information and communication technology. The Board also reviewed a detailed follow up of actions taken in response to recommendations made in previous years.

Audit opinion

In the Board's opinion, the financial statements present fairly, in all material respects, the financial position of the Mechanism as at 31 December 2018 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS).

Overall conclusion

The Board did not identify significant errors, omissions or misstatement from the review of the financial records of the Mechanism for the year ended 31 December 2018. However, the Board identified scope for improvements in the area of financial management and internal controls.

Key findings

The Board has identified a number of issues related to enhancing the effectiveness of the operations of the Mechanism. In particular, the Board highlights the following key findings:

Absence of anti-fraud measures

(a) The review of implementation of the Anti-Fraud and Anti-Corruption Framework of the United Nations Secretariat revealed that the Mechanism had not undertaken a systematic fraud risk assessment in accordance with paragraph 20 of the Anti-Fraud and Anti-Corruption Framework. The Mechanism has not provided evidence of an effective monitoring process to ensure compliance with the mandatory online anti-fraud training by their staff, in accordance with paragraph 24 of the Framework.

Lease agreement management

(b) On 29 December 2017, the Mechanism entered into a lease agreement (contract No. ICTY/CON/12/039), between the United Nations and Stichting Lotar and Classic Real Estate B.V., for the office premises at Churchillplein 1, The Hague (currently used for the functioning of the Mechanism). From December 2017 to November 2018, the Mechanism reduced the number of employees that occupied the premises from 555 to 333 (a decrease of 40 per cent). The Board was informed on 6 May 2019 that the building had also been officially sold to the Netherlands Central Government Real Estate Agency (Rijksvastgoedbedrijf or RVB). The Mechanism had the option to negotiate and conclude a new lease agreement with the new landlord of the premises that was more appropriate to its current requirements and reduced capacity, in order to maximize the efficiency of its assets and budget administration and to comply with paragraph 7 of Security Council resolution [1966 \(2010\)](#).

Absence of an updated risk assessment matrix

(c) In response to the Board's request to submit the enterprise risk management document, on 14 November 2018, the Mechanism submitted the enterprise risk register for the 2016 period. The document is a consolidated summary risk register, covering various areas of operations and based on the logical framework of the budget documents. However, the document is a non-updated risk register that does not include the other enterprise risk management components pursuant to the framework of the Committee of Sponsoring Organizations of the Treadway Commission.

Observance of the consultants and individual contractors procedures and requirements

(d) The Board took a sample of eight consultants and individual contractors from the payments roster provided, representing 18 per cent of the total of 44 consultants and individual contractors. Analysis of the contracts concerned revealed that mandatory elements of the terms of reference were missing, such as measurable outputs and indicators for the evaluation of those outputs. The Board observed shortcomings in 63 per cent of the cases selected.

In response to the Board's request to submit the rosters of consultants and individual contractors and the technical evaluation report, the administration indicated that it did not maintain the roster requested. With regard to the technical evaluation report, the administration submitted a document containing the selection justification for all selections of consultants and individual contractors. However, the technical evaluation was not submitted. The administration was not adhering to a competitive selection process, and treated all cases as exceptions, with only one candidate. No documented justification was provided for that procedure.

Main recommendations

In the light of the findings mentioned above, the main recommendations from the Board are that the Mechanism:

Absence of anti-fraud measures

- (a) (i) **Conduct a systematic fraud risk assessment following the provisions of the Anti-Fraud and Anti-Corruption Framework of the United Nations Secretariat.**
- (ii) **Develop a monitoring process on the completion of the mandatory online anti-fraud training and ensure that staff members take the mentioned course, in compliance with the Anti-Fraud and Anti-Corruption Framework.**

Lease agreement management

- (b) **Consider negotiating and concluding, as soon as possible, a new lease agreement with the new landlord of the building, the Netherlands Central Government Real Estate Agency (RVB), appropriate to its current requirements and reduced capacity further to the closure of the former International Tribunal for the Former Yugoslavia, in order to maximize efficiency in its assets and budget administration and to comply with paragraph 7 of Security Council resolution [1966 \(2010\)](#).**

Absence of an updated risk assessment matrix

- (c) **Update the enterprise risk management document, in accordance with internal memorandum MICT/A/IOB/2016/855 and the framework of the Committee of Sponsoring Organizations of the Treadway Commission.**

Observance of the consultants and individual contractors procedures and requirements

- (d) **Improve internal control for the appointment processes for consultants and individual contractors by implementing mechanisms to ensure that contracts include full information with regard to the terms of reference. The Mechanism should take measures to guarantee the establishment of rosters and a competitive selection procedure for consultants and individual contractors and to maintain valid documented justification in the case of exceptions.**

Key facts

\$196.02 million	Original biennium budget approved by the General Assembly for 2018–2019
\$195.72 million	Final budget approved by the General Assembly for the biennium 2018–2019
\$98.01 million	Original annual budget for 2018
\$98.38 million	Final annual budget for 2018
\$101.89 million	Total revenue for 2018
\$89.91 million	Total expenses for 2018
\$223.67 million	Total assets as at 31 December 2018
\$169.68 million	Total liabilities as at 31 December 2018
501	Total staff (443 on a fixed-term contract, 43 temporary staff, 14 on a permanent contract and 1 on a continuing contract)

A. Mandate, scope and methodology

1. The International Residual Mechanism for Criminal Tribunals was established by the Security Council in its resolution [1966 \(2010\)](#) to continue the jurisdiction, rights and obligations and essential functions of the International Criminal Tribunal for Rwanda and the International Tribunal for the Former Yugoslavia after the completion of their respective mandates, including a range of judicial activities, the enforcement of sentences, the resettlement of acquitted and released persons, the protection of victims and witnesses, and the management of archives.
2. The Mechanism has two branches: one in Arusha, United Republic of Tanzania, and the other in The Hague, Netherlands. The Arusha branch, which covers functions inherited from the International Criminal Tribunal for Rwanda, commenced its operations on 1 July 2012. The branch in The Hague, which covers functions inherited from the International Tribunal for the Former Yugoslavia, commenced its operations on 1 July 2013.
3. The Mechanism consists of three organs, namely, the Chambers, the Office of the Prosecutor and the Registry. The Chambers comprise a full-time President, an Appeals Chamber common to both branches, a Trial Chamber for each branch, a duty judge at the Arusha branch and single judges appointed at both branches. The Chambers are responsible for all judicial work of the Mechanism, including the enforcement of sentences, administrative review, trials, appeals, proceedings for review of final judgment, contempt and false testimony proceedings, and disposition of other requests related to, for example, access to confidential material and witness protection. The Office of the Prosecutor is responsible for investigation and prosecution. The Registry, which services both the Chambers and the Office of the Prosecutor, is responsible for the administration and servicing of the Mechanism.
4. The Board has audited the financial statements of the Mechanism and reviewed its activities for the year ended 31 December 2018, in accordance with General Assembly resolution 74 (I) of 1946. The audit was conducted in conformity with the Financial Regulations and Rules of the United Nations, as well as the International Standards on Auditing. Those standards require that the Board comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

5. The audit was conducted to enable the Board to form an opinion as to whether the financial statements presented fairly the financial position of the Mechanism as at 31 December 2018 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS). This included an assessment as to whether the expenditure recorded in the financial statements had been incurred for the purposes approved by the governing bodies and whether revenue and expenses had been properly classified and recorded in accordance with the Financial Regulations and Rules of the United Nations.

6. The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

7. The Board also reviewed the Mechanism's operations under financial regulation 7.5, which requires that the Board make observations with respect to the efficiency of the financial procedures, the accounting system and the internal financial controls and, in general, the administration and management of the Mechanism's operations.

8. The present report covers matters that, in the Board's opinion, should be brought to the attention of the General Assembly. The Board's observations and conclusions were discussed with the Mechanism's management, whose views have been appropriately reflected in the report.

B. Findings and recommendations

1. Follow-up of previous recommendations

9. The Board noted that there were 18 recommendations outstanding as at 31 December 2017. Seven (38 per cent) have been fully implemented, while nine (50 per cent) are under implementation, one has not been implemented (six per cent) and one has been overtaken by events (6 per cent), as shown in table II.I. Details of the status of implementation of the previous years' recommendations are provided in the annex to chapter II.

Table II.I

Status of implementation of recommendations

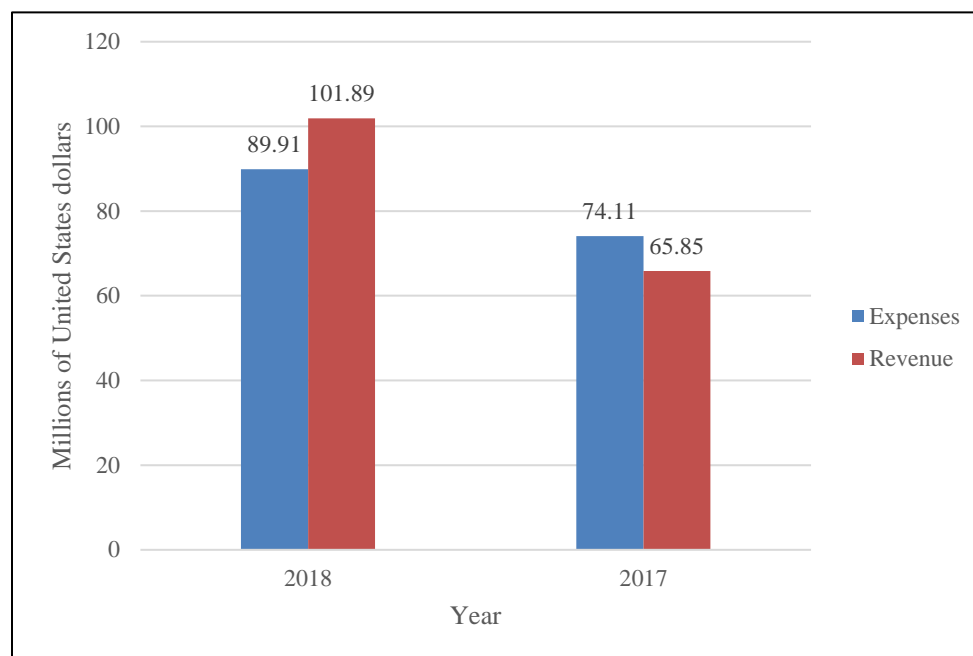
	<i>Fully implemented</i>	<i>Under implementation</i>	<i>Not implemented</i>	<i>Overtaken by events</i>
Total	7	9	1	1
Percentage	38	50	6	6

2. Financial overview

10. Total revenue in 2018 was \$101.89 million (2017: \$65.85 million) against expenses of \$89.91 million (2017: \$74.11 million), resulting in a surplus of \$11.98 million (2017: deficit \$8.26 million). The surplus was mainly attributable to the increase in assessed contributions and investment revenue. A comparison of revenue and expenses for financial years 2017 and 2018 is illustrated in figure II.I.

Figure II.I
Revenue and expenses

(Millions of United States dollars)



Source: Board of Auditors analysis of the Mechanism's financial statements for the year ended 2018.

Revenue and expenses

11. As at 31 December 2018, assets totalled \$223.67 million (2017: \$115.33 million). Cash, cash equivalent and investments amounted to \$157.19 million, equivalent to 70.3 per cent of total assets. This represented an increase of \$86.58 million (2017: \$70.61 million), a result of the amalgamation of the International Tribunal for the Former Yugoslavia, which brought \$74.24 million in cash and investments.

12. The Mechanism reported a total of liabilities of \$169.68 million as at 31 December 2018 (2017: \$122.71 million), of which 72 per cent (\$122.78 million) was employee benefits liabilities. The increase in the amount of these liabilities to the extent of \$27.62 million in 2018 is mostly attributable to the net increase of \$19.40 million in defined employee benefits liabilities brought by the amalgamation of the International Tribunal for the Former Yugoslavia and an actuarial gain arising from changes in financial assumptions and experience adjustments in the recent actuarial valuation.

13. Table II.II contains key financial ratios, as extracted from the Mechanism's financial statements for the year ended 31 December 2018.

Table II.II
Ratio analysis

Description of ratio	31 December 2018	31 December 2017
Total assets: total liabilities^a		
Total assets: total liabilities	1.32	0.94

Description of ratio	31 December 2018	31 December 2017
Current ratio^b		
Current assets: current liabilities	13.85	7.88
Quick ratio^c		
Cash and short-term investments and accounts receivable: current liabilities	13.77	7.69
Cash ratio^d		
Cash and short-term investments: current liabilities	10.25	5.19

Source: The Mechanism's financial statements for the year ended 31 December 2018.

^a A high ratio is a good indicator of solvency.

^b A high ratio indicates an entity's ability to pay off its short-term obligations.

^c The quick ratio is more conservative than the current ratio because it excludes inventory and other current assets, which are more difficult to turn into cash. A higher ratio means a more liquid current position.

^d The cash ratio indicates an entity's liquidity by measuring the amount of cash, cash equivalents or invested funds in current assets to cover current liabilities.

14. As compared with 2017, the liquidity ratios show a stronger liquidity position, which indicates that current liabilities are largely covered by liquid assets. The current ratio of 13.85:1, the quick ratio of 13.77:1 and the cash ratio of 10.25:1 imply that the Mechanism is in a better position to pay its short-term obligations from its liquid resources. The solvency of the Mechanism has improved, as indicated by the total assets to total liability ratio of 1.32:1 (2017; 0.94:1).

3. Anti-fraud and anti-corruption measures

Absence of anti-fraud measures

15. In 2016, the Under-Secretary-General for Management issued an information circular outlining the Anti-Fraud and Anti-Corruption Framework of the United Nations Secretariat ([ST/IC/2016/25](#)). The objective of the Framework is to assist the Secretariat in promoting a culture of integrity and honesty within the Organization by providing guidance and information to staff members on how the Secretariat acts to prevent, detect, deter, respond to and report on fraud and corruption. The issuance of the Framework was accompanied by a Secretariat-wide communications campaign to raise awareness about fraudulent acts and on how the Secretariat acts to prevent, detect, deter, respond to and report on fraud and corruption, and to ensure that relevant risks are effectively mitigated".

16. The Framework establishes prevention measures for fraudulent acts:

(a) First, paragraph 20 stipulates that every manager in the Secretariat is responsible for identifying and mitigating the risks that might affect the operations under his or her responsibility. Systematic fraud risk assessments should be undertaken in accordance with the Secretariat's enterprise risk management and internal control policy and methodology. Such analysis should include known fraud risk factors, potential fraud schemes, control gaps, red flag identification and mapping.

(b) Second, in accordance with paragraph 24 of the Framework, all staff members are expected to complete the mandatory online anti-fraud training.

17. Our review of the implementation of the Anti-Fraud and Anti-Corruption Framework revealed that:

(a) The Mechanism had not undertaken a systematic fraud risk assessment in accordance with paragraph 20 of the Framework;

(b) The Mechanism did not have a monitoring process, such as a list, tracking sheet or report of staff that had completed the mandatory online anti-fraud training available on the United Nations website.

18. Management informed the Board that:

(a) The Mechanism would expand the scope of its local enterprise risk management register to include fraud risk assessment;

(b) It was incumbent upon all first reporting officers to ensure that their subordinates had completed all mandatory training, including the online anti-fraud training, and compliance, and that therefore, completion was monitored and assured by the annual performance assessment process.

19. While the Board takes note of management's explanation, it considers that the Mechanism has not provided evidence of an effective monitoring process, as there is no means of ascertaining which staff members had completed the training and the staff members that should take it in the future.

20. The Board recommends that the Mechanism conduct a systematic fraud risk assessment following the provisions of the Anti-Fraud and Anti-Corruption Framework.

21. The Board recommends that the Mechanism develop a monitoring process on the completion of the mandatory online anti-fraud training and ensure that staff members take the above course, in observance of the Anti-Fraud and Anti-Corruption Framework.

22. Management accepted the first recommendation without any comments, indicating that the Mechanism had undertaken to conduct its own fraud risk assessment and that it was already under the umbrella of the Secretariat-wide risk universe. Regarding the second recommendation, management suggested that 85 per cent of staff members would be an achievable figure for the Mechanism for completion of the training.

23. While the Board recognizes that 85 per cent of staff members would represent good progress, the monitoring process still needs to be accomplished by the Mechanism to ensure that the staff members complete the mandatory online anti-fraud training in observance of the Anti-Fraud and Anti-Corruption Framework.

4. Facilities management

Lease agreement management

24. According to paragraph 7 of Security Council resolution [1966 \(2010\)](#), which establishes the Mechanism, the international residual mechanism should be a small, temporary and efficient structure, whose functions and size will diminish over time, with a small number of staff commensurate with its reduced functions.

25. On 29 December 2017, the Mechanism entered into a lease agreement (contract No. ICTY/CON/12/039), between the United Nations and Stichting Lotar and Classic Real Estate B.V., for the office premises at Churchillplein 1, The Hague (currently used for the functioning of the Mechanism).

26. Under a new article, 5.5, added by amendment 3 to the contract, the lease agreement was extended for an additional period of 18 months ("third optional term"), from 1 July 2018 to 31 December 2019, pursuant to article 5.2 of the contract, on the

same terms and conditions as the initial period. The lease agreement will, therefore, expire on 1 January 2020, unless otherwise agreed by the parties.

27. It is stated in article 5.5.1 of the contract that it is the intention of the Parties to negotiate and reach a new lease agreement involving an extensive renovation plan for the leased premises to accommodate the future needs and reduced occupancy of the Mechanism prior to the expiration of the third optional term. The new lease agreement is to enter into effect on 1 January 2020. The new lease agreement is subject to completion of each party's internal approval processes.

28. On 29 December 2017, in the light of the pending closure of the International Tribunal for the Former Yugoslavia and the Mechanism's continuing operations, the Mechanism signed an amendment to the original lease agreement, to include further extensions for continued use of the leased premises by the Mechanism, until 30 June 2018.

29. On 31 August 2018, the Mechanism signed a new amendment, which encompassed article 5.5.1 and stated that the Mechanism had the intention to negotiate and conclude a new lease agreement, with the purpose of accommodating the future needs and reduced occupancy of the Mechanism.

30. When asked by the Board, the Mechanism specified that it had reduced the number of employees that occupied the premises, from 555, as at December 2017, to 333, as at November 2018 (decrease of 40 per cent). The Mechanism also informed the Board that numerous other non-staff individuals worked in the building, including judges, defence counsel and interns. Additionally, while the staff numbers might be decreasing, some fixed space requirements, such as archive rooms, courtrooms and accused/convicted persons transport space requirements remained static.

31. In order to verify the application of paragraph 7 of Security Council resolution [1966 \(2010\)](#) and article 5.5.1 of the contract by the Mechanism, and considering its reduced number of employees, the Board asked the General Service Section whether it had taken action to negotiate and conclude a new lease agreement, appropriate to its downsizing process. At the Board's request, the Section indicated that the first meeting with the landlord's representatives had been held on 29 October 2018. As evidence, the Section provided a copy of the email sent to schedule the meeting, in which the parties agreed to start looking at the Mechanism's technical requirements for the future refurbishment of the building.

32. Management also informed the Board that, after a separate, confidential, negotiation, the building had officially been sold to the Netherlands Central Government Real Estate Agency (RVB) and that on 6 May 2019 it had been informed in a meeting with the officials concerned that the handover of the building would take place on 31 May 2019. The Mechanism has informed the Agency of its intention to reduce occupancy of the building from January 2020 by 30 per cent. That figure was based on current knowledge of the staffing and occupancy numbers. It did not necessarily follow, however, that if the Mechanism staffing table was reduced by 40 per cent, that the rental space would be reduced by 40 per cent. Common and shared spaces would still be required, such as the archive space, meeting rooms, the courtrooms and associated holding cells, etc.

33. In April 2019, the Mechanism communicated that it had reported to the Netherlands Central Government Real Estate Agency that it was imperative that an agreement for a new lease be reached as soon as possible, bearing in mind that the United Nations procurement process had a lengthy timeline.

34. The Board considers that the current facilities of the Mechanism exceed the occupancy needs of the Mechanism, considering the reduction in the number of its employees and the closure of the International Tribunal for the Former Yugoslavia,

which may affect the efficiency of the use of resources considering the vacant space in the building.

35. **The Board recommends that the Mechanism negotiate and conclude, as soon as possible, a new lease agreement with the Netherlands Central Government Real Estate Agency (RVB), appropriate to its current requirements, in order to maximize efficiency in its assets and budget administration and to comply with paragraph 7 of Security Council resolution 1966 (2010).**

36. The Mechanism argued that the recommendation should be closed, since it was clearly making effective use of the contract terms to the extent possible, bearing in mind that the parties and conditions had all changed in the intervening time.

37. While it acknowledges management's explanation, the Board considers that the Mechanism should negotiate and conclude a new lease agreement with the new landlord of the building, appropriate to its current requirements and reduced capacity, as necessary to maximize efficiency in its assets and facilities management.

5. Enterprise risk management

Absence of an updated risk assessment matrix

38. In paragraph 47 of his eighth progress report on the adoption of the International Public Sector Accounting Standards (IPSAS) by the United Nations (A/70/329), the Secretary-General said that the United Nations would use the internal control-integrated framework of the Committee of Sponsoring Organizations of the Treadway Commission as the basis for its approach to strengthening internal controls. The framework indicates that enterprise risk management enables management to effectively deal with uncertainty and associated risk and opportunity, enhancing the capacity to build value. In addition, according to the framework, there are eight interrelated enterprise risk management components: internal environment, objective setting, event identification, risk assessment, risk response, control activities, information and communication and monitoring.

39. It was mentioned in an internal memorandum (MICT/A/IOB/2016/855), issued by the Registrar on 15 August 2016 that the consolidated summary risk register would be periodically reviewed and updated.

40. In response to the request by the Board of 14 November 2018 to submit the enterprise risk management document, management submitted the enterprise risk register for the 2016 period, a consolidated summary risk register, covering various areas of operations and based on the logical framework provided by the budget documents.

41. However, the document supplied is a non-updated risk register that is not in line with the other enterprise risk management components pursuant to the framework of the Committee of Sponsoring Organizations of the Treadway Commission.

42. The Board therefore considers that an updated and detailed enterprise risk management document would contribute to the detection of risks and to linking them to financial statement assertions and to the Organization's objectives. Additionally, by developing and maintaining an updated enterprise risk management document, the Mechanism would be able to improve its internal controls and reporting through statement of internal control.

43. Consequently, the Board considers that the Mechanism should comply with the internal memorandum (MICT/A/IOB/2016/855) in order to maintain an updated risk register, and, in addition, develop an enterprise risk management document in accordance with the framework of the Committee of Sponsoring Organizations of the Treadway Commission.

44. The Mechanism stated that [A/70/329](#) establishes that the United Nations will use the Committee of Sponsoring Organizations of the Treadway Commission framework to develop a Statement on Internal Controls that will be deployed throughout the Organization (see paras. 48–51). It therefore agreed to regularly update its risk register in accordance with MICT/A/IO/2016/855.

45. The Board therefore recommends that the Mechanism update the enterprise risk management document, in accordance with the internal memorandum (MICT/A/IO/2016/855) and the framework of the Committee of Sponsoring Organizations of the Treadway Commission.

46. The Mechanism accepted the recommendation and is in the process of updating the enterprise risk management document.

6. Construction and contracts management

Non-updating of building plans

47. In the Amended and restated lump sum contract for the construction of the facilities of the International Residual Mechanism for Criminal Tribunals, Arusha Branch (No. PD/C0036/15), in section 1.1, under General provisions, definitions are established specifying that the contractor's documents must include drawings, sketches, plans, manuals and as-built documents.

48. In the same section, the operation and maintenance manual is defined as containing the information required to be provided as set forth in the schedule of construction site management requirements.

49. Also in the same section, substantial completion of the contract is defined as having been reached when the contractor provides to the United Nations, among others, six copies of all as-built drawings in the format approved by the United Nations and the operation and maintenance manual.

50. Section 4 (g) (iv), "The contractor", concerns the general obligations, including submitting to the United Nations the "as-built" documents and operation and maintenance manuals in accordance with the specifications and/or the United Nations instructions.

51. In schedule 22 of the administration requirements of the construction site, it is established that the Contractor shall provide the maintenance and operation manual. Additionally, the following sections should be considered: part 1, General; part 2, Fabric; part 3, Services; part 4, The health and safety file (prepared and supplied by the Health and Safety Officer) and part 5, Building user guide.

52. In the field visit made by the Board to the Mechanism facilities in Arusha, the as-built plans and the operation and maintenance manual were requested. For the as-built plans, a sample of rooms and blueprints was taken and the actual construction was compared with the drawings displayed in the plans. The inspection revealed a series of differences between the plans and the actual construction of the building, which showed that several blueprints had not been updated.

53. The contractor neither prepared nor delivered the operation and maintenance manual, thus failing to comply with the requirements of the contract.

54. It is established in schedule 22 of the contract that the objective of the maintenance and operation manual is to provide an overview of the main design principles and to describe key components and systems to enable proper understanding, efficient and safe operation and maintenance of the building.

55. The Board thus considers it essential that the plans and technical specifications be updated in accordance with the building as constructed.

56. **The Board consequently recommends that the Mechanism take measures that allow the Mechanism to obtain the as-built plans and the operation and maintenance manual as described in contract No. PD/C0036/15.**

57. The Mechanism agreed with the Board's recommendation to update the plans and technical manuals.

7. Consultants and individual contractors

Insufficient control in the consultants and individual contractors procedure

58. According to administrative instruction [ST/AI/2013/4](#) on consultants and individual contractors, in section 5.3, under "Contractual terms and conditions", consultants and individual contractors shall not commence work or travel until the relevant contract has been signed by both parties and returned to the responsible department, office or mission. The contract contains the terms of reference and, by signing it, the contractor accepts those terms and United Nations general conditions of contract for the services of consultants and individual contractors.

59. Section 3.2, under Conditions for contracting, sets out that the terms of reference are mandatory and that they should include the outputs to be delivered and functions to be performed, which shall be specific, measurable, attainable, results-based and time-bound and include: (a) tangible and measurable outputs, objectives and targets of the work assignment, as well as specific activities to achieve the required outputs and targets; (b) specific delivery dates and details as to how the work must be delivered (e.g., electronic submission, hard copy). The dates and details shall be subdivided into "milestones" where appropriate; (c) indicators for the evaluation of outputs (including timeliness, achievement of goals and quality of work); and (d) the name and title of the supervisor(s).

60. Section 4, Selection process, sets out that rosters of consultants and individual contractors should be utilized where available, as they provide easy access to a screened pool of individuals with a relevant track record. Candidates maintained on any roster should be screened for qualifications, references and prior work experience. Owing to the particular needs of the various offices of the Secretariat, every department, office and mission is required to develop its own roster of consultants and individual contractors based on its requirements. Executive, administrative or human resources offices shall start developing these rosters through the appropriate openings in the electronic platform provided for this purpose by the Office of Human Resources Management and shall keep them centrally in the department, office or mission, including for monitoring and audit purposes.

61. Section 4.6 stipulates that a technical evaluation report must be attached to the contract on file, showing the applicants reviewed and the basis on which the successful candidate was selected.

62. Lastly, according to section 4.7, Exceptions to the competitive selection process requirement, on an exceptional basis, the Head of Department may engage a consultant or individual contractor even though he or she was the only candidate considered, providing a reasoned and documented justification for such exception prior to the selection.

63. In order to verify compliance with the administrative instruction on consultants and individual contractors, a sample of eight consultants and individual contractors were selected from the payment roster provided, representing the 18 per cent of the total of 44 consultants and individual contractors. Analysis of the contracts concerned revealed that mandatory elements of the terms of reference were missing, such as measurable outputs and indicators for the evaluation of those outputs. The Board observed shortcomings in 63 per cent of the cases selected.

64. In response to the Board's request to submit the rosters of consultants and individual contractors and the technical evaluation report, the administration indicated that it did not maintain the rosters requested.

65. Also with regard to the technical evaluation report, the administration submitted a document containing the selection justification for all selections of consultants and individual contractors. However, it did not submit a technical evaluation report. It was not adhering to a competitive selection process, as it was treating all the cases as exceptions, with only one candidate, and no documented justification was provided for that procedure.

66. Regarding compliance with the administrative instruction, the Board observed deficiencies in the process established, owing to the absence of rosters of consultants and technical evaluation reports. The Administration is responsible for instituting competitive selection procedures and, on an exceptional basis, the Head of Department may engage a single consultant or individual contractors, provided that a reasoned and documented justification for such exception prior to the selection.

67. The Board recommends that the Mechanism improve internal controls for the appointment processes for consultants and individual contractors by including full information with regard to the terms of reference.

68. The Board recommends that the Mechanism take measures to guarantee the establishment of rosters and a competitive selection procedure for consultants and individual contractors and to maintain the appropriate documented justification in the case of exceptions.

69. The Mechanism contested the first recommendation as, according to it, after its review, not all the elements required by the terms of reference, as listed by the Board, needed to be included.

70. The Board considers that administrative instruction [ST/AI/2013/4](#) indicates that the terms of reference are mandatory and that they should include the outputs to be delivered and functions to be performed. These conditions were not fulfilled by the Mechanism, even though they were mandatory in contracts.

71. The Mechanism accepted the second recommendation.

8. Data centre management

Inadequate general controls in the Mechanism's data centre

72. According to the guidelines of the Secretariat on Information and Communication Technology (ICT) Technical Procedure INF.04.PROC, section 4, data centres must not have windows, and sensitive materials should be locked in secure cabinets immediately after use.

73. The data centre access records section in the guidelines indicates that access records must be reviewed on a quarterly basis by the data centre manager. Unauthorized or suspicious access must be reported to the Information Security Officer.

74. The guidelines, in section 5, Conduct in the data centre, emphasize the need for a safe environment inside the room.

75. The Board made two visits to the data centres in The Hague and Arusha on 15 November 2018 and 14 January 2019, respectively, and circulated a questionnaire about the control procedures in the data centres. In The Hague the following elements were noticed to be missing: contingency plan for possible emergencies; a matrix of access levels and approval requirements for different groups of visitors; and a quarterly review of access and a security system.

76. In Arusha, the Board noted that there were windows in the access door of the data centre. In addition, procedures to review and update the access list every six months had not to date been performed.

77. From a review of staff members who had accessed the data centre (i.e., those holding an access card thereto), the Board observed that two staff members were not on the list of authorized users that had been granted access to the data centre by the Mechanism in the Arusha branch.

78. The Board is of the opinion that control weaknesses exist, which might undermine the effective protection and safe environment of ICT equipment rooms. The Mechanism should therefore adopt and make effective the above-mentioned guidelines in order to strengthen the protection of resources and data.

79. The Board recommends that the Mechanism improve its data centre management, in order to establish: a contingency plan for possible emergencies; a matrix of access levels and approval requirements for different groups of visitors; a quarterly review of access; and a security system, in accordance with the guidelines in United Nations Secretariat ICT Technical Procedure INF.04.PROC.

80. Management argued that the recommendation should be closed since the Mechanism had taken all remedial steps necessary to comply with INF.04.PROC. According to management, it had issued an access authorization form and conduct form about both data centres and informed the Board that the Information Technology Security Services Unit had requested the Security Section to provide an access log every six months for all authorized staff members and that a logbook had been created, to log all visitors, contractors and cleaners who accessed the data centre.

81. While it acknowledges the actions taken by the Mechanism, the Board notes that the documents provided by the Mechanism to improve control in the data centre were designed recently, in April 2019, hence the effective implementation thereof should be verified in the next audit. Consequently, the Mechanism needs to adopt and effect the technical procedure in order to strengthen the protection of resources and data before the next audit.

C. Disclosures by management

1. Write-offs of losses of cash, receivables and property

82. Pursuant to financial rule 106.7 (a), the Mechanism approved write-offs of receivables of \$3,971.75 and write-offs of property, plant and equipment of \$7,821.20 for the year 2018.

2. Ex gratia payments

83. Management confirmed that the Mechanism had not made any ex gratia payments in 2018.

3. Cases of fraud and presumptive fraud

84. In accordance with the International Standards on Auditing (ISA 240), the Board plans its audits of the financial statements so that it has a reasonable expectation of identifying material misstatements and irregularities, including those resulting from fraud. The Board's audit, however, should not be relied upon to identify all misstatements or irregularities. The primary responsibility for preventing and detecting fraud rests with management.

85. During the audit, the Board makes enquiries of management regarding its oversight responsibility for assessing the risks of material fraud and the processes in place for identifying and responding to the risks of fraud, including any specific risks that management has identified or that have been brought to the Board's attention. The Board also asks whether management has any knowledge of any actual, suspected or alleged fraud, which includes enquiries of the Office of Internal Oversight Services. The additional terms of reference governing external audits include cases of fraud and presumptive fraud in the list of matters that should be referred to in the audit report.

86. In 2018, the Board did not identify any cases of fraud or presumptive fraud and the Mechanism reported to the Board that it had no such cases.

D. Acknowledgement

87. The Board of Auditors wishes to express its appreciation to the President, the Prosecutor, the Registrar and the staff of the International Residual Mechanism for Criminal Tribunals for the cooperation and assistance extended to its staff.

(Signed) Kay **Scheller**
President of the German Federal Court of Auditors
Chair of the Board of Auditors

(Signed) Jorge **Bermúdez**
Comptroller General of the Republic of Chile
(Lead Auditor)

(Signed) Rajiv **Mehrishi**
Comptroller and Auditor General of India

24 July 2019

Annex

Status of implementation of recommendations up to the year ended 31 December 2017

<i>Financial period in which the recommendation was first made</i>	<i>Paragraph reference</i>	<i>Recommendations</i>	<i>Mechanism responses</i>	<i>Board assessment</i>	<i>Status after verification</i>			
					<i>Implemented</i>	<i>Under Implementation</i>	<i>Not implemented</i>	<i>Overtaken by events</i>
2016	18	The Mechanism agreed with the Board's recommendation to: (a) ensure that the contractor and the architect (consultant) complete the remaining works under the defect liability period without further delay; and (b) continue to engage with the Secretariat on how to recover liquidated damages as legally appropriate and economically feasible.	<p>In relation to part (a) of the recommendation, the Jandu firm and the Mechanism agreed to evaluate the outstanding matters on the punch list (i.e., the list of "remaining works"), and deduct the total thereof from the invoice for the final period.</p> <p>By deducting that amount from the invoice, the Mechanism in effect received the same amount in credit and assumes responsibility for the outstanding matters.</p> <p>The punch list is thereby closed. The basis of this valuation was an assessment by the Ridge Property and Construction Consultants firm of architects, as contained in their July 2018 summary of final accounts, when Ridge arrived at a punch list valuation of \$116,350.</p> <p>With Jandu Plumbers Ltd., the Mechanism went over the Ridge assessment line by line, and came to an agreement on (a) matters now closed, i.e., to be deducted from the Ridge deductions, and (b) matters considered closed by Ridge but considered outstanding by the Mechanism, and therefore to be added to the Ridge deductions.</p> <p>The net total came to a valuation of \$80,100, the amount that the Mechanism and Jandu settled on and that has been reported to the Advisory</p>	Considering that the actions related to part (a) of the recommendation have not been completed, and with respect to part (b), the Mechanism has reported that it has held meetings with the parties involved in the matter and that it has sent emails to them, but the liquidated damages have not materialized yet; the Board therefore considers that the recommendation is still under implementation.		X		

<i>Financial period in which the recommendation was first made</i>	<i>Paragraph reference</i>	<i>Recommendations</i>	<i>Mechanism responses</i>	<i>Board assessment</i>	<i>Status after verification</i>			
					<i>Implemented</i>	<i>Under Implementation</i>	<i>Not implemented</i>	<i>Overtaken by events</i>
2016	46	The Mechanism agreed with the Board's recommendation that the Mechanism's Archives and Records Section develop an overall project plan/work plan for the entire backlog project, including a determination of all of the cases and records to be covered and the corresponding time frame, and for how it will monitor the plan's implementation.	<p>Committee for Budgetary Questions and General Assembly.”</p> <p>The Mechanism provided the invoice reflecting the credits, together with its response to the Advisory Committee.</p> <p>Regarding the liquidated damages mentioned in part (b) of the recommendation, regular meetings were held between the project team and relevant Headquarters officials, in particular from the Global Asset Management Policy Service, the Procurement Division and the Office of Legal Affairs. In addition, the frequency of meetings with representatives of Jandu had increased and it would ensure that any resolution of the delay problem was legally appropriate and economically feasible.</p> <p>The Mechanism provided, as evidence, emails that had been sent to their Secretariat interlocutors in relation to the issue of the delayed damages.</p>	The Mechanism developed a plan for the entire backlog project, which meets the criteria recommended by the Board. The recommendation is therefore considered to be implemented.	X			

<i>Financial period in which the recommendation was first made</i>	<i>Paragraph reference</i>	<i>Recommendations</i>	<i>Mechanism responses</i>	<i>Board assessment</i>	<i>Status after verification</i>			
					<i>Implemented</i>	<i>Under Implementation</i>	<i>Not implemented</i>	<i>Overtaken by events</i>
2016	51	The Mechanism agreed with the Board's recommendation that the Mechanism ensure that all records in the repositories of the Mechanism Archives and Records Section are clearly reviewed and mapped to the approved records retention schedules and that there is effective implementation through initiation of the appropriate disposition actions.	The first part of the recommendation has been implemented: all records in the repositories of the Mechanism Archives and Records Section have been reviewed and mapped to approved records retention schedules". The Mechanism Archives and Records Section has initiated the disposition action as required by the remapped retention schedules. As an example, the Mechanism provided a memo from the Mechanism Archives and Records Section to the Finance Section requesting permission to implement the destruction of records in accordance with the retention schedule and a signed authorization form for destruction of records. The Mechanism provided a list of all records to be destroyed from other sections.	The Board noted that the Mechanism is executing actions to implement the recommendation. However, it has not yet been concluded, owing to the pending process of approval of the records of the other sections of the Mechanism, according to their retention schedules. It therefore considers that the recommendation remains under implementation.		X		
2016	56	The Mechanism agreed with the Board's recommendations that it ensure that the approval process is expedited in line with paragraph 26 of the Standard Operating Procedures on Travel Requests and Authorizations of 30 March 2015.	The Mechanism provided the database for trips made during 2018.	The Board noted that the Standard Operating Procedures on Travel Requests and Authorizations of 30 March 2015 is no longer in use, and was replaced by the Standard Operating Procedures in the Umoja Travel Request Instruction, which do not establish the obligation in line with paragraph 26 of the Standard Operating Procedures of 30 March 2015. Despite the measures that the Mechanism has taken to comply as its maximum possible with the provisions of paragraph 26, the recommendation has been overtaken by events, due to the change in normative framework.				X

<i>Financial period in which the recommendation was first made</i>	<i>Paragraph reference</i>	<i>Recommendations</i>	<i>Mechanism responses</i>	<i>Board assessment</i>	<i>Status after verification</i>			
					<i>Implemented</i>	<i>Under Implementation</i>	<i>Not implemented</i>	<i>Overtaken by events</i>
2016	80	The Board recommends that the Mechanism expedite assessment and review of its information and communications technology (ICT) organizational structure to ensure that functions are located outside the ICT unit only for approved reasons, and that ICT functions are mainly consolidated and centralized so as to prevent the fragmentation of ICT expertise and capacity.	Management provided minutes of an ICT Committee meeting that was held in April 2018. In section 5 of the minutes, the Committee considered and approved the current ICT structure. The Mechanism informed the Board that the posts were included in the budget submission that had been considered and approved by the General Assembly. The Mechanism provided the OTP-ITSS Operational Level Agreement in support of the OTP Arusha branch". The Mechanism stated that all required levels of approval of the ICT structure as it currently stood had therefore been achieved.	In relation to the documents provided, the minutes of the meeting of April 2018 of the ICT Committee, submitted by the Mechanism, established that the Committee assessed and approved the current ICT structure. Accordingly, the Board considers that the Mechanism provided evidence that supports the practical arrangements to demonstrate that, under the currently approved ICT structure, its functions are located outside the unit only for approved reasons, and that its functions are consolidated and centralized to prevent the fragmentation of ICT expertise and capacity. The recommendation is therefore considered to be implemented.	X			
2017	20	The Mechanism agreed with the Board's recommendation to supervise the architectural firm tasked with reviewing the control system for air quality, temperature and relative humidity of the archive repositories in the Lakilaki facility and modifying the system to ensure that it meets standard requirements.	The Mechanism provided a plan for the heating, ventilation and air conditioning (HVAC) redesign for the cold vault located in the archive building, made by Ridge. The Mechanism also provided a quotation for the completion of those works, prepared by Jandu Plumbers Ltd., which included items 1, 2 and 7 referring to the cold vault, items 3, 5 and 8 referring to upgrading and amendment to the existing HVAC system in the main repository and items 4 and 6 referring to a back-up air handling unit, also in relation to the main repository. The Mechanism added that active discussions were ongoing with the Procurement Division as to	In relation to the information provided, the plan submitted by the Mechanism entitled "Mechanical Services Cold vault proposals", of 9 March 2018, details the room design conditions for the cold vault to meet the conditions outlined in the National Archives and Records Administration which are: temperature – 9°C +/-1°C and relative humidity – 30 per cent +/-5 per cent. Additionally, it mentioned that the contractor is to completely remove the existing direct expansion air conditioning system, including internal evaporator, external condenser, all pipework (refrigerant and condenser), all associated cable trays and cabling, all bracketry and other system components. The proposed installation considers providing and installing a new		X		

<i>Financial period in which the recommendation was first made</i>	<i>Paragraph reference</i>	<i>Recommendations</i>	<i>Mechanism responses</i>	<i>Board assessment</i>	<i>Status after verification</i>			
					<i>Implemented</i>	<i>Under Implementation</i>	<i>Not implemented</i>	<i>Overtaken by events</i>
2017	24	The Mechanism agreed with the Board's recommendation to present the three variation orders to the local committee on contracts and, subsequently, to the Procurement Division for their ex post facto review and approval.	Since the payment date, the Mechanism Administration has faced an exceptionally large and pressing workload, which has prevented proper attention being paid to the case at hand. This has included, in addition to the regular judicial case load: the closure and liquidation of the former International Tribunal for the Former Yugoslavia; the finalization of pending matters related to the liquidation of the International Criminal Tribunal for	<p>procurement of the quoted goods and services.</p> <p>ventilation system, complete with desiccant dehumidification and direct expansion-based temperature control to maintain the internal condition outlined above.</p> <p>However, the Mechanism did not provide blueprints and technical specifications for the works valued in the above-mentioned quotation, specifically, for items 3, 5 and 8 (update and modification of the existing HVAC system in the main repository) and items 4 and 6 (backup air handling unit to the main repository).</p> <p>In addition, on 14 January 2019, a visit was made to the facilities verifying at that time that the temperature was 15.8°C and the humidity reached 71 per cent.</p> <p>Finally, during the visit it was also verified that no works or modifications to the system had been started to comply with the standard requirements.</p> <p>For these reasons, the Board considers that the recommendation is still under implementation.</p> <p>The Board noted that the Mechanism has not yet implemented the recommendation. Hence, the Board encourages the administration to take measures in this regard. The Board therefore considers that the recommendation is not implemented.</p>			X	

<i>Financial period in which the recommendation was first made</i>	<i>Paragraph reference</i>	<i>Recommendations</i>	<i>Mechanism responses</i>	<i>Board assessment</i>	<i>Status after verification</i>			
					<i>Implemented</i>	<i>Under Implementation</i>	<i>Not implemented</i>	<i>Overtaken by events</i>
			Rwanda; the move of one of the largest United Nations archives to the new compound; a demanding procurement portfolio related to the occupation of a new compound; unanticipated court activity; and a prolonged and unusual budget preparation and approval process. The Mechanism was preparing the three variation orders for presentation to the local committee on contracts.					
2017	28	The Mechanism agreed with the Board's recommendation to ensure that unused assets and other assets that are out of order are physically disposed of in a timely manner.	At the Board's request, the Mechanism submitted the provisional condemnation certificates, containing the recommendation for disposing of the assets through commercial sale.	Management has accepted the findings and agreed that this recommendation remains under implementation.		X		
2017	33	The Mechanism agreed with the Board's recommendation to update the information on assets in Umoja, including assigning and issuing them to users (staff members) without delays.	The Mechanism informed the Board that all information on Arusha and The Hague was serialized and that assets/equipment had been appropriately updated and assigned to the staff members responsible for them.	The Board confirmed the updating information on assets in Umoja. The Board therefore considers the recommendation to be implemented.	X			
2017	38	The Mechanism agreed with the Board's recommendation to implement the audiovisual preservation plan by completing the stated target of preserving 25 per cent of the recordings without backup, reviewing records for validity and completeness and establishing a governance board for the project.	The Mechanism had provided the documentation of the Governance Board for the project in November 2018. Additionally, it provided an update report of the digitization of judicial audiovisual tape recordings as evidence to demonstrate compliance with the recommendation. The Board had the opportunity to review a spreadsheet of the list of each audiovisual recording and its status, the weekly progress of the digitization	The Board noted that the Mechanism executed actions in order to implement the recommendation and concluded the targeted plan of preserving 25 per cent of the recordings without backup. Therefore, the Board considers the recommendation to be implemented.	X			

<i>Financial period in which the recommendation was first made</i>	<i>Paragraph reference</i>	<i>Recommendations</i>	<i>Mechanism responses</i>	<i>Board assessment</i>	<i>Status after verification</i>			
					<i>Implemented</i>	<i>Under Implementation</i>	<i>Not implemented</i>	<i>Overtaken by events</i>
2017	43	The Board recommends that the Mechanism regularly remind staff members and Travel Administrators of travel provisions through periodic broadcast messages, to ensure that travel relating to home leave, family visit, education grant, separation and repatriation are planned well in advance of their commencement in order to comply with the request to submit travel requests at least 21 days before the travel date.	<p>and a screenshot of the digitized files, all to demonstrate the completion of the target of 25 per cent.</p> <p>The Mechanism informed the Board that broadcast messages were posted on the intranet, on 23 July 2018 and 23 November 2017.</p> <p>Staff (and travel administrators) who had failed to submit their expense reports within 14 days of completion of travel were approached by the certifying officer responsible for the trip concerned.</p> <p>The Mechanism indicated that the Staff Regulations and Rules still allowed for claims up to one year after travel. The 14-day deadline was an operational deadline set as part of Umoja policy and administrative instruction ST/AI/2013/3. Currently, those were the trips for which no expense reports had been submitted. The reports were created on a monthly basis and sent to the certifying officers, who then contacted the staff (and travel administrators).</p> <p>The Mechanism therefore considers the recommendation to be closed.</p>	<p>The Board confirmed the periodical submission of the travel requirements on the Mechanism's intranet (Tribunet).</p> <p>The Board observed that permanently available on Tribunet, was the "Travel Job Aid" and the training system with broadcast messages posted related to that area.</p> <p>The Board therefore considers the recommendation to be implemented.</p>	X			
2017	49	The Mechanism agreed with the Board's recommendation: (a) to repair or to replace the defective uninterruptible power supply so that it might provide steady power in times of fluctuations; and (b) to follow up closely with	<p>Management informed the Board that the water pipes had been successfully rerouted. However, the procurement action to acquire an uninterruptible power supply that met its specifications had taken longer than anticipated. The Mechanism stated that it expected to be in a position to close</p>	<p>Water pipes were modified and removed from inside the data centre in Arusha and were relocated outside the building. On the other hand, a purchase of uninterruptible power supply is expected, for the definitive installation of an uninterruptible power supply. The recommendation is therefore considered to be under implementation.</p>		X		

<i>Financial period in which the recommendation was first made</i>	<i>Paragraph reference</i>	<i>Recommendations</i>	<i>Mechanism responses</i>	<i>Board assessment</i>	<i>Status after verification</i>			
					<i>Implemented</i>	<i>Under Implementation</i>	<i>Not implemented</i>	<i>Overtaken by events</i>
		the contractor to ensure completion of the modification to the water pipes that run across the ceiling of the data centre.	the recommendation at the Board's next visit.					
2017	53	The Mechanism agreed with the Board's recommendation to review and identify the gap between the unified judicial database and business requirements by involving key business-process owners and, thereafter, to prepare a master project plan encompassing all the activities that will be implemented by the vendor and internal staff.	The Mechanism informed the Board that the Office of Internal Oversight Services (OIOS) had completed its audit of the unified judicial database project in March 2019, recommending that the Mechanism harmonize business practices across both branches, as well as revise the functional and technical requirements for the database system on the basis of the harmonized practices. The Mechanism also said that that work had been initiated, thereby allowing the project to move forward later in 2019.	According to the information provided by the Mechanism, the Board considers that the Mechanism has not yet fulfilled the execution of the entire unified judicial database project. Consequently, the Board considers that the recommendation is still under implementation.		X		
2017	54	The Mechanism also agreed with the Board's recommendation to expedite the engagement of one or more independent reviewers to advise the Mechanism on the best way to complete the project.	The Mechanism indicated that it had engaged OIOS to conduct an independent review of the project and that it had completed its review in March 2019. Management provided the final report submitted by OIOS. The Mechanism therefore considers that the independent review required had been completed.	The Mechanism engaged OIOS as a reviewer of the project and it completed the review with the submission of the report 2019/009 entitled "Audit of the unified judicial database project at the International Residual Mechanism for Criminal Tribunals". The recommendation is therefore considered to be implemented.	X			
2017	55	In addition, the Mechanism agreed with the Board Auditor's recommendation to ensure that: (a) the acceptance test is performed by users who will then sign off on and acknowledge that the implemented system meets their functional	Management informed the Board that the OIOS audit of the project had resulted in four specific recommendations. The Mechanism considers that, while the actions recommended by the Board in this regard were at the time accepted as being reasonable, the Mechanism believes that the OIOS recommended	According to the information provided by the Mechanism, the Board considers that the Mechanism has not yet fulfilled the execution of the entire unified judicial database project. Consequently, the Board considers that the recommendation is still under implementation.		X		

Financial period in which the recommendation was first made	Paragraph reference	Recommendations	Mechanism responses	Board assessment	Status after verification			
					Implemented	Under Implementation	Not implemented	Overtaken by events
		requirements; and (b) as a lesson learned, a project initiation document is prepared in line with the guidance for ICT project management, to serve as a framework for future projects.	actions, based on a detailed and more focused audit, were more relevant and pertinent to the project. The Mechanism therefore considers that the previous Board's assessment of the project status had been overtaken by the more refined and specific recommendations in the OIOS audit.					
2017	60	The Mechanism agreed with the Board's recommendation to develop a new ICT strategy aligned with the Mechanism's overall strategy and the overall ICT strategic initiatives of the United Nations.	The Mechanism's ICT strategy will be presented to the ICT Committee in the first quarter of 2019 for final review and endorsement.	The Management has yet to finalize the review of the ICT Strategy 2018–2021. Therefore, until the commented policy is acted, the Board considers the recommendation to be under implementation.		X		
2017 (Former ICTY)	22	While the Board understands the position regarding the management of outstanding receivables from Member States, it recommends that the Residual Mechanism closely monitor the outstanding receivables and payables, which are within its capacity to ensure that they are fully recovered and cleared.	The Mechanism provided an update status of the residual accounts receivable and payable of the International Tribunal for the Former Yugoslavia. Hence, it stated that none of the figures that remained in those accounts analysis was within its power to control, and states that assessed contributions are managed by New York; the Mechanism does not contact Member States regarding the status of their contributions. “Other accounts receivable” pertains to a balance of \$24,000 in value added tax (VAT) claims from the host State. The Mechanism provided correspondence with the host State in which it requested that payment. “Other assets” pertain to after-service health insurance claims”. The	The Board reviewed the accounts monitoring dashboard for 31 March 2019, submitted by the Mechanism and noticed that the Assurance and Monitoring Unit, Office for Programme Planning, Budget and Accounts, Accounts Division has monitored the outstanding receivables and payables accounts of the former International Tribunal for the Former Yugoslavia. The account balances of receivables and payables have significantly diminished. The Board acknowledges that the Mechanism has taken actions to closely monitor and clear the outstanding balances from the former International Tribunal for the Former Yugoslavia; however, there are still pending matters to fully recover and clear those accounts. The recommendation is		X		

<i>Financial period in which the recommendation was first made</i>	<i>Paragraph reference</i>	<i>Recommendations</i>	<i>Mechanism responses</i>	<i>Board assessment</i>	<i>Status after verification</i>			
					<i>Implemented</i>	<i>Under Implementation</i>	<i>Not implemented</i>	<i>Overtaken by events</i>
			<p>Mechanism explained that that operation was controlled by the Health and Life Insurance Section in New York,. and states that, as for the judges' benefits liabilities, they are payments, to be made in the future, on judges' pensions. The lifetime of these payments are wholly beyond the Mechanism's control, as they are dependent on the lifespan of the judges in question (as well as those of their spouses, who have a right to inherit part of the pension upon the death of a judge).</p> <p>Finally, as to the employee benefits, staff have up to two years after separation to claim their repatriation travel and grant, relocation grant, and other payments. The Mechanism cannot control the pace at which the benefits are claimed, but notes that they will be cleared once the two-year period of time has passed.</p> <p>The Mechanism therefore believes that it has demonstrated that it has cleared every last receivable and liability related to the International Tribunal for the Former Yugoslavia books that were actually within its capacity to control.</p>	therefore considered to be under implementation.				
2017 (Former International Tribunal for the Former Yugoslavia)	26	The Board noted six pending cases related to staff litigations and disputes as of 5 May 2018. Four of them were related to disciplinary action, involving staff disputing and contesting decisions, and had yet to be concluded by the	Management confirmed the accuracy of the Board's observations. The Mechanism stated that it noted that the Board still considers this recommendation as "still under implementation". It believes, however, that the recommendation should be	<p>The Board noted that the Mechanism has monitored the progress of the cases and noted that 3 cases were finished and closed.</p> <p>Regarding another case, it was pending before UNDT. The 2 cases that had been disclosed in the financial statements as a provision of \$420,000</p>	X			

<i>Financial period in which the recommendation was first made</i>	<i>Paragraph reference</i>	<i>Recommendations</i>	<i>Mechanism responses</i>	<i>Board assessment</i>	<i>Status after verification</i>			
					<i>Implemented</i>	<i>Under Implementation</i>	<i>Not implemented</i>	<i>Overtaken by events</i>
		<p>Disciplinary Unit and United Nations Dispute Tribunal (UNDT). The other two cases had been disclosed in the financial statements as a provision of \$420,000 related to a contested decision on conversion of fixed appointment to permanent appointment.</p> <p>The Board recommends that the Residual Mechanism closely monitor the progress of these cases to ensure that they are resolved promptly.</p>	<p>regarded as “implemented” or “overtaken by events.”</p> <p>It recalls that the recommendation is to “monitor” the progress of the open litigation, and has been doing so, as the Board acknowledges in its observation, stating that “the Mechanism has monitored the progress of the cases.”</p> <p>When the current Board’s predecessor issued the recommendation, the Mechanism rejected it, as it believed then – and still believes – that the act of “monitoring the progress” of these cases will have no material impact on the speed with which they are disposed of. These cases are before UNDT and United Nations Appeals Tribunal (UNAT). The only parties in a position to influence the speed at which the cases are resolved are the judges who are considering those cases in Geneva and New York. The Mechanism’s “monitoring” in the case status will not have any effect on the speed of that judicial activity. Further, UNDT and UNAT have rules of procedure, which also dictate timelines and deadlines, over which the Mechanism has no influence whatsoever.</p> <p>The Mechanism would therefore request that the Board reconsider the position of its predecessor, and find that the Mechanism has “implemented” this recommendation or note that the recommendation may have no relevant impact and has been “overtaken by events”.</p>	<p>related to a contested decision on conversion of fixed appointment to permanent appointment had been resolved and the applications had been rejected by UNDT. The provision was reversed by the Mechanism. The Board therefore considers the recommendation to be implemented.</p>				

<i>Financial period in which the recommendation was first made</i>	<i>Paragraph reference</i>	<i>Recommendations</i>	<i>Mechanism responses</i>	<i>Board assessment</i>	<i>Status after verification</i>			
					<i>Implemented</i>	<i>Under Implementation</i>	<i>Not implemented</i>	<i>Overtaken by events</i>
			The Mechanism informed the Board that three cases were finished and closed. Additionally, it stated that the Mechanism maintains that the disposition of these cases is entirely outside of its control. The remaining cases are pending before UNDT/UNAT in New York, and while OLA might request that the Mechanism provides it with information on the cases, there is absolutely nothing that management can do to affect, speed up, slow down, or otherwise impact the resolutions of these cases”.					
Total number of recommendations					7	9	1	1
Percentage of total number of recommendations					38	50	6	6

Chapter III

Letter dated 20 March 2019 from the Assistant Secretary-General, Controller, addressed to the Chair of the Board of Auditors

The financial statements of the International Residual Mechanism for Criminal Tribunals for the year ended 31 December 2018 have been prepared in accordance with rule 106.1 of the Financial Regulations and Rules of the United Nations.

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

I certify that the appended financial statements of the International Residual Mechanism for Criminal Tribunals, numbered I to V, are correct in all material respects.

(Signed) Chandramouli **Ramanathan**
Assistant Secretary-General, Controller

Chapter IV

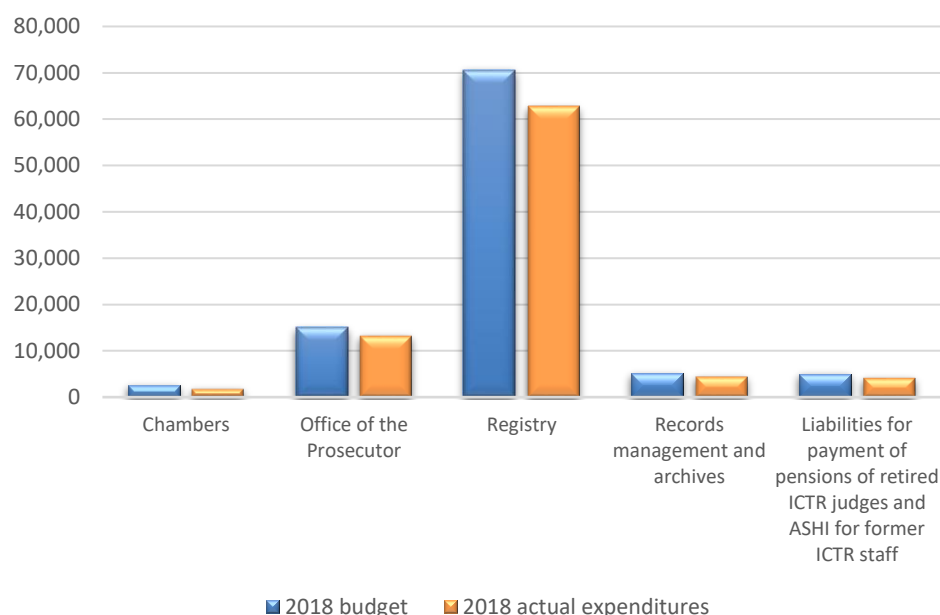
Financial report for the year ended 31 December 2018

A. Introduction

1. The Registrar has the honour to submit herewith the financial report on the accounts of the International Residual Mechanism for Criminal Tribunals for the year ended 31 December 2018.
2. The present report is designed to be read in conjunction with the financial statements. Attached to the present chapter is an annex which includes supplementary information that is required to be reported to the Board of Auditors under the Financial Regulations and Rules of the United Nations.
3. The Mechanism was established by the Security Council in its resolution [1966 \(2010\)](#) to continue the jurisdiction, rights and obligations and essential functions of the International Criminal Tribunal for Rwanda and the International Tribunal for the Former Yugoslavia after the completion of their respective mandates.
4. The Mechanism comprises two branches. One branch covers functions inherited from the International Criminal Tribunal for Rwanda and is located in Arusha, United Republic of Tanzania. It commenced its operations on 1 July 2012. The other branch is located in The Hague, the Netherlands, and inherited functions from the International Tribunal for the Former Yugoslavia. It commenced its operations on 1 July 2013.
5. The Mechanism consists of three organs, which serve both of its branches: (a) the Chambers, from which single judges can be appointed and trial and appeal benches formed as needed, and which is presided over by the President; (b) the Prosecutor; and (c) the Registry, which provides administrative services to the Mechanism, including the Chambers and the Prosecutor.
6. In accordance with its mandate, the Mechanism has assumed responsibility for essential functions of the two Tribunals, including a range of judicial activities, the enforcement of sentences, the resettlement of acquitted and released persons, the protection of victims and witnesses and the management of archives. The International Criminal Tribunal for Rwanda and the International Tribunal for the Former Yugoslavia were formally amalgamated into the Mechanism on 1 January 2017 and 1 January 2018, respectively.
7. Figure IV.I shows the relative proportion of the 2018 budget of the Mechanism for each of its programme components; the final annual budget totalled \$98.38 million (2017: \$75.01 million), and expenditure amounted to \$86.52 million (2017: \$72.13 million). Actual expenditure was less than budget by 12.1 per cent, principally as a result of the postponement of certain legal activities, earlier-than-anticipated finalization of a case, and more prudent allocation of judges' workdays by the Chambers. In the other programme components of the Mechanism, the variance is explained by the fact that only a commitment authority was approved for one year, which was followed by a revised and significantly reduced biennial budget, approved in July 2018, leading to reduced activities for the first six months of 2018. The comparative budget and expenditures of the Mechanism are presented in figure IV.I.

Figure IV.I
Budget and expenditure of the organs of the International Residual Mechanism for Criminal Tribunals (annual basis)

(Thousands of United States dollars)



Abbreviations: ASHI, after-service health insurance; ICTR, International Criminal Tribunal for Rwanda.

B. Overview of the financial statements for the year ended 31 December 2018

8. The financial statements of the Mechanism comprise the statement of financial position (statement I), the statement of financial performance (statement II), the statement of changes in net assets (statement III), the statement of cash flows (statement IV) and the statement of comparison of budget and actual amounts (statement V), which show the financial results of the activities of the Mechanism and its financial position as at 31 December 2018. The notes to the financial statements explain the Mechanism's accounting and financial reporting policies and provide additional information on the individual amounts contained in the statements.

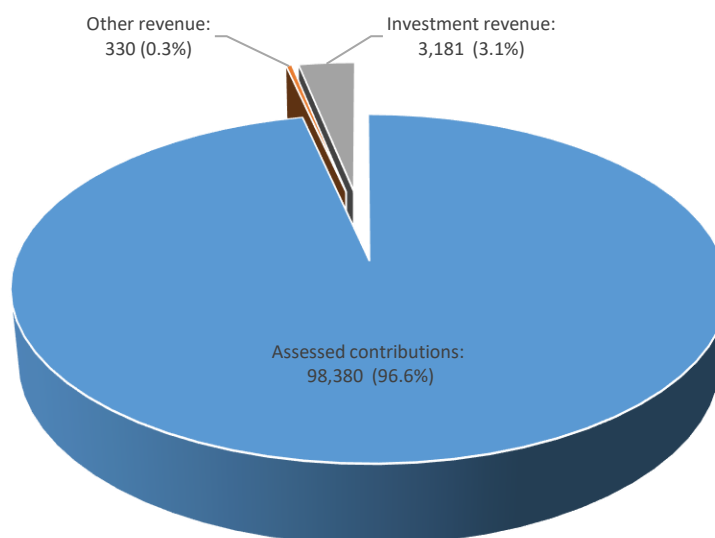
Revenue

9. In 2018, revenue totalled \$101.89 million (2017: \$65.85 million). The main source of revenue was assessed contributions of \$98.38 million assessed to Member States. This revenue has been recorded in accordance with the Financial Regulations and Rules of the United Nations and the relevant resolutions of the General Assembly for the biennium 2018–2019 (resolutions [72/258](#) and [73/277](#)). Assessed revenue increased from \$64.09 million in 2017 to \$98.38 million in 2018, owing to the increase in approved budget for the biennium 2018–2019 for the Mechanism, which now exists as a self-standing entity.

10. The other sources of revenue included mainly investment revenue and other revenue of \$3.18 million and \$0.33 million, respectively.

Figure IV.II
Revenue by nature

(Thousands of United States dollars)



Expenses

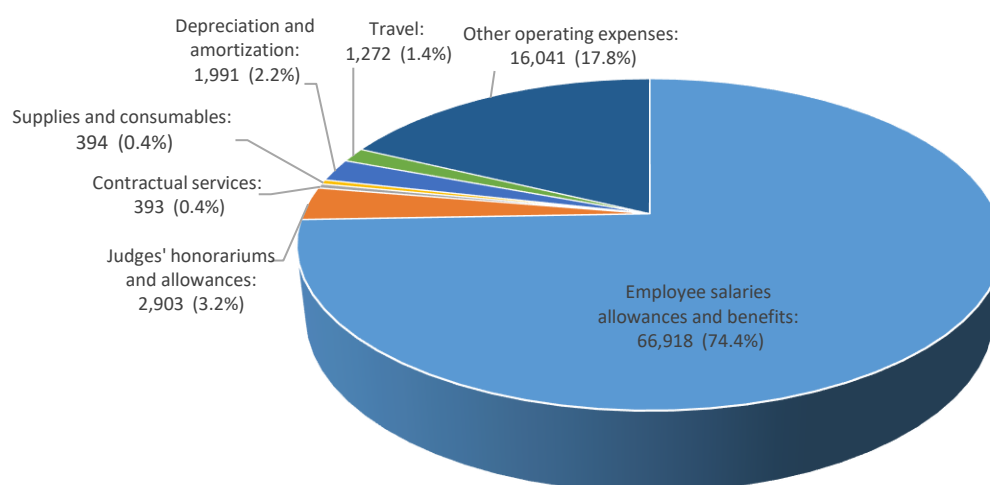
11. Expenses reported in statement II are shown on a full accrual basis. This contrasts with statement V, which shows expenditure on a modified cash basis. The main difference between the two is the cost of after-service employee and judges' benefits liabilities, which are accrued as the service is delivered in statement II, but shown on a cash basis in statement V. Another key difference is the depreciation of property, plant and equipment and the amortization of intangible assets, which are expenses in statement II only, and commitments of funds for goods and services that have not yet been delivered which are shown as expenses in statement V but not in statement II.

12. For the year ended 31 December 2018, expenses totalled \$89.91 million (2017: \$74.11 million). The main expense categories were employee salaries, allowances and benefits of \$66.92 million, which constituted 74.4 per cent of total expenses; other operating expenses of \$16.04 million (17.8 per cent); judges' honorariums and allowances of \$2.90 million (3.2 per cent); depreciation and amortization of \$1.99 million (2.2 per cent); travel expenses of \$1.27 million (1.4 per cent); and contractual services and supplies and consumables of \$0.79 million (0.8 per cent).

13. The 2018 increase in employee salaries, allowances and benefits (from \$56.96 million in 2017 to \$66.92 million), as well as in judges' honorariums and allowances (from \$2.01 million in 2017 to \$2.90 million), are in line with the setting up of the Mechanism as a self-standing entity following the closure of the International Criminal Tribunal for Rwanda and the International Tribunal for the former Yugoslavia.

Figure IV.III
Expenses by nature

(Thousands of United States dollars)



Operating results

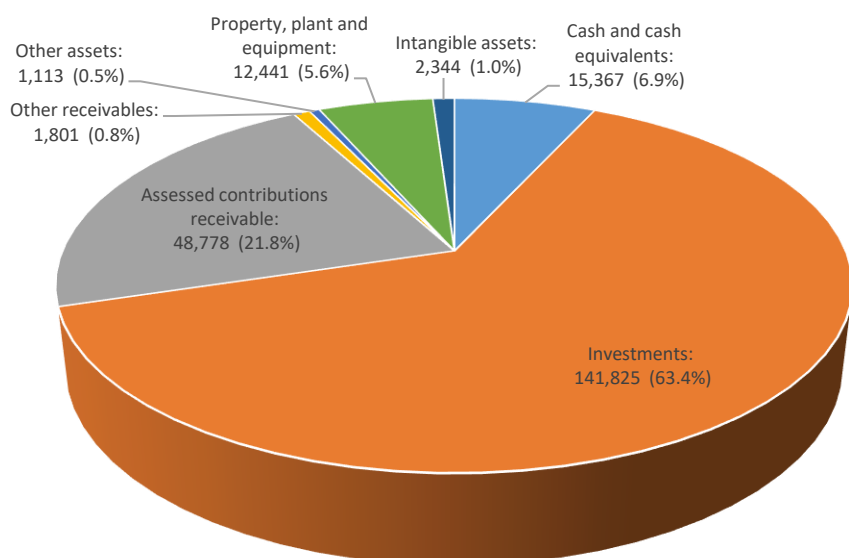
14. The surplus of revenue over expense in 2018, as measured under the International Public Sector Accounting Standards (IPSAS), was \$11.98 million. This was primarily due to the delay in the approval of the biennial budget having led to fewer activities for the first six months of 2018 than planned in the proposed budget, as well as the increase in assessed contributions and investment revenue.

Assets

15. Assets as at 31 December 2018 totalled \$223.67 million, compared with the balance as at 31 December 2017 of \$115.33 million.

Figure IV.IV
Assets of the Mechanism as at 31 December 2018

(Thousands of United States dollars)



16. As figure IV.IV illustrates, the main assets of the Mechanism at 31 December 2018 were cash and cash equivalents and investments totalling \$157.19 million (representing 70.3 per cent of total assets); assessed contributions receivable from Member States of \$48.78 million (21.8 per cent); property, plant and equipment of \$12.44 million (5.6 per cent); and other accounts receivable of \$1.80 million (0.8 per cent).

17. Cash and cash equivalents and investments of \$157.19 million at 31 December 2018 were held in the United Nations main cash pool. This represents an increase of \$86.58 million compared with the balance of \$70.61 million held at the end of 2017. The increase is attributable mainly to the amalgamation of the International Tribunal for the Former Yugoslavia, which brought \$74.24 million in cash and investments.

18. Assessed contributions receivable increased from \$9.86 million to \$48.78 million. This increase was due mainly to the amalgamation of the former International Tribunal for the Former Yugoslavia, which included the assessed contributions still due to the Tribunal. Out of the \$48.78 million at the end of the fiscal year, \$26.60 million corresponds to arrears due to the former Tribunal for the Former Yugoslavia, \$7.62 million to arrears due to the former Tribunal for Rwanda, and \$14.56 million to contributions due from Member States to the Mechanism.

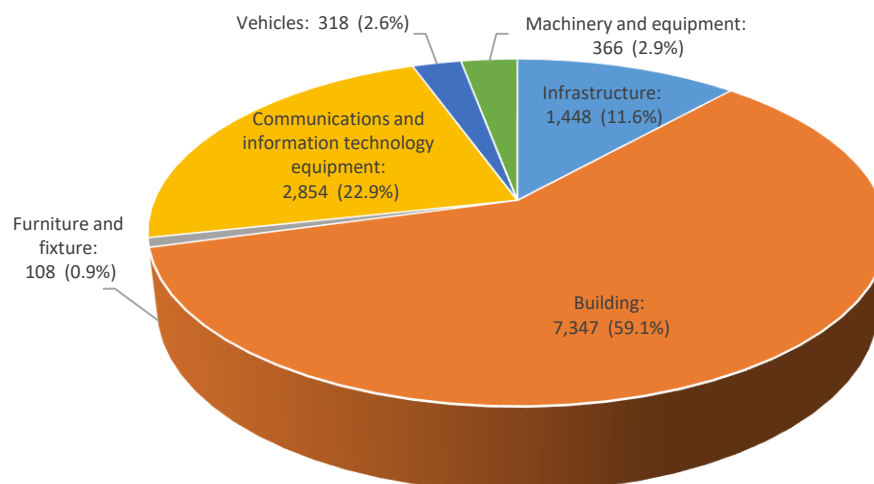
19. The Mechanism's property, plant and equipment assets consist primarily of the building and infrastructure assets in Arusha (valued at \$7.35 million and \$1.45 million, respectively) as shown in figure IV.V.

20. The decrease in other accounts receivable is largely due to the elimination of a receivable of \$14.74 million which was amalgamated on 1 January 2018 from the International Tribunal for the Former Yugoslavia for employee and judges' benefits liabilities. Other accounts receivable as at 31 December 2018 also consist of recoverable value added tax of \$2.52 million, including \$1.76 million from the United Republic of Tanzania, \$0.66 million from the Netherlands and \$0.08 million from Rwanda. Allowance for doubtful receivables related to recoverable value added tax was recognized for an amount of \$0.75 million, for receivables of \$0.4 million due for more than one year and receivables of \$1.0 million due for more than two years from the United Republic of Tanzania, and for receivables of \$0.1 million due for more than one year from the Netherlands.

Figure IV.V

Property, plant and equipment

(Thousands of United States dollars)



21. Intangible assets consist primarily of an intangible asset under development, namely the unified judicial database, for an amount of \$1.81 million, which is aimed at merging the judicial records of the International Criminal Tribunal for Rwanda, the International Tribunal for the Former Yugoslavia and the Mechanism into a single database. The project has been suspended since December 2017, and a review was performed in late 2018 by the Office of Internal Oversight Services (OIOS), which recommended a business process harmonization in order to further assess the viability of the project. The Mechanism will make a decision on the future of the project once the updated functional requirements and revised required resources are determined.

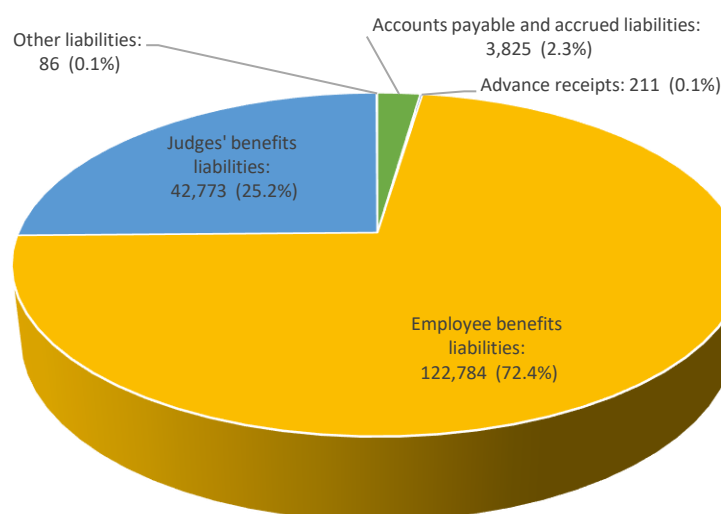
Liabilities

22. Liabilities as at 31 December 2018 totalled \$169.68 million (31 December 2017: \$122.71 million).

23. As shown in figure IV.VI, the largest liability was for employee benefits earned by staff members and retirees in the amount of \$122.78 million, representing 72.4 per cent of the Mechanism's total liabilities. The increase in these liabilities in the amount of \$27.62 million in 2018 was due to the net increase of \$19.40 million in defined employee benefit liabilities brought by the amalgamation of the International Tribunal for the Former Yugoslavia in the amount of \$30.81 million and an actuarial gain of \$11.41 million arising from changes in financial assumptions and experience adjustments in the recent actuarial valuation.

Figure IV.VI
Liabilities as at 31 December 2018

(Thousands of United States dollars)



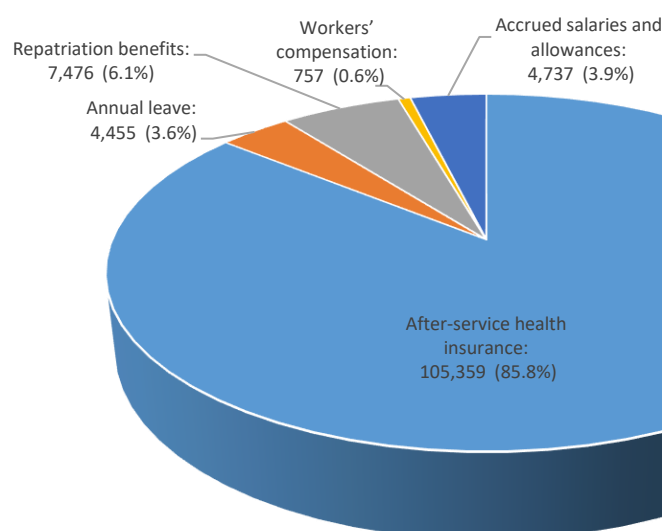
24. As illustrated in figure IV.VII, employee benefits liabilities valued by independent actuaries consisted largely of liabilities related to after-service health insurance (\$105.36 million), annual leave (\$4.46 million) and repatriation benefits (\$7.48 million).

25. The liabilities related to judges' honorariums and allowances amounted to \$42.78 million, mainly representing the judges' pension liabilities that are now held by the Mechanism further to the amalgamation of the two former Tribunals. Of the total amount of judges' benefits liabilities as at 31 December 2018, \$23.73 million relates to liabilities for retired judges of the International Tribunal for the former Yugoslavia, \$18.21 million relates to liabilities for retired judges of the International

Criminal Tribunal for Rwanda, and \$0.84 million relates to liabilities for the Mechanism's only full-time active judge.

Figure IV.VII
Employee benefits liabilities

(Thousands of United States dollars)



Net assets

26. The movement in net assets during the year reflects an increase of \$61.38 million, from (\$7.39 million) in 2017 to \$53.99 million in 2018, explained mainly by the amalgamation of the International Tribunal for the Former Yugoslavia, which had a positive impact on net assets for an amount of \$31.02 million. The actuarial gains on defined employee benefits liabilities, judges' pension liabilities, and workers' compensation liabilities had a positive impact of \$18.37 million, and the surplus for the year for 2018 is \$11.98 million. As at 31 December 2018, the net assets of the Mechanism included a restricted portion of \$5.07 million relating to the balance of the special account for the construction of the Arusha facility.

Liquidity position

27. At 31 December 2018, liquid assets totalled \$198.69 million (cash and cash equivalents of \$15.37 million, short-term investments of \$131.63 million, and other accounts receivable, assessed contributions receivable and other assets totalling \$51.69 million), whereas total current liabilities amounted to \$14.34 million.

28. The following table summarizes four key liquidity indicators for the financial year ended 31 December 2018, with comparatives for the year ended 31 December 2017.

Liquidity indicator	Year ended 31 December	
	2018	2017
Ratio of liquid assets to current liabilities	13.9:1	7.9:1
Ratio of liquid assets less accounts receivable to current liabilities	10.2:1	5.2:1
Ratio of liquid assets to total assets	0.9:1	0.7:1
Average months of cash, cash equivalents and investments on hand	21.5	11.7

29. The ratio of liquid assets to current liabilities is a measure of the ability of the Mechanism to pay its short-term obligations from its liquid resources. The ratio of 13.9:1 indicates that current liabilities are largely covered by liquid assets.

30. As at 31 December 2018, the Mechanism's liquid assets were about 88.8 per cent of its total assets, and it held sufficient cash and cash equivalents and investments to cover its estimated average monthly expenses (less depreciation and amortization) of \$7.33 million for 12 months.

Annex

Supplementary information

1. The present annex provides supplementary information that the Registrar is required to report.

Write-off of losses of cash and receivables

2. Pursuant to financial rule 106.7 (a), receivables of \$3,971.75 were approved for write-off during 2018.

Write-off of losses of property

3. Pursuant to financial rule 106.7 (a), the Mechanism approved write-offs of property, plant and equipment of \$7,821.20 for financial year 2018.

Ex gratia payments

4. There were no ex gratia payments made by the Mechanism during 2018.

Chapter V

Financial statements for the year ended 31 December 2018

International Residual Mechanism for Criminal Tribunals

I. Statement of financial position as at 31 December 2018

(Thousands of United States dollars)

	Note	31 December 2018	31 December 2017
Assets			
Current assets			
Cash and cash equivalents	7	15 367	5 561
Investments	7	131 630	49 507
Assessed contributions receivable	7, 8	48 778	9 860
Other accounts receivable	7, 8	1 801	16 650
Other assets	9	1 113	1 926
Total current assets		198 689	83 504
Non-current assets			
Investments	7	10 195	15 540
Property, plant and equipment	10	12 441	13 686
Intangible assets	11	2 344	2 595
Total non-current assets		24 980	31 821
Total assets		223 669	115 325
Current liabilities			
Accounts payable and accrued liabilities	12	3 825	5 511
Advance receipts	13	211	21
Employee benefits liabilities	14	7 221	3 600
Judges' benefits liabilities	15	3 001	1 298
Provisions	16	–	–
Other liabilities	17	86	172
Total current liabilities		14 344	10 602
Non-current liabilities			
Employee benefits liabilities	14	115 563	91 569
Judges' benefits liabilities	15	39 772	20 454
Other liabilities	17	–	87
Total non-current liabilities		155 335	112 110
Total liabilities		169 679	122 712
Net of total assets and total liabilities		53 990	(7 387)
Net assets			
Accumulated surpluses/(deficits) – unrestricted	18	48 921	(12 441)
Accumulated surpluses/(deficits) – restricted	18	5 069	5 054
Total net assets		53 990	(7 387)

The accompanying notes to the financial statements are an integral part of these financial statements.

International Residual Mechanism for Criminal Tribunals

II. Statement of financial performance for the year ended 31 December 2018

(Thousands of United States dollars)

	<i>Note</i>	<i>31 December 2018</i>	<i>31 December 2017</i>
Revenue			
Assessed contributions	19	98 380	64 093
Other transfers and allocations	19	—	657
Other revenue	19	330	38
Investment revenue	7	3 181	1 063
Total revenue		101 891	65 851
Expenses			
Employee salaries, allowances and benefits	20	66 918	56 955
Judges' honorariums and allowances	20	2 903	2 016
Contractual services	20	393	418
Supplies and consumables	20	394	518
Depreciation and amortization	10, 11	1 991	1 992
Travel	20	1 272	1 308
Other operating expenses	20	16 041	10 899
Total expenses		89 912	74 106
Surplus/(deficit) for the year		11 979	(8 255)

The accompanying notes to the financial statements are an integral part of these financial statements.

International Residual Mechanism for Criminal Tribunals

III. Statement of changes in net assets for the year ended 31 December 2018

(Thousands of United States dollars)

	<i>Note</i>	<i>Accumulated surpluses/ (deficits) – unrestricted</i>	<i>Accumulated surpluses/ (deficits) – restricted</i>	<i>Total</i>
Net assets as at 1 January 2017		10 526	5 035	15 561
Changes in net assets in 2017				
Actuarial gain/(loss) on defined benefits liabilities	14	(21 730)	–	(21 730)
Actuarial gain/(loss) on workers' compensation liabilities	14	(92)	–	(92)
Actuarial gain/(loss) on judges' pensions	15	(981)	–	(981)
Amalgamation of International Criminal Tribunal for Rwanda		8 101	–	8 101
Other adjustment to net assets		9	–	9
Surplus/(deficit) for the year		(8 274)	19	(8 255)
Net assets as at 31 December 2017		(12 441)	5 054	(7 387)
Changes in net assets				
Actuarial gain/(loss) on defined benefits liabilities	14	11 414	–	11 414
Actuarial gain/(loss) on workers' compensation liabilities	14	83	–	83
Actuarial gain/(loss) on judges' pensions	15	6 873	–	6 873
Amalgamation of International Tribunal for the Former Yugoslavia	5	31 028	–	31 028
Surplus/(deficit) for the year		11 964	15	11 979
Net assets as at 31 December 2018		48 921	5 069	53 990

The accompanying notes to the financial statements are an integral part of these financial statements.

International Residual Mechanism for Criminal Tribunals

IV. Statement of cash flows for the year ended 31 December 2018

(Thousands of United States dollars)

	Note	31 December 2018	31 December 2017
Cash flows from operating activities			
Surplus/(deficit) for the year		11 979	(8 255)
<i>Non-cash movements</i>			
Depreciation and amortization	10, 11	1 991	1 992
Actuarial gain/(loss) on defined benefits liabilities	14	11 414	(21 730)
Actuarial gain/(loss) on workers' compensation liabilities	14	83	(92)
Actuarial gain/(loss) on judges' pensions	15	6 873	(981)
Other adjustment on net assets		–	9
Transfers and donated property, plant and equipment and intangibles	10, 11	–	(967)
Net gain/loss on disposal of property, plant and equipment	10, 11	(19)	99
Other adjustments on property, plant and equipment	10, 11	–	(53)
<i>Changes in assets</i>			
(Increase)/decrease in assessed contributions receivables	8	2 439	2 225
(Increase)/decrease in other receivables	8	15 137	(6 462)
(Increase)/decrease in other assets	9	1 055	(667)
<i>Changes in liabilities</i>			
Increase/(decrease) in accounts payable – Member State		–	(1)
Increase/(decrease) in accounts payable – other	12	(17 502)	(881)
Increase/(decrease) in advance receipts	13	187	(2)
Increase/(decrease) in employee benefits payable	14	(11 358)	32 201
Increase/(decrease) in judges' benefits liabilities	15	(8 873)	1 249
Increase/(decrease) in provisions	16	(420)	(846)
Increase/(decrease) in other liabilities	17	(173)	258
Investment revenue presented as investing activities	7	(3 181)	(1 063)
Net impact of the amalgamation of International Criminal Tribunal for Rwanda		–	14 579
Net impact of amalgamation of International Tribunal for the Former Yugoslavia	5	5 846	–
Net cash flows from/(used in) operating activities		15 478	10 612
Cash flows from investing activities			
Pro rata share of net changes in the cash pool	7	(8 377)	(9 612)
Investment revenue presented as investing activities	7	3 181	1 063
Acquisition of property, plant and equipment	10	(503)	(1 785)
Proceeds from disposal of property plant and equipment	10	27	–
Acquisition of intangibles	11	–	(1 277)
Net cash flows from/(used in) investing activities		(5 672)	(11 611)
Cash flows from financing activities			
Net cash flows from/(used in) financing activities		–	–

	<i>Note</i>	<i>31 December 2018</i>	<i>31 December 2017</i>
Net increase/(decrease) in cash and cash equivalents		9 806	(999)
Cash and cash equivalents at beginning of year		5 561	6 560
Cash and cash equivalents at end of year		15 367	5 561

The accompanying notes to the financial statements are an integral part of these financial statements.

International Residual Mechanism for Criminal Tribunals

V. Statement of comparison of budget and actual amounts for the year ended 31 December 2018

(Thousands of United States dollars)

Current year:	2018 budget (appropriation) ^a				Actual 2018 expenditure (budget basis)	2018 difference ^b (percentage)
	Original biennium	Final biennium	Original 2018 annual	Final 2018 annual		
Mechanism						
Chambers	5 057	5 028	2 528	2 540	1 817	(28.5)
Office of the Prosecutor	31 134	30 972	15 567	15 053	13 281	(11.8)
Registry	139 409	139 472	69 705	70 630	62 706	(11.2)
Records management and archives	10 360	10 418	5 180	5 119	4 473	(12.6)
Liabilities for payment of pensions of retired ICTR/ICTY judges and ASHI for former ICTR/ICTY staff	10 064	9 831	5 032	5 038	4 239	(15.9)
Total	196 024	195 721	98 012	98 380	86 517	(12.1)

Abbreviations: ASHI, after-service health insurance; ICTR, International Criminal Tribunal for Rwanda; ICTY, International Tribunal for the Former Yugoslavia.

^a The original budget for the biennium 2018–2019 is the appropriation approved by the General Assembly for the biennium in its resolution [72/258 B](#). The final budget for the biennium reflects the original budget plus any adjustments reflected in the revised appropriation approved by the General Assembly in its resolution [73/277](#). The original annual budget is the portion of the original appropriation allocated to 2018. The final annual budget reflects the original budget plus any adjustments reflected in the revised appropriation. The relevant element of assessed contributions is recognized as revenue at the beginning of each year in the biennium.

^b Total expenditure (budget basis) less final budget. Differences greater than 10 per cent are considered in note 6.

(Thousands of United States dollars)

<i>Current year:</i>	<i>2017 budget (appropriation)^a</i>				<i>Actual 2017 expenditure^b (budget basis)</i>	<i>2017 difference (percentage)</i>
	<i>Original biennium</i>	<i>Final biennium</i>	<i>Original 2017 annual</i>	<i>Final 2017 annual</i>		
Mechanism						
Chambers	6 153	3 038	4 619	1 219	713	(41.5)
Office of the Prosecutor	19 636	21 151	9 648	11 457	11 851	3.4
Registry	101 200	93 970	61 183	55 429	53 612	(3.3)
Records management and archives	6 895	7 805	3 504	4 486	3 733	(16.8)
Liabilities for payment of pensions of retired ICTR judges and ASHI for former ICTR staff	3 520	3 380	2 212	2 171	2 057	(5.3)
Transfer of overexpenditure from ICTR	—	2 622	(2 373)	249	160	(35.7)
Subtotal Mechanism	137 404	131 966	78 793	75 011	72 126	(3.8)
Former ICTR						
ICTR amalgamation ^c	2 086	2 086	—	—	—	—
Subtotal former ICTR	2 086	2 086	—	—	—	—
Total	139 490	134 052	78 793	75 011	72 126	(3.8)

Abbreviations: ASHI, after-service health insurance; ICTR, International Criminal Tribunal for Rwanda.

^a The original budget for the biennium 2016–2017 is the budget approved by the General Assembly for the biennium on 23 December 2015 in its resolution [70/243](#). The final budget represents final amounts authorized for the biennium 2016–2017, after the incorporation of all changes arising from General Assembly resolutions [71/269](#) and [72/258](#). The original 2017 annual budget represents the 2017 revised appropriations, plus the unencumbered balance for 2016. The final 2017 annual budget represents the original budget for 2017 and incorporates the authorized final amounts and changes for the biennium 2016–2017. The relevant element of assessed contributions is recognized as revenue at the beginning of each year in the biennium and adjusted at the end of the biennium to match the final appropriation.

^b Total expenditure (budget basis) includes both commitments and actual amounts incurred in the period.

^c The original budget for the former International Criminal Tribunal for Rwanda for the biennium 2016–2017 is the appropriation approved by the General Assembly for the biennium in its resolution [70/241](#). The final budget for the biennium reflects the original budget plus any adjustments reflected in the final appropriation approved by the General Assembly in its resolution [71/267](#).

International Residual Mechanism for Criminal Tribunals

Notes to the 2018 financial statements

Note 1

Reporting entity

United Nations and its activities

1. The United Nations is an international organization founded in 1945 after the Second World War. The Charter of the United Nations, which was signed on 26 June 1945 and became effective on 24 October 1945, set out the primary objectives of the Organization, as follows:

- (a) The maintenance of international peace and security;
- (b) The promotion of international economic and social progress and development programmes;
- (c) The universal observance of human rights;
- (d) The administration of international justice and law.

2. These objectives are implemented through the United Nations major organs, as follows:

- (a) The General Assembly focuses on a wide range of political, economic and social issues, as well as financial and administrative aspects of the United Nations;
- (b) The Security Council is responsible for various aspects of peacekeeping and peacebuilding, including efforts to resolve conflicts, restore democracy, promote disarmament, provide electoral assistance, facilitate post-conflict peacebuilding, engage in humanitarian activities to ensure the survival of groups deprived of basic needs, and oversee the prosecution of persons responsible for serious violations of international humanitarian law;
- (c) The Economic and Social Council plays a particular role in economic and social development, including a major oversight role in the efforts of other organizations of the United Nations system to address international economic, social and health problems;
- (d) The International Court of Justice has jurisdiction over disputes between Member States brought before it for advisory opinions or binding resolutions.

3. The United Nations, headquartered in New York, has major offices in Geneva, Nairobi and Vienna, and peacekeeping and political missions, economic commissions, tribunals, training institutes and other centres around the world.

Reporting entity

4. The present financial statements relate to the International Residual Mechanism for Criminal Tribunals, a separate financial reporting entity of the United Nations. The Mechanism was established by the Security Council in its resolution [1966 \(2010\)](#), with two branches, to continue the jurisdiction, rights and obligations and essential functions of the International Criminal Tribunal for Rwanda and the International Tribunal for the Former Yugoslavia.

- (a) The Arusha branch inherited functions from the International Criminal Tribunal for Rwanda (which commenced operations on 1 July 2012) and is located in Arusha, United Republic of Tanzania;

(b) The Hague branch inherited functions from the International Tribunal for the Former Yugoslavia (which commenced operations on 1 July 2013) and is located in The Hague, the Netherlands.

5. Essential functions assumed by the Mechanism comprise all activities mandated by the Security Council in its resolution 1966 (2010) that are ongoing in nature – that is, activities that need to be carried out at all times, irrespective of whether the Mechanism is conducting any trials or appeals. Such activities include the protection of witnesses, the tracking of fugitives, the supervision of the enforcement of sentences, the provision of assistance to national jurisdictions and the management of the archives.

6. In accordance with Security Council resolution 1966 (2010), the Mechanism has a single set of principals: a President, a Prosecutor and a Registrar. The Principals have responsibility over both branches of the Mechanism and oversee each of the three organs, respectively:

(a) The Chambers, comprising a Trial Chamber for each branch of the Mechanism and an Appeals Chamber common to both branches of the Mechanism. The Mechanism has a roster of 25 independent judges, including the President, not more than 2 of whom are nationals of the same State. Each Trial Chamber is composed of three judges from the roster. In the event of an appeal against a decision by a Trial Chamber, the Appeals Chamber shall be composed of five judges;

(b) The Office of the Prosecutor, common to both branches of the Mechanism, is responsible for the investigation and prosecution of persons responsible for serious violations of international humanitarian law committed in the territory of the Former Yugoslavia since 1991, and serious violations of international humanitarian law committed in the territory of Rwanda and Rwandan citizens responsible for such violations committed in the territory of neighbouring States between 1 January and 31 December 1994. The Prosecutor acts independently as a separate organ of the Mechanism;

(c) The Registry, common to both branches of the Mechanism, is responsible for the administration and servicing of the Mechanism, including the Chambers and the Office of the Prosecutor.

7. The Mechanism is regarded as an autonomous financial reporting entity which neither controls nor is controlled by any other United Nations reporting entity. Owing to the uniqueness of the governance and budgetary process of each of the United Nations reporting entities, the Mechanism is not deemed to be subject to common control. Therefore, these financial statements include only the operations of the Mechanism.

Note 2

Basis of preparation and authorization for issue

Basis of preparation

8. In accordance with the Financial Regulations and Rules of the United Nations, the present financial statements are prepared on an accrual basis in accordance with the International Public Sector Accounting Standards (IPSAS). In accordance with the requirements of IPSAS, these financial statements, which present fairly the assets, liabilities, revenue and expenses of the Mechanism, comprise the following:

- (a) Statement of financial position (statement I);
- (b) Statement of financial performance (statement II);
- (c) Statement of changes in net assets (statement III);

- (d) Statement of cash flows (using the indirect method) (statement IV);
- (e) Statement of comparison of budget and actual amounts (statement V);
- (f) Notes to the financial statements, comprising a summary of significant accounting policies and other explanatory notes;
- (g) Comparative information in respect of all amounts presented in the financial statements identified in subparagraphs (a) to (e) above and, where relevant, comparative information for narrative and descriptive information presented in the notes to these financial statements.

Going concern

9. The present financial statements have been prepared on a going concern basis, and the accounting policies, as summarized in note 3, have been applied consistently in the preparation and presentation of the statements. The going concern assertion is based on the continuing mandate of the Mechanism to perform a number of essential functions previously carried out by the International Criminal Tribunal for Rwanda and the International Tribunal for the Former Yugoslavia, as well as the approval by the General Assembly of the budget requirements for the biennium 2018–2019 in its resolution [72/258 B](#).

Authorization for issue

10. The present financial statements are certified by the Controller and approved by the Secretary-General of the United Nations. In accordance with financial regulation 6.2, the Secretary-General transmits the financial statements as at 31 December 2018 to the Board of Auditors by 31 March 2019. In accordance with financial regulation 7.12, the reports of the Board of Auditors, together with the audited financial statements, shall be transmitted to the General Assembly through the Advisory Committee on Administrative and Budgetary Questions and authorized for issue on 30 July 2019.

Measurement basis

11. These financial statements are prepared using the historical-cost convention, except for financial assets recorded at fair value through surplus or deficit.

Functional and presentation currency

12. The functional currency and the presentation currency of the Mechanism is the United States dollar. The financial statements are expressed in thousands of United States dollars unless otherwise stated.

13. Transactions in currencies other than the functional currency (foreign currencies) are translated into United States dollars at the United Nations operational rate of exchange at the date of the transaction. The United Nations operational rates of exchange approximate the spot rates prevailing at the dates of the transactions. At year-end, monetary assets and liabilities denominated in foreign currencies are translated at the United Nations operational rates of exchange. Non-monetary foreign currency denominated items that are measured at fair value are translated at the United Nations operational rate of exchange at the date on which the fair value was determined. Non-monetary items measured at historical cost in a foreign currency are not translated at year-end.

14. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities

denominated in foreign currencies at year-end exchange rates are recognized in the statement of financial performance on a net basis.

Materiality and use of judgment and estimation

15. Materiality is central to the preparation and presentation of the Mechanism's financial statements, and its materiality framework provides a systematic method in guiding accounting decisions relating to presentation, disclosure, aggregation, offsetting and retrospective versus prospective application of changes in accounting policies. In general, an item is considered material if its omission or its aggregation would impact the conclusions or decisions of the users of the financial statements.

16. Preparing financial statements in accordance with IPSAS requires use of estimates, judgments and assumptions in the selection and application of accounting policies and in the reported amounts of certain assets, liabilities, revenues and expenses.

17. Accounting estimates and underlying assumptions are reviewed on an ongoing basis, and revisions to estimates are recognized in the year in which the estimates are revised and in any future year affected. Significant estimates and assumptions that may result in material adjustments in future years include actuarial measurement of employee benefits and judges' pensions; assumptions in measurement of judges' honorariums and allowances; selection of useful lives and the depreciation and amortization method for property, plant and equipment and intangible assets; impairment of assets; classification of financial instruments; inflation and discount rates used in the calculation of the present value of provisions; and classification of contingent assets and liabilities.

Future accounting pronouncements

18. The progress and impact of the following significant future IPSAS Board accounting pronouncements on the Mechanism's financial statements continues to be monitored:

(a) Heritage assets: the objective of the project is to develop accounting requirements for heritage assets;

(b) Non-exchange expenses: the aim of the project is to develop a standard or standards that provide recognition and measurement requirements applicable to providers of non-exchange transactions, except for social benefits;

(c) Revenue: the scope of the project is to develop new standard-level requirements and guidance on revenue to amend or supersede that currently located in IPSAS 9: Revenue from exchange transactions; IPSAS 11: Construction contracts; and IPSAS 23: Revenue from non-exchange transactions (taxes and transfers);

(d) Leases: the objective of the project is to develop revised requirements for lease accounting covering both lessees and lessors in order to maintain alignment with the underlying International Financial Reporting Standard. The project will result in a new IPSAS that will replace IPSAS 13. Approval of a new IPSAS on leases is projected for June 2019;

(e) Public sector measurement: the objectives of the project include: (i) to issue amended IPSAS standards with revised requirements for measurement at initial recognition, subsequent measurement and measurement-related disclosure; (ii) to provide more detailed guidance on the implementation of replacement cost and cost of fulfilment and the circumstances under which these measurement bases will be used; and (iii) to address transaction costs, including the specific issue of the capitalizing or expensing of borrowing costs;

(f) Infrastructure assets: the objective of the project is to research and identify issues that preparers deal with when applying IPSAS 17 to infrastructure assets. Informed by this research, the aim is to provide additional guidance on accounting for infrastructure assets.

Recent and future requirements of IPSAS

19. The IPSAS Board issued the following standards: IPSAS 39: Employee benefits, in 2016, effective 1 January 2018; IPSAS 40: Public sector combinations, in 2017, effective 1 January 2019; and IPSAS 41: Financial instruments, issued August 2018, effective 1 January 2022. The impact of those standards on the Mechanism's financial statements and the comparative period reflected therein has been evaluated to be as follows:

<i>Standard</i>	<i>Anticipated impact in the year of adoption</i>
IPSAS 39	Currently, IPSAS 39 will have no impact on the Mechanism since the "corridor method" on actuarial gains or losses, which is being eliminated, has never been applied since the adoption of IPSAS in 2014. The Mechanism does not have any plan assets; therefore, there is no impact from application of the net interest approach prescribed by the standard. IPSAS 39 became effective on 1 January 2018. Further analysis will be carried out in the future, should the Mechanism procure plan assets.
IPSAS 40	Public sector combinations are relevant to the Mechanism, given that the International Criminal Tribunal for Rwanda was amalgamated into the Mechanism on 1 January 2017 and the International Tribunal for the Former Yugoslavia was amalgamated on 1 January 2018. As at the amalgamation date, the Mechanism has recognized and consolidated identifiable remaining assets and liabilities of the Tribunals in the Mechanism's financial statements at their carrying amount. The standard has been applied from the 2017 reporting period, and relevant disclosures have been presented in note 5.
IPSAS 41	IPSAS 41 substantially improves the relevance of information for financial assets and financial liabilities. It will replace IPSAS 29, Financial instruments: recognition and measurement, and improves that standard's requirements by introducing: <ul style="list-style-type: none"> (a) Simplified classification and measurement requirements for financial assets; (b) A forward-looking impairment model; (c) A flexible hedge accounting model. IPSAS 41 will be effective from January 1, 2022. Its impact on the financial statements will be assessed prior to that date and the Mechanism will be ready for its implementation by the time it becomes effective.

Note 3

Significant accounting policies

Financial assets: classification

20. The classification of financial assets depends primarily on the purpose for which the financial assets are acquired. The Mechanism classifies its financial assets in one of the following categories at initial recognition and re-evaluates the classification at each reporting date.

<i>Classification</i>	<i>Financial assets</i>
Fair value through surplus or deficit	Investments in the main cash pool
Loans and receivables	Cash and cash equivalents and receivables

21. All financial assets are initially measured at fair value. The Mechanism initially recognizes financial assets classified as loans and receivables on the date on which they originated. All other financial assets are recognized initially on the trade date, which is the date on which the Mechanism becomes party to the contractual provisions of the instrument.

22. Financial assets with maturities in excess of 12 months at the reporting date are categorized as non-current assets in the financial statements. Assets denominated in foreign currencies are translated into United States dollars at the United Nations Operational Rates of Exchange prevailing at the reporting date, with net gains or losses recognized in surplus or deficit in the statement of financial performance.

23. Financial assets at fair value through surplus or deficit are those that either have been designated in this category at initial recognition or are held for trading or are acquired principally for the purpose of selling in the short term. Such assets are measured at fair value at each reporting date, and any gains or losses arising from changes in the fair value are presented in the statement of financial performance in the year in which they arise.

24. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recorded at fair value plus transaction costs and subsequently reported at amortized cost calculated using the effective interest method. Interest revenue is recognized on a time proportion basis using the effective interest rate method for the respective financial asset.

25. Financial assets are assessed at each reporting date to determine whether there is objective evidence of impairment. Evidence of impairment includes default or delinquency of the counterparty or permanent reduction in value of the asset. Impairment losses are recognized in the statement of financial performance in the year in which they arise.

26. Financial assets are derecognized when the rights to receive cash flows have expired or have been transferred and the Mechanism has transferred substantially all risks and rewards of the financial asset. Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Financial assets: investment in the main cash pool

27. The United Nations Treasury invests funds pooled from the United Nations Secretariat entities and other participating entities. These pooled funds are combined in two internally managed cash pools. Participation in the cash pools implies sharing the risk and returns on investments with the other participants. Since the funds are commingled and invested on a pool basis, each participant is exposed to the overall risk of the investments portfolio to the extent of the amount of cash invested.

28. The Mechanism's investment in the main cash pool is included as part of cash and cash equivalents, short-term investments and long-term investments in the statement of financial position, depending on the maturity period of the investments.

Financial assets: cash and cash equivalents

29. Cash and cash equivalents comprise cash at bank and on hand, and short-term, highly liquid investments with a maturity of three months or less from the date of acquisition.

Financial assets: receivables from non-exchange transactions — contributions

30. Contributions receivable represent uncollected revenue from assessed contributions committed to the Mechanism by Member States and non-Member States. These non-exchange receivables are stated at nominal value, less impairment for estimated irrecoverable amounts, the allowance for doubtful receivables. For assessed contributions receivable, the allowance for doubtful receivables is calculated as follows:

(a) Receivables of Member States that are subject to the General Assembly voting rights restriction set forth in Article 19 of the Charter of the United Nations owing to arrears equalling or exceeding the amount of the contributions due from it for the preceding two full years and that are past due in excess of two years: 100 per cent allowance;

(b) Receivables that are past due in excess of two years for which the General Assembly has granted special treatment as regards payment: 100 per cent allowance;

(c) Receivables that are past due in excess of two years for which Member States have specifically contested the balance: 100 per cent allowance. Any contested amount outstanding for less than two years will be disclosed in the notes to the financial statements;

(d) For receivables with approved payment plans, no allowance for doubtful debt will be established; rather, disclosures will be made in the notes to the financial statements.

Financial assets: receivables from exchange transactions — other receivables

31. Other receivables primarily include amounts receivable for goods or services provided to other entities, amounts receivable for leased-out assets and receivables from staff. Receivables from other United Nations reporting entities are also included in this category. Material balances of other receivables are subject to specific review and an allowance for doubtful receivables assessed on the basis of recoverability and ageing.

Other assets

32. Other assets include education grant advances and prepayments that are recorded as an asset until goods are delivered or services are rendered by the other party, at which point the expense is recognized.

Heritage assets

33. Heritage assets are not recognized in the financial statements, but significant heritage assets are disclosed in the notes to the financial statements.

Property, plant and equipment

34. Property, plant and equipment are classified into different groupings of similar nature, functions, useful life and valuation methodologies, such as vehicles; temporary and mobile buildings; communications and information technology equipment; machinery and equipment; furniture and fixtures; and real estate assets

(building, infrastructure and assets under construction). Recognition of property, plant and equipment is as follows:

(a) Property, plant and equipment are capitalized when their cost per unit is greater than or equal to the threshold of \$5,000 or \$100,000 for buildings, leasehold improvements, infrastructure assets and self-constructed assets;

(b) All property, plant and equipment other than real estate assets is stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost comprises the purchase price, any costs directly attributable to bringing the asset to its location and condition and the initial estimate of dismantling and site restoration costs. Standard rates of 4 per cent of the cost of purchase are used in place of actual associated costs incurred;

(c) Owing to the absence of historical cost information, buildings and infrastructure real estate assets were initially recognized at fair value using a depreciated replacement cost methodology for initial IPSAS implementation. The method involves calculating the cost per unit of measurement, for example cost per square metre, by collecting construction cost data, utilizing in-house cost data (where available) or using external cost estimators for each catalogue of real estate assets and multiplying that unit cost by the external area of the asset to obtain the gross replacement cost. Depreciation allowance deductions from the gross replacement cost to account for physical, functional and economic use of the assets have been made to determine the depreciated replacement cost of the assets;

(d) For property, plant and equipment acquired at nil or nominal cost, such as donated assets, the fair value at the date of acquisition is deemed to be the cost of acquiring equivalent assets.

35. Property, plant and equipment are depreciated over their estimated useful life using the straight-line method up to their residual value, except for land and assets under construction, which are not subject to depreciation. Significant components of major owned buildings with different useful life are depreciated using the components approach. Depreciation commences in the month when the Mechanism gains control over an asset in accordance with international commercial terms and no depreciation is charged in the month of retirement or disposal. Given the expected pattern of usage of property, plant and equipment, the residual value is nil unless residual value is likely to be significant. The estimated useful lives of property, plant and equipment classes are as follows:

<i>Class</i>	<i>Subclass</i>	<i>Estimated useful life (years)</i>
Communications and information technology equipment	Information technology equipment	4
	Communications and audiovisual equipment	7
Vehicles	Light-wheeled vehicles	6
	Heavy-wheeled and engineering support vehicles	12
	Specialized vehicles, trailers and attachments	6–12
	Marine vessels	10
Machinery and equipment	Light engineering and construction equipment	5
	Medical equipment	5

<i>Class</i>	<i>Subclass</i>	<i>Estimated useful life (years)</i>
	Security and safety equipment	5
	Mine detection and clearing equipment	5
	Accommodation and refrigeration equipment	6
	Water treatment and fuel distribution equipment	7
	Transportation equipment	7
	Heavy engineering and construction equipment	12
	Printing and publishing equipment	20
Furniture and fixtures	Library reference material	3
	Office equipment	4
	Fixtures and fittings	7
	Furniture	10
Buildings	Temporary and mobile buildings	7
	Fixed buildings	25, 40 or 50
	Major exterior, roofing, interior and services/utilities components, where component approach is utilized	20–50
	Finance lease or donated right-to-use buildings	Shorter of term of arrangement or life of building
Infrastructure assets	Telecommunications, energy, protection, transport, waste and water management, recreation, landscaping	Up to 50
Leasehold improvements	Fixtures, fittings and minor construction work	Shorter of lease term or 5 years

36. In exceptional cases, the recorded useful lives for some assets converted for IPSAS reporting may be different from the useful lives prescribed at the asset subclass level as set out above (although they would remain within the range at asset class level), because when preparing the 2014 IPSAS opening balance, a thorough review of the remaining economic useful lives for these assets was made and the result had been entered in the master record of the asset. Although the total useful life entered in the asset master record looks beyond standard useful life, the remaining useful life when calculated from the date of capitalization remains within the asset class prescribed range.

37. Where there is a material cost value of fully depreciated assets that are still in use, adjustments to accumulated depreciation are incorporated into the financial statements to reflect a residual value of 10 per cent of historical cost based on an analysis of the classes and useful lives of the fully depreciated assets.

38. The Mechanism elected the cost model for measurement of property, plant and equipment after initial recognition instead of the revaluation model. Costs incurred subsequent to initial acquisition are capitalized only when it is probable that future economic benefits or service potential associated with the item will flow to the Mechanism and the subsequent cost exceeds the threshold for initial recognition. Repairs and maintenance are expensed in the statement of financial performance in the year in which they are incurred.

39. A gain or loss resulting from the disposal or transfer of property, plant and equipment arises where proceeds from disposal or transfer differ from its carrying amount. Those gains or losses are recognized in the statement of financial performance within other revenue or other expenses.

40. Impairment assessments are conducted during annual physical verification procedures and when events or changes in circumstance indicate that carrying amounts may not be recoverable. Land, buildings and infrastructure assets with a year-end net book value greater than \$500,000 are reviewed for impairment at each reporting date. The equivalent threshold for other property, plant and equipment items (excluding assets under construction and leasehold improvements) is \$25,000.

Intangible assets

41. Intangible assets are carried at cost less accumulated amortization and accumulated impairment loss. For intangible assets acquired at nil or nominal cost, including donated assets, the fair value at the date of acquisition is deemed to be the cost to acquire. The threshold for recognition is \$100,000 for internally generated intangible assets and \$5,000 per unit for externally acquired intangible assets.

42. Acquired computer software licences are capitalized on the basis of costs incurred to acquire and bring to use the specific software. Development costs that are directly associated with the development of software for use by the Mechanism are capitalized as an intangible asset. Directly associated costs include software development employee costs, consultant costs and other applicable overhead costs.

43. Intangible assets with finite useful lives are amortized on a straight-line method over their estimated useful lives starting from the month of acquisition or when the intangible assets become operational. The useful lives of major classes of intangible assets have been estimated as follows:

<i>Class</i>	<i>Range of estimated useful life (years)</i>
Licences and rights	2–6 (period of licence/right)
Software acquired externally	3–10
Software and websites internally developed	3–10
Copyrights	3–10
Assets under development	Not amortized

44. Annual impairment reviews of intangible assets are conducted where assets are under development or have an indefinite useful life. Other intangible assets are subject to impairment review only when their indicators of impairment are identified.

Financial liabilities: classification

45. Financial liabilities are classified as “other financial liabilities”. They include accounts payable, judges’ benefits liabilities, unspent funds held for future refunds and other liabilities, such as balances payable to other United Nations system entities. Financial liabilities classified as other financial liabilities are initially recognized at fair value and subsequently measured at amortized cost. Financial liabilities with a duration of less than 12 months are recognized at their nominal value. The Mechanism re-evaluates classification of financial liabilities at each reporting date and derecognizes financial liabilities when its contractual obligations are discharged, waived, cancelled or expired.

Financial liabilities: accounts payable and accrued liabilities

46. Accounts payable and accrued expenses arise from the purchase of goods and services that have been received but not paid for as at the reporting date. They are stated at invoiced amounts, less discounts at the reporting date. Payables are recognized and subsequently measured at their nominal value, as they are generally due within 12 months.

Advance receipts and other liabilities

47. Advance receipts and other liabilities consist of payments received in advance relating to exchange transactions, liabilities for conditional funding arrangements and other deferred revenue.

*Leases**The Mechanism as lessee*

48. Leases of property, plant and equipment, where the Mechanism has substantially all of the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalized at the start of the lease at the lower of fair value or the present value of the minimum lease payments. The rental obligation, net of finance charges, is reported as a liability in the statement of financial position. Assets acquired under finance leases are depreciated in accordance with property, plant and equipment policies. The interest element of the lease payment is charged to the statement of financial performance as an expense over the lease term based on the effective interest rate method.

49. Leases where all of the risks and rewards of ownership are not substantially transferred to the Mechanism are classified as operating leases. Payments made under operating leases are charged to the statement of financial performance as an expense on a straight-line basis over the period of the lease.

Mechanism as lessor

50. The Mechanism often leases out assets under operating leases. Leased-out assets are reported under property, plant and equipment, and lease revenue is recognized in the statement of financial performance over the term of the lease on a straight-line basis.

Donated rights to use

51. Land, buildings, infrastructure assets, machinery and equipment may be granted to the Mechanism, primarily by host Governments at nil or nominal cost, through donated right-to-use arrangements. These arrangements are accounted for as operating leases or finance leases depending on whether an assessment of the

agreement indicates that control over the underlying assets is transferred to the Mechanism.

52. Where a donated right-to-use arrangement is treated as an operating lease, an expense and corresponding revenue equal to the annual rental value of the asset or similar property are recognized in the Mechanism's financial statements. Where a donated right-to-use arrangement is treated as a finance lease (principally with a lease term of over 35 years for premises), the fair market value of the property is capitalized and depreciated over the shorter of the useful life of the property or the term of the arrangement. In addition, a liability for the same amount is recognized, which is progressively recognized as revenue over the lease term. Donated right-to-use land arrangements are accounted for as operating leases where the Mechanism does not have exclusive control over the land and/or title to the land is transferred under restricted deeds.

53. Where title to land is transferred to the Mechanism without restrictions, the land is accounted for as donated property, plant and equipment and recognized at fair value at the acquisition date.

54. The threshold for the recognition of revenue and expense is yearly rental value equivalent to \$5,000 per donated rights to use premises, land, infrastructure, machinery and equipment.

Employee benefits

55. Employees comprise staff members, as described under Article 97 of the Charter of the United Nations, whose employment and contractual relationship are defined by a letter of appointment subject to regulations established by the General Assembly pursuant to Article 101, paragraph 1, of the Charter. Employee benefits are classified as short-term, long-term, post-employment or termination benefits.

Short-term employee benefits

56. Short-term employee benefits are employee benefits (other than termination benefits) that are payable within 12 months after the end of the year in which the employee renders the related services. Short-term employee benefits comprise first-time employee benefits (assignment grants), regular daily/weekly/monthly benefits (wages, salaries and allowances), compensated absences (paid sick leave and maternity/paternity leave) and other short-term benefits (death grant, education grant, reimbursement of taxes and home leave travel) provided to current employees on the basis of services rendered. All such benefits which are accrued but not paid are recognized as current liabilities within the statement of financial position.

Post-employment benefits

57. Post-employment benefits comprise after-service health insurance, end-of-service repatriation benefits and annual leave that are accounted for as defined benefit plans in addition to the United Nations Joint Staff Pension Fund.

Defined benefit plans

58. The following benefits are accounted for as defined-benefit plans: after-service health insurance, repatriation benefits (post-employment benefits) and accumulated annual leave that is commuted to cash upon separation from the Mechanism (other long-term benefits). Defined-benefit plans are those where the Mechanism's obligation is to provide agreed benefits and therefore the Mechanism bears the actuarial risks. The liability for defined-benefit plans is measured at the present value of the defined-benefit obligation. Changes in the liability for defined-benefit plans,

excluding actuarial gains and losses, are recognized in the statement of financial performance in the year in which they occur. The Mechanism has chosen to recognize changes in the liability for defined-benefit plans from actuarial gains and losses directly through the statement of changes in net assets. As at the end of the reporting year, the Mechanism held no plan assets as defined by IPSAS 39: Employee benefits.

59. The defined benefit obligations are calculated by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds with maturity dates approximating those of the individual plans.

60. After-service health insurance: This insurance provides worldwide coverage for necessary medical expenses of eligible former staff members and their dependants. Upon end of service, staff members and their dependants may elect to participate in a defined benefit health insurance plan of the United Nations, provided they have met certain eligibility requirements, including 10 years of participation in a United Nations health plan for those who were recruited after 1 July 2007, and 5 years for those who were recruited prior to that date. The after-service health insurance liability represents the present value of the share of the Mechanism's medical insurance costs for retirees and the post-retirement benefit accrued to date by active staff. A factor to be considered in the after-service health insurance valuation is contributions by all plan participants in determining the Mechanism's residual liability. Contributions from retirees are deducted from the gross liability and a portion of the contributions from active staff is also deducted to arrive at the Mechanism's residual liability in accordance with cost-sharing ratios authorized by the General Assembly.

61. Repatriation benefits: Upon end of service, staff who meet certain eligibility requirements, including residency outside their country of nationality at the time of separation, are entitled to a repatriation grant which is based upon length of service, and to travel and removal expenses. A liability is recognized from when the staff member joins the Mechanism and is measured as the present value of the estimated liability for settling these entitlements.

62. Annual leave: The liabilities for annual leave represent unused accumulating compensated absence up to a maximum of 60 days, whereby an employee is entitled to monetary settlement of this balance upon separation from service. Therefore, the Mechanism recognizes as a liability the actuarial value of the total accumulated leave days of all staff members as of the date of the statement of financial position. Annual leave benefits are considered to be a post-employment defined benefit and, as such, are recognized on the same actuarial basis as other defined benefit plans.

Pension plan: United Nations Joint Staff Pension Fund

63. The Mechanism is a member organization participating in the United Nations Joint Staff Pension Fund, which was established by the General Assembly to provide retirement, death, disability and related benefits to employees. The Pension Fund is a funded, multi-employer defined benefit plan. As specified in article 3 (b) of the Regulations of the Fund, membership in the Fund shall be open to the specialized agencies and to any other international, intergovernmental organization which participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.

64. The plan exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual organizations participating in the plan. The Mechanism and the Pension Fund, in line with the other organizations

participating in the Fund, are not in a position to identify the Mechanism's proportionate share of the defined benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence, the Mechanism has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 39: Employee benefits. The Mechanism's contributions to the Fund during the financial period are recognized as expenses in the statement of financial performance.

Termination benefits

65. Termination benefits are recognized as an expense only when the Mechanism is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate the employment of a staff member before the normal retirement date, or provide termination benefits as a result of an offer made in order to encourage voluntary redundancy. Termination benefits to be settled within 12 months are reported at the amount expected to be paid. Where termination benefits fall due more than 12 months after the reporting date, they are discounted if the impact of discounting is material.

Other long-term employee benefits

66. Other long-term employee benefit obligations are benefits, or portions of benefits, that are not due to be settled within 12 months after the end of the year in which employees provide the related service.

67. Appendix D benefits: Appendix D to the Staff Rules of the United Nations governs compensation in the event of death, injury or illness attributable to the performance of official duties on behalf of the United Nations. Actuaries value these liabilities, and changes in the liabilities, excluding actuarial gains and losses, are recognized in the statement of financial performance.

Provisions

68. Provisions are liabilities recognized for future expenditure of uncertain amount or timing. A provision is recognized if, as a result of a past event, the Mechanism has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. The provision is measured as the best estimate of the amount required to settle the present obligation at the reporting date. Where the effect of the time value of money is material, the provision is the present value of the amount expected to be required to settle the obligation.

69. Uncommitted balances of the appropriations at the end of the budget period and expired balances of appropriations retained from prior periods are to be reported as provisions for credits to Member States. These provisions will remain until the General Assembly decides the manner of their disposal.

Contingent liabilities

70. Any possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Mechanism are disclosed as contingent liabilities. Contingent liabilities are also disclosed where present obligations that arise from past events cannot be recognized because it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligations, or the amount of the obligations cannot be reliably measured.

71. Provisions and contingent liabilities are assessed continually to determine whether an outflow of resources embodying economic benefits or service potential has become more or less probable. If it becomes more probable that such an outflow will be required, a provision is recognized in the Mechanism's financial statements of the year in which the change of probability occurs. Similarly, where it becomes less probable that such an outflow will be required, a contingent liability is disclosed in the notes to the Mechanism's financial statements.

72. An indicative threshold of \$10,000 applies in recognizing provisions and/or disclosing contingent liabilities in the notes to the Mechanism's financial statements.

Contingent assets

73. Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the effective control of the Mechanism. Contingent assets are disclosed in the notes when it is more likely than not that economic benefits will flow to the Mechanism.

Commitments

74. Commitments are future expenses to be incurred by the Mechanism on contracts entered into by the reporting date; the Mechanism has minimal, if any, discretion to avoid those commitments in the ordinary course of operations. Commitments include capital commitments (amount of contracts for capital expenses that are not paid or accrued by the reporting date), contracts for the supply of goods and services that will be delivered to the Mechanism in future years, non-cancellable minimum lease payments and other non-cancellable commitments.

Non-exchange revenue: assessed contributions

75. Appropriations are financed by contributions from Member States that are assessed according to the scale of assessments determined by the General Assembly. These assessments are subject to adjustments in respect of, among other things, supplementary appropriations for which contributions have not previously been assessed, revenue attributable to Member States, contributions resulting from the assessment of new Member States and any uncommitted balance of the appropriations at the end of the budget period and expired balances of the appropriations retained from prior periods that are due to be surrendered to Member States. Appropriations for the regular budget are approved and assessed for a two-year budget period; the relevant portion of assessed contributions is recognized as revenue at the beginning of each year in the biennium.

Non-exchange revenue: other

76. In-kind contributions of goods, above the recognition threshold of \$5,000 per discrete contribution, are recognized as assets and revenue once it is probable that future economic benefits or service potential will flow to the Mechanism and the fair value of those assets can be measured reliably. Contributions in kind are initially measured at their fair value at the date of receipt determined by reference to observable market values or by independent appraisals. The Mechanism has elected not to recognize in-kind contributions of services but to disclose in-kind contributions of service above the threshold of \$5,000 in the notes to the financial statements.

Exchange revenue

77. Exchange transactions are those in which the Mechanism sells goods or services. Revenue comprises the fair value of consideration received or receivable for the sale

of goods and services. Revenue is recognized when it can be reliably measured, when the inflow of future economic benefits is probable and when specific criteria have been met.

78. Revenue from commissions and fees for technical, procurement, training, administrative and other services rendered to Governments, United Nations entities or other partners is recognized when the service is performed. Exchange revenue also includes income from the rental of premises, the sale of used or surplus property and service to visitors from guided tours, and income from net gains resulting from currency exchange adjustments.

Investment revenue

79. Investment revenue includes the Mechanism's share of net main pool income and other interest income. The net main cash pool revenue includes any gains and losses on the sale of investments, which are calculated as the difference between the sales proceeds and book value. Transaction costs that are directly attributable to the investment activities are netted against income, and the net income is distributed proportionately to all main pool participants on the basis of their daily balances. The main pool income also includes unrealized market gains and losses on securities, which are distributed proportionately to participants on the basis of their year-end balances.

Expenses

80. Expenses are decreases in economic benefits or service potential during the reporting year in the form of outflows or consumption of assets or incurrence of liabilities that result in decreases in net assets and are recognized on an accrual basis when goods are delivered and services are rendered regardless of the terms of payment.

81. Employee salaries include international, national and general temporary staff salaries, post adjustments and staff assessments. The allowances and benefits include other staff entitlements, including pension and insurance, assignment, repatriation, hardship and other allowances.

82. Judges' honorariums and allowances consist of pensions, honorariums, and other allowances.

83. Contractual services include non-employee compensation such as consultant fees and related allowances and benefits.

84. Supplies and consumables relate to the cost of inventory used and expenses for supplies and consumables.

85. Other operating expenses include acquisition of goods and intangible assets under capitalization thresholds, maintenance, utilities, contracted services, training, security services, shared services, rent, insurance, allowance for bad debt, write-off expenses, foreign exchange losses, contributions in kind, hospitality and official functions, donations and transfers of assets.

Note 4

Segment reporting

86. A segment is a distinguishable activity or group of activities for which financial information is reported separately in order to evaluate an entity's past performance in achieving its objectives and for making decisions about the future allocation of resources.

87. These financial statements represent the activities of the Mechanism, that is, one activity that was established under a single Security Council resolution. While the budgetary process reflects a breakdown of the organizational structure into the Chambers, the Prosecutor and the Registry, none of these organs meet the definition of a segment, as none of them encompass different activities for which financial information is reported separately in order to evaluate past performance in achieving its objectives and for making decisions about the future allocation of resources. Therefore, for reporting purposes, the Mechanism has one segment.

Note 5

Amalgamation of the International Tribunal for the Former Yugoslavia into the Mechanism

88. Following its closure on 31 December 2017, the International Tribunal for the Former Yugoslavia was formally amalgamated on 1 January 2018 by way of transfer of the identifiable remaining assets and liabilities to the Mechanism, notably employee liabilities and financial assets.

Amounts recognized for each major class of assets and liabilities as at 1 January 2018

(Thousands of United States dollars)

	<i>ICTY</i> <i>31 December</i> <i>2017</i>	<i>IRMCT</i> <i>31 December</i> <i>2017</i>	<i>Elimination</i> <i>1 January</i> <i>2018</i>	<i>IRMCT</i> <i>1 January</i> <i>2018</i>
Assets				
Cash and cash equivalents	5 846	5 561	–	11 407
Investments	68 401	65 047	–	133 448
Assessed contributions receivable	41 357	9 860	–	51 217
Other accounts receivable	288	16 650	(14 733)	2 205
Other assets	242	1 926	–	2 169
Property, plant and equipment	–	13 686	–	13 686
Intangible	–	2 595	–	2 595
Total assets	116 134	115 325	(14 733)	216 726
Liabilities				
Accounts payable and accrued liabilities	15 816	5 511	(14 733)	6 594
Advance receipts	3	21	–	24
Employee benefits liabilities	38 973	95 169	–	134 142
Judges' benefits liabilities	29 894	21 752	–	51 646
Provisions	420	–	–	420
Other liabilities	–	259	–	259
Total liabilities	85 106	122 712	(14 733)	193 085
Total net assets	31 028	(7 387)	–	23 641

Abbreviations: ICTY, International Tribunal for the Former Yugoslavia; IRMCT, International Residual Mechanism for Criminal Tribunals.

89. Adjustments were made to the carrying amounts of the assets and liabilities recorded by each combining operation, the International Tribunal for the Former Yugoslavia and the Mechanism, as at 1 January 2018, in order to align with the resulting entity's fund accounting basis.

90. Accordingly, the following transaction, corresponding to a payable of \$14.73 million for the International Tribunal for Former Yugoslavia and a receivable of the same amount for the Mechanism prior to the amalgamation, was eliminated. This amount relates to \$0.93 million in respect of judges' benefits liabilities and \$13.80 million in respect of employee benefits liabilities in connection with their transfer from the Tribunal to the Mechanism.

Amounts recognized in net assets as at 1 January 2018

(Thousands of United States dollars)

	<i>Note</i>	<i>ICTY</i>	<i>IRMCT</i>	<i>Total</i>
Accumulated surpluses/(deficits) — unrestricted		31 028	(12 441)	18 587
Accumulated surpluses/(deficits) — restricted		–	5 054	5 054
Total net assets		31 028	(7 387)	23 641

Abbreviations: ICTY, International Tribunal for the Former Yugoslavia; IRMCT, International Residual Mechanism for Criminal Tribunals.

Note 6

Comparison to budget

91. Statement V: The statement of comparison of budget and actual amounts presents the difference between budget amounts, which are prepared on a modified cash basis, and actual expenditure on a comparable basis.

92. Approved budgets are those that authorize expenses to be incurred and are approved by the General Assembly. Prior to the beginning of the biennium 2018–2019, the Assembly authorized the Secretary-General to enter into commitments in an amount not to exceed \$87.80 million for the one-year period from 1 January to 31 December 2018. Subsequently, in its resolutions 72/258 B and 73/277, the Assembly approved the Mechanism's budget appropriations for the biennium 2018–2019. Annual budget apportionments are funded by assessments to Member States, 50 per cent in accordance with the scale of assessments applicable to the United Nations regular budget and 50 per cent in accordance with the scale of assessments applicable to peacekeeping operations.

93. The original annual budget is the portion of the appropriation allocated to 2018. The final annual budget reflects the original budget and any adjustments reflected in the revised appropriation. Revised appropriations reflect variances in gross requirements due to changes in budgetary assumptions such as exchange rates, inflation, standard salary and common staff costs and vacancy rates. Explanations for material differences (i.e., those greater than 10 per cent) between (a) the original and final budget amounts and (b) the final budget amounts and actual expenditure on a modified cash basis, are considered in the following table.

<i>Budget area</i>	<i>Material differences greater than 10 per cent</i>	
	<i>Original versus final budget</i>	<i>Final budget versus actual expenses on a budget basis</i>
Chambers	Variance of less than 10 per cent	Actual expenses are 28.5 per cent lower than the 2018 final budget. This variance is due to a combination of (i) the postponement of certain legal activities scheduled to take place in 2018 due to reductions in budget which impacted the Mechanism's ability to hold more than one proceeding a day and to

<i>Material differences greater than 10 per cent</i>		
<i>Budget area</i>	<i>Original versus final budget</i>	<i>Final budget versus actual expenses on a budget basis</i>
		<p>sit for extended hours, (ii) the earlier-than-anticipated finalization of one case; and (iii) a more prudent allocation of assigned workdays, resulting in fewer than estimated judges workdays to be remunerated. It is anticipated that 2019 will see greater expenditure due to the occurrence of previously unanticipated legal activities.</p>
Office of the Prosecutor	Variance of less than 10 per cent	<p>Actual expenses are 11.9 per cent below (on average) for these budget areas. In December 2017, by its resolution 72/258 A, the General Assembly did not approve the proposed budget for the Mechanism and instead approved a commitment authority amounting to \$87.8 million gross for the maintenance of the Mechanism for one year. In the light of that decision, the Mechanism developed and implemented an expenditure reduction plan. The resulting budgetary constraints left the Mechanism with depleted staffing levels in many areas, as well as reduced non-post resources, exposing the Mechanism to operational risks and having a negative impact on its ability to conduct and complete its functions in a timely and effective manner and have already forced the Mechanism to postpone or delay a variety of planned activities. A revised and significantly reduced budget submission was approved by the General Assembly in July 2018, at which time operations commensurate with the approved budget resumed. Notwithstanding these challenges, the Mechanism is determined to effectively and efficiently fulfil its mandate and complete the programmed activities for the 2018–2019 biennium in full by the end of 2019.</p>
Registry	Variance of less than 10 per cent	
Records management and archives	Variance of less than 10 per cent	
Liabilities for payment of pensions of retired judges and ASHI for former staff members	Variance of less than 10 per cent	<p>The variance of (15.7 per cent) is due to lower than projected requirements for the after service health insurance (ASHI) of former staff of the International Criminal Tribunal for Rwanda and the International Tribunal for the Former Yugoslavia.</p>

Abbreviations: ASHI, after-service health insurance; ICTR, International Criminal Tribunal for Rwanda; ICTY, International Tribunal for the Former Yugoslavia.

Reconciliation between actual amounts on a comparable basis and the statement of cash flows

94. The reconciliation between the actual amounts on a comparable basis in the statement of comparison of budget and actual amounts and the actual amounts in the statement of cash flows is as follows:

Reconciliation of actual amounts on a comparable basis to the statement of cash flows

(Thousands of United States dollars)

<i>Current year: 2018</i>	<i>Operating</i>	<i>Investing</i>	<i>Financing</i>	<i>Total</i>
Actual amounts on a comparable basis (statement V)	(86 504)	(13)	–	(86 517)
Basis differences	(4 178)	(489)	–	(4 667)
Entity differences	1 605	–	–	1 605
Presentation differences	104 555	(5 170)	–	99 385
Actual amounts in the statement of cash flows (statement IV)	15 478	(5 672)	–	(9 806)
<i>Prior-year comparative: 2017</i>	<i>Operating</i>	<i>Investing</i>	<i>Financing</i>	<i>Total</i>
Actual amounts on a comparable basis (statement V)	(71 333)	(793)	–	(72 126)
Basis differences	3 185	(2 269)	–	916
Entity differences	(606)	–	–	(606)
Presentation differences	79 366	(8 549)	–	70 817
Actual amounts in the statement of cash flows (statement IV)	10 612	(11 611)	–	(999)

95. Basis differences comprise the differences resulting from preparing the budget on a modified cash basis. In order to reconcile the budgetary results to the statement of cash flows, the modified-cash elements, such as unliquidated obligations, which are commitments against budget but do not represent a cash flow, outstanding assessed contributions and payments against prior-year obligations which do not apply to the current year, must be eliminated. Similarly, IPSAS-specific differences, such as cash flows relating to acquisition of property, plant and equipment or intangibles, and indirect cash flows relating to changes in receivables due to movements in the allowance for doubtful receivables and accrued liabilities, are included as basis differences to be reconciled to the statement of cash flows.

96. Presentation differences are differences in the format and classification schemes in the statement of cash flows and the statement of comparison of budget and actual amounts, which include the latter not presenting income and the net changes in main pool balances. Other presentation differences are the non-segregation of the amounts included in the statement of comparison of budget and actual amounts into the operating, investing and financing activities.

97. Entity differences arise when the actual amounts on the budget basis omit programmes or funds that are part of the Mechanism, as reported in the statement of cash flows, or vice versa. Those differences represent cash flows to or from funds other than the regular budget fund that are reported in the financial statements. The financial statements include results for all the Mechanism's funds.

Status of appropriations

98. In accordance with General Assembly resolutions [72/258 A](#), [72/258 B](#) and [73/277](#), gross appropriations for the Mechanism for the biennium 2018–2019 and gross assessments for each year are as follows:

(Thousands of United States dollars)

	<i>Gross appropriation</i>
Mechanism	
Initial appropriation for the biennium 2018–2019 (resolution 72/258 B)	196 024
First performance report for the biennium 2018–2019 (A/73/670)	(303)
Total final appropriation for the biennium 2018–2019	195 721
Assessment for 2018 (resolution 72/258 B)	(98 012)
Balance to be assessed for 2019 (resolution 73/277)	(97 709)

Note 7**Financial instruments**

(Thousands of United States dollars)

<i>Financial instruments</i>	<i>31 December 2018</i>	<i>31 December 2017</i>
Financial assets		
Fair value through the surplus or deficit		
Short-term investments – main pool	131 630	49 507
Long-term investments – main pool	10 195	15 540
Total fair value through the surplus or deficit	141 825	65 047
Loans and receivables		
Cash and cash equivalents – main pool	15 350	5 559
Cash and cash equivalents – other	17	2
Subtotal total cash and cash equivalents	15 367	5 561
Assessed contributions receivable	48 778	9 860
Other accounts receivable (note 8)	1 801	16 650
Other assets (excluding advances)	21	–
Total loans and receivables	50 600	26 510
Total carrying amount of financial assets	207 792	97 118
Of which relates to financial assets held in the main pool	157 175	70 606
Financial liabilities at amortized cost		
Accounts payable and accrued liabilities (note 12)	3 825	5 511
Total carrying amount of financial liabilities	3 825	5 511

<i>Financial instruments</i>	<i>31 December 2018</i>	<i>31 December 2017</i>
Summary of net income from financial assets		
Net cash pool revenue	3 131	1 023
Other investment revenue	50	40
Total	3 181	1 063

99. Out of \$141.83 million of investments and \$15.37 million of cash and cash equivalents, \$59.16 million relates to the sub-account for the former International Criminal Tribunal for Rwanda and \$85.73 million relates to the sub-account for the former International Tribunal for the Former Yugoslavia which were amalgamated into the Mechanism. These amounts of cash and investments are restricted pending a decision of the General Assembly on its disposal following the closure of both Tribunals.

Note 8

Accounts receivable

Assessed contributions receivable

(Thousands of United States dollars)

	<i>31 December 2018</i>	<i>31 December 2017</i>
Assessed contributions	48 871	9 899
Allowance for doubtful receivables – assessed	(93)	(39)
Total assessed contributions receivable	48 778	9 860

100. Out of the \$48.8 million at the end of the fiscal year, \$7.66 million corresponds to arrears to the former International Criminal Tribunal for Rwanda for which final assessment was issued in 2016, and \$26.65 million corresponds to arrears to the former International Tribunal for the Former Yugoslavia, for which final assessment for 2017 was issued in January 2018. Payments received during 2018 for the assessed contributions for the International Criminal Tribunal for Rwanda amounted to \$0.13 million, and payment received in 2018 for the former International Tribunal for the Former Yugoslavia amounted to \$13.66 million. The assessed contributions receivables for the Mechanism sub-account amount to \$14.56 million, out of which \$12.10 million correspond to 2018 assessment.

101. Countries subject to Article 19 of the Charter of the United Nations are considered to be those with regard to which the General Assembly has decided that failure to pay the minimum amount under that Article was due to conditions beyond their control. Those countries are therefore permitted to vote despite their accumulated arrears (see Assembly resolutions [70/2](#) and [71/2](#)). In accordance with past practice, it is considered that there are no Member States with valid multi-year payment plans.

Other accounts receivable

(Thousands of United States dollars)

	31 December 2018	31 December 2017
Current other receivables		
Member States	2 522	1 752
Receivables from other United Nations entities	27	14 865
Other exchange revenue receivables	–	33
Allowance for doubtful receivables – other receivables	(748)	–
Total other receivables (current)	1 801	16 650

102. Receivables from Member States include primarily a balance of recoverable value-added tax of \$2.52 million for the Mechanism, including \$1.76 million from the United Republic of Tanzania, \$0.66 million from the Netherlands and \$0.08 million from Rwanda.

103. Allowance for doubtful receivables relates to recoverable value added tax (VAT) due for more than one year. In December 2014, the parliament of the United Republic of Tanzania passed a new VAT bill whereby international organizations eligible for exemption were required to pay VAT and claim refunds. Following this change, the Mechanism's VAT receivable has increased and aged steadily.

Movement in the allowance for doubtful receivables

(Thousands of United States dollars)

	31 December 2018	31 December 2017
Opening allowance for doubtful receivables	39	2
Balance amalgamated from ICTY	55	–
Amounts written off	–	–
Doubtful receivables adjustment for current year	748	37
Closing allowance for doubtful receivables	842	39

Note 9**Other assets**

(Thousands of United States dollars)

	31 December 2018	31 December 2017
Advances to staff	752	499
Advances to vendor	277	1 035
Deferred charges	59	392
Other	25	–
Total	1 113	1 926

104. Other assets include education grant advances and prepayments for goods or services to be delivered. Advances to vendor comprise primarily the advance payment for information technology applications and equipment maintenance prepaid in 2018 for an amount of \$0.13 million.

Note 10
Property, plant and equipment

105. As at the reporting date, the Mechanism had identified an asset (video conferencing equipment) to be impaired for an immaterial amount of less than \$0.01 million. The Mechanism had no significant heritage assets as at the reporting date.

106. During the reporting period, the Arusha branch of the Mechanism disposed mostly of fully depreciated property and equipment, including 15 containerized accommodations, several closed-circuit television and security surveillance-related equipment, audiovisual and conferencing equipment, and two X-ray inspection machines, that were rendered obsolete following the move to the new premises. The Hague branch disposed of fully depreciated items, including audiovisual, information technology and office equipment, as well as six fully depreciated vehicles, of which five were from the Sarajevo office, identified as surplus, which were disposed of by sale.

Property, plant and equipment

(Thousands of United States dollars)

<i>Current year: 2018</i>	<i>Infrastructure</i>	<i>Buildings</i>	<i>Furniture and fixtures</i>	<i>Communications and information technology equipment</i>	<i>Vehicles</i>	<i>Machinery and equipment</i>	<i>Total</i>
Cost							
As at 1 January 2018	1 458	8 001	377	15 349	1 615	1 532	28 332
Additions	114	123	–	181	51	34	503
Disposals	–	(107)	(63)	(507)	(139)	(570)	(1 386)
As at 31 December 2018	1 572	8 017	314	15 023	1 527	996	27 449
Accumulated depreciation and impairment							
As at 1 January 2018	64	442	241	11 576	1 229	1 094	14 646
Depreciation and impairment	60	336	28	1 096	119	99	1 738
Disposals	–	(108)	(63)	(505)	(139)	(563)	(1 378)
Impairment losses (assets still not retired)	–	–	–	2	–	–	2
As at 31 December 2018	124	670	206	12 169	1 209	630	15 008
Net carrying amount							
As at 1 January 2018	1 394	7 559	136	3 773	386	438	13 686
As at 31 December 2018	1 448	7 347	108	2 854	318	366	12 441
<i>Prior-year comparative: 2017</i>							
Cost							
As at 1 January 2017	1 458	7 386	167	8 152	1 075	1 413	19 651
Additions	–	615	46	881	55	188	1 785
Disposals	–	–	(26)	(522)	(193)	(106)	(847)
External transfers	–	–	–	(26)	–	–	(26)

<i>Prior-year comparative: 2017</i>	<i>Infrastructure</i>	<i>Buildings</i>	<i>Furniture and fixtures</i>	<i>Communications and information technology equipment</i>	<i>Vehicles</i>	<i>Machinery and equipment</i>	<i>Total</i>
Transfer from ICTY	–	–	255	6 799	581	37	7 672
Other changes	–	–	(65)	65	97	–	97
As at 31 December 2017	1 458	8 001	377	15 349	1 615	1 532	28 332
Accumulated depreciation and impairment							
As at 1 January 2017	5	121	111	4 866	740	1 001	6 844
Depreciation and impairment	59	321	11	1 173	99	129	1 792
Disposals	–	–	(26)	(523)	(149)	(73)	(771)
External transfers	–	–	–	(3)	–	–	(3)
Transfer from ICTY	–	–	158	6 050	495	37	6 740
Other changes	–	–	(13)	13	44	–	44
As at 31 December 2017	64	442	241	11 576	1 229	1 094	14 646
Net carrying amount							
As at 1 January 2017	1 453	7 265	56	3 286	335	412	12 807
As at 31 December 2017	1 394	7 559	136	3 773	386	438	13 686

Abbreviation: ICTY, International Tribunal for the Former Yugoslavia.

Note 11 Intangibles

(Thousands of United States dollars)

<i>Current year: 2018</i>	<i>Software internally developed</i>	<i>Software acquired externally</i>	<i>Asset under development</i>	<i>Total</i>
Cost				
As at 1 January	468	761	1 810	3 039
Additions	–	–	–	–
As at 31 December	468	761	1 810	3 039
Accumulated amortization and impairment				
As at 1 January	211	233	–	444
Amortization and impairment	94	157	–	251
As at 31 December	305	390	–	695
Net carrying amount				
As at 1 January	257	528	1 810	2 595
As at 31 December	163	371	1 810	2 344

<i>Prior-year comparative: 2017</i>	<i>Software internally developed</i>	<i>Software acquired externally</i>	<i>Asset under development</i>	<i>Total</i>
Cost				
As at 1 January	468	477	695	1 640
Additions	–	162	1 115	1 277
Transfer from ICTY	–	122	–	122
As at 31 December	468	761	1 810	3 039
Accumulated amortization and impairment				
As at 1 January	117	40	–	157
Amortization	94	106	–	200
Transfer from ICTY	–	87	–	87
As at 31 December	211	233	–	444
Net carrying amount				
As at 1 January	351	437	695	1 483
As at 31 December	257	528	1 810	2 595

Abbreviation: ICTY, International Tribunal for the Former Yugoslavia.

107. As at 31 December 2018, the Mechanism had identified two assets (software licences) to be impaired for an immaterial amount of less than \$0.01 million.

108. The intangible asset under development relates to the unified judicial database project replacing the existing databases that were created separately by the International Criminal Tribunal for Rwanda and the International Tribunal for the Former Yugoslavia. The project has been suspended since December 2017, when the viability of its continuity came into question. In order to determine the way forward, the Board of Auditors recommended that an independent review be performed. That review was performed by OIOS during the last quarter of 2018 and the results indicated that, prior to assessing the viability of the project, a complete business process harmonization should be conducted across both branches of the Mechanism and that, on the basis of revised practices, an updated set of requirements for the system should be developed.

109. The business process harmonization is expected to commence in early 2019 pending identification of the resources required to commence. Once complete, and with a freshly updated set of functional requirements, a decision will be made as to whether the current approach remains viable, or whether a fresh start should be undertaken.

Note 12

Accounts payable and accrued liabilities

(Thousands of United States dollars)

	<i>31 December 2018</i>	<i>31 December 2017</i>
Vendor payables (accounts payable)	733	2 683
Payables to other United Nations entities	220	245
Accruals for goods and services	1 786	1 930
Accounts payable – other	1 086	653
Total accounts payable and accrued liabilities (current)	3 825	5 511

110. Accounts payable and accrued liabilities of \$3.83 million consist mainly of accruals for goods and services of \$1.79 million, other accounts payable of \$1.09 million, which includes \$0.59 million for detention facilities and \$0.32 million for defence teams' fees, and vendor payables of \$0.73 million.

Note 13

Advance receipts

111. Advance receipts represent assessed contributions received in advance or overpayments received from Member States; these amounted to \$0.21 million in 2018 (2017: \$0.02 million).

Note 14

Employee benefits liabilities

(Thousands of United States dollars)

<i>Year ended 31 December 2018</i>	<i>Current</i>	<i>Non-current</i>	<i>Total</i>
After-service health insurance	1 949	103 410	105 359
Annual leave	353	4 102	4 455
Repatriation benefits	681	6 795	7 476
Subtotal: defined benefits liabilities	2 983	114 307	117 290
Appendix D/workers' compensation	34	723	757
Accrued salaries and allowances	4 204	533	4 737
Total employee benefits liabilities	7 221	115 563	122 784
<i>Year ended 31 December 2017</i>	<i>Current</i>	<i>Non-current</i>	<i>Total</i>
After-service health insurance	1 046	77 993	79 039
Annual leave	355	4 337	4 692
Repatriation benefits	679	8 432	9 111
Subtotal: defined benefits liabilities	2 080	90 762	92 842
Appendix D/workers' compensation	33	807	840
Accrued salaries and allowances	1 487	—	1 487
Total employee benefits liabilities	3 600	91 569	95 169

112. The liabilities arising from end-of-service/post-employment benefits and the workers' compensation programme under appendix D to the Staff Rules of the United Nations are determined by independent actuaries and are established in accordance with the Staff Regulations of the United Nations and Staff Rules. Actuarial valuation is usually undertaken every two years. The most recent full actuarial valuation was conducted as at 31 December 2018.

113. The total employee benefits liability increased by \$27.62 million in 2018, mainly due to the net increase of \$19.40 million of defined employee benefit liabilities carried from the International Tribunal for the Former Yugoslavia in the amount of \$30.81 million and an actuarial gain of \$11.41 million arising from changes in financial assumptions and experience adjustments in the recent actuarial valuation. Accrued salaries and allowances increased mainly owing to repatriation expenses for staff separated from the Tribunal. The remaining difference is constituted by service

cost, interest obligation and appendix D workers' compensation, offset by benefits paid.

Actuarial valuation – assumptions

114. The Mechanism reviews and selects assumptions and methods used by the actuaries in the year-end valuation to determine the expense and contribution requirements for the employee benefits. The principal actuarial assumptions used to determine the employee benefit obligations in the 31 December 2018 valuation are as follows:

Principal actuarial assumptions

(Percentage)

<i>Assumptions</i>	<i>After-service health insurance</i>	<i>Repatriation benefits</i>	<i>Annual leave</i>
Discount rates: 31 December 2017	3.94	3.52	3.52
Discount rates: 31 December 2018	4.62	4.17	4.18
Inflation: 31 December 2017	4.00–5.70	2.20	–
Inflation: 31 December 2018	3.89–5.57	2.20	–

115. For the 2018 actuarial valuations, the yield curves used in the calculation of the discount rates in respect of the United States dollar, the euro and the Swiss franc are those developed by Aon Hewitt and detailed in the actuarial report. This is consistent with the decision of the Task Force on Accounting Standards – established under the auspices of the Finance and Budget Network of the High-level Committee on Management of the United Nations System Chief Executives Board for Coordination – taken in the context of the harmonization of actuarial assumptions across the United Nations system and the recommendation of the Advisory Committee on Administrative and Budgetary Questions (see [A/71/815](#), para. 26) endorsed by the General Assembly (see resolution [71/272 B](#), sect. IV). The discount rates reflected in the 2018 after-service liability valuations were based on a weighted blend of per currency discount rates, themselves calculated on the basis of United States dollar, euro and Swiss franc cash flows.

116. For the appendix D workers' compensation valuation, the actuaries applied the year-end discount rate developed by Aon Hewitt applicable to the year in which the cash flow takes place. For 2018, the single equivalent discount rate obtained is 4.53 per cent.

117. As at 31 December 2018, the salary increase assumptions for staff in the Professional category were 8.5 per cent for the age of 23, grading down to 4.0 per cent for the age of 70. The salaries of staff in the General Service category were assumed to increase by 6.8 per cent for the age of 19, grading down to 4.0 per cent for the age of 65.

118. The per capita claim costs for the after-service health insurance plans are updated to reflect recent claims and enrolment experience. The health-care cost trend rate assumption reflects the current short-term expectations of after-service health insurance plan cost increases and the economic environment. The medical cost trend rate assumptions that were used for the valuation as at 31 December 2018 were updated to include escalation rates for future years. As at 31 December 2018, these escalation rates were health-care yearly escalation rates of 3.9 per cent (2017: 4.0 per cent) for non-United States medical plans and 5.6 per cent (2017: 5.7 per cent) for all other medical plans (except 5.4 per cent (2017: 5.5 per cent) for the United States Medicare plan and 4.7 per cent (2017: 4.8. per cent) for the United States dental plan).

The escalation rates grade down to 3.65 per cent over 4 years for eurozone medical plans, to 3.05 per cent over 9 years for Swiss franc medical plans, and to 3.85 per cent for all other medical plans.

119. With regard to the valuation of repatriation benefits as at 31 December 2018, inflation in travel costs was assumed to be 2.20 per cent (2017: 2.20 per cent), on the basis of the projected United States inflation rate over the next 20 years. The assumption for 2017 was over 10 years.

120. Annual leave balances were assumed to increase at the following annual rates during the staff member's projected years of service: one to three years, 9.1 per cent; four to eight years, 1.0 per cent; and nine years and over, 0.1 per cent.

121. Assumptions regarding future mortality are based on published statistics and mortality tables. Salary increases, retirement, withdrawal and mortality assumptions are consistent with those used by the United Nations Joint Staff Pension Fund in making its actuarial valuation. Appendix D workers' compensation uses mortality assumptions based on World Health Organization statistical tables.

Movement in employee benefits liabilities accounted for as defined benefit plans

(Thousands of United States dollars)

	<i>After-service health insurance</i>	<i>Repatriation grant</i>	<i>Annual leave</i>	<i>Total</i>
Net defined benefit obligation as at 1 January				
Net defined benefit obligation (IRMCT)	79 039	9 111	4 692	92 842
Net defined benefit obligation (ICTY)	30 805	–	–	30 805
Amalgamated net defined benefit obligation	109 844	9 111	4 692	123 647
Current service cost	2 369	480	356	3 205
Interest on obligation	4 262	308	159	4 729
Total cost recognized in the statement of financial performance	6 631	788	515	7 934
Benefits paid	(1 806)	(703)	(368)	(2 877)
Actuarial (gains)/losses recognized directly in the statement of changes in net assets	(9 310)	(1 720)	(384)	(11 414)
Net defined benefit liability as at 31 December 2018	105 359	7 476	4 455	117 290
	<i>After-service health insurance</i>	<i>Repatriation grant</i>	<i>Annual leave</i>	<i>Total</i>
Net defined benefit obligation as at 31 December 2016	51 515	5 258	4 124	60 897
Current service cost	1 246	627	408	2 281
Interest on obligation	2 082	182	145	2 409
Total cost recognized in the statement of financial performance	3 328	809	553	4 690
Benefits paid	(1 025)	(633)	(384)	(2 042)
Transfer from ICTY	5 777	1 040	750	7 567

	<i>After-service health insurance</i>	<i>Repatriation grant</i>	<i>Annual leave</i>	<i>Total</i>
Actuarial (gains)/losses recognized directly in the statement of changes in net assets	19 444	2 637	(351)	21 730
Net defined benefit liability as at 31 December 2017	79 039	9 111	4 692	92 842

Abbreviations: ICTY, International Tribunal for the Former Yugoslavia; IRMCT, International Residual Mechanism for Criminal Tribunals.

122. The General Assembly, in section II of its resolution [70/243](#), authorized the Secretary-General to establish a sub-account within the Mechanism to address the requirement for the pensions of retired judges, and their surviving spouses, of the International Criminal Tribunal for Rwanda and for the after-service health insurance benefits to former staff of the Tribunal, on a pay-as-you-go basis.

123. Following the closure of the International Tribunal for the Former Yugoslavia and in accordance with resolution [70/243](#), the above-mentioned sub-account within the Mechanism was extended to the Tribunal to manage, on a pay-as-you-go basis, the accrued liabilities for the after-service health insurance benefits to former staff.

Discount rate sensitivity analysis

124. The changes in discount rates are driven by the discount curve, which is calculated on the basis of corporate and government bonds. The bond markets vary over the reporting year, and the volatility impacts the discount rate assumption. Should the discount rate assumption vary by 1 per cent, its impact on the obligations would be as follows:

Impact on obligations of changes in discount rate

(Thousands of United States dollars)

	<i>After-service health insurance</i>	<i>Repatriation benefits</i>	<i>Annual leave</i>
31 December 2018:			
Increase of discount rate by 1 per cent	(16 752)	(617)	(367)
Decrease of discount rate by 1 per cent	21 706	712	421
31 December 2017:			
Increase of discount rate by 1 per cent	(14 525)	(809)	(419)
Decrease of discount rate by 1 per cent	19 424	942	485

Medical costs sensitivity analysis

125. The principal assumption in the valuation of the after-service health insurance is the rate at which medical costs are expected to increase in the future. The sensitivity analysis examines the change in liability owing to changes in the medical cost rates while holding other assumptions, such as the discount rate, constant. Should the medical cost trend assumption vary by 1 per cent, it would impact the measurement of the defined benefit obligations as follows:

A movement of 1 per cent in the assumed medical costs trend rates

(Thousands of United States dollars)

	<i>Increase</i>	<i>Decrease</i>
31 December 2018:		
Effect on the defined benefit obligation	22 127	(17 329)
Effect on the aggregate of the current service cost and interest cost	1 650	(1 259)
31 December 2017:		
Effect on the defined benefit obligation	19 595	(14 891)
Effect on the aggregate of the current service cost and interest cost	1 494	(1 257)

Other defined benefit plan information

126. Benefits paid for 2018 are estimates of what would have been paid to separating staff and/or retirees during the year on the basis of the pattern of rights acquisition under each scheme: after-service health insurance, repatriation and commutation of accrued annual leave. The estimated defined benefit payments (net of participants' contributions in these schemes) are shown in the following table.

Estimated defined benefit payments, net of participants' contributions

(Thousands of United States dollars)

	<i>After-service health insurance</i>	<i>Repatriation benefits</i>	<i>Annual leave</i>	<i>Total</i>
2019	2 040	709	368	3 117
2018	1 806	703	368	2 877

Historical information: total liability for after-service health insurance, repatriation benefits and annual leave as at 31 December

(Thousands of United States dollars)

	<i>2018</i>	<i>2017</i>	<i>2016</i>	<i>2015</i>	<i>2014</i>
Present value of the defined benefit obligations	117 920	92 842	60 897	13 923	11 627

Appendix D/workers' compensation costs sensitivity analysis

127. The sensitivity analysis looks at the change in liability resulting from changes in the cost-of-living adjustment as well as changes in assumed discount rates. A change of 1 per cent in the cost-of-living adjustment and in the assumed discount rates would have an impact on the measurement of the appendix D obligation as shown in the following table:

Appendix D costs: effect of 1 per cent movement in cost-of-living adjustment sensitivity on year-end liability

(Thousands of United States dollars and percentage)

	<i>31 December 2018</i>	<i>31 December 2017</i>
Increase of cost-of-living adjustment by 1 per cent	132	157
As a percentage of year-end liability	17	19
Decrease of cost-of-living adjustment by 1 per cent	(105)	(124)
As a percentage of year-end liability	(14)	(15)

Appendix D costs: effect of 1 per cent movement in assumed discount rate sensitivity on year-end liability

(Thousands of United States dollars and percentage)

	31 December 2018	31 December 2017
Increase of discount rate by 1 per cent	(98)	(118)
As a percentage of year-end liability	(13)	(14)
Decrease of discount rate by 1 per cent	125	151
As a percentage of year-end liability	17	18

Accrued salaries and allowances

128. Accrued salaries and allowances as at year-end consist of accruals for home leave (\$0.44 million (2017: \$0.72 million)); accruals for outstanding payments for staff members separated (\$0.39 million (2017: \$0.15 million)); accrual for repatriation grant to be paid to former staff members (\$3.79 million (2017: \$0.44 million)); and other miscellaneous accrual for staff entitlements (\$0.02 million (2017: \$0.17 million)). The significant increase in accruals for separation relates to amounts for former staff of the International Tribunal for the Former Yugoslavia, as separated staff can make claims to certain entitlements up to two years after separation. The Mechanism recognized no termination benefits during the year.

129. Following the closure of the International Tribunal for the Former Yugoslavia, accruals for repatriation, annual leave and other separation benefits for staff departing from the Tribunal were recognized in accordance with the Staff Regulations and Rules and reported under Accrued salaries and allowances. The Mechanism has processed all separations except for those claims such as repatriation grant and repatriation travel for which the staff have up to two years after separation to submit evidence of relocation. In addition, the Inter-Organization Agreement concerning Transfer, Secondment or Loan of Staff among the Organizations Applying the United Nations Common System of Salaries and Allowances provides that, if the staff member is separated from service after transfer, any terminal payments due to the staff member will be paid by the receiving organization, provided that the organization can recover from the releasing organization a portion of the payments if separation occurs within two years of the transfer. The Mechanism expects that by the end of 2019 all accrued salaries and allowances related to the closure of the Tribunal will be fully settled or reversed should the related entitlement be deemed to have expired. The sub-account for the former International Tribunal for the Former Yugoslavia (see note 25) currently retains liabilities as follows.

(Thousands of United States dollars)

Year ended 31 December 2018	Current	Non-current	Total
After-service health insurance	757	30 361	31 118
Subtotal: defined benefit liabilities	757	30 361	31 118
Accrued salaries and allowances	3 300	512	3 812
Total employee benefits liabilities	4 057	30 873	34 930

(Thousands of United States dollars)

<i>Year ended 31 December 2018</i>	<i>Current</i>	<i>Non-current</i>	<i>Total</i>
Salaries and other allowances	12	–	12
Annual leave	192	–	192
Repatriation benefits	2 903	512	3 415
Termination benefits	193	–	193
Total accrued salaries and allowances	3 300	512	3 812

United Nations Joint Staff Pension Fund

130. The Regulations of the Pension Fund state that the Pension Board shall have an actuarial valuation made of the Fund at least once every three years by the consulting actuary. The practice of the Pension Board has been to carry out an actuarial valuation every two years using the open group aggregate method. The primary purpose of the actuarial valuation is to determine whether the current and estimated future assets of the Pension Fund will be sufficient to meet its liabilities.

131. The Mechanism's financial obligation to the Pension Fund consists of its mandated contribution, at the rate established by the General Assembly (currently at 7.9 per cent for participants and 15.8 per cent for member organizations), together with any share of any actuarial deficiency payments under article 26 of the Regulations of the Fund. Such deficiency payments are payable only if and when the Assembly has invoked the provision of article 26, following a determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Fund as at the valuation date. Each member organization shall contribute to this deficiency an amount proportionate to the total contributions which each paid during the three years preceding the valuation date.

132. During 2017, the Fund identified that there were anomalies in the census data utilized in the actuarial valuation performed as at 31 December 2015. As such, as an exception to the normal biennial cycle, a roll-forward of the participation data as at 31 December 2013 to 31 December 2016 was used by the Fund for its 2016 financial statements.

133. The actuarial valuation as at 31 December 2017 resulted in a funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, of 139.2 per cent (150.1 per cent in the 2016 roll forward). The funded ratio was 102.7 per cent (101.4 per cent in the 2016 roll forward) when the current system of pension adjustments was taken into account.

134. After assessing the actuarial sufficiency of the Fund, the consulting actuary concluded that there was no requirement, as at 31 December 2017, for deficiency payments under article 26 of the Regulations of the Fund, as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the Fund. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as at the valuation date. At the time of reporting, the General Assembly had not invoked the provision of article 26.

135. Should article 26 be invoked owing to an actuarial deficiency, either during the ongoing operation or owing to the termination of the Fund pension plan, deficiency payments required from each member organization would be based upon the proportion of that member organization's contributions to the total contributions paid to the Fund during the three years preceding the valuation date. Total contributions paid to the Pension Fund during the preceding three years (2015, 2016 and 2017)

amounted to \$6,931.39 million, of which 0.27 per cent was contributed by the Mechanism.

136. During 2018, the Mechanism's contributions paid to the Pension Fund amounted to \$10.99 million (2017: \$8.23 million).

137. Membership of the Fund may be terminated by decision of the United Nations General Assembly, upon the affirmative recommendation of the Pension Board. A proportionate share of the total assets of the Fund at the date of termination shall be paid to the former member organization for the exclusive benefit of its staff who were participants in the Fund at that date, pursuant to an arrangement mutually agreed between the organization and the Fund. The amount is determined by the United Nations Joint Staff Pension Board on the basis of an actuarial valuation of the assets and liabilities of the Fund on the date of termination; no part of the assets which are in excess of the liabilities are included in the amount.

138. The Board of Auditors carries out an annual audit of the Pension Fund and reports to the Pension Board on the audit every year. The Pension Fund publishes quarterly reports on its investments, which can be viewed by visiting the Fund website at www.unjspf.org.

Impact of General Assembly resolutions on staff benefits

139. On 23 December 2015, the General Assembly adopted resolution [70/244](#), by which it approved certain changes to the conditions of service and entitlements for all staff serving in the organizations of the United Nations common system, as recommended by the International Civil Service Commission. Some of the changes affect the calculation of other long-term and end-of-service employee benefits liabilities. In addition, a revised education grant scheme has been implemented that affects the computation of this short-term benefit. The impact of these changes is explained in the following table.

<i>Change</i>	<i>Details</i>
Increase in mandatory age of separation	The mandatory age of retirement for staff who joined the United Nations on or after 1 January 2014 is 65. For those who joined before 1 January 2014, the mandatory age of separation has been raised from 60 or 62 to 65 years, from 1 January 2018. The change is expected to impact future calculations of employee benefits liabilities.
Unified salary structure	The salary scales for internationally recruited staff (Professional and Field Service) went into effect on 1 January 2017. Previously, the salary scales were based on the single or dependency rate. Those rates affected staff assessment and post adjustment amounts. The unified salary scale, approved by the General Assembly, resulted in the elimination of single and dependency rates, and the dependency rate was replaced by allowances for staff members who have recognized dependants, in accordance with the Staff Regulations and Rules of the United Nations. A revised staff assessment scale and pensionable remuneration scale was implemented along with the unified salary structure. The change in salary scale did not result in reduced payments for staff members. However, it is expected to affect future valuation of the repatriation benefit and the commuted annual leave benefit.

<i>Change</i>	<i>Details</i>
Repatriation benefit	Staff members are eligible to receive a repatriation grant upon separation provided they have been in service for at least one year in a duty station outside their country of nationality. The General Assembly has since revised eligibility for the repatriation grant from one year to five years for prospective employees, while current employees retain the one-year eligibility. The change in eligibility criteria has already been implemented, effective 1 January 2017, and is expected to affect future calculations of employee benefits liabilities.
Education grant	With effect from the school year in progress on 1 January 2018, the computation of education grant given to eligible staff members utilizes a global sliding scale that is set in one single currency (United States dollar), with the same maximum amount of the grant for all countries. In addition, this revised education grant scheme also changes boarding assistance and education grant travel provided by the Mechanism. Impacts can be seen at the end of the 2017/18 school year and at the time of settlements.

140. The impact of the changes, other than the education grant, has been fully reflected in the actuarial valuation conducted in 2018.

Note 15

Judges' honorariums and allowances liabilities

(Thousands of United States dollars)

	<i>31 December 2018</i>	<i>31 December 2017</i>
Judges' pensions (defined benefit valuation)	42 728	21 752
Judges' relocation allowances	45	–
Total	42 773	21 752
Current	3 001	1 298
Non-current	39 772	20 454
Total	42 773	21 752

141. For the 2018 actuarial valuations, the yield curve used in the calculation of the discount rate is that developed by Aon Hewitt issued for the United States dollars, as the judges' salaries are denominated in dollars and the payment currency of future pensions cannot be presumed. The key assumptions for the valuations of judges' pension benefits liabilities at 31 December 2018 are the discount rate of 4.31 per cent (2017: 3.31 per cent), and inflation rate of 2.20 per cent (2017: 2.20 per cent). The salary increase was assumed to be equal to the inflation rate, as pension schemes are linked to salaries.

142. The General Assembly, in its resolution [70/243](#), authorized the Secretary-General to establish a sub-account within the Mechanism corresponding to the requirement for the pensions of retired judges, and their surviving spouses, of the International Criminal Tribunal for Rwanda and the International Tribunal for the Former Yugoslavia and for after-service health insurance benefits to former staff of the two Tribunals, on a pay-as-you-go basis.

Movement in judges' benefits liabilities accounted for as defined benefit plans

(Thousands of United States dollars)

	2018	2017
Net defined benefit liability at 1 January		
Net defined benefit obligation (IRMCT)	21 752	20 417
Net defined benefit obligation (ICTY)	29 417	–
Amalgamated net defined benefit obligation	51 169	20 417
Current service cost	22	–
Interest cost	1 640	691
Total costs recognized in the statement of financial performance	1 662	691
Benefits paid	(3 230)	(1 273)
Actuarial (gain)/losses recognized directly in the statement of changes in net assets	(6 873)	981
Net defined benefit liability transferred from International Tribunal for the Former Yugoslavia	–	936
Net recognized liability at 31 December	42 728	21 752

Abbreviation: ICTY, International Tribunal for the Former Yugoslavia; IRMCT, International Residual Mechanism for Criminal Tribunals.

143. Owing to the amalgamation of the International Criminal Tribunal for Rwanda and the International Tribunal for the Former Yugoslavia, the Mechanism now carries judges' defined benefits liabilities for retired judges of the former Tribunals, in addition to liabilities for the President, who is the only full-time active judge of the Mechanism. In 2016, total defined benefit liabilities of \$21.01 million were transferred from the International Criminal Tribunal for Rwanda and, in 2017, \$0.94 million was transferred from the International Tribunal for the Former Yugoslavia. On 1 January 2018, the balance of net defined benefit obligations held by the latter of \$29.42 million was amalgamated, which has significantly increased the total judges' defined benefit liabilities for the Mechanism.

Note 16
Provisions

(Thousands of United States dollars)

	Credits to Member States	Litigation and claims	Total
Provisions as at 1 January 2017	829	–	829
Balance amalgamated from ICTR	–	18	18
Amounts used	(829)	(18)	(847)
Provisions as at 31 December 2017 (current)	–	–	–
Change in provisions			
Balance amalgamated from ICTY	–	420	420

	<i>Credits to Member States</i>	<i>Litigation and claims</i>	<i>Total</i>
Additional provisions made	–	–	–
Amounts reversed	–	(420)	(420)
Provisions as at 31 December 2018 (current)	–	–	–

Abbreviation: ICTR, International Criminal Tribunal for Rwanda; ICTY, International Tribunal for the Former Yugoslavia.

144. In its resolution 73/277 of 22 December 2018, the General Assembly revised the initial appropriation for the biennium 2018–2019 from \$196.02 million to \$195.72 million. The 2018 initial assessment of \$98.01 million was adjusted to \$98.38 million; therefore there was no recognition for credits to Member States.

145. With the amalgamation of the International Tribunal for the Former Yugoslavia, the Mechanism carried a provision of \$0.42 million as at 1 January 2018 which was recognized in 2017 for two cases pending before the United Nations Dispute Tribunal. This amount was reversed in 2018, owing to the rejection of the two cases by the Dispute Tribunal. The Mechanism had no events giving rise to a material amount of provision to be recognized for 2018.

Note 17

Other liabilities

(Thousands of United States dollars)

	<i>31 December 2018</i>	<i>31 December 2017</i>
Liabilities under finance lease arrangements	86	172
Total other liabilities (current)	86	172
Liabilities under finance lease arrangements	–	87
Total other liabilities (non-current)	–	87
Total other liabilities	86	259

Note 18

Changes in net assets for the year ended 31 December

146. Net assets comprise the accumulated surpluses/deficits, which represent the residual interest in the assets of the Mechanism after all its liabilities have been deducted. The restricted balances represent the fund balance earmarked for the project to construct facilities in Arusha for the archives of the Mechanism.

147. The net assets balance increased from (\$7.39 million) as at 31 December 2017 to \$53.99 million as at 31 December 2018.

148. The changes in net assets are due primarily to the amalgamation of the International Tribunal for the Former Yugoslavia, which had a positive impact on net assets for an amount of \$31.02 million and actuarial gains of \$18.37 million.

Note 19
Revenue

Assessed contributions

149. Assessed contributions of \$98.38 million (2017: \$64.09 million) have been recorded for the Mechanism in accordance with the Financial Regulations and Rules of the United Nations, the relevant resolutions of the General Assembly and the policies of the United Nations.

(Thousands of United States dollars)

	2018
Assessment for 2018 (resolution 72/258)	98 012
Add: share of revised appropriations for the biennium attributable to resolution 73/277	368
Revenue from assessed contributions	98 380

Other revenue

150. Other revenue includes foreign exchange gains of \$0.05 million and other miscellaneous revenue of \$0.28 million.

Note 20
Expenses

Employee salaries, allowances and benefits

151. Employee salaries include international, national and general temporary staff salaries, post adjustments and staff assessments. Allowances and benefits include other staff entitlements, such as pension and insurance, assignment costs, repatriation, hardship and other allowances, as set out in the tables following paragraphs 152 and 153.

152. The basic requirements for a small, self-standing administration for the Mechanism were developed in cooperation between the Mechanism and the former Tribunals and have been included in the Mechanism's budget since 2014. The Mechanism's administrative capacity was established in phases as the Tribunals downsized and eventually closed. As at 1 January 2018, the Mechanism's administration was fully self-standing.

(Thousands of United States dollars)

	31 December 2018	31 December 2017
Salary and wages	51 029	44 340
Pension and insurance benefits	15 271	10 853
Other benefits	618	1 762
Total employee salaries, allowances and benefits	66 918	56 955

Judges' honorariums and allowances

153. Judges' honorariums and allowances include pensions of former and current judges, as well as honorariums which include relocation and other allowances.

(Thousands of United States dollars)

	31 December 2018	31 December 2017
Judges' honorariums	1 418	1 273
Judges' pensions	1 485	743
Judges' honorariums and allowances	2 903	2 016

Contractual services

154. Contractual services expenses consist of fees paid to individuals for services provided to the Mechanism, such as consultancies, expert witnesses, interpreters and Tanzanian police officers. The main components correspond to allowances paid to Tanzanian police officers for security services under the host country agreement totalling \$0.22 million and consultancies totalling \$0.12 million.

(Thousands of United States dollars)

	31 December 2018	31 December 2017
Consultants and individual contractors	393	418
Total contractual services	393	418

Supplies and consumables

155. Supplies and consumables include consumables, spare parts and fuel, as shown in the following table.

(Thousands of United States dollars)

	31 December 2018	31 December 2017
Fuel and lubricants	95	104
Rations	78	88
Spare parts	74	60
Consumables	147	266
Total	394	518

Travel

156. Travel expenses include all staff and non-staff travel which is not considered to be an employee allowance/benefit.

(Thousands of United States dollars)

	31 December 2018	31 December 2017
Staff travel	1 097	1 226
Representative travel	175	82
Total	1 272	1 308

Other operating expenses

157. Other operating expenses include other contracted services, maintenance, utilities, training, security services, shared services, rental, insurance, allowance for bad debt, write-off expenses, hospitality and official functions, foreign exchange losses, losses on sale of property, plant and equipment and donation/transfer of assets.

(Thousands of United States dollars)

	Note	31 December 2018	31 December 2017
Contracted services		10 279	7 528
Acquisition of goods		272	551
Acquisition of intangible assets		149	119
Rent – offices and premises	24	4 445	2 165
Rental – equipment	24	184	131
Maintenance and repair		179	191
Bad debt expense		753	16
Other/miscellaneous operating expenses		(220)	198
Total		16 041	10 899

158. Contracted services include companies' fees for air and ground transport, communications and information technology, facilities, security services, legal services (which include fees to defence teams and costs related to detention services), audit, training, utilities, freight and other services such as translation and verbatim reporting. Details of costs are provided in the table following paragraph 162.

159. The increase in contracted services during 2018 is primarily due to the increase in legal services. There was an increase in fees to defence teams as a result of the unanticipated contempt case, *Turinabo et al.*, which started in September 2018, and the second phase of the appeals proceedings in the case of *Prosecutor v. Ratko Mladić*, which incurred more costs than the previous year. There was also an increase in detention services due to the cost for the United Nations Detention Unit in The Hague, whose costs have been transferred in full from the International Criminal Tribunals for the Former Yugoslavia to the Mechanism.

160. The increase in the cost of rent for offices and premises relates to the closure of the International Tribunal for the Former Yugoslavia. The branch of the Mechanism in The Hague and the Tribunal shared premises on the basis of a 50 per cent cost sharing arrangement until the Tribunal's closure on 31 December 2017, at which time the lease held by the Tribunal was transferred to the Mechanism, and the Mechanism incurred the full costs of the lease arrangements for 2018. However, in the light of the reduced occupancy requirements following the closure, the Mechanism consolidated occupancy into part of the building to limit the increase of utilities and other related costs which otherwise would have increased owing to the leased space transferred from the Tribunal. Discussions are ongoing with the host State and the building's owners on the future arrangements and space for the lease.

161. Bad debt expenses include allowances for doubtful receivables on assessed contributions and write-off of other receivables.

162. Other/miscellaneous operating expenses include primarily movements in provisions.

Other operating expenses: contracted services

(Thousands of United States dollars)

	31 December 2018	31 December 2017
Transport	27	22
Communications and information technology	1 194	973
Facilities	874	1 152
Security services	126	191
Legal service defence counsel	2 466	1 564
Legal service detention service	3 271	1 253
Other legal	137	111
Training	58	132
Utilities	632	402
Freight	165	129
Administrative and audit services	379	953
Other	950	646
Total	10 279	7 528

163. Administrative and audit services comprise primarily finance and administrative services provided by the United Nations Office at Geneva and costs associated with the audit conducted by the Board of Auditors.

164. Other expenses comprise primarily the costs associated with verbatim, translation and medical services.

Note 21**Financial instruments and financial risk management***Main pool*

165. In addition to directly holding cash and cash equivalents and investments, the Mechanism participates in the United Nations Treasury main pool. The main pool comprises operational bank account balances in a number of currencies and investments in United States dollars.

166. Pooling the funds has a positive effect on overall investment performance and risk, because of economies of scale, and through the ability to spread yield curve exposures across a range of maturities. The allocation of cash pool assets (cash and cash equivalents, short-term investments and long-term investments) and revenue is based on each participating entity's principal balance.

167. As at 31 December 2018, the Mechanism participated in the main pool, which held total assets of \$7,504.8 million (2017: \$8,086.5 million), of which \$157.2 million was due to the Mechanism, including \$85.73 million for the former International Tribunal for the Former Yugoslavia, which amalgamated into the Mechanism (2017: Mechanism, \$70.6 million; International Tribunal for the Former Yugoslavia, \$74.2 million), and its share of revenue from the main pool was \$3.2 million (2017: Mechanism, \$1.02 million; International Tribunal for the Former Yugoslavia, \$0.9 million).

Summary of assets and liabilities in the main pool as at 31 December 2018

(Thousands of United States dollars)

	31 December 2018	31 December 2017
Fair value through surplus or deficit		
Short-term investments	6 255 379	5 645 952
Long-term investments	486 813	1 779 739
Total fair value through surplus or deficit	6 742 192	7 425 691
Loans and receivables		
Cash and cash equivalents, main pool	732 926	636 711
Accrued investment income	29 696	24 098
Total loans and receivables	762 622	660 809
Total carrying amount of financial assets	7 504 814	8 086 500
Main pool liabilities		
Payable to the Mechanism	157 192	70 608
Payable to other main pool participants	7 347 622	8 015 892
Total carrying amount of financial liabilities	7 504 814	8 086 500
Main pool net assets	—	—

Summary of net income and expenses of the main pool for the year ended 31 December 2018

	31 December 2018	31 December 2017
Investment revenue	152 805	104 576
Unrealized losses	3 852	874
Investment revenue from main pool	156 657	105 450
Foreign exchange losses	854	7 824
Bank fees	(805)	(853)
Operating expenses from main pool	49	6 971
Revenue and expenses from main pool	156 706	112 421

Financial risk management

168. The United Nations Treasury is responsible for investment and risk management for the main pool, including conducting investment activities in accordance with the Guidelines.

169. The objective of investment management is to preserve capital and ensure sufficient liquidity to meet operating cash requirements while attaining a competitive market rate of return on each investment pool. Investment quality, safety and liquidity are emphasized over the market-rate-of-return component of the objectives.

170. An investment committee periodically evaluates investment performance and assesses compliance with the Investment Management Guidelines and makes recommendations for updates thereto.

Financial risk management: credit risk

171. The Guidelines require ongoing monitoring of issuer and counterparty credit ratings. Permissible main pool investments may include, but are not restricted to, bank deposits, commercial paper, supranational securities, government agency securities and government securities with maturities of five years or less. The main pool does not invest in derivative instruments such as asset-backed and mortgage-backed securities or equity products.

172. The Guidelines require that investments not be made in issuers whose credit ratings are below specifications, and also provide for maximum concentrations with given issuers. These requirements were met at the time the investments were made.

173. The credit ratings used for the main pool are those determined by major credit-rating agencies: S&P Global Ratings, Moody's and Fitch are used to rate bonds and discounted instruments, and the Fitch viability rating is used to rate bank term deposits. At year-end, the credit ratings were as shown in the following table.

Investments of the cash pool by credit ratings as at 31 December 2018

(Percentage)

Main pool					Ratings as at 31 December 2018					Ratings as at 31 December 2017				
Bonds (long-term ratings)					AAA	AA+/AA/AA-	A+	NR		AAA	AA+/AA/AA-	A+	NR	
S&P										S&P				
Global										Global				
Ratings					15.4	79.0	5.6	–		Ratings				
Fitch					55.1	39.3	–	5.6		Fitch				
					Aaa	Aa1/Aa2/Aa3	A1							
Moody's					49.7	50.0	0.3			Moody's				
Commercial papers (short-term ratings)														
					A-1+									
S&P										S&P				
Global										Global				
Ratings					100.0					Ratings				
					F1+									
Fitch					100.0					Fitch				
					P-1									
Moody's					100.0					Moody's				
Reverse repurchase agreement (short-term ratings)														
					A-1+									
S&P										S&P				
Global										Global				
Ratings					100.0					Ratings				
					F1+									
Fitch					100.0					Fitch				
					P-1									
Moody's					100.0					Moody's				
Term deposits (Fitch viability ratings)														
					aaa	aa/aa-	a+/a/a-							
Fitch					–	53.5	46.5			Fitch				

174. The United Nations Treasury actively monitors credit ratings and, because the Organization has invested only in securities with high credit ratings, management does not expect any counterparty to fail to meet its obligations, except for impaired investments.

Credit risk: assessed contributions

175. The ageing of assessed contributions receivable and the associated allowance is as follows:

Ageing of assessed contributions receivable

Ageing of assessed contributions receivable for the Mechanism, the former International Criminal Tribunal for Rwanda and the former International Tribunal for the Former Yugoslavia

(Thousands of United States dollars)

	31 December 2018		31 December 2017	
	Gross receivable	Allowance	Gross receivable	Allowance
Less than one year	14 718	—	2 109	—
One to two years	10 579	—	4 310	—
More than two years	23 574	93	3 480	39
Total	48 871	93	9 899	39

Ageing of assessed contributions receivable for the Mechanism

(Thousands of United States dollars)

	31 December 2018		31 December 2017	
	Gross receivable	Allowance	Gross receivable	Allowance
Less than one year	12 105	—	794	—
One to two years	1 768	—	741	—
More than two years	688	3	574	3
Total	14 561	3	2 109	3

Ageing of assessed contributions receivable for the former International Criminal Tribunal for Rwanda

(Thousands of United States dollars)

	31 December 2018		31 December 2017	
	Gross receivable	Allowance	Gross receivable	Allowance
Less than one year	—	—	—	—
One to two years	—	—	4 310	—
More than two years	7 658	36	3 480	36
Total	7 658	36	7 790	36

Ageing of assessed contributions receivable for the former International Tribunal for the Former Yugoslavia

(Thousands of United States dollars)

	31 December 2018		31 December 2017	
	Gross receivable	Allowance	Gross receivable	Allowance
Less than one year	2 614	–	24 918	–
One to two years	8 811	–	2 231	–
More than two years	15 228	55	14 263	55
Total	26 653	55	41 412	55

Credit risk: cash and cash equivalents

176. The Mechanism held cash and cash equivalents of \$15.37 million at 31 December 2018 (2017: \$5.56 million), which is the maximum credit exposure on these assets.

Financial risk management: liquidity risk

177. The main pool is exposed to liquidity risk associated with the requirement that participants make withdrawals on short notice. It maintains sufficient cash and marketable securities to meet participants' commitments as and when they fall due. The major portion of cash and cash equivalents and investments are available within a day's notice to support operational requirements. Main pool liquidity risk is therefore considered to be low.

Financial risk management: interest rate risk

178. The main pool comprises the Organization's main exposure to interest rate risk, with fixed-rate cash and cash equivalents and investments being interest-bearing financial instruments. As at the reporting date, the main pool had invested primarily in securities with shorter terms to maturity, with the maximum being less than three years (2017: four years). The average duration of the main pool was 0.33 years (2017: 0.61 years), which is considered to be an indicator of low risk.

Main pool interest rate risk sensitivity analysis

179. This analysis shows how the fair value of the main pool as at the reporting date would increase or decrease should the overall yield curve shift in response to changes in interest rates. The investments being accounted for at fair value through surplus or deficit, the change in fair value represents the increase or decrease in the surplus or deficit and net assets. The impact of a shift up or down of up to 200 basis points in the yield curve is shown (100 basis points equals 1 per cent). The basis point shifts are illustrative.

Main pool interest rate risk sensitivity analysis as at 31 December 2018

(Millions of United States dollars)

	Shift in yield curve (basis points)								
	-200	-150	-100	-50	0	+50	+100	+150	+200
Increase/(decrease) in fair value									
Main pool total	48.46	36.34	24.23	12.11	–	(14.89)	(24.22)	(36.33)	(48.44)

Main pool interest rate risk sensitivity analysis as at 31 December 2017

(Millions of United States dollars)

	Shift in yield curve (basis points)								
	-200	-150	-100	-50	0	+50	+100	+150	+200
Increase/(decrease) in fair value									
Main pool total	95.47	71.60	47.73	23.86	–	(23.86)	(47.72)	(71.57)	(95.42)

Other market price risk

180. The main pool is not exposed to significant other price risks because it does not sell short, borrow securities or purchase securities on margin, which limits the potential loss of capital.

Accounting classifications and fair value hierarchy

181. All investments are reported at fair value through surplus and deficit. Cash and cash equivalents carried at nominal value are deemed to be an approximation of fair value.

182. The levels are defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, as derived from prices)
- Level 3: Inputs for the assets or liabilities that are not based on observable market data (that is, unobservable inputs)

183. The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date and is determined by the independent custodian on the basis of the valuation of securities sourced from third parties. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held in the main pool is the current bid price.

184. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques that maximize the use of observable market data. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in level 2.

185. The following fair value hierarchy presents the main pool assets that are measured at fair value at the reporting date. There were no level 3 financial assets nor any liabilities carried at fair value or any significant transfers of financial assets between fair value hierarchy classifications.

Fair value hierarchy for investments as at 31 December: main pool

(Thousands of United States dollars)

	31 December 2018			31 December 2017		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Financial assets at fair value through surplus or deficit						
Bonds – corporates	205 566	–	205 566	355 262	–	355 262
Bonds – non-United States agencies	791 922	–	791 922	1 190 050	–	1 190 050
Bonds – non-United States sovereigns	–	–	–	124 892	–	124 892
Bonds – supranational	174 592	–	174 592	173 275	–	173 275
Bonds – United States treasuries	610 746	–	610 746	610 267	–	610 267
Main pool – commercial papers	219 366	–	219 366	671 945	–	671 945
Main pool – term deposits	–	4 740 000	4 740 000	–	4 300 000	4 300 000
Main pool total	2 002 192	4 740 000	6 742 192	3 125 691	4 300 000	7 425 691

Note 22**Related parties****Key management personnel**

186. Key management personnel are those with the ability to exercise significant influence over financial and operating decisions. For the Mechanism, such personnel are the President and the Prosecutor, at the level of Under-Secretary-General; the Registrar, at the level of Assistant Secretary-General (who together constitute the Coordination Council of the Mechanism), and the Mechanism Registry's Chief of Administration. Those individuals have the relevant authority and responsibility for planning, directing and controlling the Mechanism's activities.

Key management personnel

(Thousands of United States dollars)

	31 December 2018	31 December 2017
Monetary benefits	1 133	792
Total remuneration for the period	1 133	792

187. As at 31 December 2018, after-service health insurance, repatriation and leave benefits for key management personnel included in employee benefits liabilities amounted to \$0.67 million, as determined by actuarial valuation.

188. No close family members of key management personnel were employed by the Mechanism at the management level. Advances made to key management personnel are those made against entitlements in accordance with staff rules and regulations; any such advances against entitlements are widely available to all staff of the Mechanism.

Related entity transactions

189. In the ordinary course of business, to achieve economies in executing transactions, financial transactions are often executed by one financial reporting entity on behalf of another and then subsequently settled.

Balances reflected in the Tax Equalization Fund

190. The present financial statements report employee benefit expenses on gross basis. The tax liabilities are reported separately as part of the Tax Equalization Fund

in the financial statements of the United Nations, Volume I, which also has a financial reporting date of 31 December.

191. The Tax Equalization Fund was established under the provisions of General Assembly resolution 973 (X) to equalize the net pay of all staff members whatever their national tax obligations. The Fund operationally reports as income staff assessment with respect to staff members financed under the regular budget, assessed peacekeeping operations, the international tribunals for Rwanda and the Former Yugoslavia and the International Residual Mechanism for Criminal Tribunals.

192. The Fund includes, as expenditure, credits against the assessments by the regular budget, peacekeeping, the Mechanism and the international tribunals of Member States that do not levy taxes on the United Nations income of their nationals. Member States that do levy income taxes on their nationals working for the Organization do not receive this credit in full. Instead, their share is utilized in the first instance to reimburse staff members financed by the regular budget, peacekeeping, the Mechanism and the international tribunals for taxes paid on their United Nations income. Such reimbursements for taxes paid are reported as expenditure by the Tax Equalization Fund. Staff members financed by extrabudgetary funds who are required to pay income tax are reimbursed directly from the resources of those funds. Since the Organization acts as an agent in this arrangement, net of the related revenue and expenses is reported as a payable in these financial statements.

193. The cumulative surplus accumulated in the Tax Equalization Fund as at 31 December 2018 was \$96.7 million (2017: \$67.3 million), consisting of amounts payable to the United States of America at year-end of \$39.8 million (2017: \$23.03 million) and to other Member States of \$56.9 million (2017: \$44.3 million). The overall amount payable of the Fund is \$150.9 million (2017: \$88.6 million), which includes an estimated tax liability of \$54.1 million relating to the 2018 and prior tax years (2017: \$21.3 million), of which approximately \$29.2 million was disbursed in January 2019 and approximately \$24.9 million was expected to be settled in April 2019.

Note 23

Leases and commitments

Finance leases

194. As part of the transfer of operations from the former International Tribunal for the Former Yugoslavia to the Mechanism in 2017, a finance lease with a value of \$1.2 million for the use of equipment, entered into by the Tribunal in 2014, was transferred to the Mechanism. The lease agreement will expire on 30 June 2019, with a purchase option being given positive consideration by the Mechanism. The net year-end carrying value of the corresponding assets and liabilities included in property, plant and equipment is nil. Future minimum finance lease payments under non-cancellable arrangements are set out in the following table.

Obligations for finance leases: minimum lease payments

(Thousands of United States dollars)

	31 December 2018	31 December 2017
Due in less than 1 year	86	172
Due in 1 to 5 years	–	87
Total minimum finance lease obligations	86	259

Operating leases

195. The Mechanism enters into operating leases for the use of premises and equipment. In relation to the closure of the former International Tribunal for the Former Yugoslavia, lease arrangements for the main building in The Hague, the United Nations Detention Unit (UNDU), and field office in Sarajevo were fully transferred to the Mechanism. The branch of the Mechanism in The Hague and the International Tribunal for the Former Yugoslavia shared premises on the basis of a 50 per cent cost-sharing arrangement until the closure of the Tribunal on 31 December 2017. Given the Mechanism's strong preference for remaining at its current premises for reasons of efficiency, during 2018, the Mechanism covered the full cost of the leased premises which were transferred from the Tribunal. However, in the light of the reduced occupancy requirements following the closure of the Tribunal, the Mechanism consolidated occupancy into part of the building to limit the increase of utilities and other related costs, which otherwise would have increased owing to the leased space transferred from the Tribunal. Discussions are ongoing with the host State and the building's owners on the future arrangements and space reductions of the lease. The Arusha branch of the Mechanism has lease arrangements in Arusha and Kigali. As at 31 December 2018, lease arrangements have remaining contract periods ranging from 3 to 12 months, with possibilities for extension.

196. The total operating lease payments recognized in expenditure for 2018 were \$4.45 million for premises and \$0.18 million for equipment. Future minimum lease payments under non-cancellable arrangements are set out in the following table.

Obligations for operating leases: minimum lease payments

(Thousands of United States dollars)

	31 December 2018	31 December 2017
Due in less than one year	6 185	4 490
Due in one to five years	—	—
Total minimum operating lease obligations	6 185	4 490

197. The Mechanism leases out assets to other parties through operating leases. There is a sublease arrangement between the Mechanism and the Residual Special Court for Sierra Leone that was transferred from the International Tribunal for the Former Yugoslavia to the Mechanism in December 2017. As at 31 December 2018, the total future minimum sublease payments expected to be received was \$0.3 million.

198. On 5 February 2014, the Government of the United Republic of Tanzania granted the United Nations a 99-year exclusive right of occupancy to a parcel of land in Arusha, measuring approximately 6.549 hectares at nominal cost. The land is to be used for the premises of the Arusha branch of the Mechanism and may be transferred, assigned or sublet, in whole or in part, to other United Nations entities.

Contractual commitments

199. At the reporting date, the commitments for property, plant and equipment, and goods and services contracted but not delivered were as follows:

(Thousands of United States dollars)

	31 December 2018	31 December 2017
Property, plant and equipment	59	225
Goods and services	809	828
Total	868	1 053

Note 24

Contingent liabilities and contingent assets

200. In the normal course of operations, the Mechanism is subject to claims which can be categorized as corporate and commercial; administrative law; and other, such as guarantees. At the reporting date, there were no contingent liabilities.

201. In accordance with IPSAS 19, the Mechanism discloses contingent assets where an event gives rise to a probable inflow of economic benefits or service potential to the Mechanism and there is sufficient information to assess the probability of that inflow. As at 31 December 2017, the Mechanism reported a contingent asset relating to the delay damages for the new Arusha facility, amounting to up to 10 per cent of the contract price (\$0.66 million).

202. The new premises of the Arusha branch have been in use since 5 December 2016. During the reporting period, the technical set-up of the courtroom was completed. Regarding the premises as a whole, the post-construction phase of the project is nearing completion and is focused on the completion of the transition from project management to facilities management, the final closure of the project account and the correction of technical defects in the archives building.

203. The defects liability period expired on 30 April 2018. A final completion certificate was issued by the architect on 10 July 2018, excluding outstanding punch-list items, which remained to be rectified. The number of such items had been significantly reduced by 1 December 2018: out of the 880 items initially recorded on the punch list, 786 items (90 per cent) had been rectified as at that date. The Mechanism continues to be fully engaged with the contractor and the architect in order to correct any remaining outstanding defects, as most will be considered closed after final review and certification by the architect, which is expected to take place in the first quarter of 2019. Thereafter, any items that may remain unrectified will be considered for inclusion as part of the settlement of final accounts with the contractor.

204. Since the most recent payment, released in December 2017, which allowed for the redeployment of the subcontractors on site and significantly expedited the punch-list rectification process, the Mechanism has not released any new payments to the contractor. The final balance owed to the main contractor under the contract amounts to \$0.58 million (notwithstanding ongoing negotiations on amounts to be recouped by the Mechanism as a result of the delays). In the light of the delays in reaching substantial completion, the Mechanism is continuing discussions with the contractor regarding the recovery of delay damages.

205. Further, the architect has delivered a redesign for the remediation of defects affecting the heating, ventilation and air conditioning system in the archives building and has agreed to supervise and certify the remediation work, while negotiations with the main contractor to carry out the work are in progress. The project team is working closely with the architect and the contractor to complete the remediation work within the shortest time possible. Concurrently, in the context of ongoing activities in the project closeout phase, and in close cooperation with the Global Asset Management Policy Service of the Office of Programme Planning, Finance and Budget and with

the Office of Legal Affairs, the Mechanism continues to examine options for the appropriate recovery of direct and indirect costs arising out of delays, pursuant to paragraph 7 of General Assembly resolution 70/258.

Note 25

Statements of financial position and financial performance as at 31 December 2018 by subentities

206. The sub-accounts established for the former International Criminal Tribunals upon amalgamation into the Mechanism primarily hold employee and judges' benefits liabilities, any assessed contributions receivable outstanding from prior assessments to Member States and cash and investment balances in the cash pool. After settlement of all other assets and liabilities, these sub-accounts will carry the defined benefit liabilities for retired staff and judges, for which the obligations are measured at each year-end by actuarial valuation.

I. Statement of financial position as at 31 December 2018

(Thousands of United States dollars)

	<i>Note</i>	<i>Former ICTY</i>	<i>Former ICTR</i>	<i>IRMCT</i>	<i>31 December 2018</i>
Assets					
Current assets					
Cash and cash equivalents	7	8 373	5 778	1 217	15 367
Investments	7	71 800	49 544	10 286	131 630
Assessed contributions receivable	7, 8	26 598	7 622	14 558	48 778
Other accounts receivable	7, 8	94	–	1 707	1 801
Other assets	9	28	(1)	1 086	1 113
Total current assets		106 892	62 944	30 590	198 689
Non-current assets					
Investments	7	5 561	3 837	797	10 195
Property, plant and equipment	10	–	–	12 441	12 441
Intangible assets	11	–	–	2 344	2 344
Total non-current assets		5 561	3 837	15 582	24 980
Total assets		112 453	66 781	44 435	223 669
Current liabilities					
Accounts payable and accrued liabilities	12	7	–	3 818	3 825
Advance receipts	13	–	–	211	211
Employee benefits liabilities	14	4 057	1 024	2 140	7 221
Judges' benefits liabilities	15	1 672	1 240	89	3 001
Other liabilities	17	–	–	86	86
Total current liabilities		5 736	2 264	6 344	14 344
Non-current liabilities					
Employee benefits liabilities	14	30 873	39 285	45 405	115 563
Judges' benefits liabilities	15	22 053	16 967	752	39 772
Other liabilities	17	–	–	–	–

	Note	Former ICTY	Former ICTR	IRMCT	31 December 2018
Total non-current liabilities		52 926	56 252	46 157	155 335
Total liabilities		58 662	58 516	52 501	169 679
Net of total assets and total liabilities		53 791	8 265	(8 066)	53 990
Net assets					
Accumulated surpluses/(deficits) – unrestricted	18	53 791	8 265	(13 135)	48 921
Accumulated surpluses/(deficits) – restricted	18	–	–	5 069	5 069
Total net assets		53 791	8 265	(8 066)	53 990

Abbreviations: ICTR, International Criminal Tribunal for Rwanda; ICTY, International Tribunal for the Former Yugoslavia, IRMCT, International Residual Mechanism for Criminal Tribunals.

II. Statement of financial performance for the year ended 31 December 2018

(Thousands of United States dollars)

	Note	Former ICTY	Former ICTR	IRMCT	31 December 2018
Revenue					
Assessed contributions	19	–	–	98 380	98 380
Other revenue	19	(13)	8	335	330
Investment revenue	7	1 603	1 164	414	3 181
Total revenue		1 590	1 172	99 129	101 891
Expenses					
Employee salaries, allowances and benefits	20	(35)	599	66 354	66 918
Judges' honorariums and allowances	20	(1 049)	(620)	4 572	2 903
Contractual services	20	–	–	393	393
Supplies and consumables	20	2	–	392	394
Depreciation and amortization	10, 11	–	–	1 991	1 991
Travel	20	2	–	1 270	1 272
Other operating expenses	20	(433)	–	16 474	16 041
Total expenses		(1 513)	(21)	91 446	89 912
Surplus/(deficit) for the year		3 103	1 193	7 683	11 979

Abbreviations: ICTR, International Criminal Tribunal for Rwanda; ICTY, International Tribunal for the Former Yugoslavia, IRMCT, International Residual Mechanism for Criminal Tribunals.

Note 26

Events after the reporting date

207. There have been no material events, favourable or unfavourable, that occurred between the date of the financial statements and the date on which the financial statements were authorized for issue that would have had a material impact on these statements.