United Nations

International Residual Mechanism for Criminal Tribunals

Financial report and audited financial statements

for the year ended 31 December 2019

and

Report of the Board of Auditors

General Assembly
Official Records
Seventy-fifth Session
Supplement No. 5O

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United Nations • New York, 2020

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.

[21 July 2020]

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Letters of transmittal

Letter dated 30 March 2020 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 2019, 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 21 July 2020 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 2019.

(*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 2019 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 2019 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 2019, 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

21 July 2020

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 completed the audit of the Mechanism for the year ended 31 December 2019. The interim audit was carried out at The Hague, Netherlands (from 18 November to 6 December 2019) and at Arusha, United Republic of Tanzania (from 9 to 19 December 2019). The audit was conducted as part of the audit of the financial statements for the year ended 31 December 2019 and was in conformity with article VII of the Financial Regulations and Rules of the United Nations and the annex thereto, as well as the International Standards on Auditing. A summary of the Board's conclusions, key findings and recommendations is presented below.

Since April 2020, the Board has conducted the audit remotely owing to the coronavirus disease (COVID-19) pandemic. This included the final audit of the financial statements.

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 2019 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: property, plant and equipment; procurement management; human resources management; travel management; information and communications technology; and the Mechanism Archives and Records Section.

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 2019 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 misstatements from the review of the financial records of the Mechanism for the year ended 31 December 2019. However, the Board identified scope for improvements in the areas of asset management, procurement management, human resources management, travel management, information and communications technology, and archives and records management.

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:

(a) Asset management

Issues were detected, such as capitalized assets for which no functional location or accountable user had been assigned; non-capitalized assets that lacked a functional location and/or an accountable user; and assets that had an accountable user who no longer worked for the Mechanism.

(b) Physical verification of property, plant and equipment

A sample of 55 items were selected to perform a physical verification exercise, in which the Board was unable to verify the existence of 3 untraceable assets, another 8 that were found to be in poor operating condition (4 of them having "not in use" status and another 4 having "good and in use" status) and 9 that did not have an identifying number tag.

(c) Purchase order performance

A sample of 30 purchase orders were selected for review, from which there were purchase orders that were approved in Umoja from 5 to 100 days after the invoice date.

(d) Annual and home leave management

For an analysed sample of 17 cases, 14 cases of annual leave were found not to have been registered in Umoja and there was no evidence of their dates of request or approval, nor of who approved the leave. Meanwhile, for 9 of the 22 cases reviewed for home leave, no authorization was registered in Umoja. Likewise, inconsistencies among the reports in Umoja were detected, such as lack of records, erroneous records and inconsistencies between modules.

(e) Overtime request and approval procedures

From the review of 13 requests for overtime that exceeded 40 hours per month, the Board observed that, in 10 of them, the required procedures were not fulfilled. In two cases, the justifications required were not provided for overtime in excess of 40 hours per month, in two others the overtime request form was not provided and in six the form was issued after the overtime had been completed.

(f) *Absence requests for travel*

A sample of 30 travel requests for 2019 was reviewed. The Board observed that, in 19 cases, the request and approval of the absence required for the travel days were not registered in Umoja, contrary to what is established in the correspondent normative.

(g) *Travel planning procedures*

Through the analysis of the travel database in Umoja, the Board detected that 420 cases (51 per cent) had been submitted fewer than 21 days before the commencement of travel, of which 74 per cent had been approved fewer than 16 days in advance. Of those cases, 203 (48.33 per cent) were justified under "other", which does not specify the reason for the delay in the request. In addition, a sample of 30 travel requests for 2019 were reviewed, with the Board observing that, in 17 cases, the travel automation system document had been issued with less anticipation than that required pursuant to the Umoja travel guide. Lastly, regarding the purchase of tickets, the Mechanism did not have documentary evidence of the selection of ticket purchases, thereby making it impossible to verify whether the purchases made were either the best option or the most economical.

Main recommendations

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

Asset management

(a) **Update the information on capitalized assets in Umoja, including the assignment of their respective users at the Mechanism and proper functional location, in the real estate management module in Umoja;**

Physical verification of property, plant and equipment

(b) **Identify all its assets with their respective tag number and proper description, keeping this information updated in Umoja;**

Purchase order performance

(c) (i) **Strengthen the review and supervision of the entire process of issuing purchase orders, in order to guarantee their timely issuance;**

(ii) **Examine and evaluate the purchase order reports used by the Mechanism, notifying iNeed of the differences detected, aimed at ensuring that the information is appropriately registered in Umoja;**

Annual and home leave management

(d) **Improve and strengthen the control mechanisms concerning annual and home leaves, for both the staff members and their supervisors, in order to improve compliance with the correspondent regulation;**

Overtime request and approval procedures

(e) **Improve and strengthen the control mechanisms concerning the request and approval procedures for overtime, in order to comply with the correspondent regulation;**

Absences requests for travel

(f) **Take action leading to registering in Umoja all the absences corresponding to the travel days;**

Travel planning procedures

(g) (i) **Take action to improve its final travel arrangements, aimed at carrying them out with the anticipation required pursuant to information circular ST/IC/2019/16 and providing the suitable justifications in the case of exceptions;**

(ii) **Have supporting documentation regarding the selection of the most economical offer, in order to ensure that this requirement is met at the time of purchasing the tickets.**

Key facts

$196.02 million	Original biennium budget approved by the General Assembly for 2018–2019
$185.43 million	Final budget approved by the General Assembly for the biennium 2018–2019
$109.21 million	Original annual budget for 2019
$98.91 million	Final annual budget for 2019
$85.08 million	Total revenue for 2019
$93.26 million	Total expenses for 2019
$224.21 million	Total assets as at 31 December 2019
$147.84 million	Total liabilities as at 31 December 2019
638	Total staff (469 on a fixed-term contract, 152 temporary staff, 14 on a permanent contract and 3 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 2019, 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 2019 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. Of the 19 recommendations outstanding (up to the period ended 31 December 2018), 7 have been implemented (37 per cent), 7 others were under implementation (37 per cent), 2 were not implemented (10 per cent) and 3 were overtaken by events (16 per cent). It is to be noted that one of the recommendations outstanding was divided and its two parts given different statuses. Details of the status of implementation of the previous years' recommendations are provided in the annex to chapter II.

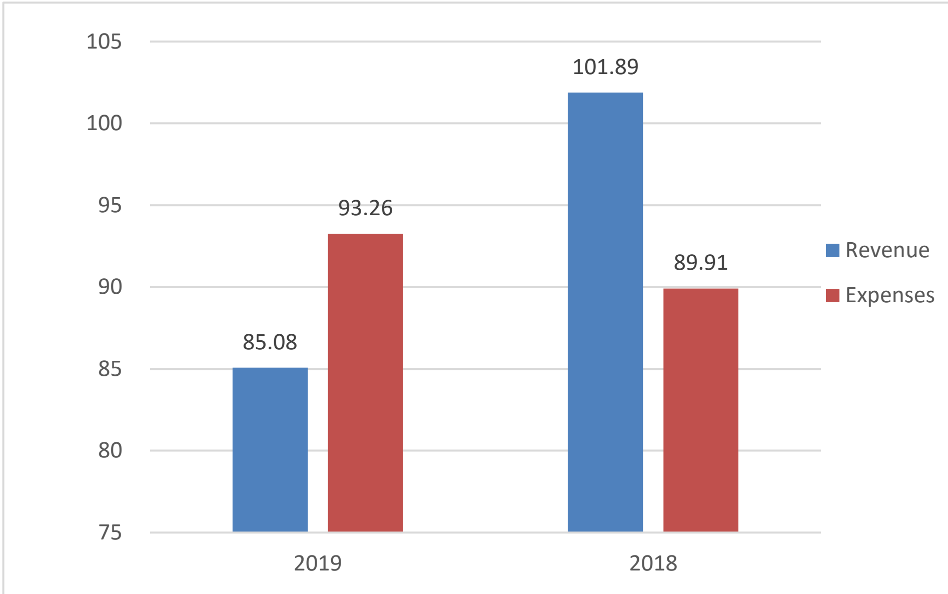
Table II.I
Status of implementation of recommendations

	Fully implemented	*Under implementation*	*Not implemented*	*Overtaken by events*
Total	7	7	2	3
Percentage	37	37	10	16

2. Financial overview

10. Total revenue in 2019 was $85.08 million (2018: $101.89 million) against expenses of $93.26 million (2018: $89.91 million), resulting in a deficit of $8.19 million (2018: surplus $11.98 million). The deficit was attributable mainly to the decrease in assessed contributions, reflecting the adjustment between the initial and final biennium budget. In addition, the overall result was significantly affected by the establishment of a provision for credits to Member States recorded as a reduction in revenue, and a write-off loss from the derecognition of an intangible asset under development based on a final decision made in 2019 to halt the use of and cancel further development of the database under the unified judicial database project. A comparison of revenue and expenses for financial years 2018 and 2019 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 2019.

Revenue and expenses

11. As at 31 December 2019, assets totalled $224.21 million (2018: $223.67 million). Cash, cash equivalent and investments amounted to $168.93 million, equivalent to 75.3 per cent of total assets. This represented an increase of $11.74 million (2018: $86.58 million).

12. The Mechanism reported total liabilities of $147.84 million as at 31 December 2019 (2018: $169.68 million), of which 59.7 per cent ($88.21 million) were employee benefit liabilities (2018: $122.78 million). The decrease, by $34.57 million in 2019, in the amount of these liabilities is attributable in large part to the net decrease of $31.645 million in defined employee benefit liabilities brought mainly by an actuarial gain of $36.506 million arising from changes in financial assumptions and experience adjustments in the latest actuarial valuation of 2019. The decrease in employee benefit liabilities was also driven by the reversal of accruals for separation-related benefits and entitlements made at the time of closure of the former International Tribunal for the former Yugoslavia, which expired during 2019 with an amount of $1.565 million.

13. Table II.II contains key financial ratios, as extracted from the Mechanism's financial statements for the year ended 31 December 2019.

Table II.II
Ratio analysis

Description of ratio	*31 December 2019*	*31 December 2018*
Total assets: total liabilities[a]		
Total assets: total liabilities	1.52	1.32
Current ratio[b]		
Current assets: current liabilities	9.70	13.85

Description of ratio	*31 December 2019*	*31 December 2018*
Quick ratio[c]		
Cash and short-term investments and accounts receivable: current liabilities	9.65	13.77
Cash ratio[d]		
Cash and short-term investments: current liabilities	7.44	10.25

Source: The Mechanism's financial statements for the year ended 31 December 2019.

[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. The overall financial ratios in 2019 indicate a weakening in the liquidity position of the entity, compared with the preceding year. However, the current ratio of 9.70:1 indicates that current liabilities are covered in large part by liquid assets. The quick ratio of 9.65:1 and the cash ratio of 7.44:1 imply that the Mechanism is in a position to pay its short-term obligations from its liquid resources. The solvency of the Mechanism has improved slightly, as indicated by the total assets to total liability ratio of 1.52:1 (2018; 1.32:1), despite the deficit sustained during the year.

3. Property, plant and equipment

Real estate management in Umoja modules

15. In chapter 8 (Property, plant and equipment), section 3, paragraph 3.2, of the IPSAS accounting manual, it is indicated that real estate assets will be created as a real estate object in the Umoja real estate management module. It is also indicated therein that related real estate records store further information such as the physical and operational parameters of the land and the building, the floors of the building, the spaces and the lease details, if any.

16. With regard to the recognition in Umoja of the construction of the facilities at the Arusha branch, the Mechanism has been recording it in the "assets under construction" classes of building and infrastructure in Umoja since December 2015. Nevertheless, the occupancy of the facilities at the Arusha branch started in December 2016. Up to December 2019, the accounts recorded were still under the assets under construction classes and were pending the closure of the assets under construction project and the recognition of the final asset in Umoja.

17. For the assets under construction classes, the recognition of the depreciation was not possible. Since the beginning of the occupancy of the facilities at the Arusha branch, the entity has therefore been performing a manual posting of the depreciation. Moreover, owing to the pending recognition of the final asset, the useful lives of the different elements of componentization of the construction were not recorded in the accounting.

18. The Board enquired about the usage of the real estate management module, in order to ensure that it managed the physical and operational activities of the facilities at the Arusha branch. During the visit by the Board to the Arusha branch in December 2019, the Mechanism reported that the module was not being used, owing to the pending arrangements for training at the Secretariat. Communication with the Secretariat on this matter started in July 2019 and, as of December 2019, the training was pending.

19. By April 2020, the Mechanism had closed the project and regularized the accounting record of the assets under construction, formalizing it in the building and infrastructure accounts with the respective componentization of the construction in Umoja. In addition, the Mechanism incorporated the recognition of the depreciation and the useful lives of the different elements of componentization of the construction. This regularization was carried out through the fixed assets module in Umoja, which captures capitalization, depreciation, and disposals but does not include functionalities to provide control of the architectural work, such as the physical and operational parameters of the land and the building, the floors of the building, the spaces and the lease details, if any.

20. The Board considers that the use of the real estate management module would help to improve the Mechanism's ability to meet the IPSAS requirements to disclose, capitalize, depreciate and dispose of real estate assets, as well as to support all phases of the life cycle of real estate asset management more efficiently.

21. **The Board recommends that the Mechanism coordinate with the Secretariat to assess and start the management of the portfolio of real estate infrastructure in the respective Umoja module.**

22. The Mechanism accepted the recommendation.

Asset management

23. It is stated in rule 105.20 of the Financial Regulations and Rules of the United Nations, on authority and responsibility over property management, that "the Under-Secretary-General for Management is responsible for the management of the property, plant and equipment, inventories and intangible assets of the United Nations, including all systems governing their receipt, valuation, recording, utilization, safekeeping, maintenance, transfer and disposal, including by sale, and shall designate the officials responsible for performing property management functions".

24. Umoja training on property management specifies that, when equipment is brought into operation within the United Nations, it can be assigned either to a United Nations staff member, who assumes responsibility for the equipment, or to a functional location, where it can be used by multiple people and maintained by a planner group or work centre.

25. Furthermore, the requirements for recording and tracking non-capitalized property of the United Nations are defined in information circular ST/IC/2016/9. Accordingly, it presents the procedures for recording non-capitalized assets valued at $1,500 or more per unit at the time of purchase. In addition, an asset valued at less than $1,500 could be subject to recording if it is a specialty item having aesthetic, cultural or other significance, or otherwise, meriting special control as may be determined by the corresponding officer.

26. In order to review accountability over operative and assigned items of property, plant and equipment, the Board downloaded the equipment master data from Umoja as at 31 August 2019 during its visit to The Hague branch and later reviewed the amounts as at 31 December 2019. From that analysis, the following weaknesses were detected:

(a) There were 49 capitalized assets, with an acquisition value of $1 million, for which no functional location or accountable user had been assigned;

(b) There were 21 non-capitalized assets, each of which had an acquisition value of $1,500 or more, for which no functional location or accountable user had been assigned. These assets were part of 85 non-capitalized assets, with a total acquisition value of $0.2 million, which were observed in this situation;

(c) There were an additional 7 non-capitalized assets, each of which had an acquisition value of $1,500 or more, with no functional location assigned. Those assets were part of 87 non-capitalized assets that were observed in this situation;

(d) There were an additional 10 non-capitalized assets, each of which had an acquisition value of $1,500 or more, with no accountable user assigned. Those assets were part of 85 non-capitalized assets that were observed in this situation;

(e) There were 174 capitalized assets, with an acquisition value of $4.9 million, which had an accountable user who no longer worked for the Mechanism;

(f) There were 407 non-capitalized assets, each of which had an acquisition value of $1,500 or more, which had an assigned accountable user who no longer worked for the Mechanism. Those assets were part of 1,797 non-capitalized assets that were observed in this situation.

27. The Board is of the view that the absence of information in the property management master data hampers the efficient use and accurate accounting of the resources controlled by the Mechanism. Likewise, the lack of updated data might have an impact on the integrity and accuracy of property, plant and equipment registers.

28. In addition, the Board considers that the proper and accurate recording in Umoja of property information would allow the Mechanism to have a global view of equipment, improve the quality of maintenance planning and facilitate management by counting on more accurate and reliable data. This is also relevant, considering the entity's ongoing downsizing process.

29. The Mechanism argued that the data requested were available as raw data in its asset inventory database system and that entering them into Umoja required the application of the real estate management module, which was not yet available. The Mechanism also argued that the data used for the findings of that recommendation belonged to 2018, rather than 2019. Moreover, the Mechanism pointed out that non-capitalized equipment was required to be included in Umoja only when it was serialized, while non-serialized equipment did not need to be included, given that it was available to the property management units and management for the efficient use and accounting of resources. The Mechanism added that non-capitalized equipment was registered as expenses, not assets, thus creating no financial risk.

30. **The Board recommends that the Mechanism update the information on capitalized assets in Umoja, including the assignment of their respective users at the Mechanism and proper functional location, in the real estate management module in Umoja.**

31. **The Board recommends that the Mechanism review and update the master data in Umoja for non-capitalized property, in order to update the users who are no longer working at the Mechanism.**

32. In its response, the Mechanism suggested that the first recommendation was applicable solely to the Arusha branch and could therefore not be accepted. The Mechanism added that it could be addressed at the Arusha Branch only after the real estate management module had been implemented.

33. Furthermore, the Mechanism rejected the second recommendation for the reasons stated above.

34. The Board is of the view that the applicability of the recommendation should pertain not only to the Arusha branch, given that the analysis performed involved the assets registered in Umoja for the entire entity. In this context, the Board considers

that the entity should manage this information in Umoja with the aim of consolidating the asset data into a single system. Moreover, the initiation of the use of the real estate management module, which has also been recommended, would allow the recording of the information mentioned hereto.

35. On the other hand, the Board notes the Mechanism's explanation regarding the second recommendation. However, the Board reaffirms that the number of assets shown are the result of an analysis made with the data as at 31 December 2019. In addition, the Board considers that the Mechanism should review and update the Umoja master data, owing to the existence of assigned users in Umoja who have not been working at the Mechanism for up to two years. This would also be intended to improve compliance with administrative instruction ST/AI/2015/4, which, in its paragraph 4.4, indicates that "All non-capitalized and expendable property shall be subject to the recording and tracking procedures set forth in the relevant information circular, as issued from time to time by the Department of Management", as well as ST/IC/2016/9, which establishes the criteria and procedures for recording and tracking non-capitalized property. While the Board acknowledges the Mechanism's consideration of the inexistence of financial risk regarding the observed non-capitalized assets, it underscores the control risks of this situation.

Physical verification of property, plant and equipment

36. ST/AI/2015/4 establishes the principles and procedures that apply to management of property. In its paragraph 6.2, on the verification and control of property, it is indicated, "Unless as provided otherwise (see sects. 6.3 to 6.5), all property of the United Nations shall be monitored and controlled throughout the life cycle of each item of property, from receipt to disposal. Physical verification of the property of the United Nations shall be conducted regularly and as deemed necessary to ensure adequate control over the property".

37. In paragraph 6.3 of ST/AI/2015/4, it is established that "A physical verification may be performed when, in the discretion of the head of department or office concerned, such verification is necessary to ensure adequate control over the property and accountability". In addition, it is expressed in paragraph 6.4 that, "For capitalized property, the physical verification shall be performed at least once during each financial year. The findings of the verification process shall be reconciled with the property records".

38. In paragraph 7.1 of ST/AI/2015/4, on the write-off and disposal of property, the following is indicated: (a) Items of tangible property that are surplus to operational requirements, unserviceable or obsolete and are not encumbered by any third-party rights shall be promptly identified, written off and disposed of in accordance with financial regulation 5.14, financial rules 105.23 and 105.24 and related administrative issuances; and (b) Loss, damage, impairment or other discrepancy in respect of items of property shall be written off in accordance with financial rule 106.7 and related administrative issuances.

39. During the audit process at the Arusha branch, the Board extracted the asset history sheet from Umoja, which showed the 339 capitalized assets in use as at 10 December 2019. A random sample of 55 items was selected to perform a physical verification exercise, during which the Board noted the following:

(a) The Board was unable to verify the existence of three assets, given that they were not found by the personnel in charge. However, as at 31 December 2019, they were shown in Umoja as capitalized assets and having "good and in use" status. The objected assets are shown in table II.III, in which the last two assets show a current book value of zero. However, they were considered in the 10 per cent provision in 2019 and are part of the assets in use.

Table II.III
Capitalized assets not found at the Arusha branch

Asset	*Asset description*	*Capitalized on*	*Current acquisition and production cost (United States dollars)*	*Accumulated depreciation (United States dollars)*	*Current book value (United States dollars)*[a]	*Location*	*Tech ID*
4200004525	Router: network, WAN	16 November 2017	21 327.54	(11 552.42)	9 775.12	International Residual Mechanism for Criminal Tribunals, Arusha branch	MICT-60548
4300002054	Multiplexer telephone and data, 16 way	9 June 2006	7 989.28	(7 989.28)	0	Not indicated	MICT-ITR-09614
4200003552	Storage disk drive, Apple	9 March 2011	6 602.28	(6 602.28)	0	Mezzanine floor	MICT-ITR-14561

Source: Table prepared by the Board on the basis of information submitted by the Mechanism.
[a] Assets with a current book value of zero were considered in the 10 per cent provision in 2019 and are part of the assets in use.

40. From the 52 verified assets:

(a) Eight of those assets were observed as being in poor operating conditions. However, in the Mechanism's physical verification report, as at 31 December 2019, four of them were reported as having "not in use" status, while another four were shown as having "good and in use" status (see table II.IV);

Table II.IV
Capitalized assets observed in poor operating conditions at the Arusha branch

Asset	*Asset description*	*Capitalized on*	*Current acquisition and production cost (United States dollars)*	*Accumulated depreciation (United States dollars)*	*Current book value (United States dollars)*	*Location*	*Tech ID*	*Physical verification report status*
2100000103	Paper shredder, 36–48 pages	22 December 2009	7 337.35	(7 337.35)	0.00	Backyard, Serengeti	MICT-ITR-13809	Good and in use
4200003631	Router, multiservice platform	14 January 2014	5 694.27	(5 694.27)	0.00	Kilimanjaro wing	MICT-ITR-17251	Good and in use
4300002063	Radio broadcast equipment, multiplexer	28 June 2006	7 989.28	(7 989.28)	0.00	Not indicated	MICT-ITR-09478	Good and in use
4200003572	Network switch, high capacity, LAN	5 December 2013	7 974.20	(7 974.20)	0.00	Kilimanjaro wing	MICT-ITR-17260	Good and in use
4200003577	Network switch, high capacity, LAN	5 December 2013	7 974.20	(7 974.20)	0.00	Kilimanjaro wing	MICT-ITR-17265	Not in use
4200000974	Image scanner, Hewlett-Packard	23 December 2013	5 800.00	(5 800.00)	0.00	AICC main building, P.O. Box 6016, Arusha	MICT-60069	Not in use

Asset	Asset description	Capitalized on	Current acquisition and production cost (United States dollars)	Accumulated depreciation (United States dollars)	Current book value (United States dollars)	Location	Tech ID	Physical verification report status
4400000444	Digital video recorder	28 February 2008	8 304.39	(8 304.39)	0.00	Kilimanjaro wing	MICT-ITR-12966	Not in use
4200003557	Network switch, high capacity, WAN	16 September 2011	11 072.10	(11 072.10)	0.00	Kilimanjaro wing	MICT-ITR-14435	Not in use

Source: Table prepared by the Board on the basis of information submitted by the Mechanism.

(b) Meanwhile, assets 4200003572, 4200003577 and 4200000974 listed in table II.IV, corresponding to two high-capacity network switches and one Hewlett-Packard image scanner, were found in an Information Technology and Support Services Section container, and were all destined to be written-off assets;

(c) Nine assets did not have the identifying number tag.

41. With regard to The Hague branch, the Board extracted an asset history sheet from Umoja listing the capitalized assets that were in use as at 29 November 2019. The list contained 422 capitalized assets in use that were fully depreciated. On the basis of the list, the Board selected a random sample of 30 assets to perform a physical verification exercise for the capitalized assets in November 2019. The Board noted that two of the sampled assets were not in use and had written-off status, and were found in storage with other technological equipment (e.g., computers, screens, servers and cameras), the vast majority of which had the same written-off status. The Board does not know whether the Mechanism derecognized the assets found in the warehouse.

42. The Board considers that the shortcomings in maintenance and control over the capitalized assets could result in the recording of inaccurate and incomplete information in the property, plant and equipment general ledger, overvaluing the amounts that the ledger might present. On the other hand, the Board is of the view that the existence of unused items hampers the effective, efficient and economic use of the resources of the Mechanism.

43. The Mechanism responded that a complete physical verification had been carried out at both branches. Regarding the facts described for the Arusha branch, the entity confirmed that the three assets could not be found. Therefore, the Mechanism undertook to conduct the proper write-off process accordingly. This process, once finalized, will result in these fixed assets being derecognized in Umoja, which in turn will automatically cease the application of depreciation or the 10 per cent adjustment. Regarding the assets shown in table II.IV, the Mechanism reported that it was awaiting completion of the write-off process. In anticipation thereof, the assets were no longer being used. In addition, the Mechanism declared that all items in the container, notwithstanding their outward appearance, were no longer operationally usable and would be written off for valid reasons, including obsolescence.

44. With regard to the facts described for The Hague branch, The Mechanism stated that, at the time of the inspection, the items in question were still in the possession of the Information Technology and Support Services Section, where it had been in the middle of preparing a large write-off of equipment/assets. They had been handed over to the Property Control and Inventory Unit in January 2020, and the items were scheduled to be picked up for disposal in February 2020.

45. **The Board recommends that the Mechanism improve its procedures of physical verification for the inventory of all capitalized assets, adjusting this information in the Umoja records, to ensure the integrity of the data maintained in the system.**

46. **The Board recommends that the Mechanism identify all its assets with their respective tag number and proper description, keeping this information updated in Umoja.**

47. The Mechanism declined to accept the first recommendation for the reasons stated above.

48. While the Board acknowledges the arguments expressed by the Mechanism, the Board was informed of the disposal procedures for the assets located at the Arusha branch, but not of how much time the eight assets at this branch had been waiting for their write-off process to finalize. In addition, the Board was not informed of the disposal procedures at The Hague branch. Moreover, it was confirmed that three assets were not found in the Arusha branch, with the write-off process not being finalized by May 2020. Lastly, the entity reported that the information resulting from the physical verification had been uploaded directly into Umoja. There was therefore no supporting documentation of the physical verification, which would include the verification dates, personnel involved and their signatures, and changes in assets (regarding user, location, status, barcode or other).

49. The Mechanism accepted the second recommendation.

Fully depreciated assets adjustment

50. IPSAS 17: Property, Plant and Equipment indicates that the depreciable amount of an asset shall be allocated on a systematic basis over its useful life and that the residual value and the useful life shall be reviewed at least at each annual reporting date. In addition, it is noted that the depreciation of an asset begins when it is available for use (i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management). The depreciation of an asset ceases when the asset is derecognized.

51. In paragraph 13.4.19 of the United Nations Policy Framework for International Public Sector Accountability Standards (2016 revision), on United Nations administrative building components and useful life range, the following is indicated:

> Plant and equipment will be valued using the cost method. For all property, plant and equipment items with a zero net book value at the IPSAS adoption date (based on the agreed useful lives) the concept of a depreciation floor of 90 per cent to be implemented. Under this concept, regardless of the chronological age of the asset, accumulated depreciation will be limited to 90 per cent leaving minimum of 10 per cent of its original cost in the books so long as the asset is still in use.

52. With regard with the fully depreciated assets, the Board noted that the Mechanism had been recognizing the correspondent adjustment to reflect a residual value of 10 per cent of historical cost at the closure of the financial statements. To determine whether the asset was still in use, the Mechanism has been using the results of an annual physical verification process, which indicate the condition of the asset.

53. During the audit, the Board performed a physical verification inspection, detecting 12 items that were not in use. Subsequently, during the financial audit, the Board confirmed that those items were nevertheless considered in the adjustment recorded in the 2019 financial statements to reflect a residual value of 10 per cent of the historical value. Furthermore, in the physical inspection performed at the Arusha

branch, the Board detected a warehouse that stored items transferred from the International Criminal Tribunal for Rwanda, during its closure, with some of these items still considered for the aforementioned recorded adjustment.

54. The Board is of the view that there is room for improvement in the Mechanism's verification of use of the assets, in order to apply the depreciation adjustment for the assets actually in use.

55. In this regard, the Mechanism stated that the review for the 2019 financial year had been carried out by the Board before the 10 per cent adjustment was posted for the 2019 financial statements. The Mechanism therefore reported that the Board was looking at the 10 per cent adjustment made in 2018 and the condition of assets in December 2019, when the Board was at the Arusha branch.

56. **The Board recommends that the Mechanism perform a verification of the actual use of assets, in order to evaluate residual values and useful lives of property, plant and equipment items, where applicable.**

57. The Mechanism did not accept the recommendation for the reasons stated above.

58. The Board states that, although the physical verification was performed during its November 2019 visit to The Hague branch and December 2019 visit to the Arusha branch, the depreciation adjustment was revised during the remote financial audit during April 2020. The inclusion of the assets mentioned above for the depreciation adjustment was also confirmed.

4. Procurement management

Purchase order performance

59. The United Nations Procurement Manual (revision 7, July 2013) established the principles and procedures that applied to the procurement of all goods, services and works in United Nations procurement offices. In chapter 8, section 8.8, paragraph 1, it is indicated that "Certifying Officers should ensure that purchase orders or other contractual instruments are issued for any requisitions processed for goods, services or works and obligations recorded in the accounts based on the above-mentioned guidelines prior to the closing of the accounts".

60. As also described in the same part of the Procurement Manual, approving officers must also carefully review requisitions to ensure compliance with this policy, and, at the end of the fiscal year, all obligations should be systematically and carefully reviewed by both certifying and approving officers to confirm their validity. Accordingly, miscellaneous obligation documents should not be misused to simply reserve funds at year-end. If a valid contract or commitment with an external party exists at year-end, then it would be appropriate to record the related obligation using a purchase order rather than a miscellaneous obligation document.

61. Further on, in chapter 13, section 13.5, paragraph 2, of the Procurement Manual, it is indicated that "the [purchase order] serves both as the formal Contract and order to, or the means by which the United Nations accepts an offer from, the Vendor to furnish the Deliverables. The issuance of a [purchase order] obligates the available funds for the goods being procured against the appropriate Budget Account Codes".

62. Lastly, it should be noted that, under the United Nations Policy Framework for International Public Sector Accountability Standards, one of the general principles of accounting under IPSAS is the accrual basis, according to which "the effects of transactions and other events are recognized when they occur (and not when cash or its equivalent is received or paid), recorded in the accounting records and reported in the financial statements for the financial periods to which they relate".

63. During the audit process, the Board extracted from Umoja a list of the purchase orders issued by the Mechanism from January to October 2019. The list contained 452 purchase orders having “ordered” status, from which the Board selected a sample of 30 for review, along with their supporting documentation, noting the following issues:

(a) There were purchases of goods and services without previously registering the shopping cart and the purchase order in Umoja, but the process was regularized once the invoices were received. In particular, six purchase orders were approved in Umoja from 5 to 100 days after the invoice date. This evidences non-compliance with the aforementioned procurement regulation, observed in a lack of planning and early approval of purchases, shortcomings regarding control over the dates of contracts and the generation of purchase orders, and a lack of supervision on the overall process, which constitutes a risk regarding the use and allocation of budgetary funds;

(b) Purchase order 2500191890 from 2019 was issued for an amount of 7,908 euros, but the expense corresponded to 2018, in circumstances in which this expense should have been committed in the year in which it was generated.

64. In addition, the Board extracted purchase order status reports from two Umoja modules, Enterprise Core Component and Supplier Relationship Management, and performed a comparison between them in an Excel file, considering the purchase orders reported having “ordered” status, without finding any differences.

65. However, when the Board compared two reports extracted from the Supplier Relationship Management module, the purchase order status report and the purchase order details report, the information obtained regarding the purchase orders status did not match entirely. The cases identified are presented in table II.V.

Table II.V
Comparison of purchase order reports

Purchase order	*Status according to purchase order report*	*Status according to purchase order details report*
2200095667	Saved	Ordered
2200100434	Saved	Ordered
2300138412	Saved	Ordered
2300149870	Saved	Does not exist

Source: Table prepared by the Board on the basis of information extracted from Umoja.

66. The Board considers that an inadequate maintenance and review of the purchase orders might result in the recording of inaccurate and incomplete expenses in the general ledger. It might also affect the accuracy of the control over the commitment of funds, which in turn could lead to inaccuracies in expense reports and inefficiencies in the use of resources. On the other hand, the Board observed that an annual budget was committed with expenses corresponding to previous periods, which evidences an inadequate administration of the budget, given that it generates a decrease in resources for the current year and contravenes the accounting principle of accrual basis.

67. The Mechanism agreed with the Board that, in accordance with United Nations financial rule 105.7, a commitment must be in place before a contract, agreement or purchase order is entered into. With regard to the non-matching information between the two aforementioned purchase order reports, the Mechanism argued that the identified discrepancies were caused by factors outside the Mechanism’s influence,

control or responsibility. On the other hand, the Mechanism agreed that it could examine the several Umoja reports and, in case of differences between reports, could note and take these differences into account and flag them to iNeed for resolution. In that context, the Mechanism pointed out that the Procurement Section was seeking advice from Headquarters and that it would provide a response after consultation with it. By June 2020, the Mechanism reported that it had already notified iNeed of the issues detected.

68. **The Board recommends that the Mechanism strengthen the review and supervision of the entire process of issuing purchase orders in order to guarantee their timely issuance.**

69. **The Board recommends that the Mechanism implement a control of the commitments in order to ensure that the expenses are recorded in the correct accounting period.**

70. **The Board recommends that the Mechanism examine and evaluate the purchase order reports used by the Mechanism, notifying iNeed of the differences detected, aimed at ensuring that the information is appropriately registered in Umoja.**

71. The Mechanism accepted the first and second recommendations.

72. Regarding the third recommendation, the Mechanism argued that it should be discarded, given that it had no control over the factors that produced the identified discrepancies and that it had notified iNeed of the issues detected. The Mechanism said that the implication was that the information was being inappropriately registered in Umoja, which would not be accurate.

73. While the Board recognizes that the Mechanism has no responsibility for the operation of Umoja, the Board considers that the entity is responsible for the information that it enters, issues and controls, and for the timely reporting of these errors to iNeed for resolution. In addition, evidence of the submission of and follow-up on the issues to iNeed have not been provided to the Board. Lastly, the Board is of the view that, if there are discrepancies between reports, then there are shortcomings in the registration of information, which the recommendation is intended to prevent.

5. Human resources management

Annual and home leave management

74. It is established in rule 5.1 of the Staff Regulations and Rules of the United Nations, regarding annual and special leave, that “Leave may be taken only when authorized. If a staff member is absent from work without authorization, payment of salary and allowances shall cease for the period of unauthorized absence”.

75. With respect to home leave, it is established in rule 5.2 (a) of the Staff Regulations and Rules of the United Nations that internationally recruited staff members, who are residing and serving outside their home country and who are otherwise eligible, shall be entitled once in every 24 months of qualifying service to visit their home country at United Nations expense for the purpose of spending in that country a reasonable period of annual leave.

76. Notwithstanding rule 5.2, it is indicated in rule 5.2 (f) of the Staff Regulations and Rules of the United Nations that “A staff member may be granted advance home leave, provided that normally not fewer than 12 months of qualifying service have been completed or that normally not fewer than 12 months of qualifying service have elapsed since the date of return from his or her last home leave”. It is stated in rule 5.2 (k) that “A staff member travelling on home leave shall be required to spend no fewer than seven calendar days, exclusive of travel time, in his or her home country. The

Secretary-General may request a staff member, on his or her return from home leave, to furnish satisfactory evidence that this requirement has been fully met".

77. Furthermore, it is stated in paragraph 9.3 of administrative instruction ST/AI/2015/2/Rev.1, regarding travel arrangements, that "Staff members who wish to exercise their entitlement to home leave travel shall be required to inform their executive offices or local human resources or administrative offices of their travel plans normally two months in advance of the anticipated departure date".

78. Lastly, Umoja is being used for supporting and recording the information with regard to human resources. In this context, the United Nations is regularly updating Umoja job aids so that users can keep up to date with the correspondent procedures. One of these updates is to the create annual leave request through employee self-service.

79. The Board performed a review of 17 instances of annual leave and 22 home leave taken by Mechanism staff members in 2019 and observed the following situations:

(a) Annual leave:

(i) In 14 cases, the leave request was not registered in Umoja and there was no evidence of the dates of request or approval, nor of who approved the leave. Nine of those cases referred to one former staff member, for which it was not possible to determine when the request had been made and who had approved it, because, as was noted by the Mechanism, once staff are separated, it is no longer possible to see some historical employee self-service data in Umoja;

(ii) In one of the cases mentioned above, the Mechanism provided the physical leave request. However, the information presented thereto did not match with what was reported in the absences record in Umoja. That is to say, the leave request showed an application of 23 days of annual leave, from 1 to 31 July 2019, while Umoja records compensatory time off from 1 to 12 July 2019 and annual leave from 15 to 31 July 2019;

(b) Home leave:

(i) In 9 of the 22 cases reviewed, no authorization was registered for home leave in Umoja;

(ii) Another staff member was authorized to use home leave through work item ID 194157455 for nine working days, from 5 to 16 August 2019. However, Umoja shows an absence from 2 to 19 August 2019, or 11 working days, with no approval for the additional 2 working days;

(iii) For two staff members, the requests made through work item ID 161038294 and 185446791 corresponded to approvals registered as annual leave. However, the absences were recorded as home leave;

(iv) For another staff member, the request had been approved on 12 June 2019, which is 48 days after the staff member had begun the home leave benefit, in 25 April 2019;

(v) Another staff member, who began to work at the Mechanism on 18 April 2017, took his or her first home leave in December 2018. Thus, the staff member should have had at least 20 credits registered by 30 November 2018. However, the staff member had zero credits accrued in Umoja to that date;

(vi) While at least 12 accrued credits are needed in order to use advance home leave, one staff member had two accrued credits in Umoja one month before using advance home leave.

80. The Board considers that there is insufficient accountability regarding the compliance with the regulations and rules established by the United Nations in relation to annual and home leave, which could cause staff members to use their leaves beyond the rights allowed by management and affect the transparency of data regarding the use of leave. In addition, shortcomings were noted with regard to the staff's use of the Umoja modules for requesting and approving leave, as well as for gaining access to and monitoring the historical recordings.

81. In addition, with respect to two cases of home leave from the aforementioned sample, it was noted that there was inconsistency between the accrued credits registered in Umoja for the home leave and the home leave that the staff member was entitled to according to the normative. This provides further evidence of the shortcomings of Umoja recording and reportability, which may affect the Mechanism's ability to comply with the normative.

82. The Mechanism reported that the Umoja employee self-service portal had been used to request and approve leave and that all leave had been properly recorded. In addition, the Mechanism indicated that some individual sections had a paper-based approach for the initial approval of leave, but that ultimately all leave was recorded in Umoja, in accordance with standard Umoja practice. In addition, management also states that a staff member's home leave point balance may not be correctly configured in Umoja, which would happen frequently when changing duty stations.

83. **The Board recommends that the Mechanism improve and strengthen the control mechanisms concerning annual and home leave, for both the staff members and their supervisors, in order to improve compliance with the correspondent regulation.**

84. **The Board recommends that the Mechanism reinforce its policy regarding the importance of requesting and approving annual and home leave in Umoja prior to the use of these entitlements, communicating such matters to its staff.**

85. The Mechanism did not accept both recommendations.

86. From the analysis of the responses and documentation provided by the Mechanism, the Board confirms that the initial facts observed were due to the shortcomings in control, as well as the lack of a formalized procedure for staff to request authorizations and later recording of the respective absences, which should identify whether they correspond to travel time, annual leave, home leave or other. The aforementioned may produce inconsistencies among the reports in Umoja, as evidenced in the cases objected to (lack of records, erroneous records and inconsistencies between modules, e.g., dates of trips that were not in agreement with the absence record). Accordingly, the Board stresses the fact that the recommendation is not referring to a lack of compliance with the normative, but rather to the appropriate recording and registration of information that allows this compliance. Given the shortcomings observed in the reporting, the Board sees a risk herein and aims to address it with the recommendation. Therefore, the Board considers that this recommendation should be maintained.

Overtime request and approval procedures

87. For the purpose of providing orientation on overtime and its governing conditions, as well as providing guidance on its management and compensation, the Mechanism issued a standard operating procedure on this matter, dated 1 October 2018. This standard operating procedure applies to all staff members of the Mechanism, mainly staff in the General Service and Field Service (up to and including the FS-5 level) categories, their managers, and human resources assistants and officers.

88. In accordance with the standard operating procedure, the official working week of 37.5 hours is as follows for each branch:

(a) Arusha and Kigali branches: Monday through Thursday, 8.30 a.m. to 5.30 p.m., with a 1-hour lunch break (8-hour workdays); Friday, 8.30 a.m. to 2.00 p.m., with no lunch break (5.5-hour workday);

(b) The Hague and Sarajevo branches: Monday through Friday, 9.00 a.m. to 5.30 p.m., with a 1-hour lunch break (7.5-hour workdays).

89. Moreover, paragraph 10 of the aforementioned standard operating procedure establishes that compensation of overtime, whether by compensatory time off or overtime payment, requires an approved overtime request form, as well as an overtime record, which is to be completed after the overtime work has been performed.

90. It is stated in paragraph 14 of the standard operating procedure that supervisors shall not require a staff member to work more than 40 hours of overtime during one month, except where unusual exigencies of service so require. In these cases, in addition to the overtime request form by the staff member, the supervisor must also submit an email or memorandum to the Chief of the Human Resources Section explaining the requirement to exceed 40 hours of overtime and noting whether the requirement to work overtime in excess of 40 hours was a one-off event or is expected to occur more frequently.

91. It should be also noted that it is indicated in paragraph 17 of the standard operating procedure that "Overtime Request Forms must be submitted and approved prior to the occurrence of the overtime. Post facto submission of Overtime Request Forms shall only be accepted when accompanied by a memorandum from the Supervisor explaining the unexpected nature of the requirement for overtime and the inability to request approval in advance".

92. The Board performed a review of 13 overtime request forms that exceeded 40 hours per month, which were taken by Mechanism staff members in 2019, and observed the following situations:

(a) In two cases, the justifications required pursuant to paragraph 14 of the standard operating procedure on overtime were not provided for overtime in excess of 40 hours per month;

(b) In two cases, the overtime request form was not provided;

(c) In six cases, it was noted that the overtime request form was issued after the overtime had been completed.

93. The Board considers that there are weaknesses in the controls regarding the request and approval procedures for overtime and their compliance with the standard operational procedure for the Mechanism, which could cause staff members to work more than 40 hours of overtime per month, with non-compliance with the exceptions established, either in the standard operating procedure or the Mechanism, to pay more overtime than allowed by the Mechanism.

94. **The Board recommends that the Mechanism improve and strengthen the control mechanisms concerning the request and approval procedures for overtime, in order to comply with the corresponding regulation.**

95. The Mechanism accepted the recommendation and acknowledged that there were inconsistencies between the standard operating procedure for overtime and the practice of some sections regarding overtime.

Planning and monitoring of training

96. The supplementary financial information for the Advisory Committee on Administrative and Budgetary Questions, dated 29 March 2018, details the information of the budget proposal for the Mechanism for the biennium 2018–2019, relating to its different units: the Chambers, the Office of the Prosecutor, the Registry and the Mechanism Archives and Records Section. The budget for training programmes is referred therein for the staff members belonging to the latter three units, under the item “Contractual services”.

97. Paragraphs S.13, S.29 and S.51 of the aforementioned supplement outline the training to be carried out in the areas of Office of the Prosecutor, the Registry and the Mechanism Archives and Records Section, as well as establishing the budget distribution per branch. The final amounts are presented in table II.VI.

Table II.VI
Budget approved for training at the units of the Arusha and The Hague branches of the Mechanism for the biennium 2018–2019
(United States dollars)

	Office of the Prosecutor	*Registry*	*Mechanism Archives and Records Section*
The Hague	29 100	175 000	11 600
Arusha	27 300	94 000	6 000
Total	**56 400**	**269 000**	**17 600**

Source: Table prepared by the Board on the basis of information submitted by the Mechanism.

98. In addition, the Mechanism also utilizes the pink book referral to the budget for the period from 1 January 2018 to 31 December 2019, which includes a breakdown of the amounts proposed in the budget submission and can be used as guidance for determining how the allotted amounts would be utilized for each year of the biennium regarding, among other issues, training at The Hague and Arusha branches.

99. The Board performed a review of the planning and execution of training at the Mechanism, observing that, during 2019, no formal training plan was developed or executed at The Hague branch, with the exception of the Security Section, which has a number of mandatory training requirements. When consulted, the Mechanism reported that the absence of a training plan was due to austerity measures implemented during 2019. Nevertheless, individual training requests had been considered and approved over the course of the year. However, as argued by the Mechanism, there was no documentation referencing the aforementioned austerity measures. Notwithstanding the above, the Mechanism’s budget did consider resources for training at The Hague branch, as presented in table II.VI. The amounts appropriated for 2019, as presented in the pink book, are included in table II.VII, along with the actual expenditure per each unit and branch.

Table II.VII
Training budget at the units of the Arusha and The Hague branches of the Mechanism for fiscal year 2019
(United States dollars)

	Office of the Prosecutor		*Registry*		*Mechanism Archives and Records Section*	
	Appropriation[a]	*Expenditure*[b]	*Appropriation*[a]	*Expenditure*[b]	*Appropriation*[a]	*Expenditure*[b]
The Hague	3 100	–	95 900[d]	–	11 800	–
Arusha	14 100	–	49 200[d]	63 872	21 500	12 905
Total	**17 200**	–[c]	**145 100**	**63 872**	**33 300**	**12 905**

Source: Table prepared by the Board on the basis of information submitted by the Mechanism.
[a] Extracted from pink book referral to the budget for the period from 1 January 2018 to 31 December 2019.
[b] Expenditure as at November 2019, as indicated in the relevant training plan.
[c] Training under the Office of the Prosecutor was conducted through joint training with other institutions; no contractual service expenditures were incurred.
[d] This total amount includes security training.

100. The Board also reviewed the training conducted in 2019 at the Arusha branch, observing the following issues:

(a) It was reported that training at the Office of the Prosecutor had been conducted through joint training with other institutions, with no incurrence in contractual service expenditures;

(b) For the Registry, 26 training sessions were planned, totalling $81,263, from which 20 had been conducted by the time of the Board's visit in November 2019, with a total expenditure of $63,872. Compared with the assigned amounts in the pink book for 2019 ($49,200), the Board observed that planned and executed training involved a substantially higher amount than the one originally allotted to this unit. Further details can be found in table II.VII.

101. The Board believes that planning is a good management tool that favours the monitoring of budget execution, which would allow the Mechanism to make timely and justified decisions. It would also be helpful in mitigating the risk of incurring undue expenses. However, the Mechanism's current planning and execution of the training are not clearly related to the assigned budget on this matter, and the changes in the latter were not properly documented and justified.

102. The budget submitted by the Mechanism comprised amounts directed to activities that were not executed in The Hague branch because of austerity measures that were not established in a formal document, delimited on their period of validity or covered the issues thereto. In that context, it was not possible to assess the expenditure of the budget intended for training at The Hague branch. Notwithstanding, it is to be noted that the Registry at The Hague branch does not have a training plan, although it has the highest budget allocated for training.

103. Furthermore, given that no documentation or reporting was submitted to the Board regarding the Office of the Prosecutor at the Arusha branch, it was not possible to assess the expenditure of the budget intended for training in this unit. Meanwhile, the amount executed in the Registry evidences a lack of control regarding the expenditure over the relevant budget.

104. **The Board recommends that the Mechanism improve its procedures for the planning of training to be conducted for staff, aimed at the proper execution of**

a training plan and its relevant budget, by drafting a document that identifies the corresponding staff in charge, dates, training topics, units, number of staff to be trained, and budget planned and expended per activity, among other possible issues.

105. The Mechanism agreed with the recommendation that training planning should be developed to ensure that the training needs for implementation of the Mechanism's mandate are met and that they are harmonized with budget implementation and monitoring. To that end, the Mechanism reported that its Human Resources and Budget Section was initiating a full training plan that would cover the 2020 budget implementation and 2021 budget planning processes through the following: (a) development of training planning tools for managers that outline a training needs analysis per department/section that can also be broken down by branch; (b) deployment of a Human Resources and Budget Section training plan monitoring tool; (c) midyear review process to ensure that training needs have remained the same as those included in the initial plan; and (d) end-of-year assessment of the training plan's implementation.

6. Travel management

Absence requests for travel

106. In paragraph 4 of information circular ST/IC/2019/16, on official travel, it is established that "Staff members shall be responsible for ascertaining that they have the proper authorization before commencing travel. Prior to raising a travel request, staff members and other travellers, if applicable, must submit a corresponding absence request in the Umoja employee self-service time management module and obtain approval from their programme manager".

107. The Board reviewed a sample of 30 travel requests, taken from Umoja in 2019, and observed that the request and approval of the absence required for travel days had not been registered in Umoja in 19 cases, contrary to the aforementioned information circular.

108. The Board is of the view that not registering the absences for travelling, nor attaching the related documentation, may imply a risk of non-compliance with the established travel procedures.

109. **The Board recommends that the Mechanism take action leading to registering in Umoja all the absences corresponding to the travel days.**

110. The Mechanism accepted the recommendation.

Travel planning procedures

111. In paragraphs 14 to 16 of ST/IC/2019/16, it is established that individuals travelling, on behalf of and paid by the United Nations, by commercial air (including on self-ticketed itineraries that are reimbursed by the United Nations) should obtain the approval of the travel processing office for the Umoja travel request 16 calendar days in advance of the commencement of official travel. In addition, five calendar days have been provided for obtaining the necessary travel request approvals in Umoja.

112. Therefore, staff members or travel administrators are required to submit travel requests at least 21 calendar days prior to the commencement of travel, to ensure the timely finalization of the travel arrangements in accordance with the instruction. In that context, if requests are submitted fewer than 21 calendar days in advance of the commencement of travel, staff members or travel administrators are required to provide a justification in Umoja.

113. With regard to the travel request deadlines, it is stated in paragraph 3 of the Umoja survival guide for the Mechanism that the Umoja travel request should be submitted no later than 21 days in advance of travel. If it is not submitted within the 21-day window, a justification for late submission must be selected from the drop-down menu.

114. In addition, it is indicated in the Umoja survival guide that, upon agreement between a staff member and supervisor that official business or training travel is to take place, or when sensitive travel needs to take place, a travel request is to be raised in the travel automation system. Consequently, a quote is obtained from the Mechanism's Travel Unit and an advance booking may be made. This should be done approximately 24 days prior to travel. It remains the responsibility of the travel automation system submitter to ensure that all necessary approvals are received.

115. Lastly, in paragraph 11 of ST/IC/2019/16, it is stated that "All travel agencies or travel management companies shall be contractually obliged to provide the most economical tickets available, in accordance with United Nations policies, at the time of purchase".

116. The Board analysed the travel database containing 819 travel requests undertaken between January and October 2019 by the Mechanism's staff members, which appear as "Submitted" in their status in Umoja, and evidenced the following situations:

(a) In 420 cases categorized as "official travel", the travel request had been submitted fewer than 21 days prior to the commencement of travel, contrary to the Umoja survival guide for the Mechanism. This situation implies a delay in the final arrangements of the trips regarding, among others, reservations, purchase of tickets, travel advances and other expenses. Although the delay in most travel requests was justified, 203 of those cases (48.33 per cent) were justified under "Other", which does not specify the reason of the delay in the request. In addition, in 124 cases (29.52 per cent), the delay was classified as "Planning of late events", which relates to court hearings that are announced with fewer than 16 days' notice and last-minute invitations to meetings, situations for which the Mechanism is not in control of;

(b) Of the 420 travel requests that were submitted fewer than 21 days in advance of the commencement of travel, it was observed that 314 had been approved fewer than 16 days in advance of the travel date, 13 had been approved on the same day of the trip and 6 after the start of the trip;

(c) Regarding the purchase of tickets, according to the enquiries made in the Travel Unit of the General Services Section, there was no documentary evidence for the selection of ticket purchases, which is why it was not possible to verify whether the purchases made were either the best option or the most economical, as indicated in paragraph 11 of ST/IC/2019/16.

117. In addition, the Board reviewed a sample of 30 travel requests, taken from Umoja in 2019, and observed 17 cases in which the travel automation system document had been issued fewer than the 24 days in advance of travel required pursuant to paragraph 1 of the Umoja survival guide for the Mechanism.

118. The Board is of the view that the frequent instances of not indicating the specific reason for the delay in the travel requests (as in the cases that are justified as "Other" or "Planning of late events") can hinder the organization and evaluation of the real reasons for such delays in order to reduce these cases. The Board also considers that the approval in Umoja of travel requests and travel automation system documents, done without the required days in advance, can be an indicator of inefficient planning and result in higher costs for the Mechanism.

119. With regard to the situations identified in paragraph 116 above, the Mechanism stated that the selection of the generic "Other" reason generates a new box in which the staff member or travel administrator must provide further details. Hence, the real reason for the delay was generally provided, and then the certifying officer reviewed this information when certifying the travel. Regarding the issue identified in paragraph 117 above, the Mechanism reported that, prior to approval, each travel/shipment approver reviewed the circumstances relating to the late submission of the travel request. The main reasons reported for the delays were court-ordered travel at short notice and the late receipt of either the invitation to attend a conference or confirmation of attendance. For human resources travel, the urgency of onboarding may have also been a cause of travel requests not being submitted and approved at least 16 days prior to travel.

120. **The Board recommends that the Mechanism conduct a periodic analysis of the general database of the justifications for the due anticipation for travel requests required pursuant to the Umoja survival guide and ST/IC/2019/16, in order to detect the main reasons for the delays and take measures to reduce them.**

121. **The Board recommends that the Mechanism take action to improve its final travel arrangements, aimed at carrying them out with the anticipation required pursuant to ST/IC/2019/16 and providing the suitable justifications in the case of exceptions.**

122. **The Board recommends that the Mechanism have supporting documentation regarding the selection of the most economical offer, in order to ensure that this requirement is met at the time of purchasing the tickets.**

123. The Mechanism agreed with the first recommendation.

124. The Mechanism did not agree with the second recommendation, because it considered that it was complying fully with the United Nations travel rules and provided explanations for those instances in which it was not possible to submit a travel request 21 days before travel.

125. The Mechanism did not agree with the third recommendation, arguing that compliance with this recommendation for each ticket purchased would result in excessive administrative overhead, but that it could commit, on a monthly basis, to keeping a sample of screenshots, demonstrating that the ticket was the most economical.

126. Regarding the second recommendation, while the Board takes note of management's explanation, the Board is of the view that the reasons for delay were related not only to compliance with the purchase of tickets, but also to facts prior to the submission of the travel request, as indicated in the recommendation. The Board considers that the late submission of the travel request affects the delay in the final travel arrangements and, even with the very high percentage of justifications for those cases, the Board aims to focus on the reasons behind the delays so that the Mechanism can evaluate measures to diminish them and improve the planning of staff travels and related procedures, such as daily subsistence allowance, ticket purchases and expenses.

127. With respect to the third recommendation, the criteria proposed by the Mechanism for follow-up, consisting of providing supporting documentation for only a part of the monthly purchased tickets, was not acceptable to the Board. Therefore, the recommendation remains in its current form.

Travel reporting and documentation

128. With regard to the travel expense report, it is indicated in paragraph 10 of the Umoja survival guide for the Mechanism that the staff member who travelled must

submit the travel expense report in Umoja employee self-service within 14 days of the completion of travel.

129. The Board reviewed a sample of 30 travel requests, taken from Umoja in 2019, and observed that, in 5 cases corresponding to official travel, the travel expense reports had been issued more than 14 days after the completion of travel, contrary to the Umoja survival guide.

Table II.VIII
Travel expense reports issued more than 14 days after completion of travel

Trip number	*Trip start date*	*Trip end date (A)*	*Expense report date (B)*	*Difference (A - B)*
763065	28 April 2019	29 April 2019	20 May 2019	21
784684	13 May 2019	29 May 2019	14 June 2019	16
862562	21 August 2019	24 August 2019	1 October 2019	38
871893	8 September 2019	26 September 2019	11 October 2019	15
911726	13 October 2019	15 October 2019	4 November 2019	20

Source: Table prepared by the Board on the basis of information found in Umoja.

130. In response, the Mechanism reported that staff members were regularly reminded, through postings on the intranet and direct email contact with the staff member (or travel administrator), of the requirement to submit their travel expense reports within 14 days of the completion of travel. Thus, while the Mechanism accepted the observation regarding registering absences for travel, it disputed the suggestion that it had demonstrated weaknesses in its documentation and travel expense report, given that it had a very high compliance rate with the timely filing of travel expense reports and that only one of those reports identified by the Board, of the 30 trips examined, was more than one week late.

131. **The Board recommends that the Mechanism take action to ensure that the travel expense reports are submitted within the time frame outlined in the Umoja survival guide and that all the documentation needed for effective control in travel matters, as required pursuant to the relevant normative, is included in Umoja.**

132. The Mechanism did not agree with the recommendation.

133. With regard to the travel expense reports, notwithstanding what was reported by the Mechanism, no evidence was provided that would show compliance with submitting travel expense reports within 14 days of completion of travel, as reported by the entity. Accordingly, it was not possible to validate the veracity of the compliance and justifications reported by the Mechanism. Therefore, the Board considers that this recommendation should be maintained.

7. Information and communications technology

Disaster recovery exercise

134. In articles 4.7 to 4.10 under section 4 of the Secretariat's information and communications technical procedure on disaster recovery planning (SEC.08.PROC), it is stated that information and communications technology (ICT) service providers must train all ICT personnel in their disaster recovery roles and responsibilities and provide refresher training on an annual basis. ICT service providers must test and/or exercise the ICT disaster recovery planning on a periodic basis (at least annually) to determine the plan's effectiveness and the organization's readiness to execute the plan. Test results shall be documented, classified as confidential and shared with key stakeholders, and must be reviewed to see whether corrective action is necessary. Lessons learned and corrective

action must be captured, documented and incorporated into plan updates. Disaster recovery planning, including disaster recovery roles and responsibilities, will be reviewed and, where applicable, revised on an annual basis. Disaster recovery planning will also be updated following significant changes, such as changes to ICT services/facilities and legal, regulatory or contractual obligations, or to address problems encountered during disaster recovery planning implementation, execution or testing.

135. The Board noted that the disaster recovery planning document of the Mechanism was last updated in 2017. In addition, as reported by the entity, no disaster recovery exercise has been executed since. Therefore, staff members detailed in the document have not participated in simulations regarding the operations, roles and responsibilities that are included in disaster recovery planning. Moreover, because staff members have not acquired the lessons learned from recovery exercises previously carried out, it cannot be concluded that the disaster recovery planning in force is currently functional.

136. When consulted on this issue, the Mechanism stated that information restoration was frequently performed, in accordance with the demands of staff. However, the disaster recovery exercise itself, which also contemplates communications issues, is still not executed. Therefore, regardless of the existence of the disaster recovery planning document, the simulations required by the regulation referred to above have not been performed.

137. The Board is of the view that the lack of testing and reinforcement of the training for disaster recovery planning represents a breach of the policies defined by the Mechanism. In addition, considering that the Mechanism has a fundamental role in the management and preservation of and access to the archives of the International Tribunal for the former Yugoslavia, the International Criminal Tribunal for Rwanda and the Mechanism itself, this situation poses a risk for the safeguarding of the strategic and key information managed by the entity, as well as for the continuity of its communications and operations.

138. **The Board recommends that the Mechanism perform and keep a record of the disaster recovery exercise at least annually, incorporating the disaster recovery planning document and the lessons learned after the testing, and ensuring that this exercise includes the key employees involved in the recovery process, as established in the information and communications technical procedure on disaster recovery planning (SEC.08. PROC).**

139. Management accepted the recommendation, with the caveat that its full implementation would come after the full replacement of critical ICT infrastructure, at which point disaster recovery planning would be updated.

8. Mechanism Archives and Records Section

Workplan and risk register at the Mechanism Archives and Records Section

140. The Security Council, in its resolution 1966 (2010), established that the task of managing and preserving the archives of the International Tribunal for the former Yugoslavia, the International Criminal Tribunal for Rwanda and the Mechanism be handed over to the Mechanism Archives and Records Section.

141. In this context, in December 2018, the Mechanism addressed the risk of safeguarding the strategic and key information managed by the entity, as well as for the continuity of its communications, through project initiation document R01 D05, related to the audiovisual preservation and access project. In paragraph 6 of this document, on project risk and issue management, it is indicated that "the Project Manager will maintain a Risk Register and will submit it at least quarterly for review by the Project Board". In paragraph 9 (d) of the same document, on project controls, it is indicated that, "if the impact of the issue is relevant, it will be logged in the Issues

Register and monitored by the Project Manager, with appropriate consultation, to determine its severity and tolerance. A decision can also be made as to whether the issue needs to be escalated. If the issue becomes a risk, the Project Manager will update the Risk Register and inform the Project Board of the risk".

142. The Board reviewed the Mechanism Archives and Records Section workplan for the biennium 2019–2020, and the following situations were evidenced:

(a) Compliance time was not determined for each activity presented in the workplan;

(b) The workplan lacked indicators in order to define the degree of progress of each activity;

(c) In the "Dependencies" column, presented in the workplan, the person responsible for the activity was not always identified. Other activities had more than one person in charge, with no clear definition of who was responsible for each activity.

143. In addition, the Board reviewed the risk register of both the audiovisual preservation and access project and the digital repository project (one component of the digital preservation programme). The following situations were observed:

(a) Risks had been identified in the risk register for the audiovisual preservation and access project since 2018, with the project in operation since 2019. However, as reported by the Chief Archivist in an email dated 29 November 2019, the risk register remained in draft form;

(b) There was a lack of standardization between the risk registers for both projects, as reported to the Mechanism;

(c) In the "Risk Owner" category, there was no standardized criteria. For example, while several risks were included with more than one person in charge in the digital repository project, the audiovisual preservation and access project indicates that "there can be only one risk owner per risk".

144. Room for improvement was noted in the construction of the Mechanism Archives and Records Section workplan, owing to the absence of indicators and deadlines. This situation limits the proper knowledge of the results achieved and affects compliance, in order to establish the sequence of the tasks outlined in the workplan. It was also observed that the audiovisual preservation and access project did not have a formalized and updated risk register, as established in the project initiation document. The aforementioned situations could eventually hinder timely action on risk management.

145. The Mechanism indicated that: (a) the audiovisual preservation and access project was ongoing and that, following a change in project governance arrangements, the project executive requested the preparation of a new risk register, which remained in draft form, as was provided to the Board; (b) the preparation of risk registers, while recognized to be a best practice, did not have a policy that mandated their use, much less dictating their format, at the entity, or in the United Nations as a whole; and (c) the audiovisual preservation and access project's draft risk register had been prepared using an externally published template that contained the text "there can only be one risk owner per risk", with the final version to be produced in the same Mechanism Archives and Records Section template as the digital repository risk register, which was maintained as part of routine operations.

146. **The Board recommends that the Mechanism formalize the approval of the risk register of the projects in order to maintain a formal and updated risk register for the audiovisual preservation and access project, in accordance with the provisions of the project initiation document (R01 D05).**

147. The Mechanism agreed with the recommendation.

C. Disclosures by management

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

148. Pursuant to financial rule 106.7 (a), the Mechanism approved write-offs of receivables of $1,790.40 and write-offs of property, plant and equipment of $1,826,141.56 for the year 2019.

2. Ex gratia payments

149. Management confirmed that the Mechanism had not made any ex gratia payments in 2019.

3. Cases of fraud and presumptive fraud

150. 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.

151. 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 enquires 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.

152. In 2019, 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

153. The Board 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

21 July 2020

Annex

Status of implementation of recommendations up to the year ended 31 December 2018

Financial period in which the recommendation was first made	*Paragraph reference*	*Recommendation*	*Mechanism response*	*Board assessment*	*Status after verification*			
					Implemented	*Under implementation*	*Not implemented*	*Overtaken by events*
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.	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. The Mechanism engaged with the contractor and the architect to address the remaining works, and after the vast majority of the items had been completed, the Mechanism accepted a financial settlement to compensate it for those small number of items that remained, thus bringing the issue to a close.	Regarding part (a) of the recommendation, the Board reviewed the current punch list and the works performed, confirming that items indicated as completed were indeed so and, conversely, that items not completed were appraised in the punch list. For the pending works, the Mechanism is being advised by a different consultant on how to proceed with completion. With that assessment, the Mechanism would monitor the procurement process, as needed, aiming to finish the pending works by the third quarter of 2020. Moreover, the Board noted with appreciation the recent agreement reached with the original contractor regarding the overall valuation of the punch list. The amount for the punch list closure has been reflected as a deduction in the last invoice received by the entity, issued on 20 December 2019, and the subsequent non-payment thereof by the United Nations. The pending works referred to the heating, ventilation and air conditioning project, which would be performed by the new consultant and was included in recommendation 20 of the 2017 report, and small mechanical and architectural issues, which would be addressed by the Facilities Management Unit.				X

Financial period in which the recommendation was first made	Paragraph reference	Recommendation	Mechanism response	Board assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				Because the entity ensured that the works were completed, but that they would be done after the defect liability period (which ended on 1 December 2017) by the new consultant and Facilities Management Unit staff, this part of the recommendation is considered to be overtaken by events.				
2016	18	The Mechanism agreed with the Board's recommendation to: (b) continue to engage with the Secretariat on how to recover liquidated damages as legally appropriate and economically feasible.	Furthermore, after extensive engagement with interlocutors at the Secretariat, including the Office of Legal Affairs and the then Office of Central Support Services, a legally appropriate and economically feasible approach was agreed upon, by which the issue of liquidated damages recovery was addressed with the contractor. The Mechanism considers this recommendation to be implemented and requests its closure by the Board.	As for part (b), the aforementioned invoice expressed the liquidated damages and their recovery by the Mechanism therein. Therefore, this part of the recommendation is considered to be implemented.	X			
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.	In 2018, the Mechanism Archives and Records Section completed the mapping in accordance with the approved retention schedules of all the records in question. Beginning in the first quarter of 2019, the Section requested authorization from the Mechanism offices that had taken over responsibility for the relevant functions of the International Tribunal for the former Yugoslavia to destroy records that, following the mapping, it had found to be due for destruction. When those offices authorized destruction, the Section proceeded to destroy the records, and this work was ongoing.	Considering the works performed by the Mechanism and the approval of the signed records, according to their retention schedules, the Board considers the recommendation to be implemented.	X			

Financial period in which the recommendation was first made	*Paragraph reference*	*Recommendation*	*Mechanism response*	*Board assessment*	*Status after verification*			
					Implemented	*Under implementation*	*Not implemented*	*Overtaken by events*
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 air quality, temperature and relative humidity control system was redesigned and the Mechanism is conducting a procurement exercise to identify a supplier to build and install it. In addition, an expert consultancy company was appointed for quick fixes that require minimal procurement action. Along with this, the contractor will confirm design criteria, as well as draft schematic diagrams and a schedule for equipment installation. Upon receipt thereof, the Mechanism will determine whether to further engage with the consultant and will procure, install and commission any required equipment.	The Board reviewed the status of the procurement exercise and the works commissioned to the consultancy company. Considering the information given by the Mechanism, the Board is of the view that the recommendation was still under implementation.		X		
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.	The Mechanism has presented the three variation orders to the local committee on contracts for its ex post facto review and has disposed of the cases in accordance with procurement rules. The Mechanism considers this recommendation to be implemented and requests its closure by the Board.	By end of May 2020, the Board had not received the presentation of the three variation orders to the local committee on contracts and the Procurement Division, with the evidence of their review and approval. The Board therefore considers that the recommendation is not implemented.			X	
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.	Items for which the Mechanism's local property survey board approved disposal as scrap have been taken by an authorized scrap collector. A procurement action has commenced to sell those items that the board approved for disposal through commercial sale.	Notwithstanding that the items approved for disposal by scrapping have been properly disposed of, as of the date of the internal control visit, the Board had not received the invoice nor the sales contract demonstrating the disposal of items approved for disposal by sale. The recommendation therefore remains under implementation.		X		

Financial period in which the recommendation was first made	*Paragraph reference*	*Recommendation*	*Mechanism response*	*Board assessment*	*Status after verification: Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
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 the contractor to ensure completion of the modification to the water pipes that run across the ceiling of the data centre.	The Mechanism continues to implement part (a) of this recommendation and has liaised with the Procurement Division at the Secretariat to negotiate the use of a systems contract from which the Mechanism will be able to order a replacement uninterruptible power supply unit. That procurement action is ongoing. Part (b) of the recommendation was assessed as implemented by the Board.	The Board has reviewed the information provided regarding the purchase orders, shipping documents and goods receipt. By April 2020, it had also received photographs of the placed uninterruptible power supply and distribution board. However, the installation service was not yet available owing to the travel restrictions associated with the coronavirus (COVID-19) pandemic, so the power supply was not functional at the time. Therefore, the Board considers the recommendation to be under implementation.		X		
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’s Information and Communications Technology Committee, composed of representatives of all key business process owners, has reviewed and reaffirmed the high-level business case for the unified judicial database project and has approved a modified version of it that addresses the issues raised by the Board. Subsequently, the project’s governance board met and approved the master project plan, and the functionality for filing, distribution and publication has been successfully implemented. The Mechanism considers this recommendation to be implemented and requests its closure by the Board.	The Board considers the arguments expressed by the Mechanism to be valid. However, given that the Entity revalidated the unified judicial database business case and chose to expand the database, a system that would be implemented by internal staff and not with an external vendor, as was described initially when the recommendation was issued, and owing to the structural changes regarding the project, the recommendation is considered to have been overtaken by events.				X

Financial period in which the recommendation was first made	Paragraph reference	Recommendation	Mechanism response	Board assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
2017	55	In addition, the Mechanism agreed with the Board of 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 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.	The Mechanism says that, following a review of available technical options against the re-established/reconfirmed business requirements, the chosen way forward for the project was to deliver a unified judicial database by expanding use of the former International Tribunal for the former Yugoslavia judicial database system to the Arusha branch. All stakeholders agreed that that option represented best value with respect to functionality, cost and risk. Given that the judicial database was already a fully functioning mature system that has been in use in The Hague for a long time, “acceptance testing” looked at operability because all judicial database functionality was already tried, tested and in active use in The Hague. Operability is a measure of how well a software system works when deployed to a new environment. A formal review session involving key stakeholders in the Information Technology and Support Services Section and the Judicial Records and Court Operations Unit was therefore held on 29 October 2019 to review how the judicial database was performing and whether expectations of staff in Arusha were being met.	The Board considers the arguments expressed by the Mechanism to be valid. However, given that the entity revalidated the unified judicial database business case and chose to expand the judicial database, a system that would be implemented by internal staff and not with an external vendor, as was described initially when the recommendation was issued, and owing to the structural changes regarding the project, the recommendation is considered to have been overtaken by events.				X
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.	An updated ICT strategy, aligned with the Mechanism’s and the Secretariat’s overall strategy, has been adopted by the Mechanism’s Information and Communications Technology Committee. The Mechanism considers this recommendation to be implemented and requests its closure by the Board.	As reported by the Mechanism, the development of the ICT strategy for the period 2018–2021 was still under review. Therefore, until the commented policy is acted upon, the Board considers the recommendation to be under implementation.		X		

Financial period in which the recommendation was first made	Paragraph reference	Recommendation	Mechanism response	Board assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
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 has addressed and resolved all pending receivables and payables that are within its capacity. The Mechanism notes that, of the remaining receivables, besides outstanding contributions from Member States, only $25,000 in value-added tax refunds from the host State remain. Outstanding payables consisting exclusively of after-service health insurance payments, pensions of judges and other residual staff benefits, the disbursement of which are controlled by factors outside the Mechanism's control. The Mechanism considers this recommendation to be implemented and requests its closure by the Board.	Considering the information and documents provided regarding the measures taken by the Mechanism, the current outstanding receivables and the current outstanding payables concerning after-service health insurance, pensions of judges and other residual staff benefits, the Board considers this recommendation to be implemented.	X			
2018	20	The Board recommends that the Mechanism conduct a systematic fraud risk assessment following the provisions of the Anti-Fraud and Anti-Corruption Framework.	The Mechanism notes that the Board did not identify any instances of fraud during the reporting period, nor did it find that an absence of a separate, institution-specific risk assessment had increased the risk of fraud at the Mechanism. The Mechanism, however, undertakes to perform a risk assessment because it believes that such an exercise will serve to strengthen its internal controls.	Considering that the updated enterprise risk management document is still being revised and that no schedule or planning was received, the recommendation is considered to be not implemented.			X	
2018	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.	The Information Technology and Support Services Section of the Mechanism is developing an application to track the completion of mandatory training, which will make it possible for staff members to upload completed training certificates and for management to track the completion of all mandatory training. A report provided by the Mechanism shows 88 per cent completion by staff.	The Board was informed of the creation of the Tribunet training portal and received the related broadcast message sent on 3 December 2019 directed to all Mechanism staff. It also received an Excel file concerning the completion rate for fraud prevention training, provided by the Mechanism through an email dated 27 January 2020, which reported a completion rate of 88 per cent, comprising only a list of staff and	X			

					Status after verification			
Financial period in which the recommendation was first made	*Paragraph reference*	*Recommendation*	*Mechanism response*	*Board assessment*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
				their status of "Completed", "Pending" or "Active". The Board proceeded to review the training certificates registered in the Tribunet training portal and the reportability obtained thereto. Both analyses showed a completion rate of more than 93 per cent by staff. The recommendation is therefore considered to be implemented.				
2018	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).	Negotiations have taken place with the new landlord who took over the building in July 2019. Beginning on 27 August 2019, about four meetings have been held to discuss/negotiate the new lease contract. It was decided that the reduction in space (by approximately 30 per cent) to be rented by the Mechanism as of January 2020 would be incorporated into amendment No. 6 of the current lease because there are still too many unknown factors regarding the renovation project to negotiate a completely new lease agreement at this time. Negotiations will, however, continue once the programme of requirements for the Mechanism's space has been further completed and incorporated into the design for the building renovation project, which has now commenced. The lease amendment is almost completed, with just one point outstanding to be agreed upon. The case must be submitted to the Committee on Contracts in New York before the contract can be signed.	While the Board appreciates the efforts made by the Mechanism regarding the final lease agreement, the signed final agreement was needed. The recommendation is therefore considered to be under implementation.		X		

					Status after verification			
Financial period in which the recommendation was first made	*Paragraph reference*	*Recommendation*	*Mechanism response*	*Board assessment*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
2018	45	The Board therefore recommends that the Mechanism update the enterprise risk management document, in accordance with the internal memorandum (MICT/A/IOR/2016/855) and the framework of the Committee of Sponsoring Organizations of the Treadway Commission.	The Mechanism is updating and expanding its enterprise risk register.	Given that that the Mechanism is updating and expanding its enterprise risk register, the Board considers the recommendation to be under implementation.		X		
2018	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.	In conjunction with the contractor, the Mechanism is reviewing every as-built drawing with the aim of identifying discrepancies between the drawings and the actual as-built situation and to ensure that, where required, the as-built drawings are updated. In addition, the process will also identify gaps in the availability of required maintenance manuals and will present options on how to acquire such manuals.	The Board reviewed the as-built drawings and the actual as-built situation and considered them to be compliant with contract No. PD/C0036/15. In addition, the manuals were available, as needed. Therefore, the recommendation is considered to be implemented.	X			
2018	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.	While the Mechanism did not fully concur with the Board's assessment, the Mechanism has, where appropriate, improved its internal controls for the appointment process of consultants and individual contractors by working with substantive offices to ensure that complete terms of reference are included in the contracts. As for 2019, the Mechanism has taken action to ensure that the terms of reference for contracts are detailed according to administrative instruction ST/AI/2013/4. Accordingly, it requests that this recommendation be closed.	The Board reviewed the contracts signed during 2019 and considered that the terms of reference included in them were compliant with the administrative instruction. The recommendation is therefore considered to be implemented.	X			

Financial period in which the recommendation was first made	Paragraph reference	Recommendation	Mechanism response	Board assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
2018	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.	The Mechanism has strengthened its competitive selection procedures for all consultants and individual contractors, resulting in the creation of various rosters of candidates. Since the Board’s initial observation, nine vacancy announcements for consultants and individual contractors were circulated, which resulted in 31 candidates being placed on various rosters for consultants and individual contractors. The Mechanism considers this recommendation to be implemented and requests its closure by the Board.	The Board reviewed the rosters and considered that the activities taken to improve the competitive selection procedures were properly developed. The recommendation is therefore considered to be implemented.	X			
2018	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.	In paragraph 81 of its report, the Board acknowledged the action that had been taken by the Mechanism to implement this recommendation. The Mechanism continues to ensure that its security protocols are rigorously observed. With regard to a contingency plan for possible emergencies, an observation on the disaster recovery planning surfaced only during the 2019 visit, for which Information Technology and Support Services Section agreed on updating the disaster recovery planning document and test the disaster recovery after the new infrastructure was implemented. The Section took action and corrected the document, which will also be reviewed when the new infrastructure is implemented and the test exercise is organized. As for the data centres in both the Arusha and The Hague branches, the	Having reviewed the documents provided by the Mechanism, the Board has evidenced that the disaster recovery plan has not been updated (most version dated 5 November 2017). It is to be noted that the recommendation hereunder refers to the existence, completeness and update of the disaster recovery plan document itself, while the recommendation issued during the audit for 2019, and included above in the present report, is related to the disaster recovery exercise execution. In addition, the Board received from the Mechanism the matrix of access levels and approval requirements for different groups of visitors. However, the Board did not receive the quarterly review of access. Therefore, the observation is considered to be under implementation.		X		

Financial period in which the recommendation was first made	*Paragraph reference*	*Recommendation*	*Mechanism response*	*Board assessment*	*Status after verification*			
					Implemented	*Under implementation*	*Not implemented*	*Overtaken by events*
			Mechanism is of the view that all requirements have been met, and the Section is of the view that there were no breaches during the physical verifications and asks the Board for further clarification on the matter. Lastly, log files were provided for enabling all access to the data centres.					
Total number of recommendations					**7**	**7**	**2**	**3**
Percentage of total number of recommendations					**37**	**37**	**10**	**16**

Chapter III

Letter dated 26 March 2020 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 2019 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 2019

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 2019.

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.

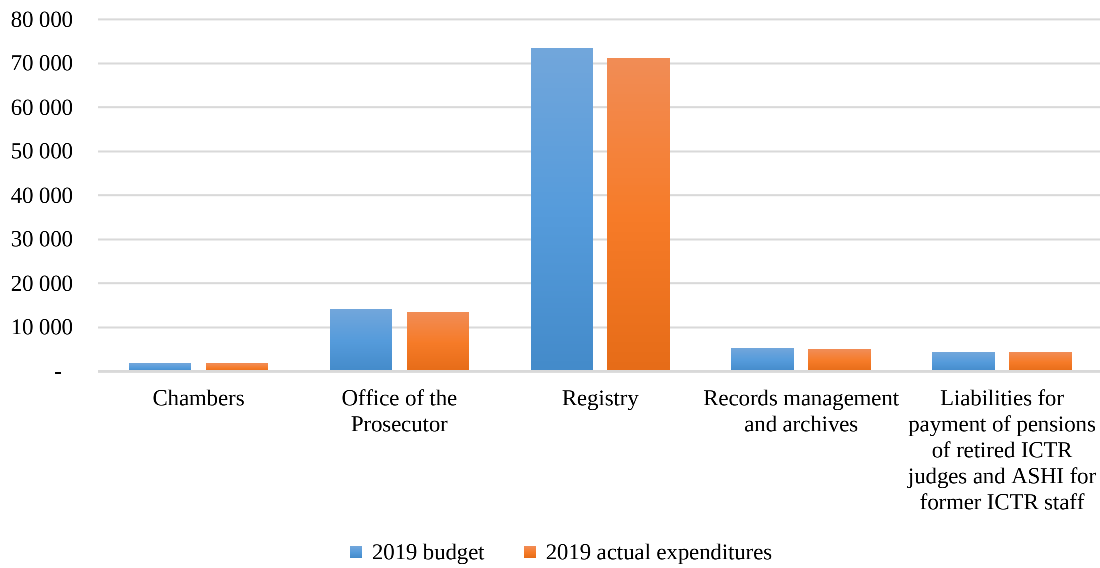
4. The Mechanism comprises two branches, located in Arusha, United Republic of Tanzania, and in The Hague, Netherlands, which cover functions inherited from the International Criminal Tribunal for Rwanda and the International Tribunal for the Former Yugoslavia, and activities mandated by the Security Council in resolution 1966 (2010), such as protection of witnesses, tracking of fugitives, supervision of enforcement of sentences, assistance to national jurisdictions and management of the archives.

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. Upon their closure, the accounts of 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 2019 budget of the Mechanism for each of its programme components; the final annual budget totalled $98.912 million (2018: $98.380 million), and expenditure amounted to $95.684 million (2018: $86.517 million). The final annual budget was less than the original budget by 9.4 per cent, owing principally to increased efficiencies gained in appeals preparation, resulting in lower costs of judges' remuneration, a prudent approach to hiring staff in anticipation of additional requirements for the *Turinabo et al.* case, which was delayed into 2020, and lower-than-expected requirements for payments related to pensions of retired judges and after-service health insurance of staff. Actual expenditure was less than the final budget by 3.3 per cent. 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 2019

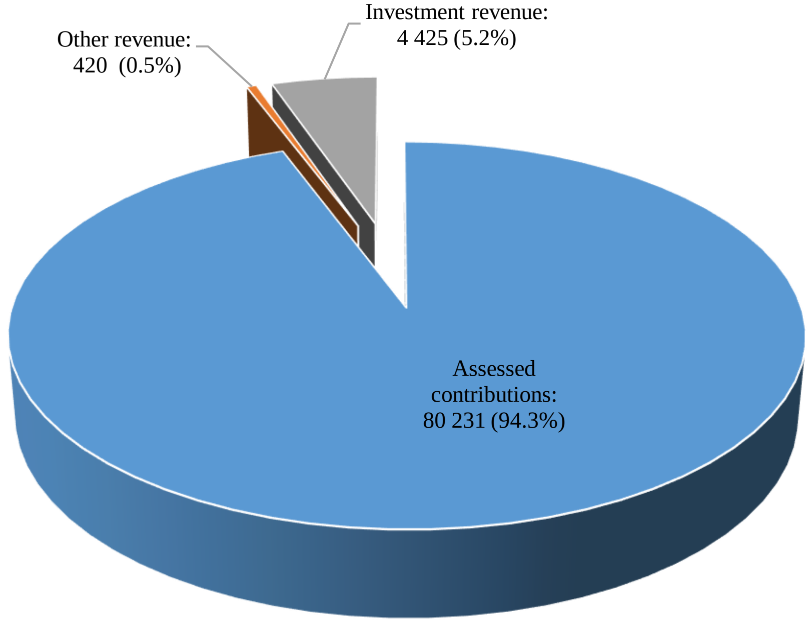
8. The financial statements of the Mechanism comprise the statement of financial position (statement I), the statement of financial performance (statement II), the statement of changes in net assets (statement III), the statement of cash flows (statement IV) and the statement of comparison of budget and actual amounts (statement V), which show the financial results of the activities of the Mechanism and its financial position as at 31 December 2019. 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 2019, revenue totalled $85.076 million (2018: $101.891 million). The main source of revenue was assessed contributions of $80.231 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 B, 73/277 and 74/259). Assessed revenue decreased from $98.380 million in 2018 to $80.231 million in 2019, owing to the decrease in the approved budget for the biennium 2018–2019 for the Mechanism and a reduction in revenue for establishing a provision for credits to Member States.

10. The other sources of revenue included mainly investment revenue and other revenue of $4.425 million and $0.420 million, respectively.

Figure IV.II
Revenue by nature
(Thousands of United States dollars)



Expenses

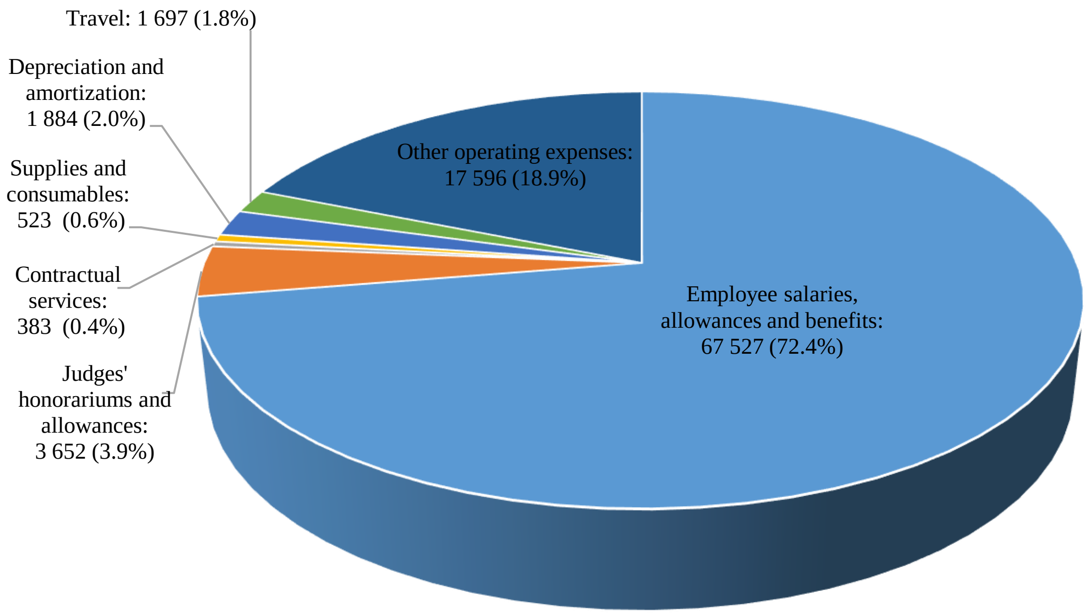
11. Expenses reported in statement II are shown on a full accrual basis. This contrasts with statement V, which shows expenditure on a modified cash basis. The main differences between the two is the cost of after-service employee and judges' benefits liabilities, which are accrued as the service is delivered in statement II, but shown on a cash basis in statement V. Other key differences are the depreciation of property, plant and equipment and 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 2019, expenses totalled $93.262 million (2018: $89.912 million), with an increase of $3.350 million from 2018. The main expense categories were employee salaries, allowances and benefits of $67.527 million, which constituted 72.4 per cent of total expenses; other operating expenses of $17.596 million (18.9 per cent); judges' honorariums and allowances of $3.652 million (3.9 per cent); depreciation and amortization of $1.884 million (2.0 per cent); and travel expenses of $1.697 million (1.8 per cent). The remaining $0.906 million (1.0 per cent) were expenses for contractual services, and supplies and consumables.

13. The main increase was in other operating expenses, which increased by $1.555 million, from $16.041 million in 2018 to $17.596 million in 2019. This increase was mainly driven by the derecognition of an intangible asset that was under development of $1.81 million, and the increase in requirements for the *Turinabo et al.* contempt case, which resulted in an increase in legal fees to defence teams ($0.764 million) and an increase in the cost of space and facilities in Arusha ($0.527 million). It was partially offset by a decrease in detention services of $0.503 million, owing to the lower number of detainees held in 2019 than in 2018 as

a result of transfers to servicing States, a decrease in the cost of rent for office premises in The Hague owing to reduced space ($0.525 million), and decreases in expenses for communications and information technology and allowances for doubtful receivables related to recoverable value added tax (VAT). Other major factors in the increase in 2019 expenses include an increase in judges' honorariums and allowances by $0.749 million, and an increase in employee salaries, allowances and benefits by $0.609 million.

Figure IV.III
Expenses by nature
(Thousands of United States dollars)



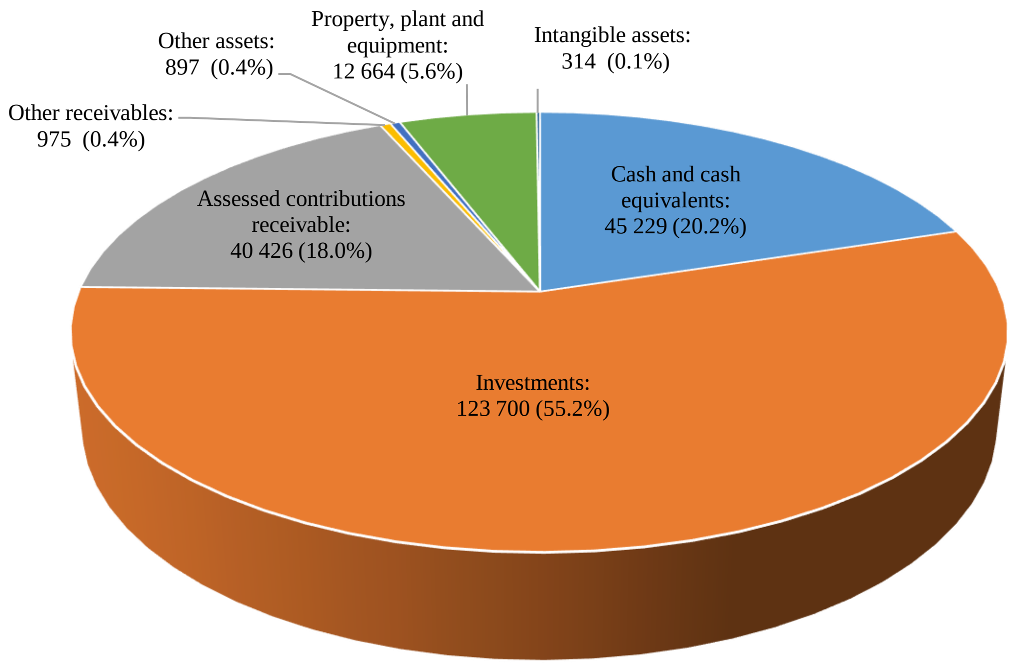
Operating results

14. The deficit of revenue over expense in 2019, as measured under the International Public Sector Accounting Standards (IPSAS), was $8.186 million. This was due primarily to the decrease in assessed contributions, reflecting the adjustment between the initial and final budget for the biennium. The initial assessment for 2019 of $98.012 million, pursuant to resolution 72/258 B, which was subsequently reduced to $97.341 million pursuant to resolution 73/277, was finally adjusted to $87.049 million. In addition, the overall result was significantly impacted by the establishment of a provision for credits to Member States, recorded as a reduction in revenue, and a write-off loss from the derecognition of an intangible asset under development based on a final decision made in 2019 to halt the use of and cancel further development of the database under the unified judicial database project.

Assets

15. Assets as at 31 December 2019 totalled $224.205 million, compared with the balance as at 31 December 2018 of $223.669 million.

Figure IV.IV
Assets of the Mechanism as at 31 December 2019
(Thousands of United States dollars)



16. As figure IV.IV illustrates, the main assets of the Mechanism at 31 December 2019 were cash and cash equivalents and investments, totalling $168.929 million (representing 75.3 per cent of total assets); assessed contributions receivable from Member States of $40.426 million (18.0 per cent); property, plant and equipment of $12.664 million (5.6 per cent); and other accounts receivable of $0.975 million (0.4 per cent).

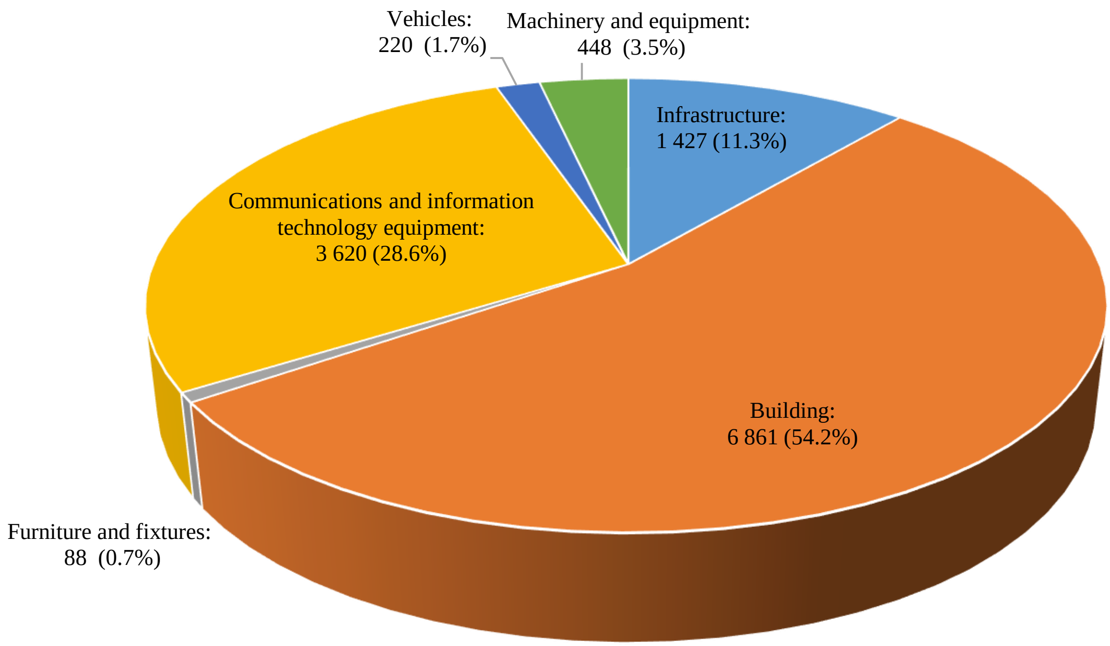
17. Cash and cash equivalents and investments of $168.929 million at 31 December 2019 were held in the United Nations main cash pool. This represents an increase of $11.737 million compared with the balance of $157.192 million held at the end of 2018.

18. Assessed contributions receivable decreased from $48.778 million to $40.426 million. This decrease was due mainly to a decrease in the final appropriation for the biennium of an amount of $10.292 million. Out of the $40.426 million at the end of the fiscal year, $24.718 million corresponds to arrears due to the former Tribunal for the Former Yugoslavia, $7.487 million to arrears due to the former Tribunal for Rwanda, and $8.221 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 $6.861 million and $1.427 million, respectively), as shown in figure IV.V.

20. The decrease in other accounts receivable is largely due to the decrease in recoverable VAT from $2.522 million at the end of 2018 to $1.461 million at the end of 2019. The balance of recoverable value added tax at the end of 2019 includes $0.976 million from the United Republic of Tanzania (2018: $1.761 million) and $0.451 million from the Netherlands (2018: $0.665 million). Allowance for doubtful receivables related to recoverable VAT due for more than one year was recognized for an amount of $0.488 million, mostly from the United Republic of Tanzania.

Figure IV.V
Property, plant and equipment
(Thousands of United States dollars)



21. In relation to the Arusha premises (in use since 2016), the Mechanism concluded the long-outstanding punch list with the main contractor, and a statement was issued detailing the value of the work completed, on the basis of which the value of the building was adjusted in 2019. A number of actions, such as the settlement of invoices and the remediation of the heating, ventilation and air conditioning system, will continue to be addressed in 2020.

22. In 2019, the Mechanism fully derecognized an intangible asset that was under development ($1.810 million), which relates to the unified judicial database project that was originally 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 was suspended in December 2017 when the viability of its continuity came into question. Following a review by the Office of Internal Oversight Services in 2018, the Mechanism conducted an extensive harmonization process for business practices during 2019, which resulted in the decision to discontinue further development of the database and to expand the use of the existing system of the former International Tribunal for the Former Yugoslavia.

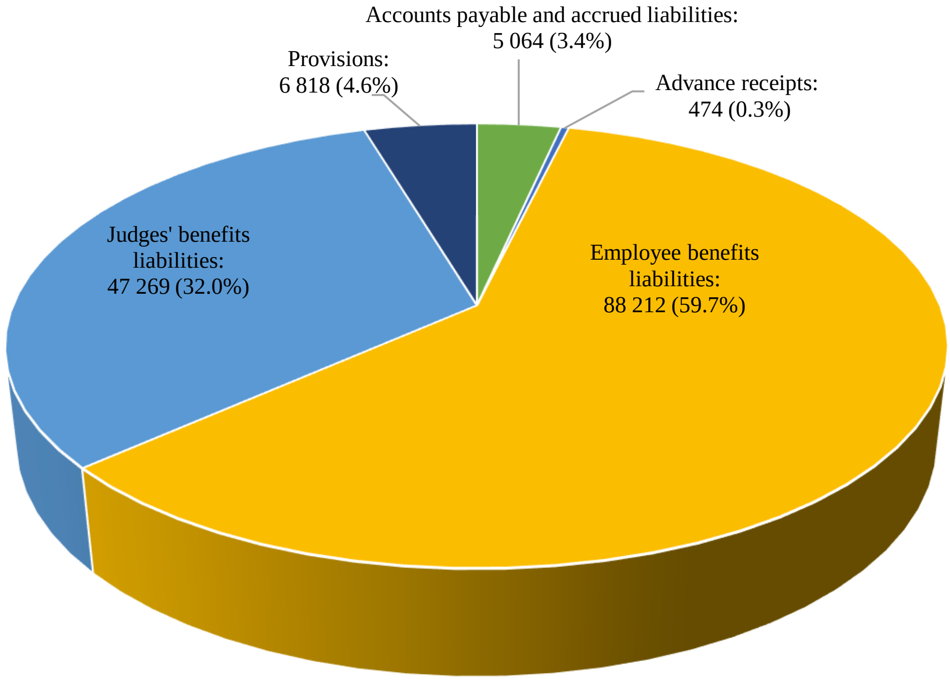
Liabilities

23. Liabilities as at 31 December 2019 totalled $147.837 million (31 December 2018: $169.679 million).

24. As shown in figure IV.VI, the largest liability refers to employee benefits earned by staff members and retirees in the amount of $88.212 million, representing 59.7 per cent of the Mechanism's total liabilities. The decrease in these liabilities in the amount of $34.572 million, or 39.2 per cent, in 2019 was due to the net decrease of $31.645 million in defined employee benefits liabilities, brought mainly by an actuarial gain of $36.506 million arising from changes in financial assumptions and experience adjustments in the most recent actuarial valuation, conducted in 2019. The

decrease in employee benefits liabilities was also driven by the reversal of accruals for separation-related benefits and entitlements made at the time of closure of the former International Tribunal for the Former Yugoslavia which expired during 2019, in the amount of $1.565 million.

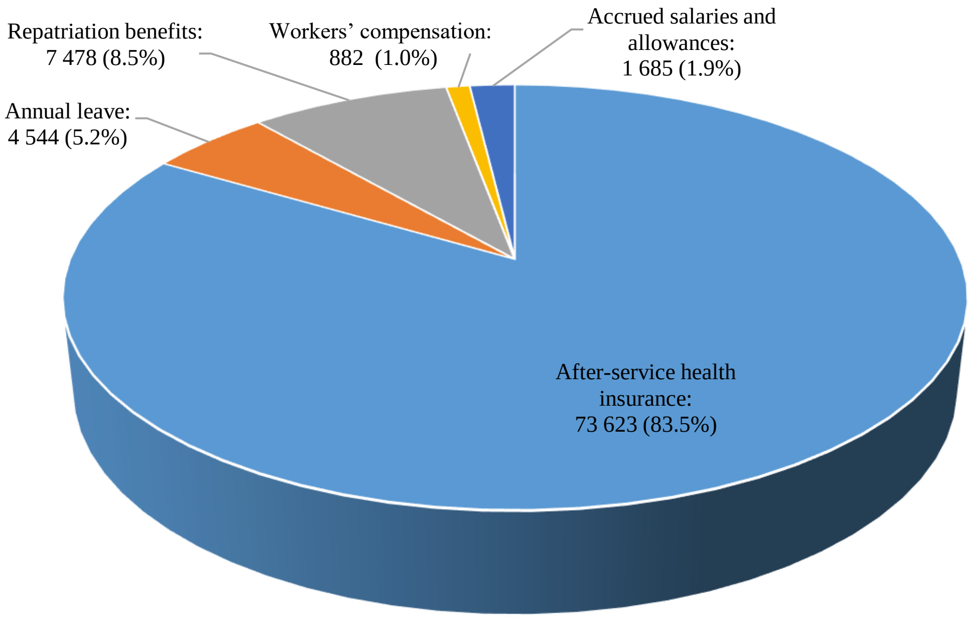
Figure IV.VI
Liabilities as at 31 December 2019
(Thousands of United States dollars)



25. As illustrated in figure IV.VII, employee benefits liabilities valued by independent actuaries consisted largely of liabilities related to after-service health insurance ($73.623 million), annual leave ($4.544 million) and repatriation benefits ($7.478 million).

26. The liabilities related to judges' honorariums and allowances amounted to $47.269 million, mainly representing the judges' pension liabilities that are now held by the Mechanism as a result of the amalgamation of the two former Tribunals. Of the total amount of judges' benefits liabilities as at 31 December 2019, $25.362 million relates to liabilities for retired judges of the International Tribunal for the Former Yugoslavia, $20.069 million relates to liabilities for retired judges of the International Criminal Tribunal for Rwanda, and $1.838 million relates to liabilities for the only full-time active judge of the Mechanism.

Figure IV.VII
Employee benefits liabilities
(Thousands of United States dollars)



Net assets

27. The movement in net assets during the year reflects an increase of $22.378 million, from $53.990 million in 2018 to $76.368 million in 2019, explained mainly by the actuarial gains on defined employee benefits liabilities, which had a positive impact of $36.506 million, partially offset by the deficit for the year for 2019 of $8.186 million. As at 31 December 2019, the net assets of the Mechanism included a restricted portion of $5.213 million relating to the balance of the special account for the construction of the Arusha facility.

Liquidity position

28. At 31 December 2019, liquid assets totalled $181.847 million (cash and cash equivalents of $45.229 million, short-term investments of $94.320 million, and assessed contributions receivable, other accounts receivable and other assets totalling $42.298 million), whereas total current liabilities amounted to $18.748 million.

29. The table below summarizes four key liquidity indicators for the financial year ended 31 December 2019, with comparatives for the year ended 31 December 2018.

	Year ended 31 December	
Liquidity indicator	*2019*	*2018*
Ratio of liquid assets to current liabilities	9.7:1	13.9:1
Ratio of liquid assets less accounts receivable to current liabilities	7.4:1	10.2:1
Ratio of liquid assets to total assets	0.8:1	0.9:1
Average months of cash, cash equivalents and investments on hand	22.2	21.5

30. 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 9.7:1 indicates that current liabilities are largely covered by liquid assets.

31. As at 31 December 2019, the Mechanism's liquid assets were about 81.1 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 $7.615 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 $1,790.40 were approved for write-off during 2019.

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 $1,826,141.56 for financial year 2019.

Ex gratia payments

4. There were no ex gratia payments made by the Mechanism during 2019.

Chapter V

Financial statements for the year ended 31 December 2019

International Residual Mechanism for Criminal Tribunals

I. Statement of financial position as at 31 December 2019

(Thousands of United States dollars)

	Note	*31 December 2019*	*31 December 2018*
Assets			
Current assets			
Cash and cash equivalents	6	45 229	15 367
Investments	6	94 320	131 630
Assessed contributions receivable	6, 7	40 426	48 778
Other accounts receivable	6, 7	975	1 801
Other assets	8	897	1 113
Total current assets		**181 847**	**198 689**
Non-current assets			
Investments	6	29 380	10 195
Property, plant and equipment	9	12 664	12 441
Intangible assets	10	314	2 344
Total non-current assets		**42 358**	**24 980**
Total assets		**224 205**	**223 669**
Current liabilities			
Accounts payable and accrued liabilities	11	5 064	3 825
Advance receipts	12	474	211
Employee benefits liabilities	13	3 310	7 221
Judges’ benefits liabilities	14	3 082	3 001
Provisions	15	6 818	–
Other liabilities	16	–	86
Total current liabilities		**18 748**	**14 344**
Non-current liabilities			
Employee benefits liabilities	13	84 902	115 563
Judges’ benefits liabilities	14	44 187	39 772
Total non-current liabilities		**129 089**	**155 335**
Total liabilities		**147 837**	**169 679**
Net of total assets and total liabilities		**76 368**	**53 990**
Net assets			
Accumulated surpluses/(deficits) – unrestricted	17	71 155	48 921
Accumulated surpluses/(deficits) – restricted	17	5 213	5 069
Total net assets		**76 368**	**53 990**

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 2019

(Thousands of United States dollars)

	Note	*31 December 2019*	*31 December 2018*
Revenue			
Assessed contributions	18	80 231	98 380
Other revenue	18	420	330
Investment revenue	6	4 425	3 181
Total revenue		**85 076**	**101 891**
Expenses			
Employee salaries, allowances and benefits	19	67 527	66 918
Judges’ honorariums and allowances	19	3 652	2 903
Contractual services	19	383	393
Supplies and consumables	19	523	394
Depreciation and amortization	9, 10	1 884	1 991
Travel	19	1 697	1 272
Other operating expenses	19	17 596	16 041
Total expenses		**93 262**	**89 912**
Surplus/(deficit) for the year		**(8 186)**	**11 979**

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 2019

(Thousands of United States dollars)

	Note	*Accumulated surpluses/ (deficits) – unrestricted*	*Accumulated surpluses/ (deficits) – restricted*	*Total*
Net assets as at 1 January 2018		**(12 441)**	**5 054**	**(7 387)**
Changes in net assets in 2018				
Actuarial gain/(loss) on defined benefits liabilities	13	11 414	–	11 414
Actuarial gain/(loss) on workers' compensation liabilities	13	83	–	83
Actuarial gain/(loss) on judges' pensions	14	6 873	–	6 873
Amalgamation of International Tribunal for the Former Yugoslavia		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**
Changes in net assets				
Actuarial gain/(loss) on defined benefits liabilities	13	36 506	–	36 506
Actuarial gain/(loss) on workers' compensation liabilities	13	(155)	–	(155)
Actuarial gain/(loss) on judges' pensions	14	(5 787)	–	(5 787)
Surplus/(deficit) for the year		(8 330)	144	(8 186)
Net assets as at 31 December 2019		**71 155**	**5 213**	**76 368**

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 2019

(Thousands of United States dollars)

	Note	*31 December 2019*	*31 December 2018*
Cash flows from operating activities			
Surplus/(deficit) for the year		**(8 186)**	**11 979**
Non-cash movements			
Depreciation and amortization	9, 10	1 884	1 991
Actuarial gain/(loss) on defined benefits liabilities	13	36 506	11 414
Actuarial gain/(loss) on workers' compensation liabilities	13	(155)	83
Actuarial gain/(loss) on judges' pensions	14	(5 787)	6 873
Net (gain)/loss on disposal of property, plant and equipment and intangible assets	9, 10	1 824	(19)
Other adjustments on property, plant and equipment	9, 10	(111)	–
Changes in assets			
(Increase)/decrease in assessed contributions receivable	7	8 352	2 439
(Increase)/decrease in other receivables	7	826	15 137
(Increase)/decrease in other assets	8	216	1 055
Changes in liabilities			
Increase/(decrease) in accounts payable – other	11	1 239	(17 502)
Increase/(decrease) in advance receipts	12	263	187
Increase/(decrease) in employee benefits payable	13	(34 572)	(11 358)
Increase/(decrease) in judges' benefits liabilities	14	4 496	(8 873)
Increase/(decrease) in provisions	15	6 818	(420)
Increase/(decrease) in other liabilities	16	(86)	(173)
Investment revenue presented as investing activities	6	(4 425)	(3 181)
Net impact of amalgamation of International Tribunal for the Former Yugoslavia		–	5 846
Net cash flows from/(used in) operating activities		**9 102**	**15 478**
Cash flows from investing activities			
Pro rata share of net changes in the cash pool	6	18 125	(8 377)
Investment revenue presented as investing activities	6	4 425	3 181
Acquisition of property, plant and equipment	9	(1 791)	(503)
Proceeds from disposal of property, plant and equipment	9	1	27
Net cash flows from/(used in) investing activities		**20 760**	**(5 672)**
Cash flows from financing activities		–	–
Net cash flows from/(used in) financing activities		–	**–**
Net increase/(decrease) in cash and cash equivalents		29 862	9 806
Cash and cash equivalents at beginning of year		15 367	5 561
Cash and cash equivalents at end of year		**45 229**	**15 367**

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 2019

(Thousands of United States dollars)

Current year:	2019 budget (appropriation)[a] Original biennium	Final biennium	Original 2019 annual	Final 2019 annual	Actual 2019 expenditure (budget basis)	2019 difference[b] in original and final budget (percentage)	2019 difference[c] in final budget and actual expenditure (percentage)
Mechanism							
Chambers	5 057	3 620	3 211	1 803	1 763	(43.83)	(2.24)
Office of the Prosecutor	31 134	27 389	17 691	14 108	13 410	(20.25)	(4.95)
Registry	139 409	136 090	76 766	73 383	71 156	(4.41)	(3.03)
Records management and archives	10 360	9 733	5 945	5 260	4 976	(11.53)	(5.40)
Liabilities for payment of pensions of retired ICTR/ICTY judges and ASHI	10 064	8 597	5 592	4 358	4 379	(22.07)	0.49
Total	**196 024**	**185 429**	**109 205**	**98 912**	**95 684**	**(9.42)**	**(3.26)**

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 represents final amounts authorized for the biennium 2018–2019, after the incorporation of all changes arising from Assembly resolutions 73/277 and 74/259. The original 2019 annual budget represents the 2019 revised appropriations, plus the unencumbered balance for 2018. The final 2019 annual budget represents the original budget for 2019 and incorporates the authorized final amounts and changes for the biennium 2018–2019. 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] Final annual budget less original annual budget. Differences greater than 10 per cent are considered in note 5.

[c] Total expenditure (budget basis) less final budget. Differences greater than 10 per cent are considered in note 5.

(Thousands of United States dollars)

	2018 budget (appropriation)[a]					
Current year:	*Original biennium*	*Final biennium*	*Original 2018 annual*	*Final 2018 annual*	*Actual 2018 expenditure (budget basis)*	*2018 difference[b] (percentage)*
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	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 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 of the biennium.

[b] Total expenditure (budget basis) less final budget.

International Residual Mechanism for Criminal Tribunals
Notes to the 2019 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, 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), and pursuant to article 4 of its statute, the Mechanism consists of three organs that serve both of its branches: (a) the Chambers, which are presided over by the President; (b) the Prosecutor; and (c) the Registry. Each of the organs is headed by a full-time principal, common to both branches. The responsibilities of each organ are as follows:

(a) The Chambers comprises a Trial Chamber for each branch of the Mechanism and an Appeals Chamber. 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 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 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 resolution 1966 (2010), by which the Mechanism was mandated to operate for an initial period of four years, starting 1 July 2012, and subsequently for periods of two years following reviews by the Council of the progress of its work, including in completing its functions, unless the Council decided otherwise.

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 2019 to the Board of Auditors by 31 March 2020. 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 2020.

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 development of a new IPSAS is continuing, with the date of its issuance yet to be determined by the IPSAS Board;

(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: Property, plant and equipment 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 40: Public sector combinations, issued in 2017 with effect from 1 January 2019; IPSAS 41: Financial instruments, issued in August 2018 with effect from 1 January 2022; and IPSAS 42: Social benefits, issued in January 2019 with effect from 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:

Standard	*Anticipated impact in the year of adoption*
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. IPSAS 40 came into effect on 1 January 2019, and the standard has been applied from the 2017 reporting period.
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: (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 1 January 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.
IPSAS 42	IPSAS 42 provides guidance on accounting for social benefits expenditure. It defines social benefits as cash transfers paid to specific individuals and/or households to mitigate the effect of social risk. Specific examples include State retirement benefits, disability benefits, income support and unemployment benefits. The new standard requires an entity to recognize an expense and a liability for the next social benefit payment. IPSAS 42 will be effective from 1 January 2022. Currently, there are no such social benefits in the Mechanism's operations.

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.

Classification	*Financial assets*
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 have been designated in this category at initial recognition, 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 on 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.

Investments in cash pools

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. Given that 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 investments in the cash pools are 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.

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.

Receivables from non-exchange transactions: contributions receivable

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 from 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 them 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, but disclosures will be made in the notes to the financial statements.

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 thereto.

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 are 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. Given that not all components of a building have the same useful lives or the same maintenance, upgrade or replacement schedules, significant components of owned buildings are depreciated using the component approach. Depreciation begins in the month in which 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:

Class	*Subclass*	*Estimated useful life (years)*
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
	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 per unit 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 into 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:

Class	*Range of estimated useful life (years)*
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 reporting 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.

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. 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 term of the lease.

The 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 at the

reporting date 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 a pension through 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: worldwide coverage for medical expenses of eligible former staff members and their dependants is provided through after-service health insurance. 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 before 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 in the after-service health insurance valuation to consider is contributions from 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 accumulated leave days that are projected to be settled via a monetary payment to employees upon their separation from the Mechanism. The United Nations recognizes as a liability the actuarial value of the total accumulated unused leave days of all staff members, up to a maximum of 60 days (18 days for temporary staff) as at the date of the statement of

financial position. The methodology applies a last-in-first-out assumption in the determination of the annual leave liabilities, whereby staff members access current period leave entitlements before they access accumulated annual leave balances relating to prior periods. Effectively, the accumulated annual leave benefit is accessed more than 12 months after the end of the reporting period in which the benefit arose and, overall, there is an increase in the level of accumulated annual leave days, pointing to the commutation of accumulated annual leave to a cash settlement at end of service as the true liability of the Organization. The accumulated annual leave benefit reflecting the outflow of economic resources from the Organization at end of service is therefore classified under the category of other long-term benefits, while noting that the portion of the accumulated annual leave benefit that is expected to be settled via monetary payment within 12 months after the reporting date is classified as a current liability. In line with IPSAS 39: Employee benefits, other long-term benefits must be valued similarly to post-employment benefits; therefore, the United Nations values its accumulated annual leave benefit liability as a defined, post-employment benefit that is actuarially valued.

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. Accumulated annual leave is an example of long-term employee benefits.

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. These liabilities are valued by actuaries.

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 are not delivered as at the end of the reporting period, 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.

In-kind contributions

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 in exchange for compensation. 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, guided tours and net currency exchange gains.

Investment revenue

79. Investment revenue includes the Mechanism's share of net cash pool revenue and other interest revenue. The net 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 revenue, and the net revenue is distributed proportionately to all cash pool participants on the basis of their daily balances. The cash pool revenue also includes unrealized market gains and losses on securities, which are distributed proportionately to all participants on the basis of 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 subsidies and staff 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
Comparison to budget

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

89. Approved budgets are those that authorize expenses to be incurred and are approved by the General Assembly. The original budget for the biennium 2018–2019 is the budget approved by the General Assembly in its resolution 72/258 B. The final budget represents final amounts authorized for the biennium 2018–2019, after incorporating all changes arising from Assembly resolutions 73/277 and 74/259. 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.

90. The original annual budget for 2019 represents the revised appropriations for 2019, plus the unencumbered balance from 2018. The final annual budget for 2019 incorporates the original budget for 2019 and authorized final amounts and changes for the biennium 2018–2019. 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. Actual expenditure amounts include commitments and actuals incurred in the period on a budget basis. 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.

	Material differences greater than 10 per cent	
Budget area	*Original versus final budget*	*Final budget versus actual expenses on budget basis*
Chambers	Final budget 43.83 per cent less than original budget. The decrease is due mainly to lower costs for judges' remuneration resulting from increased efficiency in the appeals preparation and drafting process, which led to an overall reduction in the number of days required to deliberate cases.	Variance of less than 10 per cent.
Office of the Prosecutor	Final budget 20.25 per cent less than original budget. The decrease is due primarily to lower-than-anticipated staff costs, both under posts and general temporary assistance positions, owing to a prudent approach to hiring under limited commitment authority approved by the General Assembly in resolution 72/258 B for 2018, resulting in delayed hiring and higher vacancy rates in 2019. In anticipation of additional requirements relating to the *Turinabo et al*. case to be covered from within existing resources, certain activities were deferred, including the delayed hiring of staff, resulting in lower requirements for 2019. The *Turinabo et al.* case was delayed into 2020.	Variance of less than 10 per cent.
Registry	Variance of less than 10 per cent.	Variance of less than 10 per cent.
Records management and archives	Final budget 11.53 per cent less than original budget. The decrease is attributable to lower-than-anticipated staff costs, both under posts and general temporary assistance positions, owing to lower-than-budgeted common staff costs in the Arusha branch. In addition, support and maintenance charges and supplies needed for	Variance of less than 10 per cent.

	Material differences greater than 10 per cent	
Budget area	*Original versus final budget*	*Final budget versus actual expenses on budget basis*
	the Mechanism's systems decreased, and the procurement of equipment for the storage of digital records and archives was postponed.	
Liabilities for payment of pensions of retired judges and after-service health insurance	Final budget 22.07 per cent less than original budget. The decrease reflects lower-than-anticipated requirements owing to fewer retired eligible staff entering into after-service health insurance and a lower number of judges entering into the pension scheme.	Variance of less than 10 per cent.

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

91. 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)

Current year: 2019	*Operating*	*Investing*	*Financing*	*Total*
Actual amounts on a comparable basis (statement V)	**(93 860)**	**(1 824)**	–	**(95 684)**
Basis differences	20 313	32	–	20 345
Entity differences	(5 000)	–	–	(5 000)
Presentation differences	87 649	22 552	–	110 201
Actual amounts in the statement of cash flows (statement IV)	**9 102**	**20 760**	–	**29 862**

Prior-year comparative: 2018	*Operating*	*Investing*	*Financing*	*Total*
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)**

92. 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.

93. 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 cash pool balances. Other presentation differences are that the amounts included in the statement of comparison of budget and actual amounts are not segregated into the operating, investing and financing activities.

94. 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.

95. Timing differences occur when the budget period differs from the reporting period reflected in the financial statements. There are no timing differences as the budget reflects the 2019 proportion of the biennium.

Status of appropriations

96. In accordance with General Assembly resolutions 72/258 A and B, 73/277 and 74/259, gross appropriations for the Mechanism for the biennium 2018–2019 and gross assessments for each year are as follows:

(Thousands of United States dollars)

	Gross appropriation
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)
Second performance report for the biennium 2018–2019 (A/74/601)	(10 292)
Total final appropriation for the biennium 2018–2019	**185 429**
Less: assessment for 2018 (resolution 72/258 B)	(98 012)
Less: assessment for 2019 (resolution 73/277)	(97 709)
Balance to be credited (resolution 74/259)	**(10 292)**

Note 6
Financial instruments

(Thousands of United States dollars)

Financial instruments	*31 December 2019*	*31 December 2018*
Financial assets		
Fair value through the surplus or deficit		
Short-term investments – main pool	94 320	131 630
Long-term investments – main pool	29 380	10 195
Total fair value through the surplus or deficit	**123 700**	**141 825**

Financial instruments	*31 December 2019*	*31 December 2018*
Loans and receivables		
Cash and cash equivalents – main pool	45 213	15 350
Cash and cash equivalents – other	16	17
Subtotal total cash and cash equivalents	**45 229**	**15 367**
Assessed contributions receivable	40 426	48 778
Other accounts receivable (note 7)	975	1 801
Other assets (excluding advances)	21	21
Total loans and receivables	**41 422**	**50 600**
Total carrying amount of financial assets	**210 351**	**207 792**
Of which relates to financial assets held in the main pool	168 913	157 175
Financial liabilities at amortized cost		
Accounts payable and accrued liabilities (note 11)	5 064	3 825
Total carrying amount of financial liabilities	**5 064**	**3 825**
Summary of net income from financial assets		
Net cash pool revenue	4 424	3 131
Other investment revenue	1	50
Total	**4 425**	**3 181**

97. Out of $123.700 million of investments and $45.229 million of cash and cash equivalents, $60.855 million relates to the sub-account for the former International Criminal Tribunal for Rwanda and $89.114 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 7
Accounts receivable

Assessed contributions receivable

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Assessed contributions	40 521	48 871
Allowance for doubtful receivables – assessed	(95)	(93)
Total assessed contributions receivable	**40 426**	**48 778**

98. Out of the $40.426 million at the end of the fiscal year, $7.523 million corresponds to arrears to the former International Criminal Tribunal for Rwanda for which final assessment was issued in 2016, and $24.773 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 2019 for the assessed contributions for the International Criminal Tribunal for Rwanda amounted to $0.137 million, and payment received in 2019 for the former International Tribunal for the Former Yugoslavia amounted to $1.882 million. The

assessed contributions receivable for the Mechanism amount to $8.225 million, of which $1.791 million corresponds to the 2019 assessment.

99. 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 72/2 and 73/4). 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 2019	*31 December 2018*
Current other receivables		
Member States	1 461	2 522
Receivables from other United Nations entities	1	27
Other exchange revenue receivables	1	–
Allowance for doubtful receivables – other receivables	(488)	(748)
Total other receivables (current)	**975**	**1 801**

100. Receivables from Member States include primarily a balance of recoverable value added tax (VAT) of $1.461 million for the Mechanism (2018: $2.522 million), including $0.976 million from the United Republic of Tanzania (2018: $1.761 million), $0.451 million from the Netherlands (2018: $0.665 million), $0.026 million from Rwanda (2018: $0.084 million) and $0.007 million from Bosnia and Herzegovina (2018: $0.004 million).

101. Allowance for doubtful receivables relates mostly to recoverable VAT due for more than one year from the United Republic of Tanzania. Since the passing of a new VAT bill by the country's parliament in 2014, international organizations eligible for exemption are required to pay VAT and claim refunds separately. Following this change, the Mechanism's VAT refunds have experienced significant delays. Nevertheless, the Mechanism continues to liaise with the relevant authorities pursuing collection, with progress achieved during the reporting period. A small portion of the allowance refers to recoverable VAT due for more than one year from the Government of the Netherlands.

Movement in the allowance for doubtful receivables

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Opening allowance for doubtful receivables	842	39
Balance amalgamated from International Tribunal for the Former Yugoslavia	–	55
Doubtful receivables adjustment for current year	(254)	748
Closing allowance for doubtful receivables	**588**	**842**

Note 8
Other assets

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Advances to staff	732	752
Advances to vendor	41	277
Advances to United Nations Development Programme and other United Nations entities	53	–
Deferred charges	50	59
Other	21	25
Total	**897**	**1 113**

102. Other assets mainly include education grant advances to staff and prepayments to vendors and other United Nations entities for goods or services to be delivered. They also include security deposits placed with landlords for lease agreements.

Note 9
Property, plant and equipment

103. The net book value of property, plant and equipment as at 31 December 2019 was $12.664 million (2018: $12.441 million). An impairment review was conducted and no significant impairment was identified. The Mechanism had no significant heritage assets as at the reporting date.

104. During the reporting period, the Mechanism disposed mostly of fully depreciated property and equipment, which primarily consisted of communications and information technology equipment that were rendered obsolete or were deemed to be discrepancies identified from physical verifications. Only one item of assets with a net book value was written off, with a planned physical disposal by sale.

Property, plant and equipment

(Thousands of United States dollars)

Current year: 2019	*Infrastructure*	*Buildings*	*Furniture and fixtures*	*Communications and information technology equipment*	*Vehicles*	*Machinery and equipment*	*Total*
Cost							
As at 1 January 2019	1 572	8 017	314	15 023	1 527	996	27 449
Additions	–	137	–	1 654	–	–	1 791
Disposals	–	–	–	(204)	(13)	(72)	(289)
Other changes	118	(314)	–	–	–	307	111
As at 31 December 2019	**1 690**	**7 840**	**314**	**16 473**	**1 514**	**1 231**	**29 062**
Accumulated depreciation and impairment							
As at 1 January 2019	124	670	206	12 169	1 209	630	15 008
Depreciation and impairment	94	333	20	889	97	132	1 565
Disposals	–	–	–	(205)	(12)	(57)	(274)
Other changes	45	(24)	–	–	–	78	99
As at 31 December 2019	**263**	**979**	**226**	**12 853**	**1 294**	**783**	**16 398**

Current year: 2019	*Infrastructure*	*Buildings*	*Furniture and fixtures*	*Communications and information technology equipment*	*Vehicles*	*Machinery and equipment*	*Total*
Net carrying amount							
As at 1 January 2019	1 448	7 347	108	2 854	318	366	12 441
As at 31 December 2019	**1 427**	**6 861**	**88**	**3 620**	**220**	**448**	**12 664**

105. The new premises of the Arusha branch have been in use since 5 December 2016, at which time asset under construction recording ceased and buildings and infrastructure assets were recognized in the financial statements on the basis of best available estimates. During the reporting period, the project team and the main contractor concluded the long-outstanding closure of the punch list, agreed on costing of variation orders and issued the final statement detailing the value of the works done (see A/74/662). This milestone resulted in changes in the accounting estimates as new information on the value of buildings and infrastructure subcomponents became available. Additionally, two system assets (closed-circuit television and access control system), initially considered part of the buildings, are now included under machinery and equipment.

106. The Mechanism recognizes the effects described in the paragraph above prospectively. The value of infrastructure assets increased by $0.118 million, buildings decreased by $0.314 million, and machinery and equipment increased by $0.307 million. The impact on the depreciation expenses in the current financial period totals $0.099 million, corresponding to infrastructure assets of $0.045 million, buildings of ($0.024 million), and machinery and equipment of $0.078 million.

(Thousands of United States dollars)

Prior-year comparative: 2018	*Infrastructure*	*Buildings*	*Furniture and fixtures*	*Communications and information technology equipment*	*Vehicles*	*Machinery and equipment*	*Total*
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**

Note 10
Intangibles

(Thousands of United States dollars)

Current year: 2019	*Software internally developed*	*Software acquired externally*	*Asset under development*	*Total*
Cost				
As at 1 January	468	761	1 810	3 039
Additions	–	–	–	–
Disposals	–	(60)	(1 810)	(1 870)
As at 31 December	**468**	**701**	**–**	**1 169**
Accumulated amortization and impairment				
As at 1 January	305	390	–	695
Amortization and impairment	93	127	–	220
Disposals	–	(60)	–	(60)
As at 31 December	**398**	**457**	**–**	**855**
Net carrying amount				
As at 1 January	163	371	1 810	2 595
As at 31 December	**70**	**244**	**–**	**314**

(Thousands of United States dollars)

Prior-year comparative: 2018	*Software internally developed*	*Software acquired externally*	*Asset under development*	*Total*
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**

107. As at 31 December 2019, the Mechanism had disposed of two software licences with no remaining net book value.

108. The Mechanism also fully derecognized an intangible asset that was under development ($1.810 million), which relates to the unified judicial database that was to replace existing databases created separately by the International Criminal Tribunal for Rwanda and the International Tribunal for the Former Yugoslavia. The project was

suspended in December 2017 when the viability of its continuity came into question. In the fourth quarter of 2018, the Office of Internal Oversight Services conducted a review; in March 2019, the Office issued its report, in which it indicated that a complete business process harmonization should be conducted across both branches of the Mechanism, the functional and technical requirements should be revised and project management should be strengthened in order for the project to be implemented successfully.

109. During 2019, the stakeholders undertook and completed a comprehensive review of the project and recommended that the Registrar deliver a unified database for judicial records by expanding the use of the system of the former International Tribunal for the Former Yugoslavia (the judicial database) to the Arusha branch, deemed to be the option of best value with respect to functionality, cost and risk. The recommendation was endorsed by the Registrar and approved by the Project Board, which effectively halted the use of and cancelled the further development of the database under the previous project plans.

110. In August 2019, the Judicial Records and Archives Database went live in Arusha, and in December 2019, the migration of judicial records of the former International Criminal Tribunal for Rwanda was completed. It is expected that the project will be concluded in 2020, with the provision of access to both internal and external users to the unified judicial records of the former Tribunals and the Mechanism, which will result in the realization of a database with integrated electronic procedures that contributes to higher degrees of efficiency and reduces human error in processing and maintaining judicial records. For the new unified judicial database, it is anticipated that the investment made in the extension of the existing system is below the recognition threshold for asset capitalization.

Note 11
Accounts payable and accrued liabilities

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Vendor payables (accounts payable)	1 067	733
Payables to other United Nations entities	173	220
Accruals for goods and services	2 908	1 786
Accounts payable – other	916	1 086
Total accounts payable and accrued liabilities (current)	**5 064**	**3 825**

111. Accounts payable and accrued liabilities of $5.064 million (2018: $3.825 million) consist mainly of accruals for goods and services of $2.908 million (2018: $1.786 million), vendor payables of $1.067 million (2018: $0.733 million), and other accounts payable of $0.916 million (2018: $1.086 million), which includes $0.578 million (2018: $0.591 million) for detention facilities and $0.168 million (2018: $0.321 million) for defence teams' fees. Accruals for goods and services, as well as vendor payables as at 31 December, increased from 2018 to 2019, owing to the delivery of information technology equipment in December 2019 and outstanding invoices to contractors.

Note 12
Advance receipts

112. Advance receipts represent assessed contributions received in advance or overpayments received from Member States, which amounted to $0.474 million in 2019 (2018: $0.211 million).

Note 13
Employee benefits liabilities

(Thousands of United States dollars)

Year ended 31 December 2019	*Current*	*Non-current*	*Total*
After-service health insurance	1 041	72 582	73 623
Annual leave	426	4 118	4 544
Repatriation benefits	688	6 790	7 478
Subtotal: defined benefits liabilities	**2 155**	**83 490**	**85 645**
Appendix D/workers' compensation	34	848	882
Accrued salaries and allowances	1 121	564	1 685
Total employee benefits liabilities	**3 310**	**84 902**	**88 212**

Year ended 31 December 2018	*Current*	*Non-current*	*Total*
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**

113. 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 IPSAS 39: Employee benefits. Actuarial valuation is usually undertaken every two years. The most recent full actuarial valuation was conducted as at 31 December 2019.

114. The total employee benefits liability decreased by $34.572 million in 2019, mainly due to the net decrease in defined employee benefit liabilities of $17.101 million for the former International Criminal Tribunal for Rwanda to $22.430 million and the decrease of $12.641 million for the former International Tribunal for the Former Yugoslavia to $18.477 million, which is largely a result of an overall actuarial gain of $36.506 million for the Mechanism. The actuarial gains are due to changes in financial assumptions and experience adjustments in the recent actuarial valuation. Accrued salaries and allowances decreased, owing mainly to the reduction of repatriation grant liabilities for staff separated from the former International Tribunal for the Former Yugoslavia. The remaining difference is constituted by service cost, interest obligation and appendix D workers' compensation, offset by benefits paid.

115. The decrease in employee benefits liabilities accounted for as defined benefit plans in 2019 is due largely to the decrease in liabilities for after-service health insurance, attributable to an actuarial gain of $36.423 million, which includes a financial gain of $24.578 million from changes in per capita claim assumptions partially offset by losses from a decrease in the equivalent discount rate from 4.62 to 3.60 per cent, and a gain of $11.843 million from experience adjustments from a decrease in dental coverage in the insured population. For liabilities related to repatriation grant and annual leave, financial losses owing to a decrease in the equivalent discount rate were offset by experience gains from movements in the population arising from new joiners and leavers of the entity.

Actuarial valuation – assumptions

116. 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 2019 valuation are as follows:

Principal actuarial assumptions

(Percentage)

Assumptions	*After-service health insurance*	*Repatriation benefits*	*Annual leave*
Discount rates: 31 December 2018	4.62	4.17	4.18
Discount rates: 31 December 2019	3.60	2.99	2.47
Inflation: 31 December 2018	3.89–5.57	2.20	–
Inflation: 31 December 2019	3.76–5.44	2.20	–

117. For the 2019 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, consistent with the decision of the Task Force on Accounting Standards to harmonize actuarial assumptions across the United Nations system.

118. 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 2019, the single equivalent discount rate obtained is 3.42 per cent.

119. The salary increase rate, as well as demographic assumptions used for the 2019 valuations, are the same as those used for the latest valuation of the United Nations Joint Staff Pension Fund. As at 31 December 2019, the salary increase assumptions for staff in the Professional category were 9.27 per cent for the age of 19, grading down to 3.97 per cent for the age of 70. The salaries of staff in the General Service category were assumed to increase by 6.84 per cent for the age of 19, grading down to 3.47 per cent for the age of 70.

120. 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 is revised to reflect the current short-term expectations of after-service health insurance plan cost increases and the economic environment. The health care cost trend rates are based on Aon Hewitt long-term assumptions for different currencies as follows:

	2019			2018		
Cost trend assumptions	*Initial (percentage)*	*Final (percentage)*	*Grade down*	*Initial (percentage)*	*Final (percentage)*	*Grade down*
United States non-Medicare	5.44	3.85	13 years	5.57	3.85	14 years
United States Medicare	5.26	3.85	13 years	5.38	3.85	14 years
United States dental	4.66	3.85	13 years	4.73	3.85	14 years
Non-United States – Switzerland	3.76	2.85	8 years	3.89	3.05	9 years
Non-United States – eurozone	3.83	3.65	3 years	3.91	3.65	4 years

121. With regard to the valuation of repatriation benefits as at 31 December 2019, inflation in travel costs was assumed to be 2.20 per cent (2018: 2.20 per cent), on the basis of the projected United States inflation rate over the next 20 years.

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

123. 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)

	After-service health insurance	*Repatriation grant*	*Annual leave*	*Total*
Net defined benefit obligation as at 1 January 2019	**105 359**	**7 476**	**4 455**	**117 290**
Current service cost	1 910	420	356	2 686
Interest on obligation	4 817	297	178	5 292
Total cost recognized in the statement of financial performance	**6 727**	**717**	**534**	**7 978**
Benefits paid	(2 040)	(709)	(368)	(3 117)
Actuarial (gains)/losses recognized directly in the statement of changes in net assets	(36 423)	(6)	(77)	(36 506)
Net defined benefit liability as at 31 December 2019	**73 623**	**7 478**	**4 544**	**85 645**

(Thousands of United States dollars)

	After-service health insurance	*Repatriation grant*	*Annual leave*	*Total*
Net defined benefit obligation as at 1 January 2018				
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**

	After-service health insurance	*Repatriation grant*	*Annual leave*	*Total*
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**

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

124. The General Assembly, in its resolution 70/243, authorized the Secretary-General to establish a sub-account within the Mechanism to address, on a pay-as-you-go basis, the requirement for the pensions of retired judges and their surviving spouses and for the after-service health insurance benefits to former staff of the International Criminal Tribunal for Rwanda and the International Tribunal for the Former Yugoslavia following the closure of the Tribunals. Balances of defined benefit obligations to judges and staff in each sub-account are presented in note 24.

Discount rate sensitivity analysis

125. 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. Sensitivities to variances in the discount rate have been analysed for a change of 0.5 per cent, instead of 1 per cent as in previous years, in order to harmonize the method of analysis across the different schemes and entities of the United Nations system. Should the discount rate assumption vary by 0.5 per cent (2018: 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)

	After-service health insurance	*Repatriation benefits*	*Annual leave*
31 December 2019:			
Increase of discount rate by 0.5 per cent	(7 160)	(267)	(182)
As a percentage of year-end liability	(10)	(4)	(4)
Decrease of discount rate by 0.5 per cent	8 265	283	196
As a percentage of year-end liability	11	4	4
31 December 2018:			
Increase of discount rate by 1 per cent	(16 752)	(617)	(367)
As a percentage of year-end liability	(16)	(8)	(8)
Decrease of discount rate by 1 per cent	21 706	712	421
As a percentage of year-end liability	21	10	9

Medical costs sensitivity analysis

126. 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. Sensitivities to variances in the health-care cost trend rate have been analysed for a change of 0.5 per cent, instead of 1 per cent as in previous years, in order to harmonize the method of analysis across the different schemes and entities of the United Nations system. Should the medical cost trend assumption vary by 0.5 per cent (2018: 1 per cent), it would impact the measurement of the defined benefit obligations as follows:

Effect of movements in the assumed medical costs trend rates

(Thousands of United States dollars)

	Increase	*Decrease*
31 December 2019 (movement by 0.5 per cent):		
Effect on the defined benefit obligation	7 964	(6 978)
Effect on the aggregate of the current service cost and interest cost	606	(521)
31 December 2018 (movement by 1 per cent):		
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)

Other defined benefit plan information

127. Benefits paid for 2019 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)

	After-service health insurance	*Repatriation benefits*	*Annual leave*	*Total*
2020	1 077	710	436	2 223
2019	2 040	709	368	3 117

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

(Thousands of United States dollars)

	2019	*2018*	*2017*	*2016*	*2015*	*2014*
Present value of the defined benefit obligations	85 645	117 290	92 842	60 897	13 923	11 627

Appendix D/workers' compensation costs sensitivity analysis

128. 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 (2018: 1 per cent) and 0.5 per cent in the assumed discount rates (2018: 1 per cent) 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)

	31 December 2019	*31 December 2018*
Increase of cost-of-living adjustment by 1 per cent	164	132
As a percentage of year-end liability	19	17
Decrease of cost-of-living adjustment by 1 per cent	(130)	(105)
As a percentage of year-end liability	(15)	(14)

Appendix D costs: effect of movements in assumed discount rate on year-end liability

(Thousands of United States dollars and percentage)

	Increase	*Decrease*
31 December 2019 (movement by 0.5 per cent):		
Effect on year-end liability	(66)	74
As a percentage of year-end liability	(7)	8
31 December 2018 (movement by 1 per cent):		
Effect on year-end liability	(98)	125
As a percentage of year-end liability	(13)	17

Accrued salaries and allowances

129. Accrued salaries and allowances as at year-end consist of accruals for home leave ($0.508 million (2018: $0.445 million)); accruals for outstanding payments to separated staff members ($0.036 million (2018: $0.392 million)); accrual for repatriation grant to be paid to former staff members ($1.064 million (2018: $3.791 million)); and other miscellaneous accrual for staff entitlements ($0.077 million (2018: $0.109 million)).

130. Following the closure of the International Tribunal for the Former Yugoslavia, the Mechanism processed all separation-related benefits and entitlements that were held in sub-accounts within the Mechanism. For 2019, the significant decrease in accruals for payments to separated staff and repatriation grant is due to the settlement of received claims and the expiration of the entitlement of former staff.

United Nations Joint Staff Pension Fund

131. The Regulations of the United Nations Joint Staff 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.

132. 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.

133. The latest actuarial valuation for the Fund was completed as at 31 December 2017, and the valuation as at 31 December 2019 is currently being performed. A roll-forward of the participation data as at 31 December 2017 to 31 December 2018 was used by the Fund for its 2018 financial statements.

134. 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. The funded ratio was 102.7 per cent when the current system of pension adjustments was taken into account.

135. 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 preparation of the present report, the General Assembly had not invoked the provision of article 26.

136. 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 (2016, 2017 and 2018) amounted to $7,131.56 million, of which 0.37 per cent was contributed by the Mechanism.

137. During 2019, the Mechanism's contributions paid to the Pension Fund amounted to $11.419 million (2018: $10.991 million).

138. Membership of the Fund may be terminated by decision of the 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 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.

139. The Board of Auditors carries out an annual audit of the Pension Fund and reports to the Pension Board and to the General Assembly 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.

Note 14
Judges' honorariums and allowances liabilities

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Judges' pensions (defined benefit valuation)	47 269	42 728
Judges' relocation allowances	–	45
Total	**47 269**	**42 773**

	31 December 2019	*31 December 2018*
Current	3 082	3 001
Non-current	44 187	39 772
Total	**47 269**	**42 773**

140. For the 2019 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 2019 are the discount rate of 3.16 per cent (2018: 4.31 per cent), and inflation rate of 2.20 per cent (2018: 2.20 per cent) over the next 20 years. The salary increase was assumed to be equal to the inflation rate, as pension schemes are linked to salaries.

141. 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.

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

(Thousands of United States dollars)

	2019	*2018*
Net defined benefit liability at 1 January	**42 728**	**51 169**
Current service cost	1	22
Interest cost	1 836	1 640
Total costs recognized in the statement of financial performance	**1 837**	**1 662**
Benefits paid	(3 083)	(3 230)
Actuarial (gain)/losses recognized directly in the statement of changes in net assets	5 787	(6 873)
Net recognized liability at 31 December	**47 269**	**42 728**

142. 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. The actuarial losses are mainly due to a decrease in the equivalent discount rates, which accounts for $5.030 million, and losses from experience adjustments of $0.757 million.

Note 15
Provisions

(Thousands of United States dollars)

	Credits to Member States	*Litigation and claims*	*Total*
Provisions as at 1 January 2018	–	–	–
Balance amalgamated from ICTY	–	420	420
Amounts used	–	(420)	(420)
Provisions as at 31 December 2018 (current)	**–**	**–**	**–**
Change in provisions			
Additional provisions made	6 818	–	–
Provisions as at 31 December 2019 (current)	**6 818**	**–**	**–**

Abbreviation: ICTY, International Tribunal for the Former Yugoslavia.

143. A provision for credits to Member States has been established in the amount of $6.818 million in the financial statements, of which $1.151 million relates to the former International Criminal Tribunal for Rwanda, $4.519 million relates to the former International Tribunal for the Former Yugoslavia, and $1.148 million relates to the Mechanism. The provision includes savings from prior periods, such as those from the reversal of accruals for separation-related benefits and entitlements set aside at the time of closure of the Tribunals and the cancellation of commitments, and other revenue.

(Thousands of United States dollars)

Credits to Member States	*ICTR*	*ICTY*	*IRMCT*	*Total*
Cancellation of commitments and savings from prior periods	29	2 925	506	3 460
Revenue	1 122	1 594	642	3 358
Provisions as at 31 December 2019	**1 151**	**4 519**	**1 148**	**6 818**

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

144. The Mechanism had no provision to be recognized for 2019 for ongoing legal claims for which the probability of payout was probable and the amount can be estimated.

Note 16
Other liabilities

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Liabilities under finance lease arrangements	–	86
Total other liabilities (current)	**–**	**86**
Liabilities under finance lease arrangements	–	–
Total other liabilities (non-current)	**–**	**–**
Total other liabilities	**–**	**86**

Note 17
Changes in net assets for the year ended 31 December

145. 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.

146. The net assets balance increased from $53.990 million as at 31 December 2018 to $76.638 million as at 31 December 2019.

147. The changes in net assets are due primarily to an actuarial gain of $36.506 million in employee benefits liabilities, partially offset by an actuarial loss of $5.787 million on judges' benefits liabilities and an overall deficit of $8.186 million from the performance during the year.

Note 18
Revenue

Assessed contributions

148. In its resolution 74/259, the General Assembly adjusted the revised appropriation approved in resolution 73/277 for the biennium 2018–2019 from $195.721 million to $185.429 million. The initial assessment for 2019 in resolution 72/258 B of $98.012 million, which was subsequently reduced to $97.341 million in resolution 73/277, was adjusted to $87.049 million.

149. Assessed contributions for the year of $80.231 million (2018: $98.380 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)

	2019
Assessment for 2019 (resolution 72/258 B)	98 012
Less: share of revised appropriations for the biennium attributable to resolution 73/277	(671)
Less: decrease in the final appropriation for the biennium attributable to resolution 74/259	(10 292)
Subtotal	**87 049**
Cancellation of commitments for the biennium 2016–2017 and other savings from prior periods	(6 818)
Revenue from assessed contributions	**80 231**

Other revenue

150. Other revenue includes the recognition of delay damages of $0.230 million for the new facility in Arusha and other miscellaneous revenue of $0.190 million, consisting mainly of costs recovered for services provided to external entities.

Note 19
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 below.

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Salary and wages	52 919	51 029
Pension and insurance benefits	15 661	15 271
Other benefits	(1 053)	618
Total employee salaries, allowances and benefits	**67 527**	**66 918**

Judges' honorariums and allowances

152. 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 2019	*31 December 2018*
Judges' honorariums	1 827	1 418
Judges' pensions	1 825	1 485
Judges' honorariums and allowances	**3 652**	**2 903**

Contractual services

153. 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 $0.293 million and consultancies totalling $0.090 million.

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Consultants and individual contractors	383	393
Total contractual services	**383**	**393**

Supplies and consumables

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

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Fuel and lubricants	122	95
Rations	48	78
Spare parts	59	74
Consumables	294	147
Total	**523**	**394**

Travel

155. Travel expenses include all staff and non-staff travel which is not considered to be an employee allowance/benefit. Staff travel is official travel necessary to carry out the activities of the Mechanism as well as for training. Representative travel is undertaken by experts and participants to meetings and study tours.

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Staff travel	1 389	1 097
Representative travel	308	175
Total	**1 697**	**1 272**

Other operating expenses

156. 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 2019*	*31 December 2018*
Contracted services		10 594	10 279
Acquisition of goods		666	272
Acquisition of intangible assets		285	149
Rent – offices and premises	22	3 921	4 445
Rental – equipment	22	160	184
Maintenance and repair		176	179
Bad debt expense		(253)	753
Other/miscellaneous operating expenses		2 047	(220)
Total		**17 596**	**16 041**

157. 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 161.

158. The increase in contracted services during 2019 is primarily due to the increase in legal services from defence counsels of $0.764 million and the increase in use of facilities of $0.527 million, offset in part by a decrease in detention services of $0.503 million and decrease in expenses for communications and information technology of $0.288 million. There was an increase in fees to defence teams as a result of the *Turinabo et al.* contempt case, while there was a decrease in detention services owing to the lower number of detainees held in 2019 than in 2018. The *Turinabo et al.* case has led to additional space requirements, which increased related facilities expenses in Arusha during 2019.

159. The decrease in the cost of rent for offices and premises relates to reduced occupancy at the branch of the Mechanism in The Hague, where certain office spaces were returned to the landlord in 2019. After the closure of the International Tribunal for

the Former Yugoslavia at the end of 2017, the lease held by the Tribunal was transferred to the Mechanism, and the Mechanism incurred the full costs of the lease arrangements for 2018. The cost of utilities and other costs were successfully contained by limiting the usage of office space ahead of the formal return in 2019. Discussions have been ongoing with the host State and the building's owners on the future arrangements for the lease.

160. Bad debt expenses include allowances for doubtful receivables on assessed contributions and write-off of other receivables. In 2019, $0.260 million of allowance for doubtful receivables previously recognized for balances of recoverable VAT was reversed as a result of VAT refunds received during the second half of the year.

161. Other/miscellaneous operating expenses include write-off expenses for the disposal of items of tangible and intangible assets, receivables or advances, as well as any movements in provisions if applicable.

Other operating expenses: contracted services

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Transport	14	27
Communications and information technology	906	1 194
Facilities	1 401	874
Security services	82	126
Legal service defence counsel	3 229	2 466
Legal service detention service	2 768	3 271
Other legal	78	137
Training	72	58
Utilities	553	632
Freight	94	165
Administrative and audit services	384	379
Other	1 013	950
Total	**10 594**	**10 279**

162. 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.

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

Note 20
Financial instruments and financial risk management

Main pool

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

165. 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.

166. As at 31 December 2019, the Mechanism participated in the main pool, which held total assets of $9,339.390 million (2018: $7,504.814 million), of which $168.913 million was due to the Mechanism (2018: $157.192 million), including $60.855 million (2018: $59.159 million) and $89.114 million (2018: $85.734 million) relating to the former International Criminal Tribunal for Rwanda and the former International Tribunal for the Former Yugoslavia, respectively. The Mechanism's share of revenue from the cash pool was $4.425 million (2018: $3.181 million).

Summary of assets and liabilities in the main pool as at 31 December 2019

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Fair value through surplus or deficit		
Short-term investments	5 177 137	6 255 379
Long-term investments	1 624 405	486 813
Total fair value through surplus or deficit	**6 801 542**	**6 742 192**
Loans and receivables		
Cash and cash equivalents, main pool	2 499 980	732 926
Accrued investment income	37 868	29 696
Total loans and receivables	**2 537 848**	**762 622**
Total carrying amount of financial assets	**9 339 390**	**7 504 814**
Main pool liabilities		
Payable to the Mechanism	168 913	157 192
Payable to other main pool participants	9 170 477	7 347 622
Total carrying amount of financial liabilities	**9 339 390**	**7 504 814**
Main pool net assets	–	–

Summary of net income and expenses of the main pool for the year ended 31 December 2019

	31 December 2019	*31 December 2018*
Investment revenue	198 552	152 805
Unrealized losses	14 355	3 852
Investment revenue from main pool	**212 907**	**156 657**
Foreign exchange losses	3 313	854
Bank fees	(808)	(805)
Operating expenses from main pool	**2 505**	**49**
Revenue and expenses from main pool	**215 412**	**156 706**

Financial risk management

167. The United Nations Treasury is responsible for investment and risk management for the cash pool, including conducting investment activities in accordance with the United Nations Investment Management Guidelines.

168. 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.

169. 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

170. The Investment Management Guidelines require ongoing monitoring of issuer and counterparty credit ratings. Permissible cash 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 cash pool does not invest in derivative instruments such as asset-backed and mortgage-backed securities or equity products.

171. The Guidelines require that investments are not to 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.

172. 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 2019

(Percentage)

Main pool	*Ratings as at 31 December 2019*					*Ratings as at 31 December 2018*			
Bonds (long-term ratings)									
	AAA	**AA+/AA/AA-**	**A+**	**NR**		**AAA**	**AA+/AA/AA-**	**A+**	**NR**
S&P Global Ratings	35.8	58.8	–	5.4	S&P Global Ratings	15.4	79.0	5.6	–
Fitch	60.2	23.8	–	16.0	Fitch	55.1	39.3	–	5.6
	Aaa	**Aa1/Aa2/Aa3**	**A1**			**Aaa**	**Aa1/Aa2/Aa3**	**A1**	
Moody's	54.8	45.2	–		Moody's	49.7	50.0	0.3	
Commercial papers (short-term ratings)									
	A-1+					**A-1+**			
S&P Global Ratings	100.0				S&P Global Ratings	100.0			
	F1+					**F1+**			
Fitch	100.0				Fitch	100.0			
	P-1					**P-1**			
Moody's	100.0				Moody's	100.0			

Main pool	*Ratings as at 31 December 2019*			*Ratings as at 31 December 2018*			
Reverse repurchase agreement (short-term ratings)							
	A-1+				**A-1+**		
S&P Global Ratings	–			S&P Global Ratings	100.0		
	F1+				**F1+**		
Fitch	–			Fitch	100.0		
	P-1				**P-1**		
Moody's	–			Moody's	100.0		
Term deposits (Fitch viability ratings)							
	aaa	**aa/aa-**	**a+/a/a-**		**aaa**	**aa/aa-**	**a+/a/a-**
Fitch	–	84.2	15.8	Fitch	–	53.5	46.5

Abbreviation: NR, not rated.

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

Credit risk: assessed contributions

174. 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 2019		*31 December 2018*	
	Gross receivable	*Allowance*	*Gross receivable*	*Allowance*
Less than one year	1 791	–	14 718	–
One to two years	7 578	–	10 579	–
More than two years	31 152	95	23 574	93
Total	**40 521**	**95**	**48 871**	**93**

Ageing of assessed contributions receivable for the Mechanism

(Thousands of United States dollars)

	31 December 2019		*31 December 2018*	
	Gross receivable	*Allowance*	*Gross receivable*	*Allowance*
Less than one year	1 791	–	12 105	–
One to two years	5 250	–	1 768	–
More than two years	1 184	4	688	3
Total	**8 225**	**4**	**14 561**	**3**

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

(Thousands of United States dollars)

	31 December 2019		*31 December 2018*	
	Gross receivable	*Allowance*	*Gross receivable*	*Allowance*
Less than one year	–	–	–	–
One to two years	–	–	–	–
More than two years	7 523	36	7 658	36
Total	**7 523**	**36**	**7 658**	**36**

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

(Thousands of United States dollars)

	31 December 2019		*31 December 2018*	
	Gross receivable	*Allowance*	*Gross receivable*	*Allowance*
Less than one year	–	–	2 614	–
One to two years	2 328	–	8 811	–
More than two years	22 445	55	15 228	55
Total	**24 773**	**55**	**26 653**	**55**

Credit risk: cash and cash equivalents

175. The Mechanism held cash and cash equivalents of $45.229 million at 31 December 2019 (2018: $15.367 million), which is the maximum credit exposure on these assets.

Financial risk management: liquidity risk

176. The cash pool is exposed to liquidity risk associated with the requirement of participants to make withdrawals at 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 is 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

177. The cash pool comprises the Mechanism'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 cash pool had invested primarily in securities with shorter terms to maturity, with the maximum being less than five years (2018: three years). The average duration of the main pool as at 31 December 2019 was 0.74 years (2018: 0.33 years), which is considered to be an indicator of low risk.

Cash pool interest rate risk sensitivity analysis

178. 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. Given that the investments are 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 2019

(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	134.47	100.84	67.22	33.61	–	(33.60)	(67.20)	(100.79)	(134.38)

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)

Other market price risk

179. The cash 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

180. 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.

181. 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, derived from prices).
- Level 3: Inputs for the asset or liabilities that are not based on observable market data (that is, unobservable inputs).

182. 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.

183. 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.

184. The following fair value hierarchy presents the cash pool assets that are measured at fair value at the reporting date. There were no level 3 financial assets or

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 2019			*31 December 2018*		
	Level 1	*Level 2*	*Total*	*Level 1*	*Level 2*	*Total*
Financial assets at fair value through surplus or deficit						
Bonds – corporates	148 473	–	148 473	205 566	–	205 566
Bonds – non-United States agencies	755 027	–	755 027	791 922	–	791 922
Bonds – supranational	423 230	–	423 230	174 592	–	174 592
Bonds – United States treasuries	497 829	–	497 829	610 746	–	610 746
Main pool – commercial papers	–	347 398	347 398	219 366	–	219 366
Main pool – certificates of deposit	–	3 419 585	3 419 585	–	–	–
Main pool – term deposits	–	1 210 000	1 210 000	–	4 740 000	4 740 000
Main pool total	**1 824 559**	**4 976 983**	**6 801 542**	**2 002 192**	**4 740 000**	**6 742 192**

Note 21
Related parties

Key management personnel

185. 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 2019	*31 December 2018*
Monetary benefits	1 228	1 133
Total remuneration for the period	**1 228**	**1 133**

186. As at 31 December 2019, after-service health insurance, repatriation and leave benefits for key management personnel included in employee benefits liabilities amounted to $0.654 million (2018: $0.670 million), as determined by actuarial valuation.

187. 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

188. 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

189. The present financial statements report employee benefit expenses on a gross basis. The tax liabilities are reported separately as part of the Tax Equalization Fund in the financial report and audited financial statements of the United Nations, volume I, which also has a financial reporting date of 31 December.

190. 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 and the International Residual Mechanism for Criminal Tribunals.

191. The Fund includes, as expenditure, credits against the assessments by the regular budget, peacekeeping and the Mechanism to 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 and the Mechanism 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 volume I.

192. The cumulative surplus accumulated in the Tax Equalization Fund as at 31 December 2019 was $123.022 million (2018: $96.727 million), consisting of amounts payable to the United States of America at year-end of $70.198 million (2018: $39.838 million) and to other Member States of $52.824 million (2018: $56.889 million). The overall amount payable of the Fund is $182.595 million (2018: $150.873 million), which includes an estimated tax liability of $59.573 million relating to the 2019 and prior tax years (2018: $54.146 million), of which approximately $31.370 million was disbursed in January 2020 and approximately $28.203 million was expected to be settled in April 2020.

Note 22
Leases and commitments

Finance leases

193. 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 expired on 30 June 2019 and a purchase option was exercised. There are no finance leases as at 31 December 2019.

Obligations for finance leases: minimum lease payments

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Due in less than 1 year	–	86
Due in 1 to 5 years	–	–
Total minimum finance lease obligations	**–**	**86**

Operating leases

194. The Mechanism enters into operating leases for the use of premises and equipment. Existing lease arrangements for the branch of the Mechanism in The Hague refer to the main building in The Hague and the field office in Sarajevo. Owing to the reduced need for office space, the Mechanism formally vacated parts of the building in The Hague and returned them to the landlord in 2019. Discussions were undertaken with the host State, which is now the building's new owner, on the arrangements for the lease extension with current terms and conditions, and the future lease for 2020 is to be finalized. The Arusha branch of the Mechanism has lease arrangements in Arusha and the field office in Kigali. Lease arrangements have remaining contract periods up to 12 months, with possibilities for extension.

195. The total operating lease payments recognized in expenditure for 2019 were $3.921 million for premises and $0.160 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 2019	*31 December 2018*
Due in less than one year	3 149	6 185
Due in one to five years	–	–
Total minimum operating lease obligations	**3 149**	**6 185**

196. The Mechanism may lease out assets to other parties through operating leases. As at 31 December 2019, no sublease arrangements had been entered into by the Mechanism.

197. 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

198. 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 2019	*31 December 2018*
Property, plant and equipment	1 096	59
Goods and services	6 689	809
Total	**7 785**	**868**

199. The increase in commitments for property, plant and equipment mainly refers to contracted services and goods expected to be delivered in the first quarter of 2020, while the commitments for goods and services refer mostly to defence fees in connection with the *Turinabo et al.* case totalling $3.821 million, plus $1.759 million related to building maintenance, utilities and rental of equipment for the period 2020–2022, and witness, medical and accommodation services for 2020.

Note 23
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 where the probability of economic outflow is more than remote.

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.

202. The Mechanism made significant progress with regard to the remediation of the defects in the heating, ventilation and air conditioning system and the consideration of contractual remedies relating to design defects and project delays, and closed the punch list. In line with General Assembly resolutions 70/258 and 73/288, the Mechanism continued to examine options for the appropriate recovery of direct and indirect costs arising from errors and delays that might be attributable to the Mechanism's contractual partners, where economically feasible. This assessment is being made in the context of the ongoing activities of the project's closeout phase.

203. The contract entered into with the main contractor provides that the United Nations may elect to impose delay damages, which are calculated for each day of delay, with a cap of 10 per cent of the total contract value. Following consultations, the Mechanism decided to seek the recovery of delay damages in the amount of $0.230 million.

204. The Mechanism thereafter informed the contractor that, pursuant to the contract, the Mechanism would opt to exercise this remedy by withholding $0.230 million in delay damages from the final payment owed to the contractor upon submission of a final invoice. The deduction is reflected in the penultimate invoice and recognized by the Mechanism as other revenue in the current year (see note 18) and the contingent asset ceased to exist. While the contractor had indicated its intention to contest this decision, it is unlikely that the outcome would be against the Mechanism.

Note 24
Statements of financial position and financial performance as at 31 December 2019 by subentities

205. The sub-accounts established for the former 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 2019

(Thousands of United States dollars)

	Note	*Former ICTY*	*Former ICTR*	*IRMCT*	*31 December 2019*
Assets					
Current assets					
Cash and cash equivalents	6	23 853	16 289	5 087	45 229
Investments	6	49 761	33 981	10 578	94 320
Assessed contributions receivable	6, 7	24 718	7 487	8 221	40 426
Other accounts receivable	6, 7	–	–	975	975
Other assets	8	13	–	884	897
Total current assets		**98 345**	**57 757**	**25 745**	**181 847**
Non-current assets					
Investments	6	15 500	10 585	3 295	29 380
Property, plant and equipment	9	–	–	12 664	12 664
Intangible assets	10	–	–	314	314
Total non-current assets		**15 500**	**10 585**	**16 273**	**42 358**
Total assets		**113 845**	**68 342**	**42 018**	**224 205**
Current liabilities					
Accounts payable and accrued liabilities	11	12	–	5 052	5 064
Advance receipts	12	–	–	474	474
Employee benefits liabilities	13	674	550	2 086	3 310
Judges’ benefits liabilities	14	1 696	1 274	112	3 082
Provisions	15	4 519	1 151	1 148	6 818
Total current liabilities		**6 901**	**2 975**	**8 872**	**18 748**
Non-current liabilities					
Employee benefits liabilities	13	18 570	22 783	43 549	84 902
Judges’ benefits liabilities	14	23 666	18 795	1 726	44 187
Total non-current liabilities		**42 236**	**41 578**	**45 275**	**129 089**
Total liabilities		**49 137**	**44 553**	**54 147**	**147 837**
Net of total assets and total liabilities		**64 708**	**23 789**	**(12 129)**	**76 368**
Net assets					
Accumulated surpluses/(deficits) – unrestricted	17	64 708	23 789	(17 342)	71 155
Accumulated surpluses/(deficits) – restricted	17	–	–	5 213	5 213
Total net assets		**64 708**	**23 789**	**(12 129)**	**76 368**

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 2019

(Thousands of United States dollars)

	Note	*Former ICTY*	*Former ICTR*	*IRMCT*	*31 December 2019*
Revenue					
Assessed contributions	18	(4 519)	(1 151)	85 901	80 231
Other revenue	18	–	–	420	420
Investment revenue	6	2 233	1 536	656	4 425
Total revenue		**(2 286)**	**385**	**86 977**	**85 076**
Expenses					
Employee salaries, allowances and benefits	19	(1 565)	735	68 357	67 527
Judges' honorariums and allowances	19	(718)	(480)	4 850	3 652
Contractual services	19	–	–	383	383
Supplies and consumables	19	–	–	523	523
Depreciation and amortization	9, 10	–	–	1 884	1 884
Travel	19	–	–	1 697	1 697
Other operating expenses	19	(46)	(24)	17 666	17 596
Total expenses		**(2 329)**	**231**	**95 360**	**93 262**
Surplus/(deficit) for the year		**43**	**154**	**(8 383)**	**(8 186)**

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

Note 25
Events after the reporting date

206. 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.

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