United Nations

International Residual Mechanism for Criminal Tribunals

Financial report and audited financial statements

for the year ended 31 December 2021

and

Report of the Board of Auditors

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

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

A/77/5/Add.15

International Residual Mechanism for Criminal Tribunals

Financial report and audited financial statements

for the year ended 31 December 2021

and

Report of the Board of Auditors

United Nations • New York, 2022

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 2022]

Contents

Letters of transmittal

Letter dated 31 March 2022 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 transmit herewith the financial statements of the International Residual Mechanism for Criminal Tribunals of the United Nations for the year ended 31 December 2021, 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 2022 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, together with the financial report and audited financial statements of the International Residual Mechanism for Criminal Tribunals of the United Nations for the year ended 31 December 2021.

(*Signed*) Jorge **Bermúdez**
Comptroller General of the Republic of Chile
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 2021 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 accompanying financial statements present fairly, in all material respects, the financial position of the Mechanism as at 31 December 2021 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 2021, 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 it 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 misstatements, 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. Misstatements 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:

(a) 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;

(b) 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 internal control of the Mechanism;

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

(d) 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;

(e) 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*) Jorge **Bermúdez**
Comptroller General of the Republic of Chile
Chair of the Board of Auditors
(Lead Auditor)

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

(*Signed*) **Hou** Kai
Auditor General of the People's Republic of China

21 July 2022

Chapter II
Long-form report of the Board of Auditors

Summary

On 22 December 2010, the Security Council adopted resolution 1966 (2010), establishing 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 financial year ended 31 December 2021. The interim audit visit was carried out through a combination of field audit at the headquarters in The Hague, Netherlands, from where the Board conducted a remote audit at the headquarters in Arusha, United Republic of Tanzania, owing to the coronavirus disease (COVID-19), both simultaneously from 25 October to 3 December 2021. The final audit visit was conducted at the headquarters in The Hague, Netherlands, from 11 April to 13 May 2022.

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 2021 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 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 2021 and its financial performance and cash flows for the year then ended, in accordance with 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 2021. However, the Board identified scope for improvements in the areas of long-term strategic planning; risk management; human resources management; procurement management; property, plant and equipment; and information and communications technology.

Total revenue in 2021 was $87.74 million (2020: $84.56 million) against expenses of $92.15 million (2020: $92.56 million), resulting in a deficit of $4.41 million (2020: deficit of $8.00 million). The largest expenses for the Mechanism were employee salaries, allowances and benefits of $70.31 million (2020: $70.17 million), accounting for 76.30 per cent of the total expenses. Other relevant expenses were judges' honorariums and allowances of $2.55 million (2020: $2.83 million) and other operating expenses of $15.32 million (2020: $16.05 million). As for the latter, it includes contracted services ($10.14 million), the rental of offices and premises ($3.25 million) and the purchase of information technology equipment in support of telecommuting ($1.26 million). In addition, as travel restrictions were relaxed, a higher travel expense of $1.01 million was generated (2020: $0.80 million).

As at 31 December 2021, assets totalled $230.37 million (2020: $230.66 million), with cash, cash equivalents and investments amounting to $162.54 million, equivalent to 70.60 per cent of total assets. Meanwhile, the Mechanism reported total liabilities of $173.06 million as at 31 December 2021 (2020: $172.48 million). Of the total liabilities for 2021, 55.20 per cent ($95.48 million) were employee benefits liabilities (2020: $98.60 million). The current ratio of 5.55:1 indicates that current liabilities are largely covered by current assets.

Key findings

The Board's key findings are as follows:

Lack of long-term strategic planning

A scenario-based workplan was received by the Board, but it was still in draft form, and no updates had been incorporated to address the 2021 status of the judicial procedures or the expected situation for 2022 onwards. Furthermore, the provided document did not contain clear estimates, target dates or responsibilities with regard to key issues, such as premises, equipment and personnel. Finally, the Board did not find measures derived from the lessons learned from the completion strategies and processes of the International Tribunal for the Former Yugoslavia and International Criminal Tribunal for Rwanda.

Deficient information and analysis of the vacant positions

The Board observed that the entity did not manage relevant information regarding the vacant positions, which would be useful for their planning, such as the period during which the positions had been vacant and their current status (blocked, undergoing a recruitment process, deserted, used for loaned positions, abolished or other).

Accumulation of unused stored assets depreciating for several months

The Board observed that, from a sample of 70 capitalized assets, 18 information and communications technology assets were stored in the warehouse without having ever been used. Of these, three assets had been acquired during 2020, totalling $111,968, and 15 assets had been acquired during 2021, totalling $260,073.

Main recommendations

On the basis of the audit findings, the Board recommends that the Mechanism:

Lack of long-term strategic planning

(a) **Develop a long-term organizational strategy, including key issues, such as premises, equipment and personnel, involving the three organs that comprise the Mechanism;**

Deficient information and analysis of the vacant positions

(b) **Maintain complete and updated information regarding the status of the vacant positions;**

Accumulation of unused stored assets depreciating for several months

(c) **Improve its planning and documentation of the information technology equipment needs, requirements and implementation, with the aim of using these assets in the short term and thus making full use of their capabilities within their total allocated useful life.**

Follow-up to previous recommendations

Of the 32 pending recommendations up to the year ended 31 December 2020, 13 (41 per cent) were implemented, 10 (31 per cent) were under implementation, 5 (16 per cent) were not implemented and 4 (12 per cent) were overtaken by events. Details on the status of implementation of the recommendations are presented in the annex to chapter II.

Key facts	
$97.52 million	Final budget approved by the General Assembly for 2021
$87.74 million	Total revenue for 2021
$92.15 million	Total expenses for 2021
$4.41 million	Total deficit for 2021
$230.37 million	Total assets as at 31 December 2021
$173.06 million	Total liabilities as at 31 December 2021
488	Total staff (415 on fixed-term contracts, 62 temporary staff and 11 on permanent contracts

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 2021, 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 2021 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 audit was carried out through a combination of field and remote audits owing to travel restrictions following the coronavirus disease (COVID-19) pandemic. The Board adjusted its processes of analysis and utilized alternative audit procedures to obtain reasonable assurance. It is the Board's view that the remote audit was performed as an exception under unique circumstances and should not be viewed as a standard occurrence in future audits.

9. 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

10. Of the 32 pending recommendations up to the year ended 31 December 2020, 13 (41 per cent) were implemented, 10 (31 per cent) were under implementation, 5 (16 per cent) were not implemented and 4 (12 per cent) were overtaken by events. Details on the status of implementation of the recommendations are presented in the annex to chapter II.

Table II.I
Status of implementation of recommendations per audit year

Report (audit year)	*Number of recommendations issued*	*Recommendations pending as at 31 December 2020*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*	*Recommendations pending as at 31 December 2021*
A/73/5/Add.15, chap. II (2017)	11	4	2	1	–	1	1
A/74/5/Add.15, chap. II (2018)	8	2	–	–	1	1	1
A/75/5/Add.15, chap. II (2019)	20	15	7	6	2	–	8
A/76/5/Add.15, chap. II (2020)	11	11	4	3	2	2	5
Total	**39**	**32**	**13**	**10**	**5**	**4**	**15**

11. The Board noticed management's progress in the implementation of its recommendations. However, the Board expects the Mechanism to further expedite its efforts on this matter, especially regarding the recommendation dating from 2017, which remains under implementation, regarding the supervision of 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. In addition, the Board expects further efforts on the recommendation dating from 2018 regarding the development of a fraud risk assessment for the enterprise risk management document, which remains not implemented. Finally, regarding the recommendations dating from 2019, the Board would like to stress the relevance of improving the Mechanism's procedures for the planning of training to be performed for the staff, along with its respective budget.

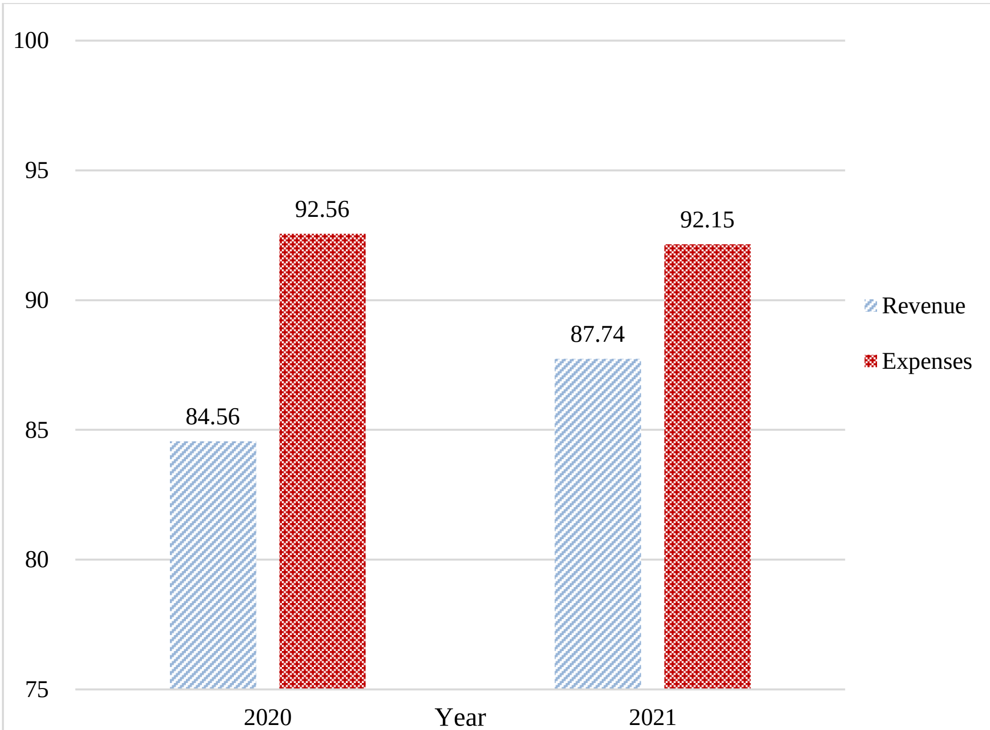
2. Financial overview

12. During the 2021 period, the COVID-19 pandemic continued to have an impact on the Mechanism's operations. The Mechanism continued with telecommuting working methods, aimed at carrying on with its activities while not compromising the rights of the accused and the health and safety of the staff and the participants in the judicial processes. However, during 2021, borders were opened, and travel restrictions were relaxed, which allowed activities of this nature to be resumed and generated higher travel expenses of $1.01 million for 2021 (2020: $0.80 million). Another relevant disbursement was support for telecommuting in the four locations of the Mechanism, for which information technology equipment was purchased for $1.26 million (2020: $1.38 million).

13. Regarding the financial performance, total revenue in 2021 was $87.74 million (2020: $84.56 million) against expenses of $92.15 million (2020: $92.56 million), resulting in a deficit of $4.41 million (2020: deficit of $8.00 million). For 2021, the deficit was mainly attributable to (a) deductions in contributions originated by a provision of $3.03 million for the cancellation of prior year commitments from Member States, savings and other revenue from prior periods, as well as a provision of $7.17 million for the unencumbered balance of the 2021 appropriations. Both provisions totalled $10.20 million and decreased the budgeted revenue of $97.52 million that had been initially approved for 2021. In addition, there was (b) an increase in depreciation and amortization; and (c) an increase in travel expenses in relation to the 2020 period.

14. The deficit for 2021 decreased by $3.59 million (44.87 per cent) compared with the deficit recorded in 2020, as a result of (a) the increase in assessed contributions received during 2021 versus 2020, after deducting cancellations and savings from the previous year, and the uncommitted balance as provisions in the 2021 financial statements. In addition, there was (b) a decrease in contractual services, due to the lower numbers of Tanzanian police officers in use, owing to their release from unoccupied detention facilities. Finally, there was (c) a decrease in other operational expenses, due to decreases in miscellaneous operating expenses, bad debt expense, and maintenance and repair. A comparison of revenue and expenses for financial years 2020 and 2021 is illustrated in figure II.I.

Figure II.I
Revenue and expenses
(Millions of United States dollars)



Source: Analysis by the Board of Auditors of the Mechanism’s financial statements for the year ended 31 December 2021.

Assets and liabilities

15. Regarding the financial position, as at 31 December 2021, assets totalled $230.37 million (2020: $230.66 million). Cash, cash equivalents and investments amounted to $162.54 million, equivalent to 70.60 per cent of total assets.

16. The Mechanism reported total liabilities of $173.06 million as at 31 December 2021 (2020: $172.48 million). Of the total liabilities for 2021, 55.20 per cent ($95.48 million) were employee benefit liabilities (2020: $98.60 million). The decrease in employee benefits liabilities by $3.12 million is attributable primarily to the net decrease of $4.37 million in defined employee benefits liabilities, mainly due to an actuarial gain of $7.35 million, arising from changes in experience adjustments and financial assumptions in the most recent actuarial valuation, which was conducted in 2021 for employee benefits liabilities. The experience adjustments regarding after-service health insurance refer to a higher number of leavers than expected; the experience adjustments regarding annual leave refer to a decrease in the entity’s personnel between 2020 and 2021; and the experience adjustments regarding the repatriation grant refer to an increase in the total travel/shipment costs, slightly compensated by a decrease in the potential beneficiaries. As for the financial assumptions, the changes refer to the increase of the discount rate, which had an impact on the three aforementioned components of the actuarial valuation; nonetheless, this increase was partially compensated by the increase of the United States dollars health-care trend (for the after-service health insurance) and by the increase of the inflation rate (for the repatriation grant).

17. Another important variation for 2021 corresponds to the accounts payable and accrued liabilities, which accounted for $3.70 million (2020: $5.65 million) and represents a decrease of 34.5 per cent, mainly due to the decrease in vendor payables of 57 per cent and accruals for good and services of 47 per cent, compared with 2020. Finally, there were provisions for credits to Member States for a total amount of $22.45 million, which was equivalent to 12.97 per cent of the total liabilities for 2021 and represented an increase of 17.68 per cent ($3.37 million) compared with the previous period (2020: $19.08 million).

18. Table II.II contains key financial ratios, as taken from the Mechanism's financial statements for the year ended 31 December 2021.

Table II.II
Ratio analysis

Description of ratio	*31 December 2021*	*31 December 2020*
Total assets: total liabilities[a]		
Total assets: total liabilities	1.33	1.34
Current ratio[b]		
Current assets: current liabilities	5.55	5.69
Quick ratio[c]		
Cash and short-term investments and accounts receivable: current liabilities	5.51	5.67
Cash ratio[d]		
Cash and short-term investments: current liabilities	4.00	4.01

Source: The Mechanism's financial statements for the year ended 31 December 2021.
[a] A high ratio indicates an entity's ability to meet its overall obligations.
[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.

19. The overall financial ratios in 2021 indicate a slight decrease in the liquidity position of the entity, compared with the preceding year. However, the current ratio of 5.55:1 indicates that current liabilities are largely covered by current assets. The quick ratio of 5.51:1 and the cash ratio of 4.00:1 imply that the Mechanism is in a position to pay its short-term obligations from its liquid resources. The solvency of the Mechanism has decreased slightly, as indicated by the total assets to total liabilities ratio of 1.33:1 (2020: 1.34:1).

3. Strategic planning

(a) Lack of long-term strategic planning

Recalling the previous experiences from the International Tribunal for the Former Yugoslavia and International Criminal Tribunal for Rwanda

20. Pursuant to the recommendations made on 9 November 1998 by the Advisory Committee on Administrative and Budgetary Questions, an expert review of the management and organizational structure of the International Tribunal for the Former Yugoslavia was performed. This led to the issuance of a report by a group of five experienced external jurists. Following that, a working group was established at the Tribunal, composed of its President, Prosecutor and Registrar, which worked on a completion strategy that was later reviewed in a judges' extraordinary plenary session.

Finally, on June 2002, the Security Council received a report containing the completion strategy for the Tribunal (S/2002/678), which expressed the reforms to be undertaken in order to complete all Tribunal investigations by 2004, all first instance trials by 2008 and all of its work by 2010.

21. For its part, after its research and communications with the Security Council, the International Criminal Tribunal for Rwanda presented its completion strategy, modelled on the one from the International Tribunal for the Former Yugoslavia on 1 June 2006 (S/2006/358).

22. Subsequently, on 29 November 2017, the former President of the International Tribunal for the Former Yugoslavia and current President of the Mechanism provided to the Security Council a report (S/2017/1001, annexes) in which the origins and development of a completion strategy for the International Tribunal for the Former Yugoslavia were expressed. In the report, the Tribunal underscored "the difficulties it has faced as a result of not being given a finite time frame for its operations from the very beginning and the considerable efforts it has had to expend in developing and implementing its own completion strategy. It considers that future courts and tribunals would benefit from more predictability in this regard and should be encouraged and supported to develop a completion strategy from the outset. The Tribunal therefore urges the United Nations to bear this in mind as a major lesson learned".

Scenario-based workforce plan recommended by the Office of Internal Oversight Services

23. On the other hand, and given progress regarding the Mechanism's judicial procedures and its changing needs, the Office of Internal Oversight Services recommended, in its report dated 8 March 2018 (S/2018/206), that the Mechanism develop scenario-based workforce plans containing decisions on the allocation of resources, staff training and preparation for unforeseen and foreseeable events (for example, trial activities and requests for assistance).

24. Those plans were intended to be updated at regular intervals, in order to help all senior leaders and management to make informed decisions in a collaborative manner on how best to strategically and methodically allocate existing resources and recruit, train and retain staff in preparation for various types of contingencies. In this context, in the Office of Internal Oversight Services' report dated 26 March 2020 (S/2020/236), two further recommendations were issued related to ensuring systematic thinking and planning about the future and a shared vision of institution-building and providing clear and focused projections of completion timelines.

Current status of the Mechanism's activities

25. In the November 2021 progress report (S/2021/955), related to its activities from 17 May to 15 November 2021, the Mechanism reported the results achieved in its remaining trials and appeals:

(a) The Hague branch: *Prosecutor v. Félicien Kabuga* case (pretrial stage); *Prosecutor v. Jovica Stanišić and Franko Simatović* retrial (appeal proceedings have commenced, after the Trial Chamber pronounced its judgment on 30 June 2021); and *Prosecutor v. Ratko Mladić* case (Appeals Chamber pronounced its judgment on 8 June 2021);

(b) Arusha branch: *Prosecutor v. Marie Rose Fatuma et al.* contempt case, former *Prosecutor v. Anselme Nzabonimpa et al.* (appeal proceedings have commenced, after the single judge pronounced his judgment on 25 June 2021).

26. Additionally, the Mechanism reported on its continuing operations performed regarding the supervision of the enforcement of sentences; monitoring cases referred

to national jurisdictions; protecting victims and witnesses; providing assistance to national jurisdictions; managing and preserving the archives; and locating and arresting the six remaining fugitives indicted by the International Criminal Tribunal for Rwanda. Regarding the latter, only one, Protais Mpiranya, is expected to be tried before the Mechanism, while the cases of the other five fugitives were referred to Rwanda by the International Criminal Tribunal for Rwanda, subject to the conditions set out in the relevant referral decisions.

27. The Board inquired about the status of the scenario-based workforce plans recommended by the Office of Internal Oversight Services to the Mechanism, in view of the completion of the *Mladić* case, the current appeal status of the *Fatuma et al.* contempt case and the *Stanišić and Simatović* retrial, and the beginning of the trial stage of the *Kabuga* case, planned during the last quarter of 2021.

28. The Board received the Mechanism's draft for a scenario-based workforce plan, which included three potential workload scenarios and their required resources, governance, main risks and mitigation measures, and a generic timeline.

29. Notwithstanding the above, the workplan was still in draft form, and no updates had been incorporated to address the 2021 status of the judicial procedures or the expected situation for 2022 and onwards. Furthermore, the provided document did not contain clear estimations, target dates or responsibilities with respect to key issues such as the future use of premises, the future use and need of equipment (especially information technology equipment) or issues of staff morale and career development for the administrative staff in the context of the Mechanism's downsizing process.

30. Furthermore, the Board did not find measures derived from the lessons learned from the completion strategies and processes of the International Tribunal for the Former Yugoslavia and International Criminal Tribunal for Rwanda, which were recalled in the report (S/2017/1001, annexes) of the former President of the International Tribunal for the Former Yugoslavia and the current President of the Mechanism.

31. The Board is of the view that engaging in systematic thinking and planning procedures and providing clear and focused projections of completion timelines is of the utmost relevance in order to face the upcoming changes within the entity. As such, the Board considers that the Mechanism would improve its decision-making abilities, its responsiveness and its overall capacity to face its future challenges by developing a long-term organizational strategy and updating and approving the scenario-based workforce plan.

32. **The Board recommends that the Mechanism develop a long-term organizational strategy, including key issues such as premises, equipment and personnel, involving the three organs that compose the Mechanism.**

33. The Mechanism accepted the recommendation.

4. Risk management

Missing reporting and documentation of the statement on internal control assessment

34. In paragraph 47 of his eighth progress report on the adoption of IPSAS by the United Nations (A/70/329), dated 17 August 2015, the Secretary-General stated that the United Nations would use the internal control-integrated normative framework of the Committee of Sponsoring Organizations of the Treadway Commission as the basis for its approach to strengthening internal controls. He further declared that, as a first step, the focus would be on the development of an implementation strategy for strengthening internal control areas and the introduction of a future statement on

internal controls with a Secretariat-wide internal approval process collaborating with business areas to establish an effective internal control framework.

35. In that context, the Board recommended that the Mechanism update the enterprise risk management document, in accordance with the aforementioned framework, in paragraph 45 of its report for the year ended 31 December 2018 (A/74/5/Add.15, chap. II). In paragraph 20 of the same report, the Board also recommended that the Mechanism conduct a systematic fraud risk assessment following the provisions of the Anti-Fraud and Anti-Corruption Framework. The current status of both recommendations can be seen in the annex to the present report.

36. In 2020, the United Nations Department of Management Strategy, Policy and Compliance stated that the statement on internal controls would be issued based on an annual self-assessment exercise conducted by all Secretariat entities in scope, which includes the Mechanism. The first exercise in that regard was performed in 2020, and the statement on internal controls process endured the same procedures in 2021.

37. In July 2021, the Department of Management Strategy, Policy and Compliance issued a statement on internal controls action plan instructions, stating that, after a deep analysis of the self-assessment questionnaires' responses, it was considered that some areas could be improved. As such, in order to show improvements in the next statement on internal controls exercise, the United Nations entities were requested to provide individual risk control matrices and an action plan for the areas in which the specified targets had not been met (as reflected in the self-assessment questionnaire). The action plan was expected to be submitted by 31 August 2021, with any updates to be provided by 31 October 2021.

38. On November 2021, the Board requested the final 2021 documents regarding the annual risk self-assessment questionnaires required by the Department of Management Strategy, Policy and Compliance for the 2021 period and the self-assessment with a letter signed by the head of the Mechanism. The Board also requested the Mechanism's workflows that depict the structure, responsibilities, levels and controls of the internal control system, and the risk control matrices and the action plan to be sent to United Nations Headquarters, including comments by the Mechanism on control owners and potential gaps. By the end of the interim visit on November 2021, the Mechanism had not provided the questionnaire, risk control matrices or action plans for 2021.

39. During the final audit visit, the Mechanism provided the risk self-assessment questionnaires and the action plan, performed during March and April 2022, but the risk control matrices were not provided.

40. The Board is of the view that not conducting the required evaluation on the entity-level controls (including risk and anti-fraud assessments) and process-level controls may hamper the Mechanism's ability to improve its control environment and to adapt to its dynamic conditions and changes. This is of greater relevance in the light of the Mechanism's recent completion of judicial proceedings and its continuing activities regarding supervising the enforcement of sentences, providing assistance and monitoring cases referred to national jurisdictions, locating and arresting remaining fugitives, protecting victims and witnesses, and managing and preserving the archives.

41. **The Board recommends that the Mechanism complete the risk control matrices, in order to fully perform the risk assessment procedures required by the Department of Management Strategy, Policy and Compliance regarding the statement on internal control.**

42. The Mechanism accepted the recommendation.

5. Human resources management

Deficient information and analysis of the vacant positions

43. In its resolution 1966 (2010), by which the Security Council established the Mechanism, the Council stated that, in view of the substantially reduced nature of the residual functions, the Mechanism should be a small, temporary and efficient structure, whose functions and size diminish over time, with a small number of staff commensurate with its reduced functions.

44. In paragraph 21 of its report (A/75/632), the Advisory Committee on Administrative and Budgetary Questions was of the view that the proposed overall level of general temporary positions had not been sufficiently justified and that further reductions, commensurate with the decreasing workload of the Mechanism, should have been proposed, in particular at the Hague branch.

45. In this context, the Advisory Committee on Administrative Budgetary Questions recommended that the General Assembly request the Secretary-General to undertake in 2021 a thorough review of the requirements for general temporary assistance, with a view to reflecting a more efficient management of resources and potential savings in his next budget submission, in line with the progressive completion of the work of the Mechanism and its small, temporary and efficient nature.

46. The Mechanism provided a list of 403 general temporary assistance positions as of 31 August 2021, of which 108 (27 per cent) were reported as vacancies. Nonetheless, the Board observed that the entity did not keep further relevant information, useful for the planning of these 108 vacant positions, such as:

(a) The period during which these positions had been vacant, which had to be determined by the Board through the analysis and data-crossing of the list of 403 general temporary assistance positions, provided by the Mechanism, and the information obtained from Umoja;

(b) Status of the vacant positions, for example:

(i) Blocked, including the date in which the blocked status started, or whether the currently blocked vacant post had been temporarily activated during the year (for example, for one, three or six months during 2021);

(ii) Undergoing a recruitment process, currently or in the upcoming months;

(iii) Deserted, referring to vacant positions that had undergone recruitment processes that had been repetitively declared without a suitable candidate, thus entailing a need for their requirements to be evaluated;

(iv) Used for loaned positions, referring to vacant positions which were not intended to be used for recruitment, but for loaned positions (temporary transfer of positions between different organizational units), future promotions or substitutions, or any others;

(v) Abolished, referring to vacant positions that would have no funding thereafter.

47. The Board considers that insufficient information available for managing the vacant positions may hamper the entity's ability to fill or abolish them in a timely manner.

48. In addition, performing the Mechanism's control and periodic updating over the vacant positions would enhance its good governance and organizational planning, as well as its analysis and justification for the proposed level of general temporary staff positions, about which the Advisory Committee on Administrative Budgetary

Questions is constantly concerned. The latter acquires greater relevance in the light of the current and upcoming changes in the Mechanism's judicial activities, its substantially reduced and temporary structure, and the diminishing of its functions and size over time, with a small number of staff commensurate with its reduced functions, as stated in Security Council resolution 1966 (2010).

49. During the final visit in April 2022, the entity provided an Excel file listing 89 vacant positions, classified into different categories (under recruitment; delayed recruitment pending case update; recruitment completed; to be abolished; and special leave without pay). As such, the Mechanism considered that the analysis presented by the Board did not support the conclusions that further efforts were required to manage vacancies.

50. The Board acknowledges the efforts made by the Mechanism towards evaluation and justification of its staffing needs. Notwithstanding the above, once the information provided by the entity was analysed, the Board noted that there were 18 vacant positions with a blank status, which were positions for which the entity's programme managers had not contacted the human resources section to advertise – thus no clear indication for the administration of these vacant positions had been communicated. Considering that further improvements on this subject are needed, in order to have complete and updated information status for all the vacant positions, as described above, the Board considers that the recommendation should be maintained.

51. **The Board recommends that the Mechanism maintain complete and updated information regarding the status of the vacant positions.**

52. The Mechanism accepted the recommendation.

6. Procurement management

Lack of an acquisition plan

53. In accordance with section 4.1 of the United Nations Procurement Manual, acquisition planning is an essential phase in the overall acquisition process and a prerequisite to the procurement process. As such, acquisition planning seeks to effectively and systematically forecast the Organization's requirements, on the basis of demand plans generated by the end-user/requisitioner, while also supporting the timely and efficient fulfilment of mandates.

54. In the same vein, the Procurement Manual states that acquisition planning necessarily includes procurement forecasting geared towards the timely delivery of goods and services, which requires that consideration be given to logistics, finance and resource management. In that regard, requisitioners are responsible for the timely development of acquisition plans in cooperation with procurement officers. Ideally, acquisition plans should be developed in advance for each budgetary cycle in order for the respective procurement officer to have the necessary lead time for developing its procurement strategies, including the consolidation of requirements to leverage economies of scale.

55. As a result, the planning function of an entity is responsible for the consolidated acquisition plan and will issue appropriate instructions for its implementation. The acquisition plan is based on estimates of the requirements to be procured in the upcoming 12 months. It is understood that some procurement needs cannot be anticipated and sometimes plans may not be entirely accurate. Nonetheless, entities are expected to provide their best estimates on the basis of the information available at the time of reporting.

56. Under the domain of control, requisitioners and procurement officers shall meet at least annually to review the acquisition plans for the forthcoming budgetary period(s) and typically update the acquisition plan on a quarterly basis as required.

57. The Board requested the acquisition plan developed by the Mechanism for the 2021 period and its compliance level as at 31 August 2021, observing that the Mechanism's consolidated acquisition plan had not been elaborated.

58. However, each branch of the Mechanism separately provided the demand plans for some of their respective sections and units: one demand plan from the Arusha branch and eight demand plans from the Hague branch. There are 16 sections in the Registry, apart from the Office of the Prosecutor, the Immediate Office of the Prosecutor, Chambers and the Immediate Office of the President.

59. In addition, the demand plan documentation that was submitted did not indicate if a review had been conducted to assess the level of accomplishment of the planned procurement activities.

60. Based on the aforementioned demand plans submitted by both branches, the Board conducted a consolidated analysis of the demand plans, through which it identified that, for 2021, at the Arusha branch, 26 goods and services were considered, for a total amount of $657,214, while at the Hague branch, 48 goods and services were considered, for a total amount of $4.14 million.

61. In addition, these demand plans were compared with the purchase orders in "ordered" status contained in the purchase order details report, as at 31 August 2021. Following the analysis of the products and services planned and requested for amounts of $10,000 or higher, it was noted that:

(a) At the Hague branch, there were 22 goods and services that were included in purchase orders but not in the corresponding demand plans, for a total amount of $2.96 million, which represents 45.13 per cent of the total amount of the purchase orders issued as at 31 August 2021;

(b) At the Arusha branch, there were 19 goods and services that were included in purchase orders but not in the corresponding demand plans, for a total amount of $979,646, which represents 64.45 per cent of the total amount of the purchase orders issued as at 31 August 2021.

62. In this context, the Board requested that both branches provide justifications for the purchases that were performed but not included in the demand plans. In that regard, the Hague branch stated that the requisitioners in each area were responsible for completing the demand plan based on their criteria in order to fulfil new requirements. Moreover, it was mentioned that some of the requested services were continuing processes that came from previous periods. No response was received from the Arusha branch in relation to this last inquiry.

63. The Board is concerned that the different sections of the Mechanism developed purchases without documented planning for the financial year, owing to the lack of an acquisition plan that was comprehensive, precise and consolidated at the Mechanism level. Since these were not planned at the beginning of the financial year, it could lead to important deviations from the procurement strategic approach in terms of meeting the actual acquisition needs, the timely implementation of projects or operations, and compliance with the different steps of the procurement process.

64. In addition, the Board considers that having a consolidated acquisition plan that integrates all the requirements and its details, expressed in each section's demand plan, is a useful tool for forecasting and executing the acquisition tasks in a timely and efficient manner, by overseeing the total expenditures, assigning responsibilities and defining financial sources.

65. **The Board recommends that the Mechanism implement the oversight controls needed for an appropriate and timely drafting, review and approval of the procurement demand plans.**

66. **The Board also recommends that the Mechanism develop an acquisition plan at the Mechanism level, consolidating the requirements for both branches and all the requesting sections, in order to enable the entity to plan, execute and control its procurement process in a timely and integrated manner.**

67. **The Board further recommends that the Mechanism conduct a review of the acquisition plan on a quarterly basis, in order to make the necessary adjustments regarding the actual needs of the requisitioning units, as indicated in the Procurement Manual.**

68. The Mechanism accepted the recommendations.

Lack of source selection plan documents

69. Section 4.2 of the Procurement Manual states that "procurement planning is the process of scheduling procurement activities per identified procurement strategies and in alignment with the relevant category management strategy. As such, procurement strategy, category strategy development, acquisition planning and procurement planning are closely linked".

70. In that sense, section 4.3 of the same Manual states that planning for a single procurement exercise, formal or informal, should be reflected in the corresponding source selection plan. The source selection plan describes critical components of the sourcing process and provides justification for sourcing decisions in order to achieve best value for money. It also provides an objective approach to the methodology of selecting the best source to fulfil the established needs.

71. In addition, the same section 4.3 indicates that, depending on the complexity of the procurement, the source selection plan may be summarized in a few lines or consist of detailed and precise descriptions of the steps of the evaluation necessary to ensure best value for money. The estimated value of the requirement may be an indication of the complexity of the procurement process, which could require a more detailed source selection plan; the technical complexity or nature of the requirement may also warrant a more detailed source selection plan.

72. In November 2021, the Board analysed the six procurement solicitation documents issued by the Mechanism from 1 January to 31 August 2021. One of them was issued at the Hague branch and five of them were issued at the Arusha branch. Later, the source selection plan documents related to these six procurement solicitation documents were also requested. Their details are shown in table II.III below.

Table II.III
Details of the procurement solicitation documents issued and their related source selection plan as at 31 August 2021

Procurement solicitation document number	*Date*	*Branch*	*Value (United States dollars)*	*Source selection plan*
3200024193	11 February 2021	Arusha	$96 624	Not provided
3200024376	9 March 2021	Arusha	$15 628 (35 880 00 Tanzanian shillings)	Not provided
3200024677	15 April 2021	Arusha	$15 000	Not provided
3200024818	30 April 2021	The Hague	$13 998	Not elaborated

Procurement solicitation document number	*Date*	*Branch*	*Value (United States dollars)*	*Source selection plan*
3200025393	12 July 21	Arusha	$13 166	Provided
3200025652	18 August 2021	Arusha	$47 237	Not provided

Source: Table elaborated by the Board with information provided by the Mechanism.

73. Concerning the procurement solicitation document issued at the Hague branch, the Procurement Section informed the Board that its source selection plan had not been elaborated, as the value of the procurement solicitation document was less than $10,000. However, according to the information extracted by the Board from Umoja, the initial estimated value of this procurement solicitation document was $13,998, and therefore the respective source selection plan should have been issued.

74. As for the Arusha branch, no evidence of a source selection plan was provided for four of the five procurement solicitation documents issued thereto. Regarding the only source selection plan elaborated, the Arusha procurement section stated that the source selection plan had been made for a procurement solicitation document associated with competitive bidding processes, whether formal or informal. Besides that, some requirements were processed under waivers or restricted tendering and thus did not have their respective formal source selection plan.

75. The Board is of the view that having a high percentage of unelaborated source selection plan documents for the issued procurement solicitation documents as at 31 August 2021 (84 per cent of the procurement solicitation documents either did not have their required source selection plan or it was not provided by the Mechanism), is not in accordance with the Procurement Manual.

76. As such, the Board deems that not developing the source selection plan when required may imply that the critical components of the sourcing process and the justifications for the decisions involved in order to achieve best value for money are not assessed adequately and in a timely manner.

77. **The Board recommends that the Mechanism elaborate the source selection plan when it is required for formal or informal solicitation processes, in accordance with the specific regulations stated in the Procurement Manual, keeping the corresponding documentation for the respective solicitation method files.**

78. The Mechanism accepted the recommendation.

7. Property, plant and equipment

Accumulation of unused stored assets depreciating for several months

79. In paragraph 2.3 of the administrative instruction on the management of property (ST/AI/2015/4) it is established that the responsibilities of heads of departments or offices or other officials of the Secretariat include the receipt, recording, valuation, safekeeping, physical verification and appropriate use and disposal of the property of the United Nations.

80. In November 2021, the Board conducted a physical verification review of a sample of 70 capitalized assets as at 31 August 2021 located in the Hague and Arusha branches, and observed that 18 information and communications technology assets were stored in the warehouse without having ever been used. Of these, 3 assets had been acquired during 2020 for a total amount of $111,968, and 15 assets had been acquired during 2021 for a total amount of $260,073.

81. Concerning the above, the Board requested the Mechanism to provide information about the intended use, the requesting unit and the planning for the installation process of such assets. In its response, the Mechanism mentioned that the equipment was acquired to implement different information technology initiatives, and its installation had been delayed owing to COVID-19 related restrictions.

82. For most of the observed assets, the installation had already been scheduled for the first and second quarters of 2022. In this regard, the Information Technology Services Section did not provide copies of the formal plans to identify the initial requirements and implementation stages of the involved assets.

83. In April 2022, the Board reviewed the supporting documents on the physical verification of the entity's capitalized assets as at 31 December 2021, noting a total of 195 capitalized fixed assets with a book value of $1.10 million were in "good but stored" status, representing 18 per cent in quantity and 8 per cent in book value of the total capitalized fixed assets. A total of 30 of these stored capitalized fixed assets were purchased in 2021, with an acquisition value of $0.39 million and a book value of $0.32 million. In addition, an amount of 128 assets of the stored capitalized fixed assets were part of the 10 per cent depreciation adjustment, for an amount of $0.29 million.

84. The Board is of the view that the absence of timely planning and implementation of the information technology equipment may lead to inappropriate usage of financial resources, considering that the observed purchased property, plant and equipment assets have not had a timely and coordinated phase of implementation, and will be used a significant period of time after the acquisition date, which may lead to inefficient use of the resources available to operate.

85. Furthermore, the Board is of the opinion that keeping new assets stored and in unused condition for a long period of time may result in impairment, obsolescence and possible loss due to theft.

86. **The Board recommends that the Mechanism improve its planning and documentation of the information technology equipment needs, requirements and implementation, with the aim of using these assets in the short term and thus obtaining the full use of their capabilities within the total allocated useful life.**

87. The Mechanism accepted the recommendation, but remarked that the difficulties derived from the COVID-19 pandemic affected the implementation works for the information and communications technology assets in question.

8. Information and communications technology

Lack of an ICT strategy 2022–2024

88. In accordance with section 11.3 (j) of the Secretary-General's bulletin on the Organization of the Office of Information and Communications Technology (ST/SGB/2016/11), local information and communications technology strategies and projects developed and implemented by relevant units in the Secretariat offices and departments must be consistent with the information and communications technology strategy of the Secretariat.

89. The Board recalls that, in the Board of Auditors' report for the year ended 31 December 2017 (A/73/5/Add.15), it was noted that, while the Mechanism had had an information and communications strategy implemented from November 2014 to December 2017, no such strategy had been approved for the upcoming years. Therefore, in paragraph 60 of the report, the Board recommended the Mechanism develop a new strategy aligned with the Mechanism's overall strategy and the overall information and communications technology strategic initiatives of the United Nations.

90. Further on, during the follow up of such recommendations on the Board of Auditors' reports for 2018 (A/74/5/Add.15), 2019 (A/75/5/Add.15) and 2020 (A/76/5/Add.15), the Mechanism reported that the information and communications technology strategy for the triennium 2018–2021 was in draft form.

91. On 27 October 2021, during its interim visit for the 2021 audit period, the Board inquired about the information and communications technology local strategy for the Mechanism, and management reported that the draft of such a document was under review. However, the draft document was not received by the Board.

92. Moreover, the Board observed that, as at August 2021, purchases were made for capitalized and non-capitalized information and communications technology equipment, whereas similar such equipment had also been purchased during 2020, such as 15 computer servers for 2021 and 12 for 2020, in addition to 405 desktop computers for 2021 and the same amount for 2020. Table II.IV below shows the computer servers, conference equipment, desktop computers and laptops purchased during 2021 and 2020. When requested, the Mechanism did not provide information on the planning or justification for these purchases.

Table II.IV
Information and communications technology equipment purchases for 2021 and 2020

	2021		*2020*	
	Items	*Value (United States dollars)*	*Items*	*Value (United States dollars)*
Capitalized	15 computer servers	222 908	12 computer servers	872 541
	12 pieces of phone/video conference equipment	108 425	8 pieces of phone/video conference equipment	120 559
Non-capitalized	405 desktop computers	234 379	405 desktop computers	378 900
	50 laptop computers	52 250	87 laptop computers	70 589

Source: Based on data extracted from Umoja.

93. During the final audit visit in April 2022, the Board performed a physical verification on a sample of 30 of the non-capitalized assets purchased during 2020 and 2021, 11 of which were stored but were shown in Umoja as "equipment assigned/ operation".

94. The Board considers that an information and communications technology strategy, with short- and middle-term objectives that take into consideration to the Mechanism's current stages of its judicial procedures, its downsizing context and its available information technology equipment and personnel, would enable the Mechanism to adopt a holistic approach in directing related equipment management and purchases, according to its available resources.

95. Additionally, the Board considers that the Information and Technology Services Section at the Mechanism has considerable lessons learned during the COVID-19 pandemic that could be useful if included in a new information and communications technology strategy, such as the measures taken for ensuring business continuity within a context of remote working arrangements for both staff members and judges. Furthermore, the Board noted that the recommendation issued in the 2017 report was intended for the period 2018–2021, which has now passed.

96. **The Board recommends that the Mechanism develop and approve an information and communications technology strategy aligned with its overall strategic planning and the general information and communications technology**

strategic initiatives of the United Nations, defining short- and middle-term objectives within the Mechanism's downsizing context and including the lessons learned from the COVID-19 pandemic.

97. The Mechanism accepted the recommendation.

Delays in blocking access of inactive users in Umoja

98. Section 3.5 of the Secretariat's information and communications technology technical procedure (SEC.02.PROC), issued in 2013 and last revised in 2019, requires the timely removal of users' access rights when the service or system is not accessed for more than three consecutive months.

99. The Mechanism reported to the Board that, on 19 November 2021, the periodicity of the security access validation exercise had changed from a quarterly to a bimonthly activity. As such, during the last security access validation exercise, performed on 26 November 2021, the security liaison officers had not identified any Umoja users targeted for access blocking.

100. In view of the above, the Board reviewed the users' last access to the system, identifying 38 inactive users' accounts, all of which had the basic role of employee self-service. Furthermore, one of those users' accounts had a role associated with administration of the personnel in Umoja, while other seven users' accounts had the Umoja user access provisioning role.

101. Of the 38 inactive users' accounts:

(a) 32 Umoja user accounts had not been logged into for more than three months;

(b) 6 Umoja user accounts had never been logged into since the creation of their accounts in Umoja, at least two and a half years after their creation in the system. In fact, two of these accounts had gone approximately six years without accessing the system.

102. However, the Mechanism had not blocked the observed user accounts, nor updated their status to "locked".

103. The Mechanism stated that all the cases detected by the Board were active staff and that most of them were security personnel who used Umoja only for leave requests, which could mean accessing the system once or twice a year.

104. The Board is of the view that the Secretariat information and communications technology technical procedure requires the blocking of user accounts regardless of those staff still being active personnel. Thus, if the accounts are not being used within the time stated by this norm, they should be blocked and, if needed, later reactivated. As a result, the Board considers that delays in the blocking of the user accounts that have remained inactive for a long period could expose the Mechanism to unauthorized access to the system, which could compromise the integrity of data. Therefore, a broader and routine review of Umoja access by business owners would help to identify and resolve irregularities in a timely manner.

105. **The Board recommends that the Mechanism request the blocking of all user accounts that remain dormant for three consecutive months and properly request clearance from the Office of Information and Communications Technology if and when it considers that exceptional cases should further retain access.**

106. The Mechanism accepted the recommendation.

C. Disclosures by management

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

107. Pursuant to financial rule 106.7 (a), the Mechanism reported write-offs of receivables of $5,737.38 for 2021. There were no reported write-offs of cash and cash equivalents, nor of losses of property, plant and equipment during 2021.

2. Ex gratia payments

108. The Mechanism reported to the Board that there were no ex gratia payments in 2021.

3. Cases of fraud and presumptive fraud

109. 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 audit, however, should not be relied upon to identify all misstatements or irregularities. The primary responsibility for preventing and detecting fraud rests with management.

110. During the audit, the Board made enquiries of management regarding its oversight responsibility for assessing the risks of material misstatements due to fraud and the processes in place for identifying and responding to the risks of fraud, including any specific risks of fraud that management had identified or that had been brought to its attention. The Board also enquired as to whether management had knowledge of any actual, suspected or alleged fraud. No cases of fraud were brought to the Board's attention.

D. Acknowledgement

111. The Board expresses its sincere appreciation and gratitude to the management and staff of the Mechanism for the assistance and cooperation extended during the conduct of the audit.

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

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

(*Signed*) **Hou** Kai
Auditor General of the People's Republic of China

21 July 2022

Annex

Status of implementation of recommendations up to the financial year ended 31 December 2020

No.	*Audit report year*	*Report reference*	*Board's recommendation*	*Management's response*	*Board's assessment*	*Status after verification: Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
1	2017	A/73/5/Add.15, chap. II, para. 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 heating, ventilation, and air conditioning remediation project was in the tendering stage. The project is expected to be completed by the end of June 2022.	Considering the ongoing implementation reported by the Mechanism, the recommendation remains under implementation.		X		
2	2017	A/73/5/Add.15, chap. II, para. 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 submitted this case to the local committee on contracts and requests its closure by the Board.	During this year's audit, the Mechanism provided: (a) the delegation of authority to the then-chief administrative officer of the International Criminal Tribunal for the Former Yugoslavia, dated 10 June 2015, for the contract with Jandu Plumbers Ltd. for the construction of the Mechanism's Arusha branch; (b) the list and description of 11 variation orders raised for this contract; and (c) the signed minutes of meeting of the local committee on contracts (LCC/17/01), dated 5 January 2017. The Board reviewed that: (a) in the delegation of authority, (i) the chief administrative officer was granted an increased delegated procurement authority, up to a cumulative $400,000, specifically for the contract with Jandu Plumbers Ltd. for the construction of the Mechanism's Arusha branch, and (ii) it was established that any variation order exceeding a threshold	X			

No.	Audit report year	Report reference	Board's recommendation	Management's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
					of $75,000 must be presented to the local committee on contracts. In addition, the Board also reviewed (b) the list and description of the 11 variation orders, which were raised for an aggregate net increase of $389,000. Finally, the Board reviewed (c) the signed minutes of the meeting of the local committee on contracts (LCC/17/01), dated 5 January 2017, in which the 11 variation orders were presented to the Committee, which endorsed the proposed increases to the aforementioned contract. Therefore, the Board is of the view that the actions required by the original recommendation were performed and considers this recommendation as implemented.				
3	2017	A/73/5/Add.15, chap. II, para. 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.	The disposal of the remaining assets in Kigali was further delayed and hampered by the periodic and restrictive lockdowns in Rwanda due to the coronavirus disease (COVID-19) pandemic. The disposal process will resume once lockdowns are lifted and the Mechanism's General Services Section is able to engage with contractors.	The Board received documentation regarding the selection process for the company to dispose of the necessary assets and regarding the scrapping process itself, which was accredited to have taken place using the services of a licensed electronic and electrical equipment recycler and to include consideration of the environmental and health impacts of the procedure. Furthermore, the Board observed that the asset barcodes were removed and that the assets were written off from the Umoja records. In view of the above, this recommendation is considered implemented.	X			

No.	*Audit report year*	*Report reference*	*Board's recommendation*	*Management's response*	*Board's assessment*	*Status after verification: Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
4	2017	A/73/5/Add.15, chap. II, para. 60	The Mechanism agreed with the Board's recommendation to develop a new information and communications technology (ICT) strategy aligned with the Mechanism's overall strategy and the overall ICT strategic initiatives of the United Nations.	The process of drafting and reviewing was delayed owing to exigent reprioritization of information technology resources owing to the COVID-19 pandemic. By October 2021, the document had been created and was being reviewed at the ICT committee. Meanwhile, the Mechanism reported that the next ICT strategy would aim to be aligned with the 2022–2025 strategy of the Office of Information and Communications Technology at Headquarters, with adaptations for the Mechanism's mandate.	The Board noted that this recommendation was originally intended for the period 2018–2021. Thus, an updated recommendation has been issued in the present report, which includes the Mechanism's current downsizing context, status of judicial activities and lessons learned from the COVID-19 pandemic. On that basis, this recommendation is considered as overtaken by events.				X
5	2018	A/74/5/Add.15, chap. II, para. 20	The Board recommends that the Mechanism conduct a systematic fraud risk assessment following the provisions of the Anti-Fraud and Anti-Corruption Framework.	Following the Secretariat's Enterprise Risk Management exercise, the Mechanism would conduct appropriate fraud risk assessments by the second quarter of 2022.	Considering that the systematic fraud risk assessment has not been finished, the recommendation remains not implemented. Furthermore, a new recommendation was issued in the present report addressing the new United Nations requirements for entities' self-assessment in relation to the statement of internal control, their risk matrices and their action plans in that regard.			X	
6	2018	A/74/5/Add.15, chap. II, para. 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	Following the Secretariat's enterprise risk management exercise, the Mechanism will conduct appropriate enterprise risk assessments by the second quarter of 2022.	The Mechanism provided supporting documentation about the enterprise risk management implementation guidelines at the entity level, issued by the Under-Secretary-General for Management Strategy, Policy and Compliance and dated 30 April 2021.				X

No.	Audit report year	Report reference	Board's recommendation	Management's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
			the framework of the Committee of Sponsoring Organizations of the Treadway Commission.		In that correspondence, an implementation plan was expressed for 57 United Nations entities, requiring them to complete their enterprise risk management documentation by 2023. The Mechanism was not included in these new guidelines. Furthermore, a new recommendation was issued in the present report addressing the United Nations new requirements for entities' self-assessment in relation to the statement of internal control, their risk matrixes and their action plans in that regard. As the Mechanism was not included in the enterprise risk management document implementation plan and a new recommendation was issued regarding the new United Nations procedures for internal control at the entity level, the Board considers this recommendation to be overtaken by events.				
7	2019	A/75/5/Add.15, chap. II, para. 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.	In response to an iNeed ticket raised by the Mechanism's General Services Section, the data on the data collection template for real estate objects was populated, as instructed by the Estate Management Unit of the Global Asset Management Policy Service in the Secretariat. The Property Management Unit of the General Services Section will continue to liaise with the Global Asset Management Policy Service and comply with	The Board inquired about the implementation and use of the Umoja real estate module for the Mechanism and tried to access it, which was not possible. In view of the current status of the use of the Umoja real estate module, the recommendation is considered under implementation.		X		

						Status after verification			
No.	*Audit report year*	*Report reference*	*Board's recommendation*	*Management's response*	*Board's assessment*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
				instructions to update the Umoja real estate data in a manner that allows for ongoing management of the data. The Mechanism stated that access to the module was not yet possible for the Board and for the entity's staff, because the system experienced difficulties with the authorization group. The Mechanism reported it was in touch with United Nations Headquarters and was working to resolve the issue. Regarding the inability to access the module, the Business Transformation and Accountability Division of the Department of Management Strategy, Policy and Compliance at the Headquarters informed to the Board, in a letter dated 9 March 2022, that the configuration set-up and security access for the Mechanism's authorization group was created in 2019. In addition, the Division explained that related requests for access are managed as per regular user access provisioning.					

No.	Audit report year	Report reference	Board's recommendation	Management's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
8	2019	A/75/5/Add.15, chap. II, para. 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.	The update of functional locations was completed in July 2021. An iNeed ticket was raised to report some technical issues. Of 929 items, only 29 were pending, and they will be updated once they are verified, as the process is ongoing. The Mechanism has adapted the assignment of commonly used equipment to the offices responsible, as per the guidelines issued by the Global Asset Management Policy Service of the Secretariat.	Considering that the implementation of this recommendation depends on recommendation from year 2019, paragraph 21, the former will be addressed when the aforementioned is implemented. Thus, this recommendation is considered under implementation.		X		
9	2019	A/75/5/Add.15, chap. II, para. 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.	The majority of the records were updated reflecting the current functional locations and users. In order to prevent discrepancies, a process of proper checkout has been implemented to ensure the updating of records, accountability and control of property.	The Board reviewed the list of as-yet non-capitalized assets registered in Umoja, where it did not detect assets assigned to users who are no longer working at the Mechanism. The recommendation is therefore considered implemented.	X			
10	2019	A/75/5/Add.15, chap. II, para. 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.	A survey was conducted onsite for assets that are unserviceable and obsolete, which are currently in stock and earmarked for write-off. The Mechanism's General Services Section was coordinating with the self-accounting units to raise the required notifications in Umoja. The Property	The Board noted that 28 assets that were identified as "not-located" during the 2020 physical verification remained in this status for 2021. Of these 28, 12 assets had a book value of $39,478, while the other 16 assets were completely depreciated. Moreover, 38 assets were identified as in "write-off in process" status, 2 of which had a book value of $103,030, while the other 36 assets were completely depreciated.		X		

No.	Audit report year	Report reference	Board's recommendation	Management's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				Management Unit was making the efforts to locate the non-located property during this physical verification cycle.	In view of the above, the Board considers that further improvements have yet to be made. As such, the recommendation is considered under implementation.				
11	2019	A/75/5/Add.15, chap. II, para. 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.	The Mechanism reported on its comments regarding the implementation of the recommendations of the Board, contained in its report for the year ended 31 December 2020 (A/76/307/Add.1), that the data on fixed assets was updated in Umoja. The Mechanism considered this recommendation to have been implemented and requested its closure by the Board. No updates were provided during the audit visits.	The Board reviewed the assets at the Hague branch and, remotely, at the Arusha branch, not detecting assets with missing tag numbers or lacking a proper description in Umoja. Therefore, this recommendation is considered implemented.	X			
12	2019	A/75/5/Add.15, chap. II, para. 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.	The data on fixed assets was updated in Umoja, pursuant to the 2021 physical verification of assets.	The Board reviewed if there were any totally depreciated assets that were not in "good and in use" status, but were included in the 10 per cent depreciation recalculation. The Board did not find any asset in this condition as at 31 December 2021. Therefore, the Board considers this recommendation as implemented.	X			
13	2019	A/75/5/Add.15, chap. II, para. 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.	A systematic approach to commitments review was put in place by which requisitioners in the Finance and Procurement Sections kept track of all obligations and performed timely liquidations and rejections of unutilized shopping carts. The	The Board reviewed the recording of the expenses in the correct accounting period and reviewed the unrecorded liabilities, not detecting significant issues with respect to these matters. As a result, the recommendation is considered implemented.	X			

No.	Audit report year	Report reference	Board's recommendation	Management's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				Mechanism considers this recommendation to have been implemented and requests its closure by the Board.					
14	2019	A/75/5/Add.15, chap. II, para. 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.	The Mechanism's Procurement Section, in conjunction with the Procurement Division, carried out a purchase order reconciliation exercise on the basis of Umoja purchase order reports, following the closure of the financial period. As at 2021, there were no discrepancies noted in the verification exercise. The Mechanism considers this recommendation to have been implemented and requests its closure by the Board.	The Board reviewed the purchase order report and the purchase order details report, not finding discrepancies between them. Therefore, and in view of the response provided by the Mechanism, this recommendation is considered implemented.	X			
15	2019	A/75/5/Add.15, chap. II, para. 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.	The Mechanism is increasing support to managers to ensure compliance with the regulatory framework.	The Board reviewed the current control mechanisms concerning annual and home leaves and compliance with their regulations. The oversight on this matter performed by the Human Resources Section was noted, and it was observed that non-compliant cases had decreased considerably since 2019, both for annual and home leaves. Therefore, the recommendation is considered implemented.	X			

No.	Audit report year	Report reference	Board's recommendation	Management's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
16	2019	A/75/5/Add.15, chap. II, para. 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.	The related standard operating procedure on documenting and approving leave is currently under review.	The Board received the communications provided to the staff throughout the year on this matter. Notwithstanding, and as the standard operating procedure was still under review by the time of the final audit visit in April and May 2022, the recommendation is considered under implementation.		X		
17	2019	A/75/5/Add.15, chap. II, para. 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.	The Mechanism continues to implement this recommendation to incorporate training plans as part of the elaboration process of the annual budget.	The Board received the training requests from staff members during 2020 and 2021. However, the Board did not receive a systematic plan for training, detecting the needs of the organization and staff members and the required budget. As the training plan and its budget were not received by the Board, the recommendation remains not implemented.			X	
18	2019	A/75/5/Add.15, chap. II, para. 109	The Board recommends that the Mechanism take action leading to registering in Umoja all the absences corresponding to the travel days.	A standard operating procedure on documenting and approving leave is currently under review.	As the standard operating procedure was still in draft form and the supporting documentation of communications to the staff on this regard was not provided by the Mechanism, the recommendation remains not implemented.			X	
19	2019	A/75/5/Add.15, chap. II, para. 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.	The supporting documentation agreed upon was provided and was placed on file on an ongoing basis. The Mechanism considers this recommendation to have been implemented and requests its closure by the Board.	The Board required the supporting documentation regarding the selection of the most economical offer for travel, which was not provided by the Mechanism. Therefore, the recommendation remains under implementation.		X		

No.	Audit report year	Report reference	Board's recommendation	Management's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
20	2019	A/75/5/Add.15, chap. II, para. 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).	The complete replacement of ICT infrastructure is still pending delivery of some storage nodes. The vendor informed the Mechanism that the delivery of the remaining equipment is expected towards the end of the second quarter of 2022. Once the infrastructure is completed, the Information Technology Services Section will perform a system disaster recovery (cluster nodes redundancy test). Meanwhile, the Information Technology Services Section already performed the data disaster recovery by recovering files deleted by end users. Furthermore, the disaster recovery plan has been updated to reflect the changes performed until now.	The Board reviewed the Mechanism's advances in performing the disaster recovery exercise. Considering the pending implementation of the ICT structure, the data disaster recovery works informed by the entity and the supporting documentation provided, the Board considers this recommendation as under implementation.		X		
21	2019	A/75/5/Add.15, chap. II, para. 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).	The work to finalize the risk register for the audiovisual preservation and access project was delayed owing to the COVID-19 pandemic, but was completed in March 2021. With the submission of the finalized risk register to the Board, the Mechanism considers this recommendation to have been implemented and requests its closure by the Board.	The Board received the formal approved risk register for the audiovisual preservation and access project. Having reviewed the documentation and inquired about its contents and updates, the recommendation is considered implemented.	X			

						Status after verification			
No.	*Audit report year*	*Report reference*	*Board's recommendation*	*Management's response*	*Board's assessment*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
22	2020	A/76/5/Add.15, chap. II, para. 28	The Board recommends that the Mechanism streamline its activities for the relocation of the released and acquitted persons, by drafting and approving an action plan including the activities to be performed and their responsible staff and timing, allowing the Mechanism to schedule such activities, monitor their progress and track their effectiveness, thus promoting the effective fulfilment of its objectives.	The Mechanism adopted both strategic and operational plans in 2021 regarding relocation. It therefore considers this recommendation to have been implemented and requests its closure by the Board.	The Mechanism provided the approved action plan containing the activities, responsible staff and timing for the relocation of released and acquitted persons and the quarterly reports on its implementation. Therefore, the recommendation is considered implemented.	X			
23	2020	A/76/5/Add.15, chap. II, para. 37	The Board recommends that the Mechanism strengthen the budget planning process on position matters and determine the subsequent requirements for general temporary assistance positions, by properly reporting these requirements and improving the available documentation.	The Mechanism improved the process of substantiation and documentation of approvals to changes in general temporary assistance positions that constitute progressive operational requirements in the due course of a budget period. This substantiation guided and supported the formulation of the next budget proposal of the Mechanism. The Mechanism considers this recommendation to have been implemented and requests its closure by the Board.	The Board reviewed the documentation related to the budget planning process for the entity's positions and their requirements for general temporary assistance positions. Significant improvement on these matters was observed, and no issues regarding the reporting of the position requirements were observed. As such, the recommendation is considered implemented.	X			
24	2020	A/76/5/Add.15, chap. II, para. 44	The Board recommends that the Mechanism regularly remind programme managers and supervisors of the performance evaluation deadlines (e-performance or form P.333) to ensure that all	The Human Resources Section of the Mechanism has implemented a regular schedule of broadcasts reminding managers and supervisors of the need to complete the various	The Board received the reminders on this matter issued by the Human Resources Section to the Mechanism's personnel, dated 29 March, 8 June, 25 June, 12 July and 3 December. However, the Board observed that 8 of the 30 staff		X		

No.	Audit report year	Report reference	Board's recommendation	Management's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
			staff members have a performance evaluation for each cycle or appointment.	stages of the performance management cycle. The Mechanism considers this recommendation to have been implemented and requests its closure by the Board.	members sampled did not have their performance evaluation documented. Thus, the recommendation is considered as under implementation.				
25	2020	A/76/5/Add.15, chap. II, para. 45	The Board recommends that the Mechanism's Human Resources Section reinforce its regular monitoring of the personnel files with the aim of verifying that the educational certificates related to the functions for which the staff members were appointed are included.	The Human Resources Section of the Mechanism implemented a review of all staff official status files to ensure that the required education certificates for the appointed post were included.	During the interim audit visit, the Board reviewed the personnel files, detecting that the educational certificates related to the functions for which the staff members had been appointed were not included for 27 per cent of the reviewed files, versus 10 per cent in the previous year. Therefore, the recommendation remains not implemented.			X	
26	2020	A/76/5/Add.15, chap. II, para. 57	The Board recommends that the Mechanism take measures to ensure that letters of appointment are signed before the date of entry into duty or within a period of no more than 30 days thereafter, in order to comply with the Staff Regulations and Rules of the United Nations and reduce the related risks.	The Human Resources Section of the Mechanism implemented a tracking process to ensure that signed letters of appointment were received within 30 days of the beginning of functions or contract extension. The Mechanism considers this recommendation to have been implemented and requests its closure by the Board.	The Board observed that control measures had been taken to reduce the number of letters of appointment signed more than 30 days after the entry into duty. In that regard, 6.6 per cent of the reviewed letters of appointment were found to be signed on a date later than 30 days after the entry into duty, versus 23.3 per cent observed during 2020, which was considered a relevant improvement. Thus, the recommendation is considered implemented.	X			
27	2020	A/76/5/Add.15, chap. II, para. 58	The Board recommends that the Mechanism strengthen its internal control procedures related to electronic records, with an emphasis on the letters of appointment registered in Umoja, with the purpose of improving the integrity of the information.	The Human Resources Section of the Mechanism implemented a tracking process to ensure that signed letters of appointment were linked to the corresponding personnel actions in Umoja. The Mechanism considers this recommendation to have	The Board reviewed the letters of appointment information contained in the personnel folders and in the electronic records in Umoja, finding no discrepancies between both in relation to the issues that triggered the recommendation. As a result, the recommendation is considered implemented.	X			

No.	Audit report year	Report reference	Board's recommendation	Management's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				been implemented and requests its closure by the Board.					
28	2020	A/76/5/Add.15, chap. II, para. 59	The Board recommends that the Mechanism evaluate the future use of the letters of appointment module in Umoja and, if not viable, define a control measure for the updating and harmonization of the information contained in the current staff's letters of appointment in a centralized and accessible manner.	As the Mechanism is not considered part of the Secretariat, the language in the letters of appointment automatically generated by Umoja does not meet the requirements of the Mechanism. The Mechanism contacted the Umoja help desk to explore possible solutions to this issue.	As the communications and assessments from the Umoja help desk were not provided by the Mechanism, the recommendation remains not implemented.			X	
29	2020	A/76/5/Add.15, chap. II, para. 69	The Board recommends that the Mechanism take measures to improve the compliance of its staff with the policy guidance on alternate working arrangements and flexible working arrangements in the context of the COVID-19 pandemic, in order to reflect the working days of the staff, and keep this information updated in Umoja on a weekly basis.	The Human Resources Section of the Mechanism issued regular reminders to all staff to document in Umoja all alternate working arrangements and flexible working arrangements in the context of the COVID-19 pandemic.	The Board received the reminders issued by the Human Resources Section to the Mechanism's personnel. In addition, the Board reviewed the telecommuting records, finding that the personnel registering telecommuting days for periods longer than a week had decreased; furthermore, the staff that had not recorded any telecommuting days had decreased to a total of 162 staff members, when excluding the personnel working in security, medical and facilities management units. The telecommuting measures were briefly suspended in November 2021 and then resumed during the same month, and were in force as at 31 December 2021. Considering the progress made by the Mechanism on this matter, the recommendation is considered as under implementation.		X		

						Status after verification			
No.	*Audit report year*	*Report reference*	*Board's recommendation*	*Management's response*	*Board's assessment*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
30	2020	A/76/5/Add.15, chap. II, para. 75	The Board recommends that the Mechanism strengthen the monitoring of the assignations of recovery dates and properly report any issues detected, in order to maintain a standard recovery timeline for all personnel and improve compliance with the corresponding administrative instruction.	The Human Resources Section of the Mechanism noted that Umoja sometimes automatically inputs an incorrect assignment of recovery date. The Human Resources Section is engaging with the Umoja help desk to correct such system issues instead of the Mechanism correcting them manually.	The instructions provided by the Office of Human Resources in the document entitled "Education grant and related benefits during COVID-19", version 2, of 28 July 2021, included the fact that the recovery of the education grant advance, which normally takes place three months after the end of the school year, would be postponed for six months after the end of the school year . In that context, the Board reviewed the recovery dates assigned for the education grant advance payments, not finding advances postponed for more than the 6 months allowed by the new instructions. Thus, the recommendation is considered as overtaken by events.				X
31	2020	A/76/5/Add.15, chap. II, para. 88	The Board recommends that the Mechanism document and formalize the planning and preparation of the acquisition plan and demand plan forms, in order to fully comply with the provisions of the United Nations Procurement Manual.	The Mechanism will adopt a more formalized approach in demand planning and periodic reviews, as per the guidelines of the United Nations Procurement Manual.	The Board reviewed the documentation regarding the planning and preparation of the acquisition plan and demand plan forms, receiving the demand plan forms from some units and sections per branch, which were not consolidated either at the branch level, nor at the organizational level. The Board acknowledges the efforts made by the administration, noting improvements in this regard. Nonetheless, a new recommendation was issued in the present report, which refers to a number of issues to be addressed in relation to these processes. As such, this recommendation is considered overtaken by events.				X

No.	*Audit report year*	*Report reference*	*Board's recommendation*	*Management's response*	*Board's assessment*		*Status after verification*			
							Implemented	*Under implementation*	*Not implemented*	*Overtaken by events*
32	2020	A/76/5/Add.15, chap. II, para. 89	The Board recommends that the Mechanism streamline the process to fill the Chief Procurement Manager position in the short term.	The Mechanism continues to work towards completing the recruitment of this key position.	The Board observed the activities performed during the year towards completing the recruitment for this position, considering this recommendation as under implementation.			X		
		Total number of recommendations				**32**	**13**	**10**	**5**	**4**
		Percentage of total number of recommendations				**100**	**41**	**31**	**16**	**12**

Chapter III

Letter dated 25 March 2022 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 2021 have been prepared in accordance with regulation 6.1 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 2021

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 2021.

2. The financial situation of the Mechanism is presented in five financial statements and the accompanying notes that explain the Mechanism's accounting and financial reporting policies and provide additional information on the individual amounts contained in the statements. The present report is designed to be read in conjunction with the financial statements. It presents an overview of the position and performance of the Mechanism, highlighting trends and significant movements.

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. 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.

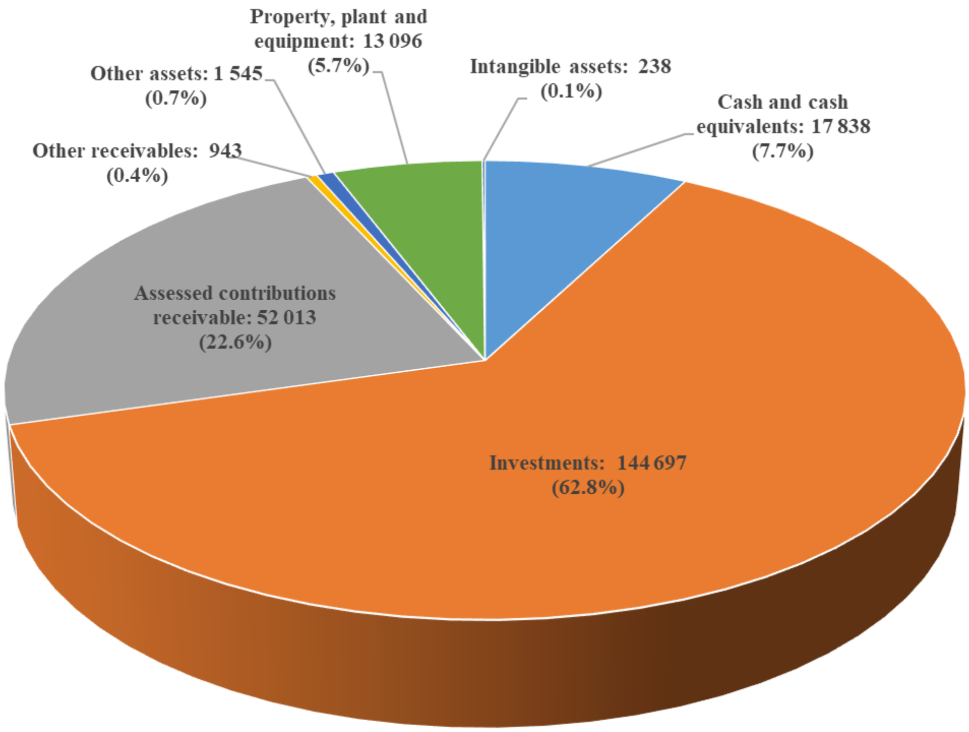
4. In the overall context of the coronavirus disease (COVID-19) pandemic and thanks to the adoption by the Mechanism of new methods of working, without compromising the rights of the accused and the health and safety of participants in the proceedings, the Chambers of the Mechanism delivered three landmark judgments in 2021: the appeal judgment in the *Mladić* case and the trial judgments in the *Prosecutor v. Jovica Stanišić and Franko Simatović* case and the *Prosecutor v. Anselme Nzabonimpa et al.* (formerly *Turinabo et al*.) contempt case.

5. Despite the limited possibility of measuring the financial impact of the pandemic on the financial statements, broad trends were identified. For example, although travel expenses increased during 2021 to $1.009 million, they remained significantly lower than in 2019 ($1,697 million). To support telecommuting in the four locations of the Mechanism, information technology equipment was purchased over the past two years, as reflected in the increase in the acquisition of goods from $0.666 million in 2019 to $1.376 million in 2020 and $1.256 million in 2021.

B. Overview of assets, liabilities and liquidity

6. Assets as at 31 December 2021 totalled $230.370 million, compared with the balance as at 31 December 2020 of $230.663 million.

Figure IV.I
Assets of the Mechanism as at 31 December 2021
(Thousands of United States dollars)



7. As figure IV.I illustrates, the main assets of the Mechanism at 31 December 2021 were cash and cash equivalents and investments, totalling $162.535 million (representing 70.5 per cent of total assets); assessed contributions receivable from Member States of $52.013 million (22.6 per cent); property, plant and equipment of $13.096 million (5.7 per cent); other assets of $1.545 million (0.7 per cent); and other accounts receivable of $0.943 million (0.4 per cent).

8. Cash and cash equivalents and investments of $162.535 million at 31 December 2021 were held in the United Nations main cash pool. This represents a decrease of $0.194 million compared with the balance of $162.729 million held at the end of 2020.

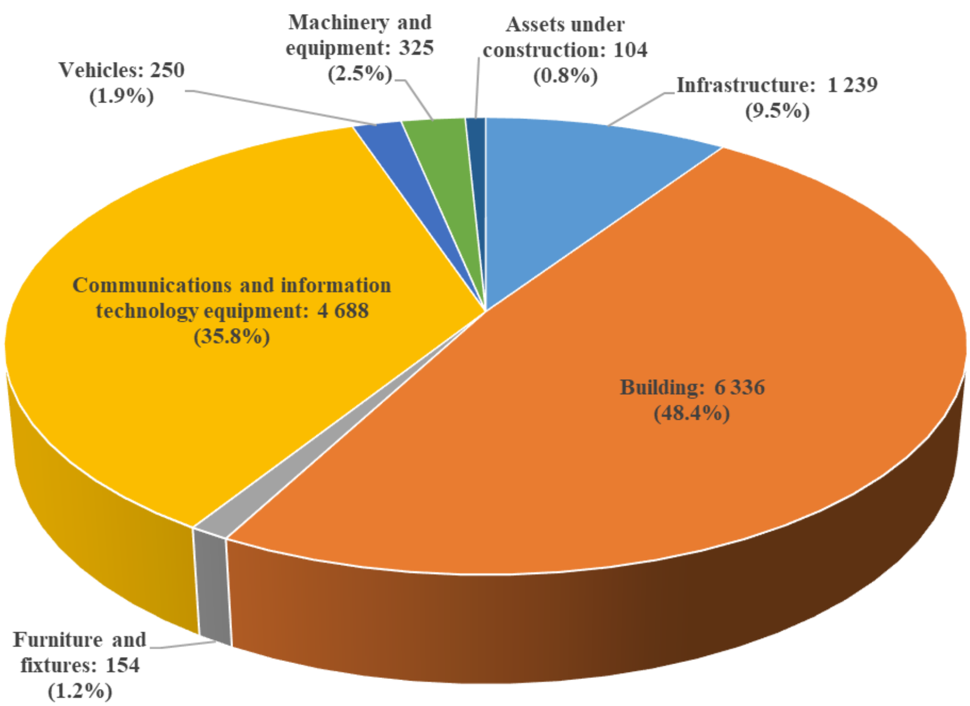
9. Assessed contributions receivable increased from $51.279 million to $52.013 million. This increase was due to an increase in the arrears due to the Mechanism from $19.696 million at the end of 2020 to $24.888 million at the end of 2021, a decrease in arrears due to the former Tribunal for Rwanda from $7.326 million at the end of 2020 to $5.546 million at the end of 2021 and a decrease in arrears due to the former Tribunal for the Former Yugoslavia from $24.257 million at the end of 2020 to $21.579 at the end of 2021.

10. The Mechanism's property, plant and equipment assets consist primarily of buildings and communications and information technology equipment (valued at $6.336 million and $4.688 million, respectively), as shown in figure IV.II.

11. Current and non-current 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. Advances to vendors refer mainly to software subscriptions, maintenance and support services from 2021 to 2022 in the amount of $0.433 million (2020: $0.017 million).

12. The decrease in other accounts receivable is largely due to the decrease in recoverable value added tax (VAT) from $1.711 million at the end of 2020 to $1.395 million at the end of 2021. The balance of recoverable VAT at the end of 2021 includes $0.961 million from the United Republic of Tanzania (2020: $0.896 million) and $0.244 million from the Netherlands (2020: $0.723 million). Allowance for doubtful receivables relates mostly to recoverable VAT due for more than one year from the United Republic of Tanzania.

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



13. In relation to the premises in Arusha, United Republic of Tanzania (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. Certain actions, such as the remediation of the heating, ventilation and air conditioning system, continued to be addressed in 2021.

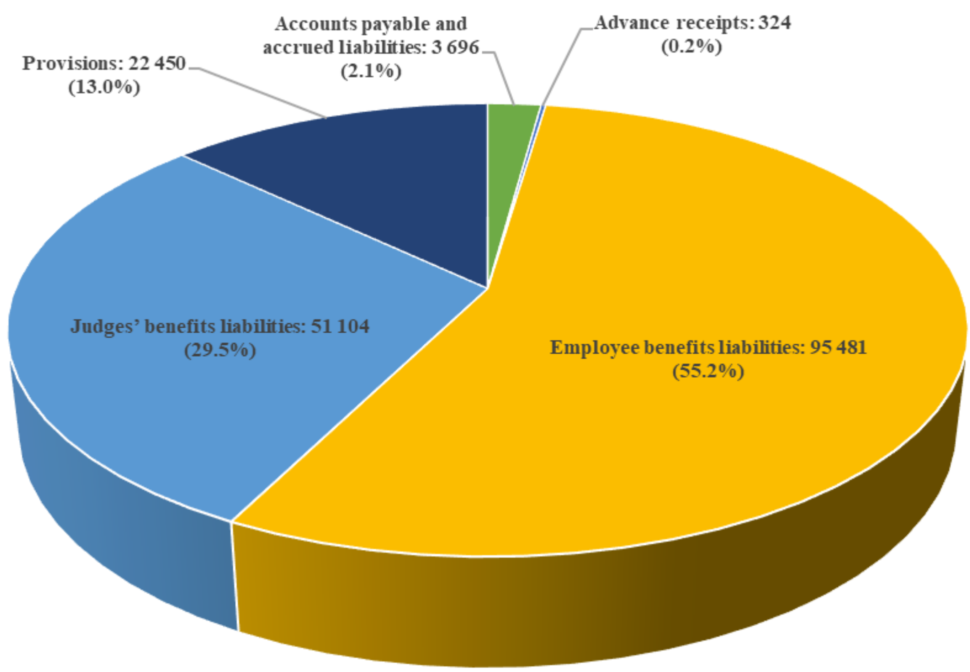
14. In 2021, additions of $0.859 million were capitalized to communications and information technology equipment, relating primarily to the scheduled upgrade of servers and network equipment at The Hague, Netherlands, and Arusha.

Liabilities

15. Liabilities as at 31 December 2021 totalled $173.055 million (31 December 2020: $172.483 million). Accounts payable and accrued liabilities of $3.696 million (2020: $5.647 million) consisted mainly of vendor payables of $1.019 million (2020: $2.370 million) and other accounts payable of $1.593 million (2020: $1.458 million), which includes $0.524 million (2020: $1.085 million) for detention facilities and $0.105 million (2020: $0.038 million) for the fees of defence teams.

16. As shown in figure IV.III, the largest liability refers to employee benefits earned by staff members and retirees in the amount of $95.481 million, representing 55.2 per cent of the Mechanism's total liabilities. The decrease in these liabilities in the amount of $3.119 million, or 3.3 per cent, in 2021 was due primarily to the net decrease of $4.369 million in defined employee benefits liabilities, brought mainly by an actuarial gain of $7.345 million arising from changes in experience adjustments and financial assumptions in the most recent actuarial valuation, conducted in 2021.

Figure IV.III
Liabilities as at 31 December 2021
(Thousands of United States dollars)



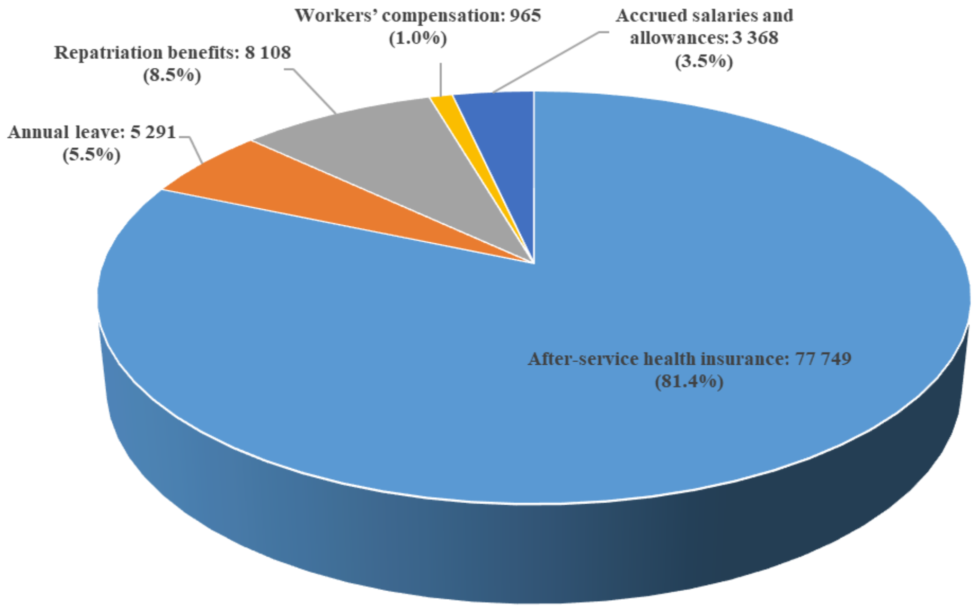
17. As illustrated in figure IV.IV, employee benefits liabilities valued by independent actuaries consisted largely of liabilities related to after-service health insurance ($77.749 million), annual leave ($5.291 million) and repatriation benefits ($8.108 million).

18. The liabilities related to judges' honorariums and allowances amounted to $51.104 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 2021, $27.612 million relates to liabilities for retired judges of the International Tribunal for the Former Yugoslavia, $21.530 million relates to liabilities for retired judges of the International Criminal Tribunal for Rwanda, and $1.962 million relates to liabilities for the only full-time active judge of the Mechanism.

19. Provisions amounted to $22.450 million (2020: $19.077 million), related entirely to credits to Member States. The provision includes savings from prior periods, the cancellation of commitments, the unencumbered balance of the appropriations for 2021 and other revenue.

Figure IV.IV
Employee benefits liabilities

(Thousands of United States dollars)



Net assets

20. The movement in net assets during the year reflects a decrease of $0.865 million, from $58.180 million in 2020 to $57.315 million in 2021, due primarily to an actuarial loss of $3.770 million on judges' benefits liabilities, an overall deficit of $4.405 million from the performance during the year and offset partially by an actuarial gain on defined benefits liabilities of $7.345 million. As at 31 December 2021, the net assets of the Mechanism included a restricted portion of $4.401 million relating to the balance of the special account for the construction of the Arusha facility.

Liquidity position

21. As at 31 December 2021, liquid assets totalled $193.964 million (cash and cash equivalents of $17.838 million, short-term investments of $121.909 million, and assessed contributions receivable, other accounts receivable and other assets totalling $54.217 million), whereas total current liabilities amounted to $34.963 million.

(Thousands of United States dollars)

	Note	*Former ICTY*	*Former ICTR*	*IRMCT*	*31 December 2021*
Current liabilities					
Accounts payable and accrued liabilities	12	–	–	3 696	3 696
Advance receipts	13	–	–	324	324
Employee benefits liabilities	14	544	613	4 239	5 396
Judges' benefits liabilities	15	1 673	1 309	115	3 097
Provisions	16	4 768	3 269	14 413	22 450
Total current liabilities		**6 985**	**5 191**	**22 787**	**34 963**

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

22. The table below summarizes four key liquidity indicators for the financial year ended 31 December 2021, with comparatives for the year ended 31 December 2020.

	Year ended 31 December	
Liquidity indicator	*2021*	*2020*
Ratio of liquid assets to current liabilities	5.5:1	5.7:1
Ratio of liquid assets less accounts receivable to current liabilities	4.0:1	4.0:1
Ratio of liquid assets to total assets	0.8:1	0.8:1
Average months of cash, cash equivalents and investments on hand	21.7	21.5

23. 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 5.5:1 indicates that current liabilities are largely covered by liquid assets.

24. As at 31 December 2021, the Mechanism's liquid assets were about 84.2 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 $7.502 million for 12 months.

C. Overview of financial performance

Revenue

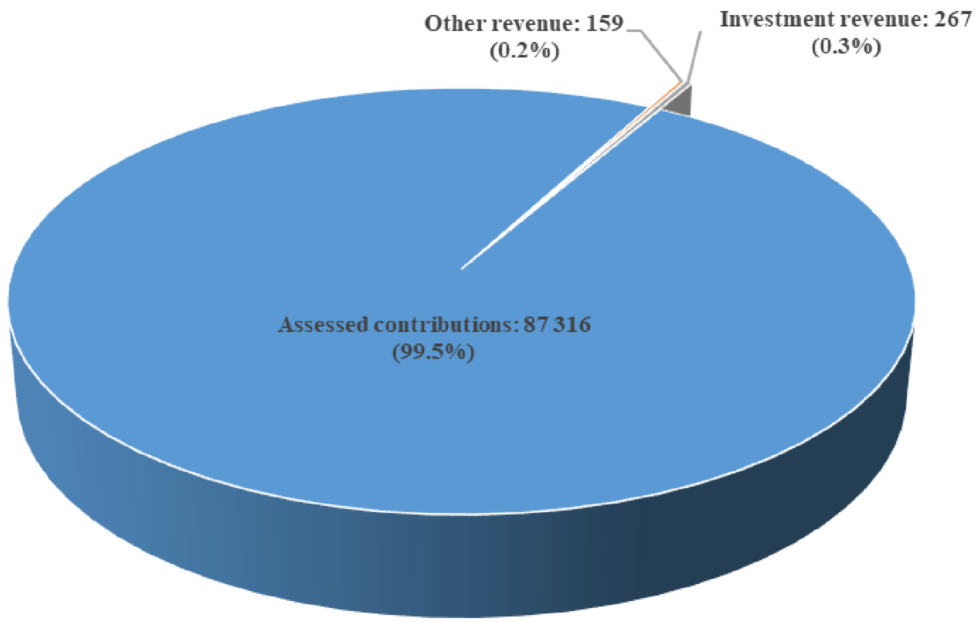
25. In 2021, revenue totalled $87.742 million (2020: $84.555 million). The main source of revenue was assessed contributions of $87.316 million assessed to Member States after deducting from the gross appropriation the savings from prior periods, the cancellation of commitments, the unencumbered balance for 2021 and other revenue, as described in the table below. 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.

(Thousands of United States dollars)

	2021
Assessment for 2021 (resolution 75/249)	97 520
Cancellation of commitments for the year 2020, savings from prior periods and revenue recorded as provisions in the 2021 financial statements	(3 030)
Unencumbered balance of appropriations for 2021 recorded as provisions in the 2021 financial statements	(7 174)
Revenue from assessed contributions	**87 316**

26. The other sources of revenue included mainly investment revenue and other revenue of $0.267 million (2020: $2.959 million) and $0.159 million (2020: $0.184 million), respectively. Out of $0.267 million of net cash pool revenue, $0.779 million corresponds to realized revenue and ($0.512) million to unrealized losses. In 2021, there was an overall decline in the main cash pool rate of return compared with 2020 as new and maturing funds were invested or reinvested in the low interest rate environment (0.41 per cent for 2021, 1.11 per cent for 2020).

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



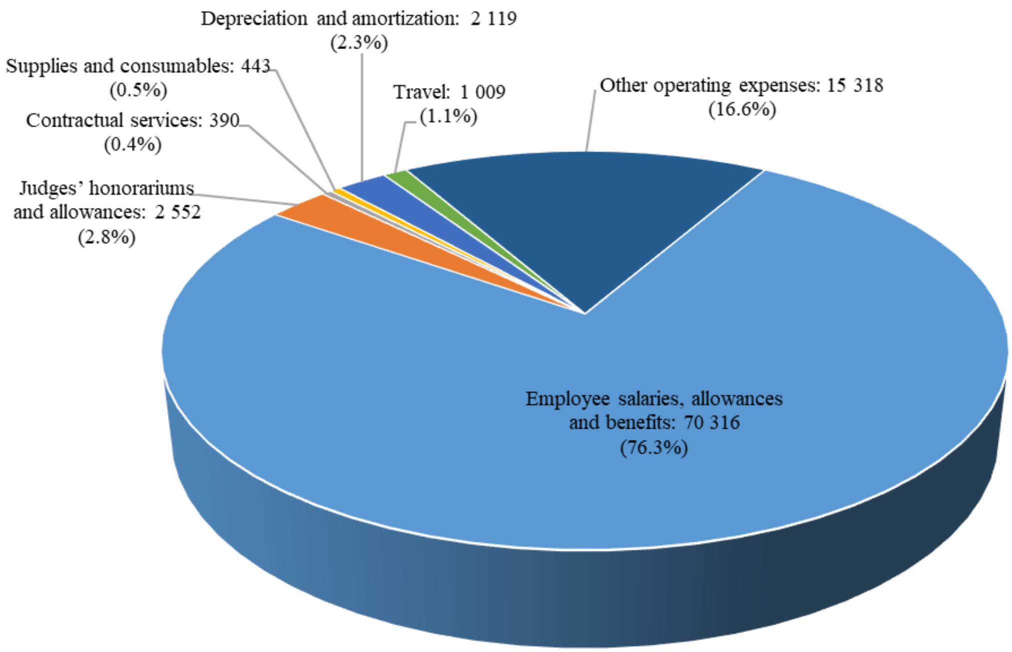
Expenses

27. Expenses reported in statement II are shown on a full accrual basis. This contrasts with statement V, which shows expenditure on a modified cash basis. The main difference between the two is the cost of after-service employee and judges' benefits liabilities, which are accrued as the service is delivered in statement II, but shown on a cash basis in statement V. 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.

28. For the year ended 31 December 2021, expenses totalled $92.147 million (2020: $92.559 million), with a decrease of $0.412 million from 2020. The main expense categories were employee salaries, allowances and benefits of $70.316 million, which constituted 76.3 per cent of total expenses; other operating expenses of $15.318 million (16.6 per cent); judges' honorariums and allowances of $2.552 million (2.8 per cent); depreciation and amortization of $2.119 million (2.3 per cent); and travel expenses of $1.009 million (1.1 per cent). The remaining $0.833 million (0.9 per cent) were expenses for contractual services and supplies and consumables.

29. The main decrease was under other operating expenses, which decreased by $0.730 million, from $16.048 million in 2020 to $15.318 million in 2021. The decrease in other operating expenses during 2021 is due primarily to decreases in miscellaneous operating expenses, bad debt expenses and maintenance and repair.

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



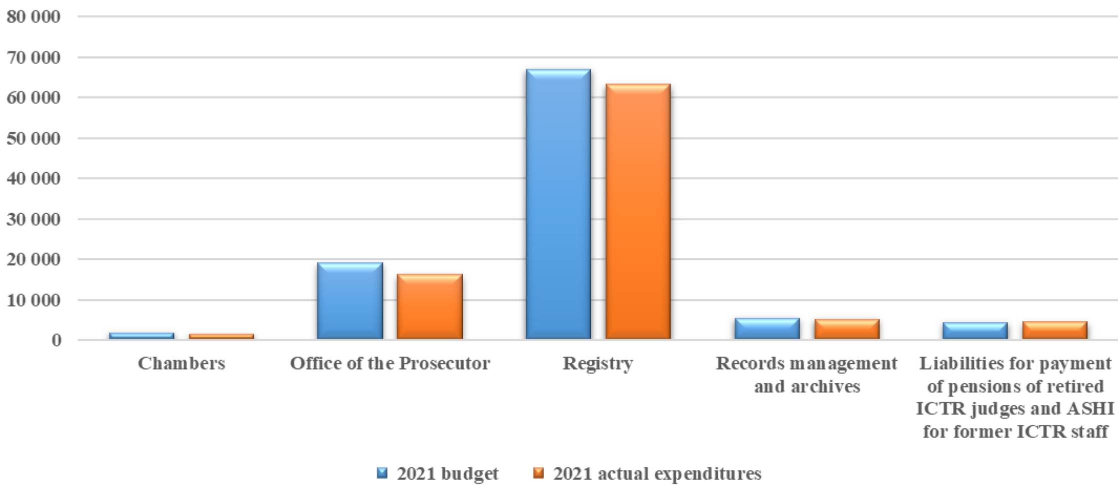
Operating results

30. The deficit of revenue of $87.742 million over expense of $92.147 million in 2021, as measured under the International Public Sector Accounting Standards (IPSAS), was $4.405 million. This was due primarily to the recording of a provision of $10.204 million for credits to Member States for the cancellation of prior-year commitments, savings from prior periods and revenue, as well as the unencumbered balance of the 2021 appropriations. This provision decreases the budgeted revenue assessed in 2021 in the amount of $97.520 million.

D. Budgetary performance

31. Figure IV.VII shows the relative proportion of the 2021 budget of the Mechanism for each of its programme components; the annual budget totalled $97.520 million (2020: $96.925 million), and expenditure amounted to $90.346 million (2020: $93.414 million). As shown in statement V of the financial statements, actual expenditure was less than the annual budget by 7.4 per cent. The comparative budget and expenditures of the Mechanism are presented in figure IV.VII.

Figure IV.VII
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.

Chapter V

Financial statements for the year ended 31 December 2021

International Residual Mechanism for Criminal Tribunals

I. Statement of financial position as at 31 December 2021

(Thousands of United States dollars)

	Note	*31 December 2021*	*31 December 2020*
Assets			
Current assets			
Cash and cash equivalents	7	17 838	17 787
Investments	7	121 909	109 047
Assessed contributions receivable	7, 8	52 013	51 279
Other accounts receivable	7, 8	943	1 147
Other assets	9	1 261	773
Total current assets		**193 964**	**180 033**
Non-current assets			
Investments	7	22 788	35 895
Property, plant and equipment	10	13 096	14 060
Intangible assets	11	238	322
Other assets	9	284	353
Total non-current assets		**36 406**	**50 630**
Total assets		**230 370**	**230 663**
Current liabilities			
Accounts payable and accrued liabilities	12	3 696	5 647
Advance receipts	13	324	32
Employee benefits liabilities	14	5 396	3 986
Judges' benefits liabilities	15	3 097	2 885
Provisions	16	22 450	19 077
Total current liabilities		**34 963**	**31 627**
Non-current liabilities			
Employee benefits liabilities	14	90 085	94 614
Judges' benefits liabilities	15	48 007	46 242
Total non-current liabilities		**138 092**	**140 856**
Total liabilities		**173 055**	**172 483**
Net of total assets and total liabilities		**57 315**	**58 180**
Net assets			
Accumulated surpluses/(deficits) – unrestricted	17	52 914	53 437
Accumulated surpluses/(deficits) – restricted	17	4 401	4 743
Total net assets		**57 315**	**58 180**

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 2021

(Thousands of United States dollars)

	Note	*31 December 2021*	*31 December 2020*
Revenue			
Assessed contributions	18	87 316	81 411
Other revenue	18	159	184
Investment revenue	7	267	2 960
Total revenue		**87 742**	**84 555**
Expenses			
Employee salaries, allowances and benefits	19	70 316	70 168
Judges' honorariums and allowances	19	2 552	2 827
Contractual services	19	390	611
Supplies and consumables	19	443	427
Depreciation and amortization	10, 11	2 119	1 682
Travel	19	1 009	796
Other operating expenses	19	15 318	16 048
Total expenses		**92 147**	**92 559**
Surplus/(deficit) for the year		**(4 405)**	**(8 004)**

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 2021

(Thousands of United States dollars)

	Note	*Accumulated surpluses/ (deficits) – unrestricted*	*Accumulated surpluses/ (deficits) – restricted*	*Total*
Net assets as at 1 January 2020		**71 155**	**5 213**	**76 368**
Changes in net assets in 2020				
Actuarial gain/(loss) on defined benefits liabilities		(6 533)	–	(6 533)
Actuarial gain/(loss) on workers' compensation liabilities		(104)	–	(104)
Actuarial gain/(loss) on judges' pensions		(3 547)	–	(3 547)
Surplus/(deficit) for the year		(7 534)	(470)	(8 004)
Net assets as at 31 December 2020		**53 437**	**4 743**	**58 180**
Changes in net assets in 2021				
Actuarial gain/(loss) on defined benefits liabilities	14	7 345		7 345
Actuarial gain/(loss) on workers' compensation liabilities	14	(35)		(35)
Actuarial gain/(loss) on judges' pensions	15	(3 770)		(3 770)
Surplus/(deficit) for the year		(4 063)	(342)	(4 405)
Net assets as at 31 December 2021		**52 914**	**4 401**	**57 315**

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 2021

(Thousands of United States dollars)

	Note	*31 December 2021*	*31 December 2020*
Cash flows from operating activities			
Surplus/(deficit) for the year		**(4 405)**	**(8 004)**
Non-cash movements			
Depreciation and amortization	10, 11	2 119	1 682
Actuarial gain/(loss) on defined benefits liabilities	14	7 345	(6 533)
Actuarial gain/(loss) on workers' compensation liabilities	14	(35)	(104)
Actuarial gain/(loss) on judges' pensions	15	(3 770)	(3 547)
Net (gain)/loss on disposal of property, plant and equipment and intangible assets	10, 11	(14)	(28)
Other adjustments on property, plant and equipment	10, 11	–	–
Changes in assets			
(Increase)/decrease in assessed contributions receivable	8	(734)	(10 853)
(Increase)/decrease in other receivables	8	204	(172)
(Increase)/decrease in other assets	9	(419)	(229)
Changes in liabilities			
Increase/(decrease) in accounts payable – other	12	(1 951)	583
Increase/(decrease) in advance receipts	13	292	(442)
Increase/(decrease) in employee benefits payable	14	(3 119)	10 388
Increase/(decrease) in judges' benefits liabilities	15	1 977	1 858
Increase/(decrease) in provisions	16	3 373	12 259
Increase/(decrease) in other liabilities		–	–
Investment revenue presented as investing activities	7	(267)	(2 960)
Net cash flows from/(used in) operating activities		**596**	**(6 102)**
Cash flows from investing activities			
Pro rata share of net changes in the cash pool	7	245	(21 242)
Investment revenue presented as investing activities	7	267	2 960
Acquisition of property, plant and equipment	10	(1 009)	(2 882)
Proceeds from disposal of property, plant and equipment	10	14	28
Acquisition of intangible assets	11	(62)	(204)
Net cash flows from/(used in) investing activities		**(545)**	**(21 340)**
Cash flows from financing activities		–	–
Net cash flows from/(used in) financing activities		–	–
Net increase/(decrease) in cash and cash equivalents		51	(27 442)
Cash and cash equivalents at beginning of year		17 787	45 229
Cash and cash equivalents at end of year		**17 838**	**17 787**

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 2021

(Thousands of United States dollars)

Current year:	*2021 budget (appropriation)*[a]	*Actual 2021 expenditure (budget basis)*	*2021 difference*[b] *in budget and actual expenditure (percentage)*
Mechanism			
Chambers	1 769	1 359	(23.17)
Office of the Prosecutor	19 026	16 162	(15.05)
Registry	67 020	63 184	(5.72)
Records management and archives	5 413	5 123	(5.34)
Liabilities for payment of pensions of retired ICTR/ICTY judges and ASHI	4 293	4 518	5.25
Total	**97 520**	**90 346**	**(7.36)**

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

[a] The budget for 2021 is the appropriation approved by the General Assembly for the year in its resolution 75/249. The relevant element of assessed contributions is recognized as revenue at the beginning of the year.

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

(Thousands of United States dollars)

Prior-year comparative:	*2020 budget (appropriation)*[a]	*Actual 2020 expenditure (budget basis)*	*2020 difference*[b] *in budget and actual expenditure (percentage)*
Mechanism			
Chambers	2 066	1 577	(23.66)
Office of the Prosecutor	15 559	14 886	(4.32)
Registry	69 025	67 243	(2.58)
Records management and archives	5 505	5 281	(4.07)
Liabilities for payment of pensions of retired ICTR/ICTY judges and ASHI	4 770	4 427	(7.19)
Total	**96 925**	**93 414**	**(3.62)**

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

[a] The budget for 2020 is the appropriation approved by the General Assembly for the year in its resolution 74/259. The relevant element of assessed contributions is recognized as revenue at the beginning of the year.

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

International Residual Mechanism for Criminal Tribunals
Notes to the 2021 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, sets out the primary objectives of the United Nations, 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 principal organs of the United Nations, 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 Organization;

(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 has its headquarters in New York. It has major offices in Geneva, Vienna and Nairobi, 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 have been prepared on an accrual basis in accordance with IPSAS. They have been prepared on a going-concern basis, and the accounting policies have been applied consistently in their preparation and presentation. In accordance with the requirements of IPSAS, the financial statements, which present fairly the assets, liabilities, revenue and expenses of the Mechanism, consist of 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 indicated in subparagraphs (a) to (d) 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 their preparation and presentation. 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. Since its establishment, the progress of the work of the Mechanism has been reviewed on three occasions, in 2016, 2018 and 2020, with a fourth review forthcoming in 2022.

Authorization for issue

10. The financial statements are certified by the Controller and approved by the Secretary-General. In accordance with financial regulation 6.2, the Secretary-General transmitted the financial statements as at 31 December 2021 to the Board of Auditors by 31 March 2022. In accordance with financial regulation 7.12, the reports of the Board of Auditors are to be transmitted to the General Assembly through the Advisory Committee on Administrative and Budgetary Questions, together with the audited financial statements.

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 have an impact on 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/ amortization methods for property, plant and equipment/intangible assets; impairment of assets; classification of financial instruments; valuation of inventory; inflation and discount rates used in the calculation of the present value of provisions; and classification of contingent assets/liabilities.

Future accounting pronouncements

18. The progress and impact of the following significant future IPSAS Board accounting pronouncements on the Mechanism's financial statements continue 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. The IPSAS Board is expected to issue the standard by June 2022;

(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). The IPSAS Board is expected to issue the standard by September 2022;

(d) Leases: the objective of the project is to replace IPSAS 13 for lease accounting in order to maintain alignment with International Financial Reporting Standard 16. IPSAS 43 was issued in January 2022;

(e) Public sector measurement: the objectives of the project include: (i) issuing amended IPSAS standards with revised requirements for measurement at initial recognition, subsequent measurement and measurement-related disclosure; (ii) providing 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) addressing 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 have 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 41: Financial instruments, issued in August 2018 and effective 1 January 2023; and IPSAS 42: Social benefits, issued in January 2019 and effective 1 January 2023. The impact of these standards on the Mechanism's financial statements and the comparative period therein has been evaluated to be as follows:

Standard	*Anticipated impact in the year of adoption*
IPSAS 41	IPSAS 41: Financial instruments 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. The effective date of IPSAS 41: Financial Instruments was deferred to 1 January 2023 owing to the COVID-19 pandemic and the challenges it has created. The impact of IPSAS 41: Financial Instruments 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: Social benefits 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. The effective date of IPSAS 42: Social benefits was deferred to 1 January 2023 owing to the COVID-19 pandemic and the challenges it has created. Currently, there are no such social benefits applicable to the Mechanism.

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 categories shown below at initial recognition and re-evaluates the classification at each reporting date.

Classification	*Financial assets*
Fair value through surplus or deficit	Investments in cash pools
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. These 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 are 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 the 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.

Investment in cash pools

27. The United Nations Treasury invests funds pooled from Secretariat entities and other participating entities. These pooled funds are combined in two internally managed cash pools. Participation in a cash pool 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 investment 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 investment.

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, i.e., 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 Article 19 of the Charter of the United Nations on voting rights restrictions in the General Assembly because of 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 transactions are disclosed in the notes thereto.

Property, plant and equipment

34. Property, plant and equipment are classified into different groups, based on their nature, functions, useful lives 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;

(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) With regard to property, plant and equipment acquired at nil or nominal cost, including 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 lives 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 set out below:

Class	*Subclass*	*Estimated useful life*
Communications and information technology equipment	Information technology equipment	4 years
	Communications and audiovisual equipment	7 years
Vehicles	Light-wheeled vehicles	6 years
	Heavy-wheeled and engineering support vehicles	12 years
	Specialized vehicles, trailers and attachments	6–12 years
	Marine vessels	10 years
Machinery and equipment	Light engineering and construction equipment	5 years
	Medical equipment	5 years
	Security and safety equipment	5 years
	Mine detection and clearing equipment	5 years
	Accommodation and refrigeration equipment	6 years
	Water treatment and fuel distribution equipment	7 years
	Transportation equipment	7 years
	Heavy engineering and construction equipment	12 years
	Printing and publishing equipment	20 years
Furniture and fixtures	Library reference material	3 years
	Office equipment	4 years
	Fixtures and fittings	7 years
	Furniture	10 years
Buildings	Temporary and mobile buildings	7 years
	Fixed buildings, depending on the type	25, 40 or 50 years
	Major exterior, roofing, interior and services/utilities components, where component approach is utilized	20–50 years
	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 years
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 the 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 chose 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 or equipment arises when proceeds from disposal or transfer differ from its carrying amount. Those gains or losses are recognized in the statement of financial performance as part of 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 of the asset. The thresholds for recognition are $100,000 per unit 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 the 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, starting from the month of acquisition or when they become operational. The useful lives of major classes of intangible assets have been estimated as shown below.

Class	*Range of estimated useful life*
Licences and rights	2–6 years (period of licence/right)
Software acquired externally	3–10 years
Software developed internally	3–10 years
Copyrights	3–10 years
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 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 the classification of financial liabilities at each reporting date and derecognizes financial liabilities when its contractual obligations are discharged, waived, cancelled or expired.

Financial liabilities: accounts payable and accrued liabilities

46. Accounts payable and accrued liabilities arise from the purchase of goods and services that have been received but not paid for at the reporting date. Payables are measured at their nominal value if classified as current liabilities, or at the fair value if classified as non-current liabilities.

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 on the basis of 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 right 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 a yearly rental value equivalent to $5,000 per unit for the donated right 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 with the Mechanism are defined by a letter of appointment subject to regulations promulgated by the General Assembly pursuant to Article 101, paragraph 1, of the Charter. Employee benefits are classified as short-term benefits, long-term benefits, post-employment benefits and 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 that 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 the 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 that 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 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 is to consider contributions from all plan participants in determining the Mechanism's residual liability. Contributions from retirees are deducted from the gross liability together with a portion of the contributions from active staff 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 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 Pension Fund 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 Fund. The Mechanism and the 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 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 amount of the provision is the best estimate of the expenditure expected to be 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 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 are 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 with respect to open contracts which the Mechanism has minimal, if any, discretion to avoid in the ordinary course of operations. Commitments include capital commitments (the 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, 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 one-year budget period; the relevant portion of assessed contributions is recognized as revenue at the beginning of each year.

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 per discrete contribution 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 and other partners is recognized when the service is performed. Exchange revenue also includes revenue 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 sale 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 average 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 adjustment and staff assessment. The allowances and benefits include other staff entitlements, such as 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
Impact of the COVID-19 pandemic

88. The outbreak of the COVID-19 pandemic in mid-March 2020 became a global challenge and affected the global economy in an unprecedented manner. The effects of restrictions on global travel and movement resulting from the pandemic continued into 2021. Using new methods of working and without compromising the rights of the accused and the health and safety of participants in the proceedings, the Mechanism made remarkable headway towards the completion of its core judicial work. Three landmark judgments were pronounced: at The Hague branch, the appeal judgment in the *Mladić* case was delivered on 8 June, concluding the proceedings in the case, and the trial judgment in the retrial against Jovica Stanišić and Franko Simatović was delivered at the end of the same month, on 30 June; and at the Arusha branch, the trial judgment in the contempt case against Anselme Nzabonimpa and others was pronounced on 25 June. The latter was formerly called the *Turinabo et al.* case until proceedings against the co-accused, Maximilien Turinabo, were terminated in April 2021 after he died.

89. While the impact on the way in which the Mechanism conducted its business was profound, the direct, visible and measurable impact on the financial performance for 2021 and the financial position at the end of the year was limited. Furthermore, there can be no objective, exact or systematic determination of the impact of the COVID-19 pandemic on these financial statements as accounting and reporting systems are not intended or designed to report costs, revenues and balances based on a specific underlying cause, such as a pandemic. Despite these limitations, the following broad trends can be identified and are reflected in the notes to the financial statements where applicable. Travel expenses for both staff and representatives decreased by 41 per cent, from $1.697 million in 2019 to $1.009 million in 2021, primarily as a result of conducting a virtual plenary of judges. The in-person plenary that had originally been planned for The Hague branch was postponed twice as a result of pandemic-related restrictions. The Mechanism was able to proceed with a virtual event for 25 judges located in 21 countries. To support telecommuting in the four locations of the Mechanism, laptop computers were purchased, comprising most of the increase in the acquisition of goods, from $0.666 million in 2019 to $1.376 million in 2020 and $1.256 million in 2021.

Note 6
Comparison to budget

90. 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.

91. Approved budgets are those that permit expenses to be incurred and are approved by the General Assembly. The budget for 2021 is the budget approved by the General Assembly in its resolution 75/249. Annual budgets 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.

92. The annual budget for 2021 represents the appropriations for 2021. 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 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	*Final budget versus actual expenses on budget basis*
Chambers	The change of the in-person plenary of judges to a remote plenary and the postponement of the start date of the *Kabuga* trial resulted in lower-than-budgeted expenditures for judges' remuneration, as well as representative travel.
Office of the Prosecutor	Lower-than-budgeted expenditures, in particular in travel and general temporary assistance, were due to the impact of the pandemic on operational travel and delayed staff recruitment as a result of non-commencement of the *Kabuga* trial and pandemic-related challenges.
Registry	Variance of less than 10 per cent.
Records management and archives	Variance of less than 10 per cent.

Budget area	Material differences greater than 10 per cent Final budget versus actual expenses on budget basis
Liabilities for payment of pensions of retired judges and after-service health insurance	Variance of less than 10 per cent.

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

93. 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: 2021	*Operating*	*Investing*	*Financing*	*Total*
Actual amounts on a comparable basis (statement V)	**(90 186)**	**(160)**	–	**(90 346)**
Basis differences	2 506	(911)	–	1 595
Entity differences	801	–	–	801
Presentation differences	87 475	526	–	88 001
Actual amounts in the statement of cash flows (statement IV)	**596**	**(545)**	–	**51**

Prior-year comparative: 2020	*Operating*	*Investing*	*Financing*	*Total*
Actual amounts on a comparable basis (statement V)	**(92 104)**	**(1 310)**	**–**	**(93 414)**
Basis differences	3 637	(1 777)	–	1 860
Entity differences	81 596	(18 253)	–	63 343
Presentation differences	769	–	–	769
Actual amounts in the statement of cash flows (statement IV)	**(6 102)**	**(21 340)**	**–**	**(27 442)**

94. 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 that 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.

95. 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.

96. 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.

97. Timing differences occur when the budget period differs from the reporting period reflected in the financial statements.

Status of appropriations

98. In accordance with General Assembly resolution 75/249, gross appropriations and gross assessed contributions for the Mechanism for 2021 are as follows:

(Thousands of United States dollars)

	Gross appropriation
Mechanism	
Initial appropriation for 2021 (resolution 75/249)	97 520
Cancellation of commitments for the biennium 2016–2017	(6 818)
Surplus resulting from final expenditure for the budget for the biennium 2018–2019	(3 267)
Balance to be assessed (resolution 75/249)	**87 435**

Note 7
Financial instruments

(Thousands of United States dollars)

Financial instruments	*31 December 2021*	*31 December 2020*
Financial assets		
Fair value through the surplus or deficit		
Short-term investments – main pool	121 909	109 047
Long-term investments – main pool	22 788	35 895
Total fair value through the surplus or deficit	**144 697**	**144 942**
Loans and receivables		
Cash and cash equivalents – main pool	17 832	17 776
Cash and cash equivalents – other	6	11
Subtotal, total cash and cash equivalents	**17 838**	**17 787**
Assessed contributions receivable	52 013	51 279
Other accounts receivable (note 8)	943	1 147
Other assets (excluding advances)	8	24
Total loans and receivables	**52 964**	**52 450**
Total carrying amount of financial assets	**215 498**	**215 179**
Of which relates to financial assets held in the main pool	162 529	162 718

Financial instruments	*31 December 2021*	*31 December 2020*
Financial liabilities at amortized cost		
Accounts payable and accrued liabilities (note 12)	3 696	5 647
Total carrying amount of financial liabilities	**3 696**	**5 647**
Summary of net income from financial assets		
Net cash pool revenue	267	2 959
Other investment revenue	–	1
Total	**267**	**2 960**

99. Out of $144.697 million of investments and $17.838 million of cash and cash equivalents, $62.748 million relates to the sub-account for the former International Criminal Tribunal for Rwanda and $89.148 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. Out of $0.267 million of net cash pool revenue (2020: $2.959 million), $0.779 million corresponds to realized revenue and ($0.512) million to unrealized losses. In 2021, there was an overall decline in the main cash pool rate of return compared with 2020 as new and maturing funds were invested or reinvested in the low interest rate environment (0.41 per cent for 2021 and 1.11 per cent for 2020).

Note 8
Accounts receivable

Assessed contributions receivable

(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
Assessed contributions	52 110	51 375
Allowance for doubtful receivables – assessed	(97)	(96)
Total assessed contributions receivable	**52 013**	**51 279**

100. Out of the $52.013 million at the end of the fiscal year, $5.546 million corresponds to arrears to the former International Criminal Tribunal for Rwanda for which final assessment was issued in 2016, and $21.579 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 2021 for the assessed contributions for the International Criminal Tribunal for Rwanda amounted to $1.782 million, and payment received in 2021 for the former International Tribunal for the Former Yugoslavia amounted to $2.690 million. The assessed contributions receivable for the Mechanism amount to $24.888 million, of which $12.975 million corresponds to the 2021 assessment.

101. Countries subject to Article 19 of the Charter of the United Nations are considered to be those with regard to which the General Assembly has decided that failure to pay the minimum amount under that Article was due to conditions beyond their control. Those countries are therefore permitted to vote despite their accumulated arrears (see Assembly resolutions 74/1, 75/2 and 76/2). In accordance with past

practice, it is considered that there are no Member States with valid multi-year payment plans.

Other accounts receivable

(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
Current other receivables		
Member States	1 395	1 711
Receivables from other United Nations entities	75	9
Other exchange revenue receivables	–	–
Allowance for doubtful receivables – other receivables	(527)	(573)
Total other receivables (current)	**943**	**1 147**

102. Receivables from Member States include primarily a balance of recoverable value added tax (VAT) of $1.395 million for the Mechanism (2020: $1.711 million), including $0.961 million from the United Republic of Tanzania (2020: $0.896 million), $0.244 million from the Netherlands (2020: $0.723 million), $0.184 million from Rwanda (2020: $0.084 million) and $0.006 million from Bosnia and Herzegovina (2020: $0.008 million).

103. 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 Governments of the Netherlands and Rwanda.

Movement in the allowance for doubtful receivables

(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
Opening allowance for doubtful receivables	675	588
Doubtful receivables adjustment for current year	(50)	87
Closing allowance for doubtful receivables	**625**	**675**

Note 9
Other assets

(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
Advances to staff	429	503
Advances to vendor	433	17
Advances to United Nations Development Programme and other United Nations entities	11	–

	31 December 2021	*31 December 2020*
Deferred charges	362	225
Other	26	28
Total other assets (current)	**1 261**	**773**

	31 December 2021	*31 December 2020*
Deferred charges	284	353
Total other assets (non-current)	**284**	**353**

104. Current and non-current 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.

105. Advances to vendors refer mainly to software subscriptions, maintenance and support services from 2021 to 2022 in the amount of $0.433 million (2020: $0.017 million). The deferred charges (current and non-current) refers mainly to multi-year information technology maintenance services from 2022 to 2025 in the amount of $0.619 million.

Note 10
Property, plant and equipment

106. The net book value of property, plant and equipment as at 31 December 2021 was $13.096 million (2020: $14.060 million). An impairment review was conducted and no significant impairment was identified. The Mechanism had no significant heritage assets as at the reporting date.

107. During the reporting period, the Mechanism disposed 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. The proceeds from the disposal of property, plant and equipment amounted to $0.014 million.

108. During the reporting period, additions of $0.859 million were capitalized to communications and information technology equipment, relating primarily to the scheduled upgrade of servers and network equipment at The Hague and Arusha.

109. Assets under construction relate to the construction of a conference press room at the Arusha branch. The construction was completed during the first quarter of 2022.

Property, plant and equipment

(Thousands of United States dollars)

Current year: 2021	*Infrastructure*	*Buildings*	*Furniture and fixtures*	*Communications and information technology equipment*	*Vehicles*	*Machinery and equipment*	*Assets under construction*	*Total*
Cost								
As at 1 January 2021	1 690	8 074	433	18 233	1 618	1 341	–	31 389
Additions	–	–	20	859	–	26	104	1 009
Disposals	–	–	–	(357)	(111)	(17)	–	(485)

Current year: 2021	*Infrastructure*	*Buildings*	*Furniture and fixtures*	*Communications and information technology equipment*	*Vehicles*	*Machinery and equipment*	*Assets under construction*	*Total*
Other changes	–	–	–	–	–	–	–	–
As at 31 December 2021	**1 690**	**8 074**	**453**	**18 735**	**1 507**	**1 350**	**104**	**31 913**
Accumulated depreciation and impairment								
As at 1 January 2021	357	1 343	264	13 148	1 286	931	–	17 329
Depreciation and impairment	94	395	35	1 256	82	111	–	1 973
Disposals	–	–	–	(357)	(111)	(17)	–	(485)
Other changes	–	–	–	–	–	–	–	–
As at 31 December 2021	**451**	**1 738**	**299**	**14 047**	**1 257**	**1 025**	**–**	**18 817**
Net carrying amount								
As at 1 January 2021	1 333	6 731	169	5 085	332	410	–	14 060
As at 31 December 2021	**1 239**	**6 336**	**154**	**4 688**	**250**	**325**	**104**	**13 096**

(Thousands of United States dollars)

Prior-year comparative: 2020	*Infrastructure*	*Buildings*	*Furniture and fixtures*	*Communications and information technology equipment*	*Vehicles*	*Machinery and equipment*	*Assets under construction*	*Total*
Cost								
As at 1 January 2020	1 690	7 840	314	16 473	1 514	1 231	–	29 062
Additions	–	234	119	2 291	128	110	–	2 882
Disposals	–	–	–	(531)	(24)	–	–	(555)
Other changes	–	–	–	–	–	–	–	–
As at 31 December 2020	**1 690**	**8 074**	**433**	**18 233**	**1 618**	**1 341**	**–**	**31 389**
Accumulated depreciation and impairment								
As at 1 January 2020	263	979	226	12 853	1 294	783	–	16 398
Depreciation and impairment	94	364	38	826	16	148	–	1 486
Disposals	–	–	–	(531)	(24)	–	–	(555)
Other changes	–	–	–	–	–	–	–	–
As at 31 December 2020	**357**	**1 343**	**264**	**13 148**	**1 286**	**931**	**–**	**17 329**
Net carrying amount								
As at 1 January 2020	1 427	6 861	88	3 620	220	448	–	12 664
As at 31 December 2020	**1 333**	**6 731**	**169**	**5 085**	**332**	**410**	**–**	**14 060**

Note 11
Intangibles

(Thousands of United States dollars)

Current year: 2021	*Software internally developed*	*Software acquired externally*	*Asset under development*	*Total*
Cost				
As at 1 January	468	905	–	1 373
Additions	–	62	–	62
Disposals	–	–	–	–
As at 31 December	**468**	**967**	**–**	**1 435**
Accumulated amortization and impairment				
As at 1 January	468	583	–	1 051
Amortization and impairment	–	146	–	146
Disposals	–	–	–	–
As at 31 December	**468**	**729**	**–**	**1 197**
Net carrying amount				
As at 1 January	–	322	–	322
As at 31 December	**–**	**238**	**–**	**238**

(Thousands of United States dollars)

Prior-year comparative: 2020	*Software internally developed*	*Software acquired externally*	*Asset under development*	*Total*
Cost				
As at 1 January	468	701	–	1 169
Additions	–	204	–	204
Disposals	–	–	–	–
As at 31 December	**468**	**905**	**–**	**1 373**
Accumulated amortization and impairment				
As at 1 January	398	457	–	855
Amortization and impairment	70	126	–	196
Disposals	–	–	–	–
As at 31 December	**468**	**583**	**–**	**1 051**
Net carrying amount				
As at 1 January	70	244	–	314
As at 31 December	**–**	**322**	**–**	**322**

110. During the reporting period, the Mechanism acquired software licences for a total amount of $0.062 million relating primarily to software for investigation activities.

Note 12
Accounts payable and accrued liabilities

(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
Vendor payables (accounts payable)	1 019	2 370
Payables to other United Nations entities	292	324
Accruals for goods and services	792	1 495
Accounts payable – other	1 593	1 458
Total accounts payable and accrued liabilities (current)	**3 696**	**5 647**

111. Accounts payable and accrued liabilities of $3.696 million (2020: $5.647 million) consist mainly of vendor payables of $1.019 million (2020: $2.370 million), and other accounts payable of $1.593 million (2020: $1.458 million), which includes $0.524 million (2020: $1.085 million) for detention facilities and $0.105 million (2020: $0.038 million) for defence teams' fees.

Note 13
Advance receipts

112. Advance receipts represent assessed contributions received in advance or overpayments received from Member States, which amounted to $0.324 million in 2021 (2020: $0.032 million).

Note 14
Employee benefits liabilities

(Thousands of United States dollars)

Year ended 31 December 2021	*Current*	*Non-current*	*Total*
After-service health insurance	1 179	76 570	77 749
Annual leave	466	4 825	5 291
Repatriation benefits	849	7 259	8 108
Subtotal: defined benefits liabilities	**2 494**	**88 654**	**91 148**
Appendix D/workers' compensation	35	930	965
Accrued salaries and allowances	2 867	501	3 368
Total employee benefits liabilities	**5 396**	**90 085**	**95 481**

Year ended 31 December 2020	*Current*	*Non-current*	*Total*
After-service health insurance	1 121	80 596	81 717
Annual leave	531	5 460	5 991
Repatriation benefits	736	7 073	7 809
Subtotal: defined benefits liabilities	**2 388**	**93 129**	**95 517**
Appendix D/workers' compensation	35	920	955
Accrued salaries and allowances	1 563	565	2 128
Total employee benefits liabilities	**3 986**	**94 614**	**98 600**

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. Full actuarial valuation is undertaken every year.

114. The total employee benefits liability decreased by $3.119 million in 2021, owing mainly to the net decrease in defined employee benefit liabilities of $4.369 million for the Mechanism to a total of $91.148 million for 2021, which is a result of an overall actuarial gain of $7.345 million for the Mechanism. The actuarial gains are due to changes in experience adjustments and financial assumptions in the recent actuarial valuation. The remaining difference is constituted by benefits paid offset by service cost, interest obligation and accrued salaries and allowances.

115. The decrease in employee benefits liabilities accounted for as defined benefit plans in 2021 is due largely to the decrease in liabilities for after-service health insurance, attributable to an actuarial gain of $7.030 million, which includes a gain of $6.071 million from experience adjustments and a financial gain of $0.966 from an increase in the equivalent discount rate from 3.08 per cent to 3.27 per cent.

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 2021 valuation are as follows:

Principal actuarial assumptions

(Percentage)

Assumptions	*After-service health insurance*	*Repatriation benefits*	*Annual leave*
Discount rates: 31 December 2020	3.08	2.20	2.25
Discount rates: 31 December 2021	3.27	2.54	2.68

117. 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. The salary increase rate and the demographic assumptions used for the 2021valuation exercise are the same as those used for the latest United Nations Joint Staff Pension Fund valuation. 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 65. 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 3.97 per cent for the age of 65.

119. The health-care cost trend rates are based on Aon Hewitt long-term assumptions for different currencies as shown below. The rates were updated for the 2021 valuation.

Cost trend assumptions	2021 Initial (percentage)	2021 Final (percentage)	2021 Grade down	2020 Initial (percentage)	2020 Final (percentage)	2020 Grade down
United States non-Medicare	5.17	3.95	10 years	5.31	3.65	14 years
United States Medicare	5.03	3.95	10 years	5.15	3.65	14 years
United States dental	4.53	3.95	10 years	4.59	3.65	14 years
Non-United States – Switzerland	3.44	2.25	7 years	3.64	2.75	8 years
Non-United States – eurozone	3.75	3.75	none	3.73	3.25	6 years

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.

121. With regard to the valuation of repatriation benefits as at 31 December 2021, inflation in travel costs was assumed to be 2.50 per cent (2020: 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. The attribution method is used for annual leave actuarial valuation.

123. For defined-benefit plans, 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.

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 2021	**81 717**	**7 809**	**5 991**	**95 517**
Current service cost	1 716	420	497	2 633
Interest on obligation	2 501	164	128	2 793
Total cost recognized in the statement of financial performance	**4 217**	**584**	**625**	**5 426**
Benefits paid	(1 155)	(752)	(543)	(2 450)
Actuarial (gains)/losses recognized directly in the statement of changes in net assets	(7 030)	467	(782)	(7 345)
Due to changes in financial assumptions	(966)	(131)	(196)	(1 293)
Due to changes in demographic assumptions	7	(3)	(1)	3
Due to experience adjustment	(6 071)	601	(585)	(6 055)
Net defined benefit liability as at 31 December 2021	**77 749**	**8 108**	**5 291**	**91 148**

(Thousands of United States dollars)

	After-service health insurance	*Repatriation grant*	*Annual leave*	*Total*
Net defined benefit obligation as at 1 January 2020	**73 623**	**7 478**	**4 544**	**85 645**
Current service cost	1 744	407	463	2 614
Interest on obligation	2 629	212	107	2 948
Total cost recognized in the statement of financial performance	**4 373**	**619**	**570**	**5 562**
Benefits paid	(1 077)	(710)	(436)	(2 223)
Actuarial (gains)/losses recognized directly in the statement of changes in net assets	4 798	422	1 313	6 533
Due to changes in financial assumptions	6 809	425	110	7 344
Due to changes in demographic assumptions	521	–	–	521
Due to experience adjustment	(2 532)	(3)	1 203	(1 332)
Net defined benefit liability as at 31 December 2020	**81 717**	**7 809**	**5 991**	**95 517**

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 has an impact on the discount rate assumption. Should the discount rate assumption vary by 0.5 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 2021:			
Increase of discount rate by 0.5 per cent	(7 436)	(252)	(199)
As a percentage of year-end liability	(10)	(3)	(4)
Decrease of discount rate by 0.5 per cent	8 581	268	213
As a percentage of year-end liability	11	3	4
31 December 2020:			
Increase of discount rate by 0.5 per cent	(7 845)	(285)	(233)
As a percentage of year-end liability	(10)	(4)	(4)
Decrease of discount rate by 0.5 per cent	9 043	305	252
As a percentage of year-end liability	11	4	4

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. Should the medical cost trend assumption vary by 0.5 per cent, it would have an impact on 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 2021 (movement by 0.5 per cent):		
Effect on the defined benefit obligation	8 246	(7 232)
Effect on the aggregate of the current service cost and interest cost	592	(508)
31 December 2020 (movement by 0.5 per cent):		
Effect on the defined benefit obligation	8 677	(7 618)
Effect on the aggregate of the current service cost and interest cost	587	(505)

Other defined benefit plan information

127. Benefits paid for 2021 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*
2022	1 218	870	479	2 567
2021	1 155	752	543	2 450

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

(Thousands of United States dollars)

	2021	*2020*	*2019*	*2018*	*2017*	*2016*
Present value of the defined benefit obligations	91 148	95 517	85 645	117 290	92 842	60 897

128. Defined benefit liabilities pertaining to the regular budget have not been funded. The pertinent budget is provided on the basis of claims experience in the previous years.

Appendix D/workers' compensation costs assumptions

129. 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 2021, the single equivalent discount rate obtained was 3.09 per cent.

130. The cost-of-living adjustment for 2021 as determined by Aon Hewitt is 2.50 per cent and is calculated using market-based inflation. In 2020, 2 per cent was used for the cost-of-living adjustment, which was in line with the rate used for the valuation of the United Nations Joint Staff Pension Fund as at 31 December 2019. Like defined-benefit liabilities, the Aon Hewitt yield curves were used in determining the 31 December 2021 obligation. Appendix D/workers' compensation uses mortality assumptions based on World Health Organization statistical tables.

Appendix D/workers' compensation costs sensitivity analysis

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

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

(Thousands of United States dollars and percentage)

	31 December 2021	*31 December 2020*
Increase of cost-of-living adjustment by 1 per cent	178	175
As a percentage of year-end liability	18	18
Decrease of cost-of-living adjustment by 1 per cent	(142)	(139)
As a percentage of year-end liability	(15)	(15)

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 2021 (movement by 1 per cent):		
Effect on year-end liability	(136)	173
As a percentage of year-end liability	(14)	18
31 December 2020 (movement by 1 per cent):		
Effect on year-end liability	(133)	170
As a percentage of year-end liability	(14)	18

Appendix D/workers' compensation costs funding

132. The liabilities arising from appendix D/workers' compensation have not been funded. The pertinent budget is provided on the basis of claims experience in the previous years.

Accrued salaries and allowances

133. The significant increase in accrued salaries and allowances relates to the separation of 78 staff members from the Mechanism, the processing of which is still pending. Accruals for repatriation, annual leave and other separation benefits for staff

departing from the Mechanism were recognized in accordance with the Staff Regulations and Rules and reported under accrued salaries and allowances for a total amount of $1.718 million.

134. The remaining accrued salaries and allowances as at year-end consist of accruals for home leave ($0.479 million (2020: $0.646 million)); accruals for repatriation grant to be paid to former staff members other than the separated staff members mentioned in paragraph 133 ($0.962 million); and other miscellaneous accrual for staff entitlements ($ 0.209 million (2020: $0.417 million)).

United Nations Joint Staff Pension Fund

135. The Regulations of the United Nations Joint Staff Pension Fund state that the United Nations Joint Staff 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 Fund will be sufficient to meet its liabilities.

136. 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 Pension Fund. Such deficiency payments are payable only if and when the General Assembly has invoked the provision of article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the 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.

137. The latest actuarial valuation for the Fund was completed as at 31 December 2019, and the valuation as at 31 December 2021 is currently being performed. A roll-forward of the participation data as at 31 December 2019 to 31 December 2020 was used by the Fund for its 2020 financial statements.

138. The actuarial valuation as at 31 December 2019 resulted in a funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, of 144.4 per cent. The funded ratio was 107.1 per cent when the current system of pension adjustments was taken into account.

139. After assessing the actuarial sufficiency of the Fund, the consulting actuary concluded that there was no requirement, as at 31 December 2019, 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 plan. 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.

140. 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 Fund during the preceding three years (2018, 2019 and 2020) amounted to $7,993.15 million, of which 0.31 per cent was contributed by the Mechanism.

141. During 2021, the Mechanism's contributions paid to the Pension Fund amounted to $8.171 million (2020: $8.698 million). Expected contributions due in 2022 are approximately $7.5 million.

142. Membership of the Pension 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 United Nations Joint Staff Pension Board on the basis of an actuarial valuation of the assets and liabilities of the Fund on the date of termination; no part of the assets which are in excess of the liabilities are included in the amount.

143. 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 Fund publishes quarterly reports on its investments, which can be viewed at www.unjspf.org.

Note 15
Judges' honorariums and allowances liabilities

(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
Judges' pensions (defined benefit valuation)	51 104	49 127
Judges' relocation allowances	–	–
Total	**51 104**	**49 127**
Current	3 097	2 885
Non-current	48 007	46 242
Total	**51 104**	**49 127**

144. For the 2021 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 as at 31 December 2021 are the discount rate of 2.83 per cent (2020: 2.44 per cent), and inflation rate of 2.50 per cent (2020: 2.00 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.

145. 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)

	2021	*2020*
Net defined benefit liability at 1 January	**49 127**	**47 269**
Current service cost	2	–
Interest cost	1 160	1 491
Total costs recognized in the statement of financial performance	**1 162**	**1 491**
Benefits paid	(2 955)	(3 180)
Actuarial (gain)/losses recognized directly in the statement of changes in net assets	3 770	3 547
Net recognized liability at 31 December	**51 104**	**49 127**

146. 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 due mainly to an increase in experience adjustments of $3.457 million, explained mostly by the non-realization of mortality assumptions.

Note 16
Provisions

(Thousands of United States dollars)

	Credits to Member States	*Litigation and claims*	*Total*
Provisions as at 1 January 2021	**19 065**	**12**	**19 077**
Change in provisions			
Amounts used	(6 818)	(12)	(6 830)
Additional provisions made	10 203	–	10 203
Provisions as at 31 December 2021 (current)	**22 450**	**–**	**22 450**

147. A provision for credits to Member States has been established in the amount of $22.450 million in the financial statements, of which $3.269 million relates to the former International Criminal Tribunal for Rwanda, $4.768 million relates to the former International Tribunal for the Former Yugoslavia, and $14.413 million relates to the Mechanism. The provision includes savings from prior periods, the cancellation of commitments, the unencumbered balance of the appropriations for 2021 and other revenue.

(Thousands of United States dollars)

Credits to Member States	*ICTR*	*ICTY*	*IRMCT*	*Total*
Cancellation of biennium 2016–2017 commitments and savings from prior periods	29	2 925	506	3 460
Cancellation of biennium 2018–2019 commitments and savings from prior periods	–	46	1 465	1 511
Unencumbered balance of appropriations for 2020	–	–	3 510	3 510
Revenue (biennium 2016–2017)	1 122	1 594	642	3 358
Revenue (biennium 2018–2019)	2 564	3 668	994	7 226
Provisions as at 31 December 2020	**3 715**	**8 233**	**7 117**	**19 065**
Amounts used				
Cancellation of biennium 2016–2017 commitments and savings from prior periods	(29)	(2 925)	(506)	(3 460)
Revenue (biennium 2016-2017)	(1 122)	(1 594)	(642)	(3 358)
Subtotal	**(1 151)**	**(4 519)**	**(1 148)**	**(6 818)**
Additional provisions made				
Cancellation of 2020 commitments and savings from prior periods	–	22	836	858
Unencumbered balance of the appropriations for 2021	–	–	7 174	7 174
Revenue (year 2020)	705	1 032	434	2 171
Subtotal	**705**	**1 054**	**8 444**	**10 203**
Provisions as at 31 December 2021	**3 269**	**4 768**	**14 413**	**22 450**

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

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

148. 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 (see General Assembly resolution 66/240 A).

149. The net assets balance decreased from $58.180 million as at 31 December 2020 to $57.315 million as at 31 December 2021.

150. The changes in net assets are due primarily to an actuarial loss of $3.770 million on judges' benefits liabilities and an overall deficit of $4.405 million from the performance during the year.

Note 18
Revenue

Assessed contributions

151. Assessed contributions for the year of $87.316 million (2020: $81.411 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)

	2021
Assessment for 2021 (resolution 75/249)	97 520
Cancellation of commitments for the year 2020, savings from prior periods and revenue recorded as provisions in the 2021 financial statements	(3 030)
Unencumbered balance of the appropriations for 2021 recorded as provisions in the 2021 financial statements	(7 174)
Revenue from assessed contributions	**87 316**

Other revenue

152. Other revenue includes other miscellaneous revenue of $0.159 million, consisting mainly of costs recovered for services provided to external entities.

Note 19
Expenses

Employee salaries, allowances and benefits

153. 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.

154. The increase in other benefits relates to the separation of 78 staff members for a total cost of $1.718 million.

(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
Salary and wages	54 240	54 569
Pension and insurance benefits	13 877	14 699
Other benefits	2 199	900
Total employee salaries, allowances and benefits	**70 316**	**70 168**

Judges' honorariums and allowances

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

(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
Judges' honorariums	1 234	1 500
Judges' pensions	1 318	1 327
Judges' honorariums and allowances	**2 552**	**2 827**

Contractual services

156. 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 decrease is due mainly to the lower numbers of Tanzanian police officers contracted, owing to their release from unoccupied detention facilities.

(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
Consultants and individual contractors	390	611
Total contractual services	**390**	**611**

Supplies and consumables

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

(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
Fuel and lubricants	100	81
Rations	27	21
Spare parts	104	66
Consumables	212	259
Total	**443**	**427**

Travel

158. 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. Owing to the COVID-19 pandemic, a number of judicial activities were conducted remotely using online meeting tools. Although travel expenses increased during 2021, they remained significantly lower than in 2019 (2019: $1.697 million).

(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
Staff travel	903	643
Representative travel	106	153
Total	**1 009**	**796**

Other operating expenses

159. 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 2021*	*31 December 2020*
Contracted services		10 141	10 412
Acquisition of goods		1 256	1 376
Acquisition of intangible assets		430	483
Rent – offices and premises	22	3 248	3 075
Rental – equipment	22	46	97
Maintenance and repair		122	249
Bad debt expense		(44)	84
Other/miscellaneous operating expenses		119	272
Total		**15 318**	**16 048**

160. The increase in the cost of rent for offices and premises is due mainly to an unfavourable exchange rate, as The Hague office lease is paid in euros. This increase is partially offset by a decrease in rental space in Arusha.

161. Bad debt expenses include allowances for doubtful receivables on assessed contributions and the write-off of other receivables. In 2021, a reduction by $0.044 million for the allowance for doubtful receivables was recognized for balances of recoverable VAT.

162. Other/miscellaneous operating expenses include insurance premiums and bank service fees.

163. 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.

Other operating expenses: contracted services

(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
Transport	25	22
Communications and information technology	1 434	835
Facilities	1 204	1 109
Security services	173	140
Legal service defence counsel	2 275	4 085
Legal service detention service	2 975	2 571
Other legal	–	35
Training	138	76
Utilities	543	534
Freight	293	(8)

	31 December 2021	*31 December 2020*
Administrative and audit services	350	385
Other	731	628
Total	**10 141**	**10 412**

164. The decrease in contracted services during 2021 is due primarily to the decrease in legal services from defence counsels of $1.810 million, offset in part by an increase in communications and information technology expenses of $0.599 million and an increase in freight costs.

165. The decrease in defence counsel fees is due to decreased activity in the three main cases after judgments were pronounced and a delay in trial activity for the case against Félicien Kabuga, owing to the health situation of the defendant.

166. The increase in freight costs is due mainly to pandemic-related delays in deliveries of information technology equipment, with both deliveries scheduled in 2021 and delayed deliveries initially scheduled in 2020 materializing in 2021.

167. The increase in communications and information technology expenses is due mostly to maintenance and technical support, a significant part of which could not be conducted in 2020 owing to pandemic-related restrictions and was delayed into 2021.

168. 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.

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

Note 20
Financial instruments and financial risk management

Main pool

170. In addition to directly holding cash and cash equivalents, 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.

171. 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.

172. As at 31 December 2021, the Mechanism participated in the main pool, which held total assets of $11,799.724 million (2020: $10,652.389 million), of which $162.529 million was due to the Mechanism (2020: $162.716 million), including $62.748 million (2020: $62.076 million) and $89.147 million (2020: $90.987 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 $0.267 million (2020: $2.960 million).

Summary of assets and liabilities in the main pool as at 31 December 2021

(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
Fair value through surplus or deficit		
Short-term investments	8 839 722	7 120 427
Long-term investments	1 654 439	2 349 880
Total fair value through surplus or deficit	**10 494 161**	**9 470 307**
Loans and receivables		
Cash and cash equivalents, main pool	1 294 660	1 163 684
Accrued investment income	10 903	18 398
Total loans and receivables	**1 305 563**	**1 182 082**
Total carrying amount of financial assets	**11 799 724**	**10 652 389**
Main pool liabilities		
Payable to the Mechanism	162 529	162 717
Payable to other main pool participants	11 637 195	10 489 672
Total carrying amount of financial liabilities	**11 799 724**	**10 652 389**
Main pool net assets	–	–

Summary of net income and expenses of the main pool for the year ended 31 December 2021

	31 December 2021	*31 December 2020*
Investment revenue	46 397	113 031
Unrealized gains/(losses)	(37 570)	54 145
Investment revenue from main pool	**8 827**	**167 176**
Foreign exchange gains/(losses)	(1 626)	5 837
Bank fees	(1 805)	(578)
Operating gains/(losses) from main pool	**(3 431)**	**5 259**
Revenue and expenses from main pool	**5 396**	**172 435**

Financial risk management

173. 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.

174. 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.

175. 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

176. 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.

177. 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.

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

Investments of the cash pool by credit ratings as at 31 December 2021

(Percentage)

Main pool	*Ratings as at 31 December 2021*					*Ratings as at 31 December 2020*			
Bonds (long-term ratings)					**Bonds (long-term ratings)**				
	AAA/AAAu	**AA+u/AA+/AA**	**A+**	**NA**		**AAA**	**AA+/AA/AA-**	**A+**	**NR/WD**
S&P	47.8%	48.1%	0.4%	3.7%	S&P	44.0%	53.2%		2.8%
	AAA	**AA+/AA/AA-**		**NA/NR**	Fitch	61.4%	15.5%		23.1%
Fitch	61.3%	15.7%		23.0%					
	Aaa	**Aa1/Aa2/Aa3**	**A1**	**NA**		**Aaa**	**Aa1/Aa2/Aa3**	**A1**	
Moody's	61.1%	34.9%	0.4%	3.6%	Moody's	61.1%	34.9%	0.4%	3.6%
Commercial papers/certificates of deposit (short-term ratings)					**Commercial papers/certificates of deposit (short-term ratings)**				
	A-1+/A-1					**A-1+/A-1**			
S&P	100.0%				S&P	100.0%			
	F1+/F1			**NR**		**F1+/F1**			**NR**
Fitch	96.7%			3.3%	Fitch	98.0%			2.0%
	P-1/P2					**P-1**			
Moody's	100.0%				Moody's	100.0%			
Reverse repurchase agreement (short-term ratings)									
	A-1+u								
S&P	100.0%								
	F1+								
Fitch	100.0%								
	WR								
Moody's	100.0%								
Term deposits/demand deposit account (Fitch viability ratings)					**Term deposits/demand deposit account (Fitch viability ratings)**				
	aa-	**a+/a/a-**		**NA**		**aaa**	**aa/aa-**	**a+/a**	
Fitch	34.1%	65.9%			Fitch	–	27.5%	72.5%	

Abbreviations: NA, not applicable; NR, not rated; WD, rating withdrawn; WR, withdrawn rating.

179. 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

180. 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 2021		*31 December 2020*	
	Gross receivable	*Allowance*	*Gross receivable*	*Allowance*
Less than one year	12 975	–	8 401	–
One to two years	4 607	–	6 137	–
More than two years	34 528	97	36 837	96
Total	**52 110**	**97**	**51 375**	**96**

Ageing of assessed contributions receivable for the Mechanism

(Thousands of United States dollars)

	31 December 2021		*31 December 2020*	
	Gross receivable	*Allowance*	*Gross receivable*	*Allowance*
Less than one year	12 975	–	8 401	–
One to two years	4 608	–	6 137	–
More than two years	7 312	7	5 163	5
Total	**24 895**	**7**	**19 701**	**5**

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

(Thousands of United States dollars)

	31 December 2021		*31 December 2020*	
	Gross receivable	*Allowance*	*Gross receivable*	*Allowance*
Less than one year	–	–	–	–
One to two years	–	–	–	–
More than two years	5 581	35	7 361	35
Total	**5 581**	**35**	**7 361**	**35**

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

(Thousands of United States dollars)

	31 December 2021		*31 December 2020*	
	Gross receivable	*Allowance*	*Gross receivable*	*Allowance*
Less than one year	–	–	–	–
One to two years	–	–	–	–
More than two years	21 634	55	24 313	55
Total	**21 634**	**55**	**24 313**	**55**

Credit risk: cash and cash equivalents

181. The Mechanism held cash and cash equivalents of $17.838 million at 31 December 2021 (2020: $17.787 million), which is the maximum credit exposure on these assets.

Financial risk management: liquidity risk

182. 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

183. 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 three years (2020: four years). The average duration of the main pool as at 31 December 2021 was 0.49 years (2020: 0.72 years), which is considered to be an indicator of low risk.

Cash pool interest rate risk sensitivity analysis

184. 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 2021

(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	113.63	85.22	56.81	28.40	–	(28.40)	(56.80)	(85.19)	(113.58)

Main pool interest rate risk sensitivity analysis as at 31 December 2020

(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	148.41	111.30	74.20	37.10	–	(37.10)	(74.18)	(111.26)	(148.34)

Other market price risk

185. 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

186. 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.

187. 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).

188. 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.

189. 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.

190. 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 2021			*31 December 2020*		
	Level 1	*Level 2*	*Total*	*Level 1*	*Level 2*	*Total*
Financial assets at fair value through surplus or deficit						
Bonds – corporate	29 997	–	29 997	15 379	–	15 379
Bonds – non-United States agencies	1 595 405	–	1 595 405	1 368 666	–	1 368 666
Bonds – supranational	812 539	–	812 539	847 288	–	847 288
Bonds – United States treasuries	197 390	–	197 390	502 462	–	502 462
Bonds – non-United States sovereigns	90 163	–	90 163	90 910	–	90 910
Main pool – commercial papers	–	3 033 880	3 033 880	–	2 062 987	2 062 987
Main pool – certificates of deposit	–	2 824 787	2 824 787	–	2 762 615	2 762 615
Main pool – term deposits	–	1 910 000	1 910 000	–	1 820 000	1 820 000
Subtotal	**2 725 494**	**7 768 667**	**10 494 161**	**2 824 705**	**6 645 602**	**9 470 307**
Euro pool						
Bonds – corporate	963	–	963	1 194	–	1 194
Bonds – non-United States sovereigns	458	–	458	570	–	570
Subtotal	**1 421**	–	**1 421**	**1 764**	–	**1 764**
Total	**2 726 915**	**7 768 667**	**10 495 582**	**2 826 469**	**6 645 602**	**9 472 071**

Note 21
Related parties

Key management personnel

191. 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 2021	*31 December 2020*
Monetary benefits	1 193	1 177
Total remuneration for the period	**1 193**	**1 177**

192. As at 31 December 2021, after-service health insurance, repatriation and leave benefits for key management personnel included in employee benefits liabilities amounted to $0.352 million (2020: $0.626 million), as determined by actuarial valuation.

193. 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

194. 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

195. 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.

196. 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.

197. 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.

198. The cumulative surplus accumulated in the Tax Equalization Fund as at 31 December 2021 was $163.211 million (2020: $150.993 million), consisting of amounts payable to the United States of America at year-end of $140.380 million (2020: $109.317 million) and to other Member States of $22.831 million (2020: $41.676 million). The overall amount payable of the Fund is $215.858 million (2020: $200.240 million), which includes an estimated tax liability of $52.647 million relating to the 2021 and prior tax years (2020: $49.246 million), of which approximately $29.120 million was disbursed in January 2022 and approximately $23.527 million was expected to be settled in April 2022.

Note 22
Leases and commitments

Finance leases

199. Similar to 2020, there are no finance leases as at 31 December 2021.

Operating leases

200. 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. The building in The Hague is owned by the host State and is acknowledged by both sides to be technically and functionally outdated. The host State is planning the renovation process while ensuring the continuity of the judicial activities. While a new lease agreement is under discussion, the previous lease agreement has been extended to 30 June 2022. The Arusha branch of the Mechanism has lease arrangements in Arusha and the field office in Kigali. The Arusha lease arrangements have remaining contract periods up to 12 months, with possibilities for extension. The Kigali office lease has been extended to 31 December 2023.

201. The total operating lease payments recognized in expenditure for 2021 were $3.248 million for premises and $0.046 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 2021	*31 December 2020*
Due in less than one year	1 747	1 795
Due in one to five years	84	–
Total minimum operating lease obligations	**1 831**	**1 795**

202. The Mechanism may lease out assets to other parties through operating leases. As at 31 December 2021, no leasing out arrangements had been entered into by the Mechanism.

203. As at 31 December 2021, the total of future minimum sublease payments expected to be received under subleases was $0.034 million.

204. 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

205. 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 2021	31 December 2020
Property, plant and equipment	1 534	825
Goods and services	2 955	7 182
Total	**4 489**	**8 007**

206. The commitments for good and services include defence fees totalling $0.585 million and construction or alteration work services totalling $0.511 million.

207. The commitments for property, plant and equipment are mainly related to the purchase of audiovisual, communications and information technology equipment in the amount of $0.824 million.

Note 23
Contingent liabilities and contingent assets

208. 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.

209. 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. At the reporting date, there were no contingent assets.

Note 24
Statements of financial position and financial performance as at 31 December 2021 by subentities

210. 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 2021

(Thousands of United States dollars)

	Note	*Former ICTY*	*Former ICTR*	*IRMCT*	*31 December 2021*
Assets					
Current assets					
Cash and cash equivalents	7	9 781	6 885	1 172	17 838
Investments	7	66 867	47 065	7 977	121 909
Assessed contributions receivable	7, 8	21 579	5 546	24 888	52 013
Other accounts receivable	7, 8	–	–	943	943
Other assets	9	12	(1)	1 250	1 261
Total current assets		**98 239**	**59 495**	**36 230**	**193 964**
Non-current assets					
Investments	7	12 499	8 798	1 491	22 788
Property, plant and equipment	10	–	–	13 096	13 096
Intangible assets	11	–	–	238	238
Other assets	9	–	–	284	284
Total non-current assets		**12 499**	**8 798**	**15 109**	**36 406**
Total assets		**110 738**	**68 293**	**51 339**	**230 370**
Current liabilities					
Accounts payable and accrued liabilities	12	–	–	3 696	3 696
Advance receipts	13	–	–	324	324
Employee benefits liabilities	14	544	613	4 239	5 396
Judges' benefits liabilities	15	1 673	1 309	115	3 097
Provisions	16	4 768	3 269	14 413	22 450
Total current liabilities		**6 985**	**5 191**	**22 787**	**34 963**
Non-current liabilities					
Employee benefits liabilities	14	19 497	24 116	46 472	90 085
Judges' benefits liabilities	15	25 939	20 221	1 847	48 007
Total non-current liabilities		**45 436**	**44 337**	**48 319**	**138 092**
Total liabilities		**52 421**	**49 528**	**71 106**	**173 055**
Net of total assets and total liabilities		**58 317**	**18 765**	**(19 767)**	**57 315**
Net assets					
Accumulated surpluses/(deficits) – unrestricted	17	58 317	18 765	(24 168)	52 914
Accumulated surpluses/(deficits) – restricted	17	–	–	4 401	4 401
Total net assets		**58 317**	**18 765**	**(19 767)**	**57 315**

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 2021

(Thousands of United States dollars)

	Note	*Former ICTY*	*Former ICTR*	*IRMCT*	*31 December 2021*
Revenue					
Assessed contributions	18	(1 055)	(705)	89 076	87 316
Other revenue	18	(3)	(7)	169	159
Investment revenue	7	72	59	136	267
Total revenue		**(986)**	**(653)**	**89 381**	**87 742**
Expenses					
Employee salaries, allowances and benefits	19	113	164	70 039	70 316
Judges' honorariums and allowances	19	(1 011)	(822)	4 385	2 552
Contractual services	19	–	–	390	390
Supplies and consumables	19	–	–	443	443
Depreciation and amortization	10, 11	–	–	2 119	2 119
Travel	19	–	–	1 009	1 009
Other operating expenses	19	12	8	15 298	15 318
Total expenses		**(886)**	**(650)**	**93 683**	**92 147**
Surplus/(deficit) for the year		**(100)**	**(3)**	**(4 302)**	**(4 405)**

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

211. 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.

22-09358 (E) 040822