Convention to Combat Desertification

Distr.: General
24 March 2022
English only

## Conference of the Parties

## Fifteenth session

Abidjan, Côte d'Ivoire, 9-20 May 2022
Items 6 (b) of the provisional agenda
Programme and budget
Financial performance for the Convention trust funds

## Audited financial statements for the Convention trust funds for the year ended at 31 December 2019, including the report of the United Nations Board of Auditors

## Note by the secretariat

## Summary

In accordance with section 21 of the financial rules of the Conference of the Parties, its subsidiary bodies and the Convention secretariat (decision 2/COP. 1 and as amended by decision 10/COP.13), the secretariat shall provide the Parties with a final audited statement of accounts for each year of the financial period.

This document contains the audited financial statements of the United Nations Convention to Combat Desertification for the biennium ended 31 December 2019, issued as received without formal editing and with the original pagination.

# United Nations Nations Unies 

BOARD OF AUDITORS

TEL.: 1(212)963.5623

22 July 2020
Dear Mr.Thiaw,

## Subject: UN Board of Auditors' report on UNCCD

I am pleased to enclose a signed copy of the United Nations Board of Auditors' report on the United Nations Convention to Combat Desertification (UNCCD) and its audited financial statements ending 31 December 2019.

Sincerely Yours,


Anjana Das
Executive Secretary

Mr. Ibrahim Thiaw<br>Executive Secretary<br>Secretariat of the United Nations Convention<br>to Combat Desertification (UNCCD)<br>Paris, France

Cc: Mr. Lyndle Lindow
Mr. Somarajan Pillai
Mr. Christophe Monier
Mr. Mario Baez

# Report of the United Nations Board of Auditors on the financial statements of the United Nations 

 Convention to Combat Desertification
## for the year ended 31 December 2019

## Note

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

## Contents

## Chapter

Page
I. Report of the Board of Auditors on the financial statements: audit opinion ..... 2
II. Long-form Report of the Board of Auditors ..... 5
Summary ..... 5
A. Mandate, scope and methodology ..... 7
B. Findings and recommendations ..... 8

1. Previous recommendations ..... 8
2. Financial overview ..... 8
3. Financial statements and the Board's report in official documents ..... 13
4. Delegation of authority ..... 14
5. Relationship with United Nations Treasury ..... 16
6. Internal audit services ..... 17
7. Enterprise risk management ..... 18
8. Budget preparation and reporting ..... 18
9. Actuarial assumptions in the valuation of after-service health insurance liabilities ..... 19
C. Disclosures by Management ..... 20
D. Acknowledgement ..... 21
Annex ..... 22
Status of implementation of recommendations up to the year ended 31 December 2018 ..... 22
III. Certification of the financial statements ..... 29
IV. Financial report on the 2019 accounts ..... 30
V. Financial statements for the year ended 31 December 2019 ..... 36
I. Statement of Financial Position as at 31 December 2019 ..... 36
II. Statement of Financial Performance for the period 1 January to at 31 December 2019 ..... 38
III. Statement of Changes in Net Assets for the year ended at 31 December 2019 ..... 39
IV. Statement of Cash Flow for the period 1 January to at 31 December 2019 ..... 40
V. Statement of Comparison of Budget and Actual amounts for the period ended 31 December 2019 ..... 41
Notes to Financial Statements ..... 42

## Chapter I

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

## Opinion

We have audited the financial statements of the United Nations Convention to Combat Desertification (UNCCD) which comprise the statement of financial position (statement I) as at 31 December 2019 and the statement of financial performance (statement II), statement of changes in net assets (statement III), cash flow statement (statement IV) and the statement of comparison of budget and actual amounts (statement V) for the year then ended, and 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 UNCCD as at 31 December 2019, and its financial performance and cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS).

## Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of UNCCD in accordance with the ethical requirements that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Information other than the Financial Statements and Auditor's Report thereon

The UNCCD Executive Secretary is responsible for the other information. The other information comprises the financial report for the year ended 31 December 2019 included in Chapter IV, 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 conclusion thereon.

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

## Responsibilities of the Executive Secretary and Those Charged with Governance for the Financial Statements

The Executive Secretary is responsible for the preparation and fair presentation of the financial statements in accordance with IPSAS and for such internal control as the Executive Secretary determines is 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, the Executive Secretary is responsible for assessing UNCCD's ability to continue as a going concern, disclosing, as applicable,
matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate UNCCD or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing UNCCD's financial reporting process.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about 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 ISAs 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 ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of 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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of UNCCD's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on UNCCD's ability 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 UNCCD to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

## Report on other legal and regulatory requirements

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

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



Jorge Bermúdez
Comptroller General of the Republic of Chile

## Chapter II

## Long-form Report of the Board of Auditors

## Summary

The United Nations Convention to Combat Desertification (UNCCD) was established in 1994 and is the binding international agreement linking environment and development to sustainable land management. The Board of Auditors (Board) audited the financial statements and reviewed the operations of UNCCD for the year ended 31 December 2019. The Board conducted the final audit of the financial statements remotely due to the coronavirus disease 2019 pandemic.

## Audit opinion

The Board has issued an unqualified audit opinion on the financial statements for the period under review as reflected in Chapter I.

## Overall conclusion

UNCCD accumulated surplus and reserves of $\$ 2.1$ million (in 2018: $\$ 6.9$ million). In 2019, UNCCD recognized a surplus of $\$ 3.9$ million (in 2018: $\$ 1.6$ million). Only 68 per cent (in 2018: 84 per cent) of indicative contributions of the parties were received.

The 2019 financial statements were presented for audit on 31 March 2020. The Board noted that the actuary calculated the liabilities for after-service health insurance with an erroneously low contribution rate for the employer. The Board pointed out that this error of $\$ 4.4$ million materially affected the 2018 financial statements and qualified for a restatement. In 2019, the error amounted to $\$ 0.4$ million. UNCCD rectified these errors.

The Board found certain areas for further improvement including delegation of authority, internal audit services by the Office of Internal Oversight Services (OIOS) and the presentation of the Board's report in official documents that merit attention.

The Board noted that out of the 22 open recommendations up to the year ended 31 December 2018, only 11 ( 50 per cent) had been implemented and 11 ( 50 per cent) were under implementation.

## Key findings

Financial statements and the Board's report in official documents
Several UNCCD official documents use "biennium" with reference to financial statements, such as the provisional agenda for the fourteenth session of the UNCCD Conference of Parties (COP) in 2019. In accordance with IPSAS, financial statements are prepared on an annual basis irrespective of a biennial budget or a biennial COP. Moreover, the Board noted that in recent years, the audited financial statements along with the Board's report did not appear as individual sub-items, but were covered within the sub-item on financial performance of the Convention trust funds. Since the reports along with the audited financial statements are submitted to the COP that makes a decision on that matter, the reports should adequately appear on the agenda.

## Subdelegations of authority

The Executive Secretary subdelegated authorities to its staff. The Board noted that such subdelegations were not linked to the United Nations Financial Regulations and Rules. The authorities are widely implemented through Umoja roles. The Board found that, while staff members had the required approving or certifying authority for the Umoja roles, it was difficult to match the details of the subdelegation with the specific Umoja roles. The Board
holds that it would be helpful if the subdelegations were clearly linked to the Financial
Regulations and Rules and possibly Umoja roles to clarify the scope of authority delegated.
Relationship with United Nations Treasury
United Nations Treasury manages UNCCD cash and investments. The relationship has been established in 1998, requiring the United Nations to open bank accounts for UNCCD monies and invest amounts not immediately required. No further formal agreements are in place regarding the services provided by United Nations Treasury. Consequently, key treasury processes are executed without formalized responsibilities.

## Internal audit services

The financial rules for the Conference of the Parties and the United Nations financial regulation 5.15 require that UNCCD be subject to the internal audit. In May 2019, OIOS cancelled the internal audit workplan for 2019. Although the COP requested UNCCD to reestablish the services in September 2019 (Decision 10/COP.14), UNCCD addressed OIOS in December 2019 only. The Board is concerned that UNCCD is no longer covered by internal audits.

## Key recommendations

The Board recommends that UNCCD:
Financial statements and the Board's report in official documents
(a) In line with IPSAS 1.66, correct the titling and the summary wording when announcing the annual financial statements in future Conference of Parties agendas.
(b) Visibly announce the audited financial statements including the Board's report in the Conference of Parties or committee agendas.

## Subdelegations of authority

(c) Link each subdelegation of authority to the relevant United Nations Financial Regulations and Rules and possibly the Umoja roles to clarify the scope of the subdelegation.

## Relationship with United Nations Treasury

(d) Liaise with United Nations Treasury to specify the responsibilities between UNCCD and United Nations Treasury and explore options to formalize this arrangement.

## Internal audit services

(e) In coordination with the Office of Internal Oversight Services, take steps to re-establish internal audit coverage and to prepare an internal audit plan for the biennium 2020-2021.

## Key facts

| $\$ 23.0$ million | Revenue |
| ---: | :--- |
| $\mathbf{\$ 1 9 . 0}$ million | Expenses |
| $\mathbf{\$ 3 . 9}$ million | Surplus for the year |
| $\mathbf{\$ 3 5 . 1}$ million | Assets |
| $\mathbf{\$ 3 3 . 0}$ million | Liabilities |
| $\mathbf{\$ 2 . 1}$ million | Fund balance and reserves |
| $\mathbf{€ 8 . 1}$ million | Core budget |
| $\mathbf{7 1}$ | Staff |

## A. Mandate, scope and methodology

1. The United Nations Convention to Combat Desertification (UNCCD) was established in 1994 and is the binding international agreement linking environment and development to sustainable land management. Currently, the Convention has 197 parties. The work of UNCCD is facilitated by its secretariat located in Bonn, Germany. Established under the Convention as an operational arm, the Global Mechanism provides advisory services and works together with developing countries, private sector and donors to mobilize substantial resources for the implementation of UNCCD
2. The Board of Auditors (Board) has audited the financial statements of UNCCD and reviewed its operations for the year ended 31 December 2019 in accordance with General Assembly resolution 74 (I) of 1946. The audit was conducted in conformity with Article VII of the Financial Regulations and Rules of the United Nations and the annex thereto and in accordance with the International Standards on Auditing (ISAs). These 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.
3. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements presented fairly the financial position of UNCCD as at 31 December 2019 and the results of its operations and cash flows for the financial year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS). This included an assessment as to whether the expenditures recorded in the financial statements had been incurred for the purposes approved by the governing bodies and whether revenue and expenditures had been properly classified and recorded in accordance with the Financial Regulations and Rules of the United Nations and 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.
4. In addition to auditing the accounts and financial transactions, the Board carried out reviews of the UNCCD operations under United Nations financial regulation 7.5. This enables the Board to make observations with respect to the efficiency of the financial procedures, the accounting system, internal financial controls and, in general, the administration and management of UNCCD operations. The Board also followed up on its previous recommendations.
5. The audit was carried out from 7 to 11 October 2019 in Bonn, and from 1 April to 8 May 2020 remotely due to the coronavirus disease 2019 pandemic. This included the final audit of the financial statements. The examination of UNCCD included a review of the internal controls and accounting systems and procedures only to the extent considered necessary for the effective performance of our examination.
6. The auditors have engaged in discussions with UNCCD Management to continuously assess the impacts of the coronavirus disease 2019 pandemic on the entity. UNCCD disclosed the coronavirus disease 2019 pandemic as a non-adjusting event after the reporting date, briefly describing its main impacts, in note 21 to the financial statements.
7. The findings and observations should not be regarded as representing a comprehensive statement of all the weaknesses which may exist in the financial and management systems at UNCCD, or as identifying all improvements which could be made to the systems and procedures.
8. The Board's observations and conclusions were discussed with the UNCCD secretariat whose views are appropriately reflected in the report.

## B. Findings and recommendations

## 1. Previous recommendations

9. The Board noted that out of the 22 open recommendations up to the year ended 31 December 2018, only 11 ( 50 per cent) had been implemented and 11 ( 50 per cent) were under implementation. Details of the status of implementation of these recommendations are presented in annex I to this report. The Board is concerned about the decrease in the implementation rate: While the Board found that UNCCD implemented 70 per cent of the recommendations in 2017, this rate dropped to 50 per cent in 2018 and remained stable at a low level.
10. The Board notes that four recommendations that are under implementation require collaboration between UNCCD and the United Nations Secretariat. These recommendations pertain to delegation of authority, to the investment of reserves and to the data basis for the actuarial valuation of employee benefit liabilities. UNCCD contacted the United Nations Secretariat only on the delegation of authority. The Board holds that UNCCD should strengthen its efforts to address these issues.
11. Other recommendations that are under implementation and require adequate attention of UNCCD pertain to systematic fraud risk assessment and to documenting the assessment of donor agreements in accordance with IPSAS 23.

## 2. Financial overview

## Revenue and expenses

12. The Board noted that revenue from indicative and voluntary contributions amounted to $\$ 22.3$ million in 2019 and represented almost all revenue totalling $\$ 23.0$ million. The increase in 2019 is mainly due to voluntary multi-year contributions disclosed with the signature date of the agreement in line with IPSAS 23, similar to the increase of voluntary contributions two years ago. For multi-year contributions, cash inflow and expenses are not directly related to the year of revenue recognition.
13. UNCCD's total expenses for 2019 ( $\$ 19.1$ million) slightly increased compared to the expenses for 2018 ( $\$ 17.8$ million). A significant expense peak for 2019 would have been expected since in 2019, a COP took place, as every alternate year such as in 2017 (see table 1). However, the costs of the 2019 COP 14 session in New Delhi, India, were substantially offset by reduced expenditure on contractual services.
14. Table 1 below presents an overview covering the four-year period from 2016 to 2019. The table shows changes and trends within revenue and expenses, and also for the balance sheet categories.

Table 1: Overview covering the years 2016-2019

|  | Amount in million USD |  |  |  | Increase/(decrease) in \% |  |  |
| :--- | ---: | ---: | ---: | ---: | ---: | ---: | ---: | ---: |
|  | $\mathbf{2 0 1 9}$ | $\mathbf{2 0 1 8}$ <br> (restated) | $\mathbf{2 0 1 7}$ | $\mathbf{2 0 1 6}$ | $\mathbf{2 0 1 8}$ to | $\mathbf{2 0 1 7}$ to <br> $\mathbf{2 0 1 8}$ | $\mathbf{2 0 1 6}$ to <br> $\mathbf{2 0 1 7}$ |
| Revenue | $\mathbf{2 3 . 0}$ | $\mathbf{1 9 . 4}$ | $\mathbf{2 4 . 6}$ | $\mathbf{1 9 . 1}$ | 18.6 | $(21.0)$ | 28.5 |
| Expenses | $\mathbf{1 9 . 1}$ | $\mathbf{1 7 . 8}$ | $\mathbf{2 2 . 2}$ | $\mathbf{1 6 . 4}$ | 7.5 | $(20.1)$ | 35.7 |
| Surplus | $\mathbf{3 . 9}$ | $\mathbf{1 . 6}$ | $\mathbf{2 . 3}$ | $\mathbf{2 . 8}$ | 138.4 | $(29.9)$ | $(14.9)$ |
| Assets | $\mathbf{3 5 . 1}$ | $\mathbf{3 0 . 4}$ | $\mathbf{3 1 . 2}$ | $\mathbf{3 4 . 3}$ | 15.7 | $(2.8)$ | $(9.0)$ |
| Liabilities | $\mathbf{3 3 . 0}$ | $\mathbf{2 3 . 5}$ | $\mathbf{2 2 . 6}$ | $\mathbf{2 7 . 7}$ | 40.7 | 3.8 | $(18.3)$ |
| Fund balance <br> and reserves | $\mathbf{2 . 1}$ | $\mathbf{6 . 9}$ | $\mathbf{8 . 6}$ | $\mathbf{6 . 6}$ | $(69.8)$ | $(20.0)$ | 30.1 |
| Personnel <br> expenses | $\mathbf{1 0 . 9}$ | $\mathbf{1 0 . 2}$ | $\mathbf{1 0 . 3}$ | $\mathbf{8 . 4}$ | 6.8 | $(0.5)$ | 21.7 |

Source: Own calculations based on the UNCCD financial statements for 2019, 2018 (restated), 2017, and 2016.
15. The number of staff decreased from 73 at the end of 2018 to 71 at the end of 2019. Moreover, the number of consultants and individual contractors decreased from 178 in 2018 to 154 in 2019.

## Assets and liabilities

16. For assets, the Board noted a significant increase of total assets by $\$ 4.7$ million compared to 2018. This change mainly stemmed from accounts receivable from funds for the Global Mechanism which were $\$ 3.3$ million higher than for 2018.
17. Indicative contributions receivable for due but not yet received contributions increased by almost $\$ 1.5$ million compared to 2018. Furthermore, cash and investments increased by $\$ 1.0$ million.
18. For liabilities, UNCCD recognized current liabilities of $\$ 3.3$ million, representing a decrease of 9 per cent. In particular, the major change occurred for advance receipts and deferred revenue where conditional voluntary contributions decreased by $\$ 0.6$ million.
19. However, the non-current liabilities increased significantly. Due to an adjustment of the employee benefit liabilities for the years 2018 and 2019, the amount almost doubled from $\$ 15.4$ million in 2017 to $\$ 29.8$ million in 2019 (see also para. 30 concerning the revised and restated financial statements).
20. Key financial ratios are presented in table 2. They indicate that UNCCD was in a further increased current liquidity as at 31 December 2019 compared with previous years, but its overall solvency (total assets : total liabilities) declined.

Table 2: Ratio analysis

| Ratio | 31 Dec <br> $\mathbf{2 0 1 9}$ | 31 Dec <br> 2018 <br> (restated) | 31 Dec <br> 2017 | 31 Dec <br> 2016 |
| :--- | :--- | :--- | :--- | :--- |
| Assets-to-liabilities ratio <br> Total assets : total liabilities <br> Current ratio <br> Current assets : current liabilities <br> Quick ratio <br> (Cash + short-term investments + accounts <br> receivable): current liabilities <br> Cash ratio <br> (Cash + short-term investments) : current <br> liabilities | $\mathbf{9 . 2 5}$ | $\mathbf{9 . 0 6}$ | 1.29 | 1.38 |

Source: Own calculations based on the UNCCD financial statements for 2019, 2018
(restated), 2017 and 2016
${ }^{a} \mathrm{~A}$ high ratio is a good indicator of solvency.
${ }^{\mathrm{b}}$ A high ratio indicates an entity's ability to pay off its current liabilities.
${ }^{c}$ 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.
${ }^{\mathrm{d}}$ The cash ratio is an indicator of an entity's liquidity. It serves to measure the amount of cash, cash equivalents or invested funds available in current assets to cover current liabilities.
21. The Board recognized a considerable decrease in UNCCD solvency at year-end 2019 compared with previous years. With a value of 1.06 , the ratio comes close to 1.00 . A ratio of 1.00 or less may indicate an entity's inability to meet its overall obligations. This predominantly results from adjusted noncurrent employee benefit liabilities (see para. 19). In addition, the financial position of UNCCD at year-end 2019 shows that fund balances and reserves are down to $\$ 2.1$ million (in 2018: $\$ 6.9$ million, in 2017: $\$ 8.6$ million).
22. Whereas the ratio for solvency declined, the other ratios referring to current liabilities further increased. The strengthened current liquidity mainly evolved from voluntary contributions disclosed in the first year of the respective multi-year-agreement but also from shifting amongst cash and investments categories (see table 3).

Table 3: Development of investments during the years 2016-2019 (in million USD)


Source: Own calculations based on the UNCCD financial statements for 2019, 2018, 2017 and 2016
23. Compared to 2018, the investments decreased from $\$ 21.7$ million to $\$ 18.3$ million. The short-term investments decreased by $\$ 6.2$ million ( 30 per cent) in support of cash but also in favour of long-term investments. The latter increased by $\$ 2.8$ million ( 175 per cent). This led to a higher liquidity as it is shown in table 2. The Board noted a shift between long-term and short-term investments and cash every year. As cash and investments are managed by United Nations Treasury, this is outside the control of UNCCD (see paras. 63 to 71).

## Outstanding indicative contributions

24. UNCCD received indicative contributions from parties that are the equivalent of assessed contributions received for the United Nations. For 2019, UNCCD received only 68 per cent of indicative contributions. For 2018, 84 per cent were received. In contrast, UNCCD received 94 per cent of the indicative contributions in 2016-2017.
25. Over the last two biennia, the provision for impaired indicative contributions increased from $\$ 1.6$ million in 2016 to $\$ 1.9$ million in 2019. At least since 2007, 18 parties have been in arrears. While these arrears led to outstanding contributions of almost one quarter of the total indicative contributions for 2018, for 2019, they equaled more than one third ( $\$ 3.3$ million: nominal amount of $\$ 5.3$ million less allowance for doubtful debts).
26. UNCCD reminds the parties of outstanding contributions in several ways. In addition to reminder letters, the secretariat used the occasion of events to discuss the payment of contributions. The Board noted that UNCCD was again successful with the latter method. Thus, during COP 14 in September 2019, UNCCD had received current and outstanding contributions in a significant amount. UNCCD stated that it would continue to raise this issue to the attention of parties, especially at the COP and COP Bureau meetings.
27. The Board notes with concern the further growth of impaired indicative contributions (note 6 to the financial statements) and uncollected indicative contributions. However, the Board appreciates the steps taken by UNCCD.

Net assets by fund
Table 4: Net assets/(liabilities) by fund

| Amounts in \$ million | Net assets/ <br> (liabilities) <br> as at 31 Dec $2019$ | Employee benefit liabilities as at 31 Dec 2019 | Revenue $\text { in } 2019$ | thereof indicative contributions revenue | there of voluntary contributions revenue |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Trust fund for Convention events organized by the UNCCD secretariat (BMA) | (0.83) | 1.68 | 0.59 | - | 0.57 |
| Trust fund for voluntary financing of the UNCCD Global Mechanism (GMZ) | 12.45 | 0.26 | 7.42 | - | 7.24 |
| Trust fund for the participation of representatives of state parties in the session of the UNCCD Conference (UVA) | 0.56 | - | 1.03 | - | 1.01 |
| Trust fund for voluntary financing of activities under the UNCCD (UWA) | 9.40 | 0.14 | 3.34 | - | 3.12 |
| Trust fund for the core budget of the UNCCD (UXA) | (13.62) | 19.75 | 9.34 | 8.66 | 0.57 |
| Special account for UNCCD programme support cost (ZQA) | (8.12) | 8.71 | 2.15 | - | - |
| UNCCD cost recovery under home country agreement (ZHC) | 2.25 | - | 1.24 | - | 1.18 |
| Eliminations | - |  | (2.11) | - | - |
| Total | 2.08 | 30.54 | 23.00 | 8.66 | 13.69 |

Source: Own calculations based on the UNCCD financial statements for 2019; statement of financial position by fund and statement of financial performance by fund
28. The Board recognized a considerable decrease in the net assets at year-end 2019 compared to 2018 . The decrease of $\$ 4.8$ million to $\$ 2.1$ million was primarily driven by an increase of employee benefit liabilities, in particular for after-service health insurance (note 11 to the financial statements).
29. The "Trust fund for the core budget of the UNCCD" (UXA) and the "Special account for UNCCD programme support cost" (ZQA) bear a large portion of the employee benefit liabilities. These funds show high net liabilities as only after-service health insurance liabilities related to extrabudgetary activities are at least partially funded. For this purpose, an accrual rate of 3 per cent has been applied on the sum of gross salary and post adjustment since 2017.
30. On the other hand, UNCCD funds that are primarily financed from voluntary contributions show high net assets. IPSAS 23 stipulates that revenue from voluntary contributions is recognized upon signing of donor agreements. A liability is only recognized if the requirements for UNCCD under these agreements meet certain criteria (note 3 to the financial statements).

## Weaknesses identified by the Board in the 2019 financial statements

31. The Board noted that the actuary calculated the liabilities for after-service health insurance with an erroneously low contribution rate for the employer. The Board pointed out that this error of $\$ 4.4$ million materially affected the 2018 financial statements and qualified for a restatement. In 2019, the error amounted to $\$ 0.4$ million. This means that the liabilities were understated, leading to an overstatement of net assets of the same amount in both financial statements.

UNCCD rectified these errors and restated the liabilities for 2018. UNCCD revised the financial statements and notes regarding the employee benefit liabilities for 2019. The Board noted that UNCCD did not receive the final actuarial report until May 2020.
32. UNCCD further amended note 21 for the coronavirus disease 2019 pandemic. Also, UNCCD disclosed assets subject to restrictions as required by IPSAS 23. UNCCD submitted revised financial statements on 29 May 2020.
33. As in prior years, the Board identified minor misstatements in the financial statements and the notes thereto as submitted on 31 March 2020. The Board noted that UNCCD had again misstated some figures and/or terms that the Board had observed and communicated to UNCCD in previous audits. UNCCD shared the Board's opinion and made corresponding corrections and additions. UNCCD explained that it had to go through a lengthy process of getting necessary information from the United Nations Secretariat, in particular on data related to cash and investment as well as to afterservice health insurance.
34. The Board found additional figures and terms which were non-selfexplanatory, for instance pertaining to several provisions. The Board is of the view that some further information is needed for transparency on that matter. In respect to wording and format of the current financial statements, the Board acknowledges the efforts made by UNCCD. However, the Board still sees room for enhancement of the presentation, for instance on positions with significant changes (e.g. added/deleted/changed positions).

## 3. Financial statements and the Board's report in official documents

## Wording in official documents on financial statements and the Board's reports

35. In line with IPSAS 1.66 regarding the reporting period, financial statements are to be prepared on an annual basis notwithstanding the biennial budget periods.
36. UNCCD referred to "biennium" with reference to financial statements in several official COP documents such as in its provisional agenda for COP 14 in 2019. The summary wording also announced the audited financial statements as those for the biennium ended 31 December 2017. For the subsequent financial year ending 31 December 2018, the financial statements were similarly presented as "Audited financial statements for the Convention trust funds for the biennium 2018-2019 as at 31 December 2018".
37. The Board noted that the wording "biennium ended 31 December 2017" would have covered the two financial years 2016 and 2017. However, this official document contained the audited financial statements for the year ended 31 December 2017 only
38. The Board holds that the announcement of the audited financial statements including the Board's report referring to a biennium is misleading since annual financial statements are presented. UNCCD should modify titling and wording to enhance clarity.
39. The Board recommends that UNCCD, in line with IPSAS 1.66, correct the titling and the summary wording when announcing the annual financial statements in future Conference of Parties agendas.
40. UNCCD agreed with the recommendation.

Agenda items of COP sessions on audited financial statements
41. The Board found that audited financial statements including the Board's report are comprised under the item "Financial performance of the Convention trust
funds" in COP agendas. A reference to audited financial statements or an audit report was lacking.
42. In earlier COP sessions, the agenda announced a sub-item (d): "Audited financial statements for the Convention's trust funds" for the respective financial year and the "Report of the United Nations Board of Auditors" under item 6 "Programme and budget". The Board noted that not only the United Nations but also other Conventions announced the Board's report -along with audited financial statementsas an individual item/sub-item on the agendas of the decision-making bodies.
43. The Board holds that audited financial statements together with the Board's report should be visibly announced on the agenda of the decision-making bodies to add to clarity. The financial rules for the Conference of Parties stipulate that the parties shall be provided with an audited statement of accounts. From our point of view, this requirement constitutes an individual item per se.
44. Furthermore, the Board's mandate is not limited to the "Financial performance of the Convention trust funds". This wording rather refers to the budget performance report prepared by UNCCD. UNCCD should include a separate agenda sub-item on audited financial statements as it was practiced in earlier years.
45. The Board recommends that UNCCD visibly announce the audited financial statements including the Board's report in the Conference of Parties or committee agendas.
46. UNCCD did not accept the recommendation. UNCCD stated that the secretariat would continue the practice that had been established at the previous COP, including a presentation of the Board's report.
47. The Board welcomes the opportunity to present its report along with the audited financial statements at the COP sessions. However, the Board holds that the audit report should adequately appear on the agenda since the COP makes a decision on the report.

## 4. Delegation of authority

48. In January 2019, the Secretary-General's bulletin ST/SGB/2019/2 was promulgated which changed the governance structure for delegation of authority. The United Nations Secretariat informed UNCCD that it did not fall within the scope of the new framework. The existing delegation of authority remained in effect. Consequently, the 1998 arrangements for administrative support by the United Nations Secretariat to UNCCD together with the institutional linkage still outline the authorities delegated to UNCCD.

## Subdelegations of authority

49. The Executive Secretary subdelegated authorities to its staff through a memorandum dated 7 October 2019. The memorandum listed the UNCCD secretariat staff that had been designated as certifying and approving officers as well as "those individuals who make decisions with financial implications". The memorandum referred to the United Nations financial rules 105.5 and 105.6 related to certifying officers and approving officers respectively.
50. The Board found that the Executive Secretary subdelegated authorities of the United Nations Financial Regulations and Rules beyond the two rules mentioned. For instance, a subdelegation for the approval of advance payments was issued which is governed by financial rule 105.19. On the other hand, some authorities had not been delegated explicitly, for example the authority 'writing-off of losses of assets and receivables' pursuant to financial rule 106.7. The Board noted that one staff member was approving and certifying officer and received authority for bank signatory which
was not in line with financial rules 105.4, 105.5 (a) and 105.6 (b).
51. The Executive Secretary issued a separate memorandum to the Deputy Executive Secretary. The Deputy Executive Secretary was delegated the authority to operationalize all issues related to human resources, travel and consultancies. The scope of the authority and whether it entailed approving or certifying authority remained unclear. The Executive Secretary issued another memorandum to the Deputy Executive Secretary for the Global Mechanism. For instance, the Executive Secretary entrusted the Deputy Executive Secretary with "signature authority for consultancy and travel requests". The memorandum did not clarify whether this included certifying or approving authority or authority for bank signature.
52. The Board reviewed Umoja roles which require a delegation of authority together with the subdelegations of authority. While staff members had the required approving or certifying authority for the Umoja roles, it was difficult to match the details of the subdelegation with the specific Umoja roles. For example, the role FA. 16 'asset accounting senior' was assigned to one staff member with approving authority as required. The subdelegation memorandum, however, did not explicitly mention the function of the role (approve valuation changes to assets, transfer assets, create assets under constructions). The Board further noted that not all staff with authorities had the relevant Umoja roles. For example, while three staff members received subdelegations to approve several finance transactions, most roles were only provisioned to two staff members.
53. The Board noted that staff of the Global Mechanism or the Deputy Executive Secretary was not provisioned with any Umoja roles to certify or approve transactions. While senior staff received bank signatory authority, they were not provisioned with the Umoja role.
54. The United Nations Financial Regulations and Rules define most of the authorities. Authorities are widely implemented through Umoja. The Board holds that it would be helpful if the subdelegations were clearly linked to the Financial Regulations and Rules and possibly Umoja roles. This would clarify the scope of the subdelegations. The subdelegation of authority should be reflected in Umoja roles to the best possible extent and the delegation of authority should entail what is needed for the Umoja roles.
55. The Board recommends that UNCCD link each subdelegation of authority to the relevant United Nations Financial Regulations and Rules and possibly the Umoja roles to clarify the scope of the subdelegation.
56. The Board recommends that UNCCD ensure that Umoja roles provisioned match the specific authority delegated and, preferably, that specific authorities delegated entail the provisioning of Umoja roles.
57. UNCCD agreed with the recommendations.

## Delegation of procurement authority

58. The 1998 arrangements for administrative support by the United Nations Secretariat includes a delegation of procurement authority up to $\$ 50,000$. The Executive Secretary subdelegated procurement authority with a threshold of $\$ 50,000$ to two staff members. UNCCD, however, was not provisioned with any Umoja roles to implement such authority.
59. In practice, UNCCD carried out requests for quotations up to $\$ 50,000$. When UNCCD finalized the process, UNCCD forwarded the documents to UNFCCC. UNFCCC then recorded the transaction in Umoja as service provider.
60. The Board holds that the current procedure has several weaknesses. UNCCD exercises the delegation, but it cannot complete the process and is charged for the services of the service provider. Since UNCCD carries out the procurement exercise
and makes the decision, but UNFCCC officially approves the transaction, accountability is blurred and unclear. While UNCCD currently does not have the capacity to conduct procurement activities in an unlimited amount, the Board holds that UNCCD might conduct requests for quotations that are limited to a value of $\$ 50,000$. This requires an in-depth analysis and possibly a reorganization of the subdelegations of authority to ensure segregation of duties.
61. The Board recommends that UNCCD, in coordination with the United Nations Secretariat, review how UNCCD could ensure segregation of duties with regard to procurement activities up to $\$ 50,000$.
62. UNCCD agreed with the recommendation.

## 5. Relationship with United Nations Treasury

63. As at 31 December 2019, UNCCD assets comprised $\$ 25.1$ million of cash, cash equivalents and investments. These amounted to more than 70 per cent of total assets and are held in the United Nations Treasury cash pools. United Nations Treasury is responsible for all cash and investment-related services such as monetary transactions, risk management for the cash pools and investment activities in accordance with its guidelines.
64. In accordance with the financial rules for the Conference of the Parties, the Executive Secretary is charged with managing the funds of the Convention. Within available resources, he or she shall arrange for the provision of staff and services required by the COP and its subsidiary bodies.
65. The 1998 arrangements for administrative support by the United Nations Secretariat to UNCCD required the United Nations to open bank accounts for UNCCD monies and invest amounts not immediately required. The Board found that no further formal agreements were in place regarding the services provided by United Nations Treasury.
66. The management of funds, liquidity and investments is a professional service that, by its nature, may benefit from economies of scale. Efficient treasury management offers opportunities and mitigates risks. Knowing short-term cash requirements helps to avoid insolvency and allows for the timely provision of funds. It further enables long-term investments that typically yield higher returns.
67. The availability of funds is a prerequisite to the functioning of UNCCD. This makes treasury management a key function. The respective responsibilities of UNCCD and United Nations Treasury are not specified in the arrangements for administrative support. Key processes, such as determining the monies available for longer term investments, are executed without formalized responsibilities. The Board has no indication that any treasury process was defective. However, ambiguity regarding the responsibilities discharged to United Nations Treasury may result in effectively limiting transparency and accountability. This is even more true since the institutional linkage with the United Nations is outdated (see No. 1 in annex I).
68. In 2018, the Board recommended that United Nations Treasury formalize the participation of different entities in the main cash pool by way of written agreements (see A/73/5 (Vol. I), para. 81).
69. UNCCD should formalize the provision of treasury services. This would transparently transfer the responsibility for tasks performed by United Nations Treasury and thus strengthen accountability. UNCCD should communicate its service requirements to allow for efficient management of funds. This would also help to ensure that United Nations Treasury continues to meet UNCCD needs.

# 70. The Board recommends that UNCCD liaise with United Nations Treasury to specify the responsibilities between UNCCD and United Nations Treasury and explore options to formalize this arrangement. 

71. UNCCD agreed with the recommendation.

## 6. Internal audit services

72. The financial rules for the Conference of the Parties stipulate in article 20 that the accounts and financial management of all funds shall be subject to the internal and external audit process of the United Nations. The United Nations financial regulation 5.15 stipulates that OIOS shall conduct independent internal audits. Internal auditors shall review, evaluate and report on the use of financial resources and on the effectiveness, adequacy and application of internal financial control systems, procedures and other relevant internal controls. The Board shall perform audits as it deems necessary in order to get assurance, among other things, that the internal controls, including the internal audit, are adequate in the light of the extent of reliance placed thereupon (Annex to the Financial Regulations and Rules of the United Nations).
73. Initially, OIOS had deployed a resident auditor in Bonn to provide internal audit services to UNFCCC and UNCCD. The costs were shared and UNCCD paid 25 per cent. In 2010, OIOS and UNCCD signed a new memorandum of understanding for providing internal audit services. The parties agreed that UNCCD would cover the official air travel costs between Nairobi and Bonn, the applicable daily subsistence allowances and terminal expense for the audit team for two audits per year. Later, the audit services were reduced to one audit per year.
74. Through memorandum dated 13 May 2019, OIOS cancelled the internal audit workplan for 2019. OIOS stated that the payment of travel and daily subsistence allowances did not cover the related staff costs. OIOS was unable to provide the services to UNCCD until an alternative mechanism was established. OIOS had published the last internal audit report on UNCCD in April 2019.
75. In September 2019, the COP took note of the lack of internal audit services and requested the Executive Secretary to re-establish such services (Decision 10/COP.14).
76. In December 2019, UNCCD sent a memorandum to OIOS to re-establish the internal audit services. UNCCD expressed its interest in maintaining audit services with OIOS. UNCCD did not receive any response. UNCCD stated that it additionally liaised with UNFCCC about the internal audit services. Both entities were of the opinion that one full-time auditor for the two entities would be too much. None of the parties proposed a cost model for engaging OIOS. OIOS stated that it recently conducted a resource gap analysis for all clients including UNCCD. In the near future, OIOS would approach UNCCD with their resource requests.
77. The Board is concerned that UNCCD is no longer covered by internal audits. The Board considers it crucial that UNCCD comply with the financial regulation 5.15 and the financial rules for the Conference of the Parties which require that UNCCD be subject to internal audit. Almost one year ago, OIOS cancelled the audit arrangement. As of April 2020, UNCCD only addressed OIOS once. The Board holds that UNCCD needs to strengthen its efforts to find a solution. As OIOS raised funding concerns, UNCCD should also consider alternative mechanisms, such as sharing the internal audit services and the related costs. The Board encourages UNCCD and OIOS to urgently start negotiating on a financial arrangement that fits both.
78. The Board recommends that UNCCD, in coordination with the Office of Internal Oversight Services, take steps to re-establish internal audit coverage and to prepare an internal audit plan for the biennium 2020-2021.
79. UNCCD agreed with the recommendation.

## 7. Enterprise risk management

80. Enterprise risk management is defined as the process of coordinated activities designed to direct and control an organization with regard to risks. Enterprise risk management is the inherent core responsibility of Management.
81. In 2007, UNCCD, in consultation with OIOS, developed a risk register. The register covered ten areas: strategic issues, finance, human resources, procurement, logistics, ICT, project, conference, assets and security. For each area, risks were defined and then assessed with regard to the risk category, the likelihood (remote, possible, likely) and the impact (low, medium, high). In 2016, UNCCD reviewed the risk register and reassessed the risks. In 2018, UNCCD included 'reputational risks' in the risk register and reassessed a few risks.
82. The risk register contained almost 100 risks. UNCCD, however, assessed that several of the risks were no problem for UNCCD. The Board noted that some risks/controls were outdated, for instance the reference to the decommissioned IMIS system. On the other hand, the risk register did not contain any risks related to Umoja. The risk of fraud was identified in two minor areas only. UNCCD had not carried out the fraud risk assessment which the Board had recommended two years ago (see No. 7 in annex 1). Further crucial areas were not covered, in particular corruption and conflict of interest. Finally, the risk register identified only two risks related to the Global Mechanism with regard to fundraising.
83. UNCCD had not developed a risk treatment and response plan that included the risk treatment action and the risk owner. UNCCD stated that the units responsible for the ten areas, mainly the administrative services, were also responsible for monitoring the respective risks.
84. In 2018, UNCCD issued a risk management policy. In accordance with the policy, a risk management task force maintained the risk register and made recommendations on organizational risks, including residual risks, to the Executive Secretary as needed. A risk dashboard would summarize the risks. UNCCD stated that the risk management task force had only met once and that a risk register dashboard had not been developed.
85. Since the development of the risk register in 2007, the environment has changed significantly: for example, roll-out and decommissioning of enterprise systems and integration of the Global Mechanism. The UNCCD risk register does not reflect the current situation adequately. Therefore, the Board holds that UNCCD needs to carry out a more comprehensive exercise than only updating the existing risk register. UNCCD should involve all sections and units in the process to identify and assess risks. UNCCD may use the documents issued by the United Nations Secretariat as guidance. The results of the fraud risk assessment in accordance with the Board's previous recommendation should feed into the new risk register.

## 86. The Board recommends that UNCCD manage its risks through an up-to-date enterprise risk management framework.

87. UNCCD agreed with the recommendation.

## 8. Budget preparation and reporting

88. The COP is responsible for approving the core budget of UNCCD. UNCCD prepares a budget proposal and reports on the consumption of the budget.
89. Statement V of the financial statements presents the budget and the actual amounts. The Board noted that the statement did not show whether UNCCD overspent or underspent the budget. As shown in table 5, in 2019, UNCCD overspent the budget significantly in the appropriation lines 'Executive direction and management' and 'External relations, policy and advocacy' while it underspent the budget in other lines.

Table 5: Differences between approved budget and actual amounts in 2019

|  | Budget <br> [EUR] | Actual <br> amount <br> $[E U R]$ | Difference |  |
| :--- | :---: | :---: | :---: | :---: |
|  |  | $1,246,859$ | $-221,816$ | -21.6 |
| Executive direction and <br> management | $1,086,450$ | $1,313,301$ | $-226,851$ | -20.9 |
| External relations, policy and <br> advocacy | $1,976,700$ | $1,640,862$ | 335,838 | 17.0 |
| Science, technology and <br> implementation | $1,254,526$ | $1,333,546$ | $-79,020$ | -6.3 |
| Administrative services | $1,820,150$ | $1,588,027$ | 232,123 | 12.8 |
| Global Mechanism | 931,173 | 925,937 | 5,236 | 0.6 |
| Programme support costs | $8,094,041$ | $8,048,532$ | 45,509 | 0.6 |
| Total core budget |  |  |  |  |

Source: Statement V of the 2019 financial statements
90. The actual amounts in the biennium 2018-2019 and the approved budget varied less. UNCCD overspent the budget in the appropriation line 'Executive direction and management' and 'External relations, policy and advocacy' by 10 per cent and 5 per cent, respectively. UNCCD underspent the budget in the remaining appropriation lines by 2 per cent to 11 per cent. UNCCD did not provide any explanation for such variances in any reports.
91. As previous budget proposals, UNCCD prepared the 2020-2021 budget proposal manually via an Excel sheet. The Excel sheet was more a working document and not formalized. The sheet did not include any justifications or budget assumptions. It was not transparent whether UNCCD took into account the variances in the previous biennium when preparing the budget proposal.
92. The Board holds that the UNCCD budget process offers room for improvement. The preparation of the budget should be done in a formalized way to justify the budget requirements and explain the underlying budget assumptions. The actual budget consumption of the previous biennium should be taken into account for an accurate budget forecast. UNCCD should also improve its monitoring and reporting on the budget.
93. The Board recommends that UNCCD enhance its internal calculation of budget requirements to facilitate monitoring and reporting on budget performance.
94. UNCCD agreed with the recommendation.
9. Actuarial assumptions in the valuation of after-service health insurance liabilities
95. After-service health insurance liabilities have a large impact on the financial situation of UNCCD. The liabilities of $\$ 27.4$ million accounted for 84 per cent of the total liabilities as at 31 December 2019. Actuarial assumptions such as demographic and financial variables impact the liabilities significantly. Details on the sensitivity analysis can be found in note 11 to the financial statements.
96. The actuarial assumptions to calculate such liabilities differed among United Nations entities. The Secretary-General commissioned an inter-agency Task Force on Accounting Standards to harmonize the principles guiding liability valuation. The Task Force agreed on the harmonization of a number of assumptions. Those included discount rates, inflation rates, health care cost trends, currency exchange rates and United Nations Pension Fund projections (A/73/662). The Task Force informed all organizations on the harmonized assumptions for 2019.
97. UNCCD stated that it applied the harmonized assumptions for the afterservice health insurance liabilities in the 2019 financial statements.
98. The Board noted that one of the objectives of implementing IPSAS was to improve comparability of financial reporting across United Nations organizations. The Board also noted that a harmonized approach for actuarial assumptions led to better comparability of actuarial liabilities and their management among United Nations entities.
99. The Board recommends that UNCCD bring the topic of harmonized assumptions to the attention of the Task Force on Accounting Standards.
100. UNCCD agreed with the recommendation.

## C. Disclosures by Management

## Write-off cash, receivables and property, ex gratia payments

101. UNCCD reported that there were no write-offs of cash, receivables and assets during 2019. UNCCD also did not make any ex gratia payments.

## Cases of fraud and presumptive fraud

102. In accordance with the International Standards on Auditing, 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). Our audit, however, should not be relied upon to identify all misstatements or irregularities. The primary responsibility for preventing and detecting fraud rests with Management.
103. During the audit, the Board makes enquiries of Management regarding their oversight responsibility of assessing the risks of material fraud and the processes in place for identifying and responding to the risks of fraud, including any specific risks that Management has identified or that has been brought to their attention. The Board also inquired whether Management has any knowledge of any actual, suspected or alleged fraud.
104. UNCCD further reported that there was no case of fraud and presumptive fraud for the financial year ended 31 December 2019.

## D. Acknowledgement

105. The Board wishes to express its appreciation for the cooperation and assistance extended to it by the Executive Secretary and staff members of UNCCD.


Kay Schiller
President of the German Federal Court of Auditors
Chair of the Board of Auditors
(Lead Auditor)


Comptroller and Auditor General of India


Jorge Bermúdez
Comptroller General of the Republic of Chile

21 July 2020

## Annex

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

|  |  |  |  |  |  | Status after verification |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Audit report year | Paragraph reference | Recommendations of the Board | UNCCD response | Board's assessment | Under Implemented implementation | Overtaken by events | Not <br> implemented |
| 1 | 2016 | 32 | The Board recommends that UNCCD liaise with the United Nations Secretariat to review the arrangement for administrative support and update the delegations as appropriate. | UNCCD secretariat followed up this recommendation on 13 December 2019 with the Department of Management Strategy, Policy and Compliance of the United Nations. The Department has created an i-need ticket to be followed up. | UNCCD followed up with the United Nations Secretariat, which has not achieved any results yet. The recommendation remains under implementation. | X |  |  |
| 2 | 2017 | 25 | The Board recommends that UNCCD increase its efforts to collect outstanding indicative contributions, for instance by meeting individually with party representatives to establish a dialogue on payment plans. | UNCCD sent reminder letters to parties in August 2018 and followed up any outstanding balances in the notification of contributions for 2019 and again for the notifications for 2020. On occasion, staff on mission has approached individual parties regarding their contributions on a case by case basis and has had some success with encouraging settlement of outstanding balances. | UNCCD continued approaching individual parties regarding their outstanding contributions with some success. The recommendation is considered to be implemented. However, the Board encourages UNCCD to maintain this practice to the extent possible. | X |  |  |
| 3 | 2017 | 34 | The Board recommends that UNCCD avoid manual entries in the excel worksheets and should rather use regular journals in Umoja as the only enterprise resource planning system to be used. UNCCD make use of the facilities provided in Umoja to the largest extent possible. | UNCCD secretariat has been working with United Nations Secretariat on posting entries in 2019 for after-service health insurance liabilities related charges against voluntary fund contributions, and will continue to do so in the future. | The Board acknowledges the ongoing cooperation with the United Nations Secretariat. Afterservice health insurance liabilities represent the major portion of manual entries. As these are not yet automatically recorded in Umoja, the recommendation is considered to be implemented. | X |  |  |


| No. | Audit report year | Paragraph reference | Recommendations of the Board | UNCCD response | Board's assessment | Status after verification |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  |  |  |  | Implemented | Under implementation | Overtaken by events | Not implemented |
| 4 | 2017 | 40 | The Board recommends that UNCCD continue to further professionalize its finance section, e.g. through continuous training of its finance staff in particular on IPSAS and Umoja. | UNCCD continues to meet the needs of finance staff either through sending staff to training or ad hoc on-site training. UNCCD is exploring possibilities with United Nations Secretariat for training on IPSAS either online or inhouse in order to minimize costs. | The Board notes the ongoing efforts towards the professionalization of finance staff. The Board considers the recommendation to be implemented. | X |  |  |  |
| 5 | 2017 | 49 | The Board recommends that UNCCD review its funding policy for after-service health insurance liabilities and propose its funding policy to the Conference of Parties. | UNCCD has informed the COP at its fourteenth session about the developments regarding afterservice health insurance within the United Nations Secretariat. The COP by its decision 10/COP. 14 noted the ongoing discussion at the United Nations and the recommendations expressed in the 2018 report of the Board on the requirements of after-service health insurance. The COP requested the Executive Secretary to continue monitoring developments in the United Nations system and, on that basis, to prepare a report with options on how to address this in the budget for the biennium 20222023, for consideration at COP 15. | The Board notes the decision of the COP to align its treatment to the treatment proposed by the General Assembly. The Board will monitor the further discussion. The Board considers the recommendation to be implemented. | X |  |  |  |
| 6 | 2017 | 62 | The Board recommends that UNCCD establish a clear process for managing agreements or projects by implementing a selection process, drafting standard conditions, establishing a monitoring system and defining clear | UNCCD is still working on this issue, which it hopes to have finalized by July 2020 in a comprehensive manual of project management. A pilot process was | UNCCD is working on establishing the process. The recommendation remains under implementation. |  | X |  |  |


|  |  |  |  |  |
| :--- | :--- | :--- | :--- | :--- |
| Audit report <br> Paragraph <br> reference | Recommendations of the Board |  |  |  |
| Noar |  |  |  |  |

responsibilities and accountability.
initiated in February 2020 for the
selection of implementing
partners for sahel opportunities
project. The secretariat and the
Global Mechanism are currently
reviewing the submissions and
will call for a technical and
financial proposal in the next
days.

| No. | Audit report year | Paragraph reference | Recommendations of the Board | UNCCD response | Board's assessment | Status after verification |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  |  |  |  | Under | Overtaken | Not |
|  |  |  |  |  |  |  |  |  |
|  |  |  | which share of the post-employment benefit liability stems from core financed staff and which share from voluntarily or other non-core activities financed staff and whether it is funded or not separately in its financial statements. | (after-service health insurance and repatriation) for the voluntarily financed staff has been included in 2019 financial statements (para. 99 and 100). | recommendation to be implemented. |  |  |  |
| 10 | 2018 | 40 | The Board recommends that, in consultation with United Nations Treasury, UNCCD assess the possibilities of investment approaches within the cash pool for the reserves set aside for the after-service health insurance liabilities. | UNCCD secretariat intends to address this matter with the United Nations Secretariat in the course of the year. | UNCCD clarified that it had not approached United Nations Treasury yet. The recommendation remains under implementation. | X |  |  |
| 11 | 2018 | 45 | The Board recommends that UNCCD conduct and document a plausibility analysis of the actuarial valuation of the employee benefit liabilities. | UNCCD secretariat intends to address this matter with the United Nations Secretariat in the course of the year. | UNCCD provided a plausibility analysis. The recommendation is considered to be implemented. | X |  |  |
| 12 | 2018 | 51 | The Board recommends that UNCCD consult with the actuary and United Nations Headquarters on the data basis for the actuarial valuation of employee benefit liabilities to enhance the accuracy of the actuarial valuation. | UNCCD secretariat intends to address this matter with the United Nations Secretariat in the course of the year. | The United Nations Secretariat stated that it would collect additional data to address the data quality issues (A/74/5 (Vol. II) para. 50). The Board is of the opinion that UNCCD should get in touch with United Nations Secretariat to also address the data quality issues. | X |  |  |
| 13 | 2018 | 55 | The Board recommends that UNCCD assess, in consultation with United Nations Headquarters, whether it is beneficial to conclude agreements with the organizations of incoming and leaving UNCCD staff to gain legal assurance on the employee benefit liabilities incurred for those staff members. | UNCCD secretariat intends to address this matter with the United Nations Secretariat in the course of the year. | The Board proposed to UNCCD how to progress with this issue. The recommendation remains under implementation. | X |  |  |
| 14 | 2018 | 62 | The Board recommends that UNCCD, when reviewing its donor agreements on a case-bycase basis with regard to all asset and revenue recognition criteria of IPSAS 23, document the | UNCCD reviews all new grants starting from 2019 and conducts an analysis. | UNCCD analysed whether donor agreements were conditional or not when entering them in Umoja. The documentation of that assessment | X |  |  |


| No. | Audit report year | Paragraph <br> reference | Recommendations of the Board | UNCCD response | Board's assessment | Status after verification |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  |  |  |  |  | Under <br> implementation | Overtaken by events | Not <br> implemented |
|  |  |  | decision whether to recognize the agreement as being conditional or not. |  | has not been standardized until the middle of the year and was aligned in the closing process. <br> The recommendation remains under implementation. |  |  |  |  |
| 15 | 2018 | 67 | The Board recommends that UNCCD disclose the amount of assets recognized that are subject to restrictions in accordance with IPSAS 23 and the nature of those restrictions in the notes to the financial statements. | As agreed with the Board, a disclosure note on IPSAS 23 related to the amount of assets recognized that are subject to restrictions (conditional agreements) is being included in 2019 financial statements. | UNCCD disclosed the amounts of cash and investments as well as receivables that are subject to restrictions as required by IPSAS 23 in notes 5 and 6 to its revised financial statements for 2019. The Board considers the recommendation to be implemented. | X |  |  |  |
| 16 | 2018 | 74 | The Board recommends that UNCCD generally apply its standard programme support cost rate, and justify and document any exception from the rule. | UNCCD agreed with the recommendation. UNCCD maintains programme support costs at 13 per cent as the standard. Any deviation from this standard requires the expressed approval by the Executive Secretary. | The Board acknowledges UNCCD statement on maintaining the programme support cost rate, and considers the recommendation to be implemented. | X |  |  |  |
| 17 | 2018 | 79 | The Board recommends that UNCCD review its accounting treatment of appendix $D$ benefits. | UNCCD is still working on this issue. Nevertheless, the UNCCD secretariat followed up with UNOG on taking over Appendix D claims, which would have meant surrendering the entire amount collected to UNOG. However, upon further review of costs, the UNCCD secretariat secured favorable terms from a private insurance company equal to UNOG's at a | UNCCD clarified that it did not adjust the accounting treatment. UNCCD stated that it recognized the net value of Appendix D in the amount of $\$ 191,658$ presented in the 2019 financial statements as current liabilities. The recommendation remains under implementation. |  | X |  |  |




## Chapter III

## Certification of the financial statements

The financial statements of the United Nations Convention to Combat Desertification for the financial year ended 31 December 2019 have been prepared in accordance with financial rule 106.1. This is the fifth time that the financial statements have been prepared under the International Public Sector Accounting Standards (IPSAS).

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

The accounts of UNCCD are maintained in accordance with the Financial Rules of the Conference of Parties.

I certify that the appended financial statements of the United Nations Convention to Combat Desertification, numbered I to V are correct.
(Signed) Ibrahim Thiaw
Executive Secretary

29 May 2020

## Chapter IV

## Financial report on the 2019 accounts

## Introduction

1. The financial statements of the United Nations Convention to Combat Desertification (UNCCD) are prepared and submitted to the Conference of Parties in accordance with the Financial Rules. The financial statements include all of the operations under the direct authority of the Executive Secretary including the core budget, the Global Mechanism and extra-budgetary financed activities.
2. The 2019 financial statements are prepared based upon the International Public Sector Accounting Standards (IPSAS) in accordance with the decision of the United Nations General Assembly, provide increased information on actual assets and liabilities enabling in improved internal control and enhanced management of UNCCD's total resources. The statements include additional information on revenue and expenses to senior management to support decision-making and enhance strategic planning.
3. The financial statements are prepared under IPSAS using full accrual-based accounting. UNCCD's Budget is prepared on a modified cash basis of accounting in accordance with its Financial Regulations. Under IPSAS:

- Revenue from voluntary contributions to technical cooperation is recognized when the contract with the donor becomes binding (i.e. at the time of signature of both parties, rather than when cash is received).
- In the case of contributions that impose conditions requiring return of funds not utilized in accordance with the terms of the agreement, revenue is not recognized until UNCCD delivers the services specified in the agreement with the donor.
- Expenses are recognized when services or goods are received or delivered rather than when a commitment is recognized.
- The annual changes in employee defined benefit obligations (other than those caused by adjustments in actuarial assumptions) are now recognized as expenses rather than in fund balance.
- The value of fixed assets such as vehicles and IT equipment acquired has been capitalized rather than expensed. Included in expenses for 2019 is the depreciation on a vehicle, and communications information technology equipment.


## 2019 Financial Highlights (in USD)

## Total revenue:

4. Revenue in 2019 totalled USD 23.0 million excluding other revenue referred in Note 13: Revenue, as follows:

5. The principal sources of revenue were:

- The indicative contributions from signatories of the Convention. The indicative contributions for 2019 totalled USD 8.66 million.
- Voluntary contributions from donors totalled USD 13.69 million.
- The remaining revenue includes fees for services rendered and interest revenue in the amount of USD 00.65 million.

Board Report 2019
6. Total expenses: Expenses in 2019 totalled USD 19.04 million excluding change in provision for doubtful receivables in the amount of USD 0.04 million.

7. The main expenses categories are personnel expenses for USD 10.9 million or $57.24 \%$, which include interest and current service costs related to defined benefit obligations (AfterService Health Insurance [ASHI], annual leave, and repatriation grant'travel) in the amount of USD 1.23 million; contractual services (non-employee compensation including consulting services individual fee, consultancy travel fee) for USD 3.11 million or $16.35 \%$; travel for USD 3.30 million or $17.35 \%$, and the remaining expenses predominantly include operating and other and other direct costs, equipment and furniture, grants, loss on investments, depreciation and loss on foreign exchange in the amount of USD 1.73 million or $9.06 \%$. The change in provision for doubtful receivable in the amount of USD 0.04 million is related to the indicative contribution uncollected as at 31 December 2019, calculated based on UNCCD IPSAS policy.
8. Operating result: The net surplus of expenses revenue over expenses in 2019, as measured under IPSA.S, is USD 3.91 million.
9. Assets: Assets as of 31 December 2019 totalled USD 35.11 million compared to the balance at 31 December 2018 of USD 30.36 million. The major components of UNCCD's assets are as follows:

| Summary of Assets at 31 December (in United States dollars) | 2019 | 2018 | Difference |
| :---: | :---: | :---: | :---: |
| Cash and cash equivalents | 6733387 | 2362968 | 4370419 |
| Investments | 18319833 | 21736960 | (3 417 127) |
| Sub total assets held in cash pool | 25053220 | 24099928 | 953292 |
| Indicative contributions receivable | 5247699 | 3742166 | 1505533 |
| Less provision for doubtful receivables | (1923 596) | (1880 330) | (43 266) |
| Net indicative contributions receivable | 3324103 | 1861836 | 1462267 |
| Other accounts receivable | 6269035 | 3863165 | 2405870 |
| Other current assets | 397655 | 443994 | (46 339) |
| Fixed assets | 66474 | 88698 | (22 224) |
| Total Assets | 35110487 | 30357621 | 4752866 |

10. The major assets at 31 December 2019 are cash, cash equivalents and investments totalling USD 25.05 million representing $71.36 \%$ of the total assets; receivables from voluntary contributions including the Global Mechanism totalling USD 6.27 million or $17.86 \%$ of total assets; and indicative contributions from signatories to the convention receivable of USD 3.32 million, or $9.47 \%$. The remaining assets consist of other current assets and fixed assets in the amount of USD 0.46 million or $1.32 \%$.
11. Cash, cash equivalents and investments: Cash, cash equivalents and investments USD 25.05 million held in the UN Treasury Cash Pools. This represents an increase of USD 0.95 million over the balance held at the end of 2018. Changes in Cash are shown in statement IV.
12. Accounts receivable: Under IPSAS, accounts receivable from indicative contributions are recognized net of a provision of $50 \%$ for all amounts receivable for three years and $100 \%$ for all amounts receivable for four or more years. Other accounts receivables include voluntary contributions receivable based on the signed agreement/letter of intent in the amount of USD 6.14 million of which USD 4.62 million represents receivable due for the Global Mechanism, and investment revenue receivable in the amount of USD 0.1 million reported by UNHQ New York. Value Added Tax balances in the amount of USD 0.02 million are also included in other accounts receivables.
13. Liabilities: Liabilities as of 31 December 2019 totalled USD 33.03 million (USD 23.47 million (restated) as at 31 December 2018) as follows:

| Summary of liabilities at 31 December |  |  |  |
| :--- | ---: | ---: | ---: |
| (in United States dollars) | $\mathbf{2 0 1 9}$ | $\mathbf{2 0 1 8}$ <br> (restated)* | Difference |
|  | 971752 | 1196477 | $(224725)$ |
| Accounts payable and accruals | 1205441 | 1718583 | $(513142)$ |
| Advance receipts | 30543209 | 20548502 | 9994707 |
| Employee benefit liabilities | 306460 | 4272 | 302188 |
| Other liabilities | $\mathbf{3 3 0 2 6 8 6 2}$ | $\mathbf{2 3 ~ 4 6 7 8 3 4}$ | $\mathbf{9 5 5 9 \mathbf { 0 2 8 }}$ |
| Total Liabilities |  |  |  |

* See note 11.

14. The most significant liability is the employee benefits earned by staff members and retirees but not paid at the reporting date, primarily the liability for ASHI. These liabilities total USD 30.54 million, represent $92.48 \%$ of UNCCD's total liabilities and are explained in detail in note 11 to the financial statements. The increase of ASHI liability in 2109 in the amount of USD 9.46 million is due to the decrease in the discount rates and change of per capita claim assumption. The repatriation grant increase of USD 0.4 million is due to decreased interest and by experience adjustments due to changes in the population. The annual leave liability has slightly increased due to the interest rate effects. The summary of liabilities for 2018 has been restated to show the revised amount of ASHI liabilities in the amount of USD 18.3 million as at 31 December 2018 that was wrongly calculated by the actuary in 2018 (USD 13.9 million in 2018 FS).
15. Another significant liability advance receipt cover indicative contributions received in advance of the start of the year to which they are related totalling USD 0.58 million. Also included are voluntary contributions, provided by donors totalling USD 0.62 million, that contain conditions requiring the performance specified services or the return of unused funds to the donor in accordance with the terms of the agreement. The balance represents the portion of the contribution at 31 December 2019 that has not been recognized as revenue since it has not been earned by UNCCD by performing the services covered by the agreement including the remaining balance from the Government of the Bolivarian Republic of Venezuela in the amount of USD 0.56 million.
16. Net assets: The movement in net assets during the year reflects decrease of USD 4.81 million from USD 6.89 (restated) million in 2018 to USD 2.08 million in 2019 due to the operating surplus of USD 3.91 million and actuarial adjustment related to employee benefits of USD (8.72) million. Net assets include the operating reserves which remained at USD 2.0 million. A significant actuarial loss of USD 8.72 million was recorded as a result of the actuarial study for the 2019 statements which is mainly attributable to the increase of after-service health insurance obligations of the organization. Main factors for this increase were the record-low interest rates (loss of USD 4.71 million) and increase on per capital claim amounts from the participants of the insurance scheme provided (loss of USD 3.88 million).

## Core budget

17. The Conference of the Parties approved a Core budget for the 2018-2019 financial period amounting to EUR 16.2 million of which EUR 8.1 million was programmed for 2019. In addition, the Conference of the Parties approved a budget of EUR 1.8 million for the implementation of the drought initiative, described in decision 29/COP.13, with the EUR 1.2 million carried forward into 2019.
18. The core budget continues to be prepared on a modified cash basis in accordance with the UN Financial Regulations. The overall budgetary results for the 2019 financial period in euros are summarized in Statements V. The differences between the net results on the IPSAS (full accrual) basis and those in accordance with the adopted budget are explained in note 16 .
19. Valued in US dollars at the average USD $1=$ EUR 0.87 at the rate of exchange set by the United Nations and using the modified cash method of accounting, total Core budgetary revenue for 2019 amounted to EUR 8.0 million (USD 9.2 million). Expenses under the regular budget during 2019 amounted to EUR 8.0 million (USD 9.3 million). However, expenses resulted in a net surplus fund of EUR 1.0 million (USD 1.2 million) when compared to the biennium budget. The surplus in the biennium is primarily due to savings accrued from vacant posts, consultancies and training.

## Chapter V

Financial statements for the year ended 31 December 2019

## STATEMENT I

## United Nations Convention to Combat Desertification

Statement of Financial Position as at 31 December 2019

| (In United States Dollars) | Note | 31 December 2019 | 31 December 2018 (restated) * |
| :---: | :---: | :---: | :---: |
| Assets |  |  |  |
| Current Assets |  |  |  |
| Cash and cash equivalents | 5 | 6733387 | 2362968 |
| Short-term investments | 5 | 13944527 | 20167466 |
| Indicative contributions receivable | 6 | 3324103 | 1861836 |
| Voluntary contributions receivables for global mechanism and other voluntary contribution receivables | 6 | 6099244 | 3730801 |
| Other accounts receivable | 6 | 169791 | 132364 |
| Other current assets | 7 | 397655 | 443994 |
| Total current Assets |  | 30668707 | 28699429 |
| Non-Current Assets |  |  |  |
| Fixed Assets | 8 | 66474 | 88698 |
| Long-term investments | 5 | 4375306 | 1569494 |
| Total Non-Current Assets |  | 4441780 | 1658192 |
| Total Assets |  | 35110487 | 30357621 |
| Liabilities |  |  |  |
| Current liabilities |  |  |  |
| Accounts payable and accrued expenses | 9 | 971752 | 1196477 |
| Advance receipts | 10 | 1205441 | 1718583 |
| Employee benefit liability | 11 | 787209 | 679502 |
| Other current liabilities | 12 | 306460 | 4272 |
| Total Current Liabilities |  | 3270862 | 3598834 |
| Non-Current Liabilities |  |  |  |
| Employee benefit liability | 11 | 29756000 | 19869000 |
| Total Non-Current Liabilities |  | 29756000 | 19869000 |
| Total Liabilities |  | 33026862 | 23467834 |
| Net Assets |  | 2083625 | 6889787 |

## Net Assets/Equity

| Accumulated surpluses/(deficits) | 12514821 | 8605596 |  |
| :--- | ---: | ---: | ---: |
| Actuarial gain (loss) recognized in net assets | 11 | $(12383451)$ | $(3668064)$ |
| Operating reserves | 15 | 1952255 | 1952255 |
| Total Fund Balances and Reserves |  | $\mathbf{2 0 8 3 \mathbf { 6 2 5 }}$ | $\mathbf{6 8 8 9 \mathbf { 7 8 7 }}$ |

* See note 11

The accompanying notes form an integral part of these financial statements

Board Report 2019

## STATEMENT II

## United Nations Convention to Combat Desertification

Statement of Financial Performance for the period 1 January to 31 December 2019

| (in United States dollars) | Note | 2019 | 2018 |
| :---: | :---: | :---: | :---: |
| REVENUE | 13 |  |  |
| Indicative contributions |  | 8656106 | 9270941 |
| Voluntary contributions |  | 13685733 | 9009263 |
| Fees for services rendered |  | 38361 | 35204 |
| Interest Revenue |  | 615053 | 428086 |
| Gain on investments |  | - | 24465 |
| Gain on foreign exchange |  | - | 56019 |
| Other revenue |  | 40 | 566032 |
| TOTAL REVENUE |  | 22995293 | 19390010 |

## EXPENSES

14
Personnel expenses
Travel
Contractual services
Operating and other direct costs
Supplies commodities and materials
10899410
10211890

Equipment vehicles and furniture
3304073
1788875
3113308
4227737
1348386
1252425 201 23322

Grants
59584
38918
Loss on investments
81493
83881

Loss on foreign exchange
78733

Amortization of intangible assets and depreciation 135389

Change in provision for doubtful receivables
TOTAL EXPENSES
22224

## SURPLUS/DEFICIT FOR THE PERIOD

| 19086068 | 17745332 |
| ---: | ---: |
| 3909225 | 1644678 |

The accompanying notes form an integral part of these financial statements

## STATEMENT III

United Nations Convention to Combat Desertification
Statement of Changes in Net Assets for the year ended 31 December 2019
(United States Dollars)

|  | Note | Accumulated Surplus General Fund | Reserves | Total |
| :---: | :---: | :---: | :---: | :---: |
| Net Assets 31 December 2017 |  | 6660852 | 1952255 | 8613107 |
| Recognition of actuarial adjustments in net assets | 11 | (3 367998 ) | - | (3367998) |
| Interfund adjustments |  | - | - | - |
| Net result for 2018 | Statement II | 1644678 | - | 1644678 |
| Net Assets at 31 December 2018 (restated)* |  | 4937532 | 1952255 | 6889787 |
| Recognition of actuarial adjustments in net assets | 11 | (8715387) | - | (8715387) |
| Interfund adjustments |  | - | - | - |
| Net result for 2019 | Statement II | 3909225 | - | 3909225 |
| Net Assets at 31 December 2019 | Statement I | 131370 | 1952255 | 2083625 |

* See note 11 .

The accompanying notes form an integral part of these financial statements

## STATEMENT IV

## United Nations Convention to Combat Desertification

Statement of Cash Flow for the period 1 January 2018 to 31 December 2019

| (in United States dollars) | Note | 2019 | 2018 |
| :---: | :---: | :---: | :---: |
| Cash flows from operating activities |  |  |  |
| Surplus (deficit) for the period excluding interest | Statement <br> II | 3294172 | 1216592 |
| Interest revenue |  | 615053 | 428086 |
| Surplus (deficit) for the period |  | 3909225 | 1644678 |
| Depreciation and amortization | 8 | 22224 | 22224 |
| Increase/(decrease) of provision for doubtful receivables | 6 | 43267 | 96060 |
| (Increase)/decrease in receivables | 6 | (3911 404) | 2119268 |
| (Increase)/decrease in other current assets | 7 | 46339 | (66596) |
| Increase/(decrease) in advance receipts | 10 | (513 142) | (2911 099) |
| Increase/(decrease) in accounts payable | 9 | (224 725) | (682 338) |
| Increase/(decrease) in other current liabilities | 12 | 302188 | (3297) |
| Increase/(decrease) in employee benefit liabilities recognized in surplus | 11 | 1279320 | 1078591 |
| Net cash flows from operating activities |  | 953292 | 1297491 |
| Cash flows from investing activities |  |  |  |
| (Increase) decrease in short-term investments | 5 | 6222939 | (4199 340) |
| Purchase of fixed assets | 8 | - | - |
| (Increase) decrease in long-term investments | 5 | (2805812) | 3464043 |
| Net cash flows from investing activities |  | 3417127 | (735 297) |
| Net increase (decrease) in cash and cash equivalents |  | 4370419 | 562194 |
| Cash and cash equivalents at beginning of year | 5 | 2362968 | 1800774 |
| Cash and cash equivalents at end of year | 5 | 6733387 | 2362968 |

[^0]
## STATEMENT V

United Nations Convention to Combat Desertification
Statement of Comparison of Budget and Actual amounts for the period ended 31 December 2019 (in euros)*

| Core budget of the Secretariat | Original budget 2019 | Final Budget 2019 | $\begin{aligned} & \text { Actual } \\ & 2019 \end{aligned}$ | $\begin{aligned} & \text { Actual } \\ & 2019 \end{aligned}$ | Original budget 2018-2019 | Final Budget 2018-2019 | $\begin{gathered} \text { Actual } \\ 2018-2019 \end{gathered}$ | $\begin{gathered} \text { Actual } \\ 2018-2019 \end{gathered}$ |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Programmes | EUR | EUR | EUR | $U S D$ | EUR | EUR | EUR | $U S D$ |
| I. Secretariat programmes |  |  |  |  |  |  |  |  |
| A. Executive direction and management | 1025043 | 1025043 | 1246859 | 1433172 | 2050085 | 2050085 | 2251197 | 2587582 |
| B. External relations, policy and advocacy | 1086450 | 1086450 | 1313301 | 1509541 | 2172900 | 2172900 | 2271145 | 2610511 |
| C. Science, technology and implementation | 1976700 | 1976700 | 1640862 | 1886048 | 3953400 | 3953400 | 3508232 | 4032450 |
| D. Administrative services | 1254526 | 1254526 | 1333546 | 1532811 | 2509051 | 2509051 | 2461102 | 2828853 |
| II. Global Mechanism |  |  |  |  |  |  |  |  |
| E. Global Mechanism | 1820150 | 1820150 | 1588027 | 1825318 | 3640300 | 3640300 | 3264889 | 3752746 |
| Subtotal (A-E) | 7162868 | 7162868 | 7122595 | 8186891 | 14325736 | 14325736 | 13756564 | 15812142 |
| Programme support costs | 931173 | 931173 | 925937 | 1064296 | 1862346 | 1862346 | 1788353 | 2055579 |
| Working capital reserve | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL Core Budget of the Secretariat | 8094041 | 8094041 | 8048532 | 9251186 | 16188082 | 16188082 | 15544918 | 17867721 |
| Contribution from the host Government | 511292 | 511292 | 511292 | 568102 | 1022584 | 1022584 | 1022584 | 1164014 |
| Indicative contributions | 7582749 | 7582749 | 7530812 | 8656106 | 15165498 | 15165498 | 15596531 | 17927048 |
| TOTAL income | 8094041 | 8094041 | 8042104 | 9224208 | 16188082 | 16188082 | 16619115 | 19091061 |
| Drought Initiative |  |  | 298270 | 342839 | 1815651 | 1815651 | 939534 | 1079925 |
| Programme support costs |  |  | 38775 | 44569 | 236035 | 236035 | 122139 | 140390 |
| Total other budgets approved by the Conference of the Parties |  |  | 337045 | 387408 | 2051686 | 2051686 | 1061674 | 1220315 |

*At the average monthly exchange rate of the United Nations for the biennium
2018-2019 with 1 USD $=$ EUR 0.87 , with the exception of the contribution
from the host Government.
The accompanying notes form an integral part of these financial statements.

## United Nations Convention to Combat Desertification

Notes to the financial statements

## Note 1:

The Reporting Entity

1. The permanent secretariat of the United Nations Convention to Combat Desertification (UNCCD) was established in December 1996. The Strategy is to forge global partnerships to reverse and prevent desertification and land degradation. These partnerships are also meant to mitigate the effects of drought in affected areas. Coupled with the vision is a Strategy mission: To provide a global framework to support the development and implementation of national and regional policies that are to contribute to the reduction of poverty.
2. UNCCD is governed by the following constituent bodies:

Conference of the Parties (COP) is the supreme decision-making body of the Convention. All States that are Parties to the Convention are represented at the COP, at which they review the implementation of the Convention and any other legal instruments that the COP adopts and take decisions necessary to promote the effective implementation of the Convention, including institutional and administrative arrangements.

## The Bureau of the COP

At the beginning of the first meeting of each ordinary session, a President and nine Vice-Presidents are elected from among the representatives of the Parties present at the session in a manner that every geographical region shall be represented by at least two members. They serve as the Bureau of the session. One of the VicePresidents shall act as Rapporteur.

The President declares the opening and closing of the session, presides at the meetings of the session, ensures the observance of the present rules, and has complete control of the proceedings and over the maintenance of order thereat. The President, if temporarily absent from a meeting or any part thereof, shall designate a Vice-President to act as President.

The Bureau of the COP has an important role in the UNCCD process also outside the sessions, as it directs various aspects concerning the follow-up of the COP and the preparations of the next one. The COP Bureau is also often assigned by the COP to supervise specific, particularly demanding or sensitive tasks or processes that are carried out between the COP sessions.
3. UNCCD is financed by indicative contributions paid by Parties to the Convention,
and voluntary contributions from Parties to the Convention and other donors.
4. The Organization enjoys privileges and immunities as granted under the 1947 Convention on Privileges and immunities of the United Nations and the 1996 Headquarters agreement with the Federal Government of Germany, notably being exempt from most forms of direct and indirect taxation.

## Note 2: Basis of Preparation

5. The financial statements of the UNCCD have been prepared on the accrual basis of accounting in accordance with the International Public Sector Accounting Standards (IPSAS) using the historic cost convention. The statements are prepared on a going concern basis based upon approval by the Conference of Parties of the 2018-19 Programme and budget, the historical trend of collection of indicative and voluntary contributions over the past years and that the Conference of Parties has not made any decision to cease the operations of the Organization. At the 13th session of the COP, the Parties adopted the new strategic framework of the Convention for 2018-2030. The new strategy outlines five longterm objectives for the implementation of the UNCCD and directly contributes to the achievement of many SDGs, most notably SDG 15 concerning life on land and its target 15.3 on land degradation neutrality.
6. These are the sixth set of financial statements to be prepared in accordance with IPSAS. The adoption of IPSAS required changes to be made to the accounting policies previously followed by UNCCD, including the preparation of a single set of financial statements covering both Core budget and extra-budgetary activities, which are presented throughout in United States dollars (USD). In accordance with IPSAS, the 2019 financial statements are presented on an annual basis covering the period 1 January 2019 to 31 December 2019.
7. The Cash Flow Statement is prepared using the indirect method.

### 2.1 Functional and Presentation Currency

8. The financial statements are presented in United States dollars, which is the functional and presentation currency of UNCCD, whereas the budget is prepared and approved in euros.

### 2.2 Foreign Currency Translation

9. Transactions in currencies other than USD are translated into USD at the prevailing United Nations Operational Rates of Exchange (UNORE). Assets and liabilities in currencies other than USD are translated into USD at the UNORE year-end closing rate. Resulting gains or losses are accounted for in the Statement of Financial Performance.

### 2.3 Materiality and use of judgment and estimates

10. Materiality is central to the UNCCD financial statements. The UNCCD's accounting materiality framework provides a systematic method to identify, analyse, evaluate, endorse and periodically review materiality decisions crossing a number of accounting areas. The financial statements necessarily include amounts based on judgments, estimates and assumptions by management. Actual results may differ from these estimates. Changes in estimates are reflected in the period in which they become known. Accruals, depreciation and employee benefit liabilities are the most significant items for which estimates are utilized.

## Note 3: Significant Accounting Policies

## Assets

### 3.1 Cash and Cash Equivalents

11. Cash and cash equivalents are held at fair value and comprise cash on hand, cash at banks, money market and short-term deposits. Investment revenue is recognized as it accrues taking into account the effective yield.

### 3.2 Financial Instruments

12. Financial instruments were initially measured at fair value. Subsequent measurement of all financial instruments is at fair value except for accounts receivable and accounts payable, which are measured at amortized cost using the effective interest method. A provision has been made for the difference between the nominal value of the accounts receivable and accounts payable.
13. Financial instruments are recognized when UNCCD becomes a party to the contractual provisions of the instrument until the rights to receive cash flows from those assets have expired or have been transferred and the UNCCD has transferred substantially all the risks and rewards of ownership.
14. The Main Cash pool comprises participating entity shares of cash and term deposits, short-term and long-term investments and accrual of investment revenue (the latter recognized within accounts receivable), all of which are managed by the UN Treasury. UNCCD's share of the cash pool is disclosed in the notes to the financial statements and on the Statement of Financial Position. Detailed information on the holdings of the Main Cash Pool may be obtained in the Financial Statements of the United Nations.
15. Gains or losses arising from changes in the fair value of financial instruments are included within the statement of financial performance in the period in which they arise. Gains or losses arising from a change in the fair value of the financial assets held in the Euro

Cash Pool are presented in the Statement of Financial Performance in the period in which they arise as finance costs if net loss or investment revenue if net gain.
16. Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. UNCCD's receivables comprise indicative contributions receivable from member countries and other accounts receivable recognized on the Statement of Financial Position. Receivables are measured at amortized cost taking into account a provision for impairment and an adjustment to reflect the time value of money based on the interest rate generally applicable to securities of similar maturity and currency.
17. Receivables are stated at amortized cost less allowances for estimated irrecoverable amounts. A provision is established equal to $50 \%$ of indicative contributions receivable outstanding for more than 36 months and $100 \%$ of receivables outstanding for more than 48 months. A provision is established for all other receivables equal to $50 \%$ of the amount outstanding for more than 24 months and $100 \%$ for receivables outstanding for more than 36 months.

### 3.3 Inventories

18. UNCCD does not maintain an inventory of tangible assets that are held for resale or consumed in the distribution in rendering of services.

### 3.4 Property, Plant and Equipment

19. Equipment with a cost equals to USD 5,000 or more is valued at historical cost less accumulated depreciation and any impairment losses. UNCCD is deemed to control equipment if it can use or otherwise benefit from the asset in the pursuit of its objectives and if UNCCD can exclude or regulate the access of third parties to the asset.

## Depreciation

20. Depreciation is calculated over their estimated useful life of equipment using the straight-line method. The estimated useful life for equipment classes are as follows:

| Class | Estimated useful life (years) |
| :--- | :---: |
| Computer Equipment | 5 |
| Communication and audio-visual equipment | 5 |
| Furniture and fixtures | 10 |
| Machinery and equipment | 10 |
| Vehicles | 10 (or lease term, whichever shorter) |
| Leasehold improvements | 10 |

21. Impairment assessments are conducted when events or changes in circumstance indicate that carrying amounts may not be recoverable and any impairment losses are recognized in the Statement of Financial Performance. The useful lives of equipment are reviewed and adjusted, if applicable.

### 3.5 Intangible Assets

22. Intangible assets are valued at historical cost less accumulated amortization and any impairment losses. Intangible assets acquired externally are capitalised if their costs equal to USD 5,000 or more. Internally developed software is capitalized if its cost exceeded a threshold of USD 100,000 or more excluding research and maintenance costs and including directly attributable costs such as staff assigned full time to a development projects, subcontractors and consultants.

## Amortization

23. Amortization is provided over the estimated useful life using the straight-line method. The estimated useful lives for intangible asset classes are as follows:

| Class | Estimated useful life (years) |
| :--- | :---: |
| Software acquired externally | 5 |
| Internally developed software | $3-6$ |

24. Impairment reviews are undertaken for all intangible assets at least every two years
and any impairment losses are recognized in the Statement of Financial Performance.

## Liabilities

### 3.6 Accounts payable

25. Accounts payable are financial liabilities in respect of either goods or services that have been acquired and received by UNCCD and for which the invoices have been received from the suppliers. They are initially recognized at fair value and, when applicable, subsequently measured at amortized cost using the effective interest method. As the accounts payable of UNCCD generally fall due within 12 months, the impact of discounting is immaterial, and nominal values are applied to initial recognition and subsequent measurement.

### 3.7 Accruals

26. Accruals are liabilities for goods and services that have been received or provided to UNCCD during the year and have not been invoiced by suppliers as at the reporting date.

### 3.8 Advances

27. Advances are prepayments from customers, parties or donors for subsequent periods.

### 3.9 Other Liabilities

28. Other liabilities primarily include obligations for future refunds and other miscellaneous items such as unapplied cash receipts. They are designated similarly to accounts payable and accruals and are recorded at nominal value, as the impact of discounting is immaterial.

### 3.10 Employee Benefits

29. UNCCD provides the following employee benefits:

- Short-term employee benefits comprise first-time employee benefits (assignment grants), regular monthly benefits (wages, salaries, allowances), compensated absences (paid sick leave, maternity/paternity leave) and other short-term benefits (education grant, reimbursement of taxes) which fall due wholly within twelve months after the end of the accounting period in which employees render the related service;
- Post-employment benefits including ASHI, repatriation grant, separation related travel and shipping costs, accumulated annual leave on separation and death benefit; and
- Termination benefits include indemnities for voluntary redundancy payable once a plan has been formally approved.

United Nations Convention to Combat Desertification
Notes to the 2019 financial Statements (continued)
30. The liability recognized for post-employment benefits is the present value of the defined benefit obligations at the reporting date. An independent actuary using the projected unit credit method calculates the defined benefit obligations. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-grade corporate bonds with maturity dates approximating those of the individual plans.
31. Employee benefits including payments to staff members on separation from service such as repatriation grant, accrued annual leave, repatriation travel and removal on repatriation are expensed on an accrual basis.
32. Actuarial gains and losses related to post-employment benefits for after service health insurance are recognised in the period in which they occur on the statement of changes in net assets as a separate item in net assets/equity.
33. The UNCCD is a member organization participating in the United Nations Joint Staff Pension Fund (UNJSPF or the Fund), which was established by the United Nations General Assembly to provide retirement, death, disability and related benefits to employees. The Fund is a funded, multi-employer defined benefit plan. As specified by 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 that participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.
34. The 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 plan. UNCCD and the UNJSPF, in line with the other participating organizations in the Fund, are not in a position to identify UNCCD'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 UNCCD has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 39. UNCCD's contributions to the Fund during the financial period are recognized as expenses in the Statement of Financial Performance.

### 3.11 Provisions

35. Provision are made for future liabilities and charges where UNCCD has a present legal or constructive obligation as a result of past events and is probable that UNCCD will be required to settle the obligation, and the value can be reliably measured.

### 3.12 Contingent liabilities and contingent assets

36. Contingent liabilities, where their existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events that are not wholly within the control of UNCCD or where the value cannot be reliably estimated, are disclosed in the notes to the
financial statements. Contingent liabilities are evaluated continually to determine whether an outflow of resources has become probable. If an outflow becomes probable, a provision is recognized in the financial statements in the period in which probability occurs.

### 3.13 Leases

37. Leases, where the lessor retains a significant portion of the risks and rewards inherent in ownership, are classified as operating leases. Payments made under operating leases are charged on the Statement of Financial Performance as an expense on a straightline basis over the period of the lease.

## Revenue

### 3.14 Non-exchange Revenue and Receivables

38. Indicative contributions to the Core Budget and are recognised at the beginning of the year to which the assessment relates. The revenue amount is determined based on the approved budgets and the scale of assessment approved by the United Nations General Assembly as adopted by the Conference of the Parties.
39. Voluntary contributions are recognised upon the signing of a binding agreement with the donor. Revenue is recognised immediately if no condition is attached. If conditions are attached, including a requirement that funds not utilized in accordance with the agreement must be returned to the contributing entity, revenue is recognised only upon satisfying the conditions. Until such conditions are met a liability (deferred revenue) is recognised. Voluntary contributions such as pledges and other promised donations which are not supported by binding agreements are considered contingent assets and are recognised as revenue when received and disclosed in the notes to the financial statements if receipt is considered probable. Refunds to the donors are offset against the revenue. Table on paragraph 121 refers.
40. Multi-year voluntary conditional contributions due in future financial periods are recognized as receivables on the signing of the agreement along with a liability (deferred revenue) until the conditions are met.
41. Goods in kind are recognised at their fair value, measured as of the date the donated assets are acquired. Services in kind including the use of space provided are not recognized.
42. UNCCD charges projects financed by voluntary contributions with the cost of providing programme support services. The charge is recognized as revenue in the funds performing the service and expenses in the funds receiving support services and reflected in the statement of financial performance by fund. In the consolidated Statement of Financial Performance (Statement II) both programme support revenue and expenses are eliminated since they represent inter-fund charges and revenue. The income from Repatriation Grant and ASHI for voluntary contributions are also eliminated with the
corresponding expenses recorded by Payroll.

### 3.15 Exchange Revenue

43. Interest revenue is recognised on a time proportion basis as it accrues, taking into account the effective yield.

### 3.16 Expenses

44. Expenses arising from the purchase of goods and services are recognized when the services or goods have been received and accepted by UNCCD. Services are considered received on the date when the service is certified as rendered. For some service contracts, this process may occur in stages. Balances of unliquidated obligations recognized as expenses in the Core Budget on the Statement of Budget to Actual Comparison related to services or goods not received and accepted by UNCCD at the reporting date are not recognized as expenses on the Statement of Financial Performance.
45. Savings resulting from the cancellation of expenses accrued in prior period and from instances where actual costs incurred are lower than the amount accrued in a prior period are recognized as a reduction of expenses in the current period on the Statement of Financial Performance.

### 3.17 Segment Reporting

46. UNCCD is a single purpose entity with a mandate to assist the signatories of the UN Convention to Combat Desertification to the living conditions for people in drylands, to maintain and restore land and soil productivity, and to mitigate the effects of drought. Its operations, therefore, consist of a single segment. However, to provide additional information for use to senior management and Parties to the Convention supplemental disclosures are prepared on a fund accounting basis, showing at the end of the period the consolidated position of all UNCCD funds. A fund is a self -balancing accounting entity established to account for the transactions of a specified purpose or objective. Fund balances represent the accumulated residual of revenue and expenses.
47. UNCCD classifies all projects, operations and fund activities into seven funds and special accounts:

- Trust fund for the Core Budget of UNCCD financed from indicative contributions (or general purpose contributions from donors)
- Trust fund for Participation of representatives of State Parties in the session of UNCCD Conference
- Trust fund for Convention events organized by the UNCCD Secretariat (the Bonn Fund)
- Trust fund for Voluntary financing of activities under the UNCCD
- Special account for UNCCD Programme Support
- UNCCD Cost Recovery under Host Country Agreement
- Trust fund for the Voluntary financing of the UNCCD Global Mechanism

48. Transactions occurring between funds are accounted for at cost and eliminated on consolidation.
49. UNCCD reports on the transactions of each fund during the financial period, and the balances held at the end of the period.

### 3.18 Budget Comparison

50. UNCCD's budget is prepared on a modified cash basis and the financial statements are prepared on an accrual basis. The budget is adopted on a biennial basis and presented in annual estimates in the financial statements. Unexpended balances at the end of the first year of the biennium are carried forward and added to the annual budget estimate for the second year of the biennium.
51. Statement V compares the final budget to actual revenue and expenses amounts calculated on the same basis as the corresponding approved budget.
52. As the basis used to prepare the budget and financial statements differ. Note 16 provides a reconciliation between the actual amounts presented in statement V and the actual amounts presented on the Statement of Financial Performance (statement II).
53. The COP approves the biennial Core budget of the secretariat and the Global Mechanism in Euros. The COP has delegated authority to the Executive Secretary to make transfers between each of the main appropriations lines in Statement $V$ up to an aggregate limit of $20 \%$ of the total estimated expenses for those appropriation lines subject to a further limitation of up to minus $25 \%$ of each appropriation line.

### 3.19 Change in accounting policy

54. The IPSAS Board published IPSAS 39: Employee benefits. That replaced IPSAS 25: Employee benefits with an effective application date for annual financial statements covering periods beginning on or after 1 January 2018.
55. The main difference between IPSAS 39 and IPSAS 25 are in the recognition and presentation of actuarial gains and losses arising from the defined-benefit plans. IPSAS 39 requires disclosure for defined-benefit plans according to the characteristics and risks associated with them. Actuarial gains and losses must also be fully recognized in the period they occur.
56. There is no impact on UNCCD given that the "corridor method" on actuarial gains or losses, which is being eliminated, has never been applied since the adoption of IPSAS 2014. The UNCCD does not have any plan assets; therefore, there is no impact from

## United Nations Convention to Combat Desertification

Notes to the 2019 financial Statements (continued)
application of the net interest approach prescribed under the standard. Further analysis will be carried out in the future, should the organization procure plan assets.

## Note 4: Financial Risk and Instruments

57. In addition to directly held cash and cash equivalents and investments, the United Nations Convention to Combat Desertification ("UNCCD") 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.
58. Pooling the funds has a positive effect on overall investment performance and risk, because of economies of scale, and by the ability to spread yield curve exposures across a range of maturities. The allocation of cash pool assets (cash and cash equivalents, shortterm investments and long-term investments) and revenue is based on each participating entity's principal balance.
59. As at 31 December 2019, the cash pools held total assets of USD 9,339.4 million (2018: USD 7,504.8 million), of which USD 25.2 million was due to the Organization (2018: USD 24.2 million), and its share of revenue from cash pools was USD 0.6 million (2018: USD 0.4 million).

Summary of assets and liabilities of the main pool as at 31 December 2019 compared to 2018
(Thousands of United States dollars)

|  | Main pool 2019 | $\begin{array}{r} \text { Main pool } \\ 2018 \end{array}$ |
| :---: | :---: | :---: |
| Fair value through the surplus or deficit |  |  |
| Short-term investments | 5177137 | 6255379 |
| Long-term investments | 1624405 | 486813 |
| Total fair value through the surplus or deficit investments | 6801542 | 6742192 |
| Loans and receivables |  |  |
| Cash and cash equivalents | 2499980 | 732926 |
| Accrued investment revenue | 37868 | 29696 |
| Total loans and receivables | 2537848 | 762622 |
| Total carrying amount of financial assets | 9339390 | 7504814 |
| Cash pool liabilities |  |  |
| Payable to UNCCD | 22155 | 24196 |
| Payable to other cash pool participants | 9317235 | 7480618 |
| Total liabilities | 9339390 | 7504814 |
| Net assets | - | - |

## Summary of revenue and expenses of the main pool for the year ended 31 December 2019 compared to 2018 <br> (Thousands of United States dollars)

|  | Main pool 2019 | Main pool 2018 |
| :--- | ---: | ---: |
| Investment revenue | 198552 | 152805 |
| Unrealized gains / (losses) | 14355 | 3852 |
| Investment revenue from main pool | $\mathbf{2 1 2 9 0 7}$ | $\mathbf{1 5 6 6 5 7}$ |
| Foreign exchange gains / (losses) | 3313 | 854 |
| Bank fees | $(808)$ | $(805)$ |
| $\quad$ Operating gains (losses) from main pool | $\mathbf{2 5 0 5}$ | $\mathbf{4 9}$ |
| $\quad$ Revenue and expenses from main pool | $\mathbf{2 1 5 4 1 2}$ | $\mathbf{1 5 6 7 0 6}$ |

## Financial risk management

60. The United Nations Treasury is responsible for investment and risk management for the cash pools, including conducting investment activities in accordance with the Guidelines.
61. 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.
62. An investment committee periodically evaluates investment performance and assesses compliance with the Guidelines and makes recommendations for updates thereto.

## Financial risk management: credit risk

63. The 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 pools do not invest in derivative instruments such as asset-backed and mortgage-backed securities or equity products.
64. 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.
65. The credit ratings used for the cash pools are those determined by major credit-rating agencies; Standard \& Poor's and 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 below.

United Nations Convention to Combat Desertification
Notes to the 2019 financial Statements (continued)

Investments of the cash pool by credit ratings as at 31 December 2019

| Main pool | Ratings as at 31 December 2019 |  |  |  | Ratings as at 31 December 2018 |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Bonds (Long term ratings) |  |  |  |  | Bonds (Long term ratings) |  |  |  |  |
|  | AAA | AA+/AA/AA- | A+ | NR |  | AAA | AA+/AA/AA- | A+ | NR |
| S\&P | 35.8\% | 58.8\% |  | 5.4\% | S\&P | 15.4\% | 79.0\% | 5.6\% | - |
| Fitch | 60.2\% | 23.8\% |  | 16.0\% | Fitch | 55.1\% | 39.3\% | - | 5.6\% |
|  | Aaa | Aa1/Aa2/Aa3 | A1 |  |  | Aaa | Aa1/Aa2/Aa3 | A1 |  |
| Moody's | 54.8\% | 45.2\% |  |  | Moody's | 49.7\% | 50.0\% | 0.3\% |  |
| Commercial papers/ Certificates of Deposit (Short term ratings) |  |  |  |  | Commercial papers (Short term ratings) |  |  |  |  |
| A-1+/A-1 |  |  |  |  | A-1+/A-1 |  |  |  |  |
| S\&P | 100\% |  |  |  | S\&P | 100.0\% |  |  |  |
|  | F1+/F1 |  |  |  |  | F1+ |  |  |  |
| Fitch | 100\% |  |  |  | Fitch | 100.0\% |  |  |  |
|  | P-1 |  |  |  |  | P-1 |  |  |  |
| Moody's | 100\% |  |  |  | Moody's 100.0\% | $100.0 \%$ |  |  |  |
| Reverse repurchase agreement (Short term ratings) |  |  |  |  | Reverse repurchase agreement (Short term ratings) |  |  |  |  |
| A-1+ |  |  |  |  | A-1+ |  |  |  |  |
| S\&P | - |  |  |  |  |  |  |  |  |
|  | F1+ |  |  |  | F1+ |  |  |  |  |
| Fitch | - |  |  |  | Fitch | $100.0 \%$ |  |  |  |
|  | P-1 |  |  |  |  | P-1 |  |  |  |
| Moody's | - |  |  |  | Moody's | $100.0 \%$ |  |  |  |
| Term deposits (Fitch viability ratings) |  |  |  |  |  |  |  |  |  |
|  | aaa | aa/aa- | $\mathbf{a}^{+} / \mathbf{a}$ |  |  | Aaa | aa/aa- | $\mathrm{a}^{+} / \mathbf{a} / \mathbf{a}-$ |  |
| Fitch |  | 84.2\% | 15.8\% |  | Fitch | - |  | 46.5\% |  |

66. 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.

## Financial risk management: liquidity risk

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

## Financial risk management: interest rate risk

68. The cash pools comprise the Organization's main exposure to interest rate risk with fixedrate cash and cash equivalents and investments being interest-bearing financial instruments. As at the reporting date, the cash pools had invested primarily in securities with shorter terms to

United Nations Convention to Combat Desertification Notes to the 2019 financial Statements (continued)
maturity, with the maximum being less than five years (2018: three years). The average duration of the main pool on 31 December 2019 was 0.74 years (2018: 0.33 years), which is considered to be an indicator of low risk.

## Cash pools interest rate risk sensitivity analysis

69. This analysis shows how the fair value of the cash pools 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 accounted for at fair value through surplus or deficit, the change in fair value represents the increase or decrease in the surplus or deficit and net assets. The impact of a shift up or down of up to 200 basis points in the yield curve is shown ( 100 basis points equals 1 per cent). The basis point shifts are illustrative.

Main pool interest rate risk sensitivity analysis as at 31 December 2019

| Shift in yield curve <br> (basis points) | -200 | -150 | -100 | -50 | 0 | +50 | +100 | +150 | +200 |  |
| :--- | :--- | :--- | :--- | :--- | :--- | :--- | :--- | :--- | :--- | :--- |
| Increase/(decrease) in fair <br> value <br> (Millions of United States <br> dollars): |  |  |  |  |  |  |  |  |  |  |
| Main pool total | 134.47 | 100.84 | 67.22 | 33.61 | - | $(33.60)$ | $(67.20)$ | $(100.79)$ | $(134.38)$ |  |

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

| Shift in yield curve (basis <br> points) | -200 | -150 | -100 | -50 | 0 | +50 | +100 | +150 | +200 |
| :--- | :--- | :--- | :--- | :--- | :--- | :--- | :--- | :--- | :--- |
| Increase/(decrease) in fair <br> value <br> (Millions of United States <br> dollars): |  |  |  |  |  |  |  |  |  |
| Main pool total | 48.46 | 36.34 | 24.23 | 12.11 | - | $(14.89)$ | $(24.22)$ | $(36.33)$ | (48.44) |

## Other market price risk

70. The cash pools are not exposed to significant other price risks because they do not sell short, borrow securities or purchase securities on margin, which limits the potential loss of capital.

## Accounting classifications and fair value hierarchy

71. 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.
72. The levels are defined as:

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 (i.e. derived from prices).
Level 3: Inputs for the asset or liabilities that are not based on observable market data (that is, unobservable inputs).
73. 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 based on 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 cash pools
is the current bid price.
74. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques which maximise 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.
75. 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 nor any liabilities carried at fair value or any significant transfers of financial assets between fair value hierarchy classifications.

United Nations Convention to Combat Desertification
Notes to the 2019 financial Statements (continued)

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

(Thousands of United States dollars)

|  | 31 December 2019 |  |  | 31 December 2018 |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Level 1 | Level 2 | Total | Level 1 | Level 2 | Total |
| Financial assets at fair value through surplus or deficit |  |  |  |  |  |  |
| Bonds - Corporates | 148473 | - | 148473 | 205566 | - | 205566 |
| Bonds - Non-United States agencies | 755027 | - | 755027 | 791922 | - | 791922 |
| Bonds - Supranational | 423230 | - | 423230 | 174592 | - | 174592 |
| Bonds - United States treasuries | 497829 | - | 497829 | 610746 | - | 610746 |
| Main pool - commercial papers |  | 347398 | 347398 | 219366 | - | 219366 |
| Main pool - certificates of deposit |  | 3419585 | 3419585 |  |  |  |
| Main pool - Term deposits | - | 1210000 | 1210000 | - | 4740000 | 4740000 |
| Main pool total | 1824559 | 4976983 | 6801542 | 2002192 | 4740000 | 6742192 |

## Financial Instruments

| (United States Dollars) | $\mathbf{2 0 1 9}$ | $\mathbf{2 0 1 8}$ |
| :--- | ---: | ---: |
| Cash and cash equivalents at fair value through surplus and deficit | 6733387 | 2362968 |
| Short-term investments at fair value through surplus and deficit | 13944527 | 20167466 |
| Long-term investments | 4375306 | 1569494 |
| Accounts Receivable at amortized cost | 9593138 | 5725001 |
| Accounts Payable at amortized cost | $(835429)$ | $(1060181)$ |
| Total net financial instruments | $\mathbf{3 3 8 1 0 9 9 9}$ | $\mathbf{2 8 7 6 4 7 4 8}$ |

76. The carrying amounts of the indicative contribution receivable are denominated in euros.
77. The age of Indicative contributions and other accounts receivables including voluntary contributions at the reporting date are as follows.

United Nations Convention to Combat Desertification
Notes to the 2019 financial Statements (continued)
(United States dollars)

| Receivables past due | Indicative | Other receivables |
| :--- | ---: | ---: |
|  |  |  |
| Up to 1 year | 2762513 | 4556428 |
| 1 to 2 years | 431548 | 62000 |
| 2 to 3 years | 118173 | 1056287 |
| 3 to 4 years | 89574 | 589233 |
| Above 4 years | 1878810 | 55024 |
| Total receivables at 31 December | $\mathbf{5 2 8 0 6 1 8}$ | $\mathbf{6 3 1 8 ~ 9 7 2}$ |
|  |  |  |
| Provision for impaired receivables at 1 January | $(1923596)$ |  |
| Revaluation | $(32919)$ | $(49937)$ |
| Total receivables after provisioning as at 31 December | $\mathbf{3 3 2 4 1 0 3}$ | $\mathbf{6 2 6 9 0 3 5}$ |

Note 5: Cash, Cash Equivalents and Investments

| Cash and investments |  |  |
| :--- | ---: | ---: |
| (in United States dollars) | $\mathbf{2 0 1 9}$ | $\mathbf{2 0 1 8}$ |
| Cash and cash equivalents held in OAH Euro dollar Cash Pool | $\underline{6733387}$ | 2362968 |
| Total cash | 6733387 | 2362968 |
| Short-term investments | $\underline{13944527}$ | $\underline{20167466}$ |
| Total current cash and short-term investments | 20677914 | 22530434 |
| Long-term investments | 4375306 | 1569494 |
| Total cash and investments | $\mathbf{2 5 0 5 3 2 2 0}$ | $\mathbf{2 4 0 9 9 8 2 8}$ |

78. UNCCD cash forms part of the cash pools that are maintained and managed by the UN Treasury. The cash pools comprise UNCCD's participating share of cash and term deposits, short term and long term investments and accrual of investment income all of which are managed in the pool.
79. The total cash and investments above include USD $24,871,863$ that are subject to general stipulations in the agreements which did not meet the requirements to be conditions under IPSAS 23. Historically, UNCCD has had positive experiences with regard to receiving the payment tranches from donors in accordance with the agreements and has never been in breach of stipulations that would prompt donors to demand refunds or reimbursements.

United Nations Convention to Combat Desertification

## Note 6: Accounts receivable

| In United States dollars | $\mathbf{2 0 1 9}$ | $\mathbf{2 0 1 8}$ |
| :--- | ---: | ---: |
| Indicative Contributions due from Parties to the <br> Convention (Non-exchange transactions) |  |  |
| Current | 5280618 | 3591683 |
| Revaluation | $(32919)$ | 150483 |
| Less provision for doubtful receivables | $(1923596)$ | $(1880330)$ |
| $\quad$ Sub-total indicative contributions | 3324103 | 1861836 |

## Ageing of indicative contributions as at 31 December 2019

| In United States dollars | 31 December 2019 |  | 31 December 2018 |  |
| :--- | ---: | ---: | ---: | ---: | ---: |
|  | Gross receivable | Allowance | Gross receivable | Allowance |
| Less than one year | 2762513 | 0 | 1191835 | 0 |
| One to two years | 431548 | 0 | 289908 | 0 |
| Two to three years | 118173 | 0 | 141640 | 0 |
| Three to four years | 89574 | 44787 | 175941 | 87970 |
| More than four years | 1878810 | 1878810 | 1792359 | 1792359 |
| Total | $\mathbf{5 2 8 0 6 6 1 8}$ | $\mathbf{1 9 2 3 5 9 6}$ | $\mathbf{3 5 9 1 \mathbf { 6 8 3 }}$ | $\mathbf{1 8 8 0 3 3 0}$ |

80. Indicative contributions reflect the contributions receivable from Parties to the Convention to fund the Core Budget in accordance with the Financial Rules adopted by the COP.

| Voluntary contributions and other accounts receivables <br> (in United States dollars) | $\mathbf{2 0 1 9}$ | $\mathbf{2 0 1 8}$ |
| :--- | ---: | ---: |
| VAT | 23819 | 36623 |
| Investment income receivable | 101995 | 95741 |
| Global Mechanism receivables less revaluation | 4622633 | 1338230 |
| Other | 43977 | 0 |
| Sub-total | $\mathbf{6 2 6 9 0 3 5}$ | $\mathbf{3 8 6 3 1 6 5}$ |

81. Voluntary contributions receivable includes for both Secretariat and Global Mechanism as per the signed agreements as indicated in the above table. Other accounts receivables include amounts invoiced for taxes reimbursable under the headquarters agreement with the host government, investment revenue receivable and the billing from IBRD for the services provided on behalf of Adaptation Fund Board.

United Nations Convention to Combat Desertification
Notes to the 2019 financial Statements (continued)
82. The receivables above include USD 5,828,915 that are subject to general stipulations in the agreements which did not meet the requirements to be conditions under IPSAS 23. Historically, UNCCD has had positive experiences with regard to receiving the payment tranches from donors in accordance with the agreements and has never been in breach of stipulations that would prompt donors to demand refunds or reimbursements.

Note 7: Other current assets
83. Other current assets consist of the following:

| Other current assets (in United States dollars) | $\mathbf{2 0 1 9}$ | $\mathbf{2 0 1 8}$ |
| :--- | ---: | ---: |
| Travel advance | 56810 | 66251 |
| Education grant advance | 172463 | 203501 |
| Salary advance | 17869 | 4609 |
| Other | 670 | 0 |
| UNDP Remittances net of charges | 149843 | 169633 |
| Total other current assets | $\mathbf{3 9 7 6 5 5}$ | $\mathbf{4 4 3} \mathbf{9 9 4}$ |

## Note 8: Fixed Assets

(United States dollars)

|  | Vehicles | $\begin{array}{r} \text { Communications } \\ \text { Information } \\ \text { Technology } \\ \text { Equipment } \\ \hline \end{array}$ | Total |
| :---: | :---: | :---: | :---: |
| Cost as at 31 December 2018 | 109882 | 91432 | 201314 |
| Additions | 0 | 0 | 0 |
| Impairment | 0 | 0 | 0 |
| Disposals | 0 | 0 | 0 |
| Cost as at 31 December 2019 | 109882 | 91432 | 201314 |
| Accumulated depreciation as at 31 December 2018 | 83301 | 29315 | 112616 |
| Depreciation | 3938 | 18286 | 22224 |
| Impairment | 0 | 0 | 0 |
| Disposals | 0 | 0 | 0 |
| Accumulated depreciation as at 31 December 2019 | 87239 | 47601 | 134840 |
| Net carrying amount |  |  |  |
| 31 December 2018 | 26581 | 62117 | 88698 |
| 31 December 2019 | 22643 | 43831 | 66474 |

84. In 2015, the Organization acquired a new vehicle at the cost equals the capitalization threshold of USD 5,000 or above. The vehicle has been capitalized as an asset and is being depreciated over a period of ten years (see accounting policy note 3.4).
85. In 2017, the Organization acquired additional communications and information technology equipment at a cost equals the capitalization threshold of USD 5,000 or above. The equipment has been capitalized as an asset and is being depreciated over a period of five years (see accounting policy note 3.4).

United Nations Convention to Combat Desertification Notes to the 2019 financial Statements (continued)

## Note 9: Accounts payables and accrued expenses

| (in United States dollars) | $\mathbf{2 0 1 9}$ | $\mathbf{2 0 1 8}$ |
| :--- | ---: | ---: |
| Vendor payables | 275322 | 503438 |
| Unexpended balance of contribution from the Government of the Bolivarian | 556742 | 556742 |
| Republic of Venezuela | 3365 | 0 |
| Unapplied deposits | 136323 | 136297 |
| Accruals for goods and services | $\mathbf{9 7 1 7 5 2}$ | $\mathbf{1 1 9 6 4 7 7}$ |
| Total payables and accrued expenses |  |  |

86. Payables to vendors relate to amounts due for goods received and services rendered payment had not been completed.
87. The portion of the amount payable to the Government of the Bolivarian Republic of Venezuela in the amount of USD 303,939 has been used in 2017, and the remaining balance of USD 556,742 has been included in the accounts payable and accrued expenses, adjusted manually in the 2019 financial statements pending receipt of the instruction from the Government.
88. Accruals are liabilities for goods and services that have been received or provided to UNCCD during the year and which have not been invoiced by suppliers.

## Note 10: Advance receipts and deferred revenue

| (in United States dollars) | 2019 | 2018 |
| :--- | ---: | ---: |
| Conditional voluntary contributions | 621477 | 1219050 |
| Indicative contributions received in advance | 583964 | 499533 |
| Total advance receipts | $\mathbf{1 2 0 5 4 4 1}$ | $\mathbf{1 7 1 8 5 8 3}$ |

89. UNCCD recognizes a liability in cases where conditions are attached to voluntary contributions. Conditions are imposed by donors on the use of contributions and include both an obligation to use the donation in a specified manner and an obligation to return any amount not expended in accordance with performance specified by the donation. The amount recognised as a liability is the best estimate of the amount that would be required to settle the obligation at the reporting date. As UNCCD satisfies the conditions on voluntary contributions through performance in the specified manner, the carrying amount of the liability is reduced and an amount of revenue equal to that reduction is recognised. In 2019, conditional voluntary contribution has been decreased considerably as one of the grants has been closed. Based on the expense report of the grant, revenue for the services rendered in 2019 has been recognized.
90. Indicative contributions received in advance cover amounts received before the due date as established by the Financial Rules and Regulations.

United Nations Convention to Combat Desertification
Notes to the 2019 financial Statements (continued)

## Note 11: Employee Benefit liability

91. The employee benefit liabilities outstanding at the reporting date are as follows:

| (in United States dollars) | $\mathbf{2 0 1 9}$ | $\mathbf{2 0 1 8}$ (Restated) |
| :--- | ---: | ---: |
| Current liabilities |  |  |
| Repatriation grant and travel | 213000 | 164000 |
| After service health insurance | 111000 | 125000 |
| Accumulated annual leave | 104000 | 84000 |
| USA Tax reimbursement | 63268 | 24275 |
| Home leave | 104283 | 86905 |
| Other | 191658 | 195322 |
| Subtotal current liabilities | $\mathbf{7 8 7 2 0 9}$ | $\mathbf{6 7 9 5 0 2}$ |
|  |  |  |
| Non-current liabilities | 1410000 | 1069000 |
| Repatriation grant and travel | 27657000 | 18186000 |
| After service health insurance | 689000 | 614000 |
| Accumulated annual leave | $\mathbf{2 9 ~ 7 5 6 ~ 0 0 0}$ | $\mathbf{1 9 8 6 9 0 0 0}$ |
| Subtotal non-current liabilities |  |  |
|  | $\mathbf{3 0 5 4 3} \mathbf{~ 2 0 9}$ | $\mathbf{2 0 5 4 8 5 0 2}$ |
| Total employee benefits liabilities |  |  |

92. The ASHI liability increased from USD 18.3 million (restated) to USD 27.8 million mainly due to the change of the per capita claim assumption of USD 3.9 million and decrease of the discount rate in the amount of USD 4.7 million respectively. The summary of liabilities for 2018 has been restated to show the revised amount of ASHI liabilities in the amount of USD 18.3 million as at 31 December 2018 that was wrongly calculated by the actuary in 2018 (USD 13.9 million in 2018 FS). The repatriation grant of USD 0.4 million increase in 2019 due to decreased interest and by experience adjustments due to changes in the population. The annual leave liability has slightly increased in 2019 due to the interest rate effects.
93. The methodology for estimating the amounts of each liability is as follows:

Education grant: Internationally recruited staff members are eligible for partial reimbursement of the amounts paid for the education of dependent children up to maximum allowances established by the International Civil Service Commission (ICSC). The liability relates to the amount earned but not claimed at the reporting date. Staff members received advances for education grants. The advances exceeded the respective liability. Hence, the liability against the staff members was offset from the advances and shown under "other current assets".
Home leave: Non-locally recruited UNCCD staffs are entitled to reimbursement for the costs of travel to their home country in the second year after their initial appointment and thereafter, every second year. The liability recorded has been calculated proportionately reflecting the number of months of home leave entitlement earned by officials since their last entitlement at the reporting date.

## United Nations Convention to Combat Desertification

Notes to the 2019 financial Statements (continued)

US taxes: American citizens that are officials of UNCCD are reimbursed for the amounts of income taxes payable on the compensation they earn from the Organization.

## Post-employment benefits

Annual leave: In accordance with UN Staff Rules and Staff Regulations, UNCCD staff may accumulate annual leave of up to 60 working days which is payable on separation from service.

Repatriation grant and travel: In accordance with UN Staff Rules and Staff Regulations, non-locally recruited UNCCD staff are entitled to a grant calculated based on length of services and family status on separation from service if they have completed five year of service outside their home country. In addition, non-locally recruited UNCCD staff are entitled to reimbursement of travel and transport of personal effects on separation for themselves, their spouse and their dependent children.

After Service Health Insurance (ASHI): Staff members (and their spouses, dependent children and survivors) retiring from service at the age of 55 or later are eligible for ASHI coverage if they have contributory health insurance coverage prior to retirement for at least five years of service for staff hired before 1 July 2007 and ten years of service for staff hired after 1 July 2007. Staff hired before 1 July 2007 who retire with less than ten years but more than 5 years of covered receive unsubsidized coverage until enrolled for 10 years at which time the coverage is subsidized. UNCCD's liability for ASHI is calculated as the residual liability after deducting contributions from retirees and a portion of the contribution from active staff. For 2019, the gross liability was calculated by the actuary as USD $27,768,000$ net of contributions from plan participants (USD 18,311,000 at 31 December 2018 (restated)).

After-service health insurance for retired staff members and their survivors and dependents of UNCCD is provided by the United Nations Staff Mutual Insurance Society against Sickness and Accident (UNSMIS) established under article 6.2 of the United Nations Staff Regulation. UNSMIS is governed by its General Assembly consisting of its members which includes, in addition to UNCCD, UNOG (UNCTAD, OCHA, ECE and OHCHR) as well as ICT, UNHCR, UNDP, UNICEF, WMO, UNV, UNFCCC, UNSCC and UNCC. The General Assembly approves amendments to the Statutes. An Executive Committee consisting of three members appointed by the Director-General of the United Nations Office at Geneva, three members appointed by the Co-ordinating Council of the United Nations at Geneva in consultation with corresponding bodies of the specialized agencies affiliated to the UNSMIS and one member appointed by the other six members, is responsible for approving the UNSMIS accounts and management report.

In accordance with Article 11 of the Statute, persons insured by UNSMIS shall pay monthly contributions, the amount of which shall be fixed by its Internal Rules. The UNCCD, or other UNSMIS affiliated organizations, shall contribute to the UNSMIS funds through the payment of a subsidy, the proportion of which in relation to staff member contributions shall be fixed by the Director-General of the United Nations Office at Geneva within the limits of the relevant credited voted by the General Assembly of the United

United Nations Convention to Combat Desertification Notes to the 2019 financial Statements (continued)

Nations. The ASHI liability calculation also includes staff members who contribute to other United Nations insurance plans and accrue eligibility for after-service health insurance.

Defined benefit obligations: An actuarial valuation at 31 December 2019 has been utilized to determine the UNCCD's estimated liability and expenses recognized on the Statement of Financial Performance for repatriation grants and travel, accumulated leave and afterservice health insurance at the reporting date.

The results as at 31 December 2019 presented in this report for defined benefit obligations are based on a roll-forward of the 31 December 2018 figures. Financial assumptions such as discount rates, salary increases, inflation rates and health-care cost trends have been updated since the actuarial valuation carried out in 2018 to determine UNCCD's estimated liability for defined benefit obligations at the reporting date. Demographic assumptions including probability of marriage at retirement will be updated in the actuarial study to be conducted in 2019.
94. Each year, the UNCCD reviews and selects assumptions and methods that will be used by the actuaries in the valuation to determine the expenses and contribution requirements for the UNCCD's after-service medical care plans and separation benefit plans. The discount rate is determined by calculating the expected benefit payments for each future year attributable to past service as of the valuation date and then discounting these benefit payments using spot rates for high quality corporate bonds. A single equivalent discount rate was then determined that resulted in the same past service obligation. The resulting single discount rate was rounded to the nearest $1 / 2$ basis point.
95. The following assumptions and methods have been used to determine the value of employee benefit liabilities for the UNCCD at 31 December 2019.

| Assumption | After-service health insurance | Repatriation grant | Accumulated annual leave |
| :--- | :---: | :---: | :---: |
| Discount rate (31 December 2018) | 1.62 | 4.09 | 4.08 |
| Discount rate (31 December 2019) | 0.34 | 2.99 | 2.44 |
| Travel inflation (31 December 2018) | - | 2.2 | - |
| Travel inflation (31 December 2019) | - | - | - |
|  |  | - | - |
| Health-care cost trend rate (31 December 2018) | 3.91 decreasing to | - |  |
|  | 3.65 in four years | - | - |
| Health-care cost trend rate (31 December 2019) | 3.91 decreasing to | -65 in four years |  |
| Salary increase rate | Based upon age and calculated separately for Professional and General |  |  |

96. The following assumptions were utilized by the actuary in determining the maturity profile of the defined benefit obligations at 31 December 2019:

- ASHI scheme: full eligibility is achieved once the staff member's period of service reaches 10 years in duration ( 5 years if hired before 01.07.2007) and once he/she reaches 55 years old. The projected duration of the ASHI liability is 25 years.
- Repatriation benefits: historically, for disclosure purposes it has been assumed that full eligibility is achieved from the time when the staff member's period of service reaches 12 years. The projected duration of the repatriation grant liability is 8 years;
- Annual leave: historically, for disclosure purpose sit has been assumed that full eligibility is achieved from the time when the staff member has accumulated 60 days of leave, i.e. once the maximum of benefits has been accumulated. The projected duration of the annual leave liability is 8 years.

97. The principal financial assumptions in the valuation of the defined benefit obligations are the rate at which medical costs are expected to increase in the future and the discount rate curve, which is calculated on the basis of corporate bonds. The sensitivity analysis looks at the change in liability due to changes in the medical cost trend rates and discount rate. The sensitivity analyses below are based on a change in one assumption while holding all other assumptions constant. In practice, this is unlikely to occur as changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant assumptions, the same method has been applied as when calculating the pension liability recognized in the statement of financial position. Should the discount rate or the medical cost trend assumption vary by 1 percentage point, this would affect the measurement of the defined-benefit obligations as follows:
(Thousands of United States dollars)

|  | 2019 |  | 2018 |  |
| :--- | ---: | ---: | ---: | ---: |
|  | Increase | Decrease | Increase | Decrease |
| 1 percentage point movement in the assumed medical costs trend <br> rate |  |  |  |  |
| Effect on the defined benefit obligation | 4094 | $(3482)$ | 3.985 | $(2961)$ |
| Effect on the aggregate of the current service cost and interest cost | 292 | $(240)$ | 356 | $(251)$ |


|  | 2019 |  | 2018 |  |
| :--- | ---: | ---: | ---: | :---: |
|  | Increase | Decrease | Increase |  |
| percentage point movement in the assumed discount rate |  |  |  |  |
| Effect on the ASHI defined-benefit obligation | $(3614)$ | 4319 | $(2938)$ |  |
| Effect on the Repatriation Grant defined-benefit obligation | $(52)$ | 58 | $(90)$ |  |
| Effect on the Annual Lease defined-benefit obligation | $(28)$ | 29 | $(50)$ |  |

98. The liabilities established for defined benefit obligations and the net service costs for 2019 are as follows:

United Nations Convention to Combat Desertification
Notes to the 2019 financial Statements (continued)

| (Thousands of United States dollars) | ASHI | Repatriation Grant \& Travel | Annual <br> Leave |
| :---: | :---: | :---: | :---: |
| Reconciliation of defined benefit obligation |  |  |  |
| Defined benefit obligation, beginning of year | 18311 | 1233 | 698 |
| Current service cost | 1046 | 119 | 83 |
| Interest cost | 296 | 47 | 27 |
| Benefits paid (net of participant contribution) | (126) | (170) | (87) |
| Liability (gain)/loss due to actuarial assumptions and experience recognized in net assets | $\underline{8241}$ | 394 | 72 |
| Total liability recognized on Statement of Financial Position | $\underline{27768}$ | 1623 | 793 |
| Annual expense for calendar year |  |  |  |
| Current service cost | 1046 | 119 | 83 |
| Interest cost | 296 | 47 | 27 |
| Benefits paid (net of participant contribution) | (126) | (170) | (87) |
| Total (charge)/credit recognized on statement of financial performance | 1216 | (4) | 23 |

99. A significant loss of liability in the amount of USD 8.71 million due to the drop in recordlow interest rates and increase on per capital claim amounts from the participants of the insurance scheme provided, as details below:

| (In thousands of US dollars | ASHI | Repatriation <br> Grant | Annual <br> Leave |
| :--- | ---: | ---: | ---: |
| Due to changes in Health trade costs | $(497)$ |  |  |
| Due to changes in Per Capita Claim | 3877 |  |  |
| Due to changes in Part B \& D Subsidies | $(3)$ |  |  |
| Due to changes in discount rate | 4689 | 118 | 70 |
| Due to changes in financial assumptions | 8067 | 118 | 70 |
| Changes in demographic assumptions | $(4)$ | $(5)$ | 12 |
| Experience adjustments | 178 | 281 | $(10)$ |
|  | $\mathbf{8 2 4 1}$ | $\mathbf{3 9 4}$ | $\mathbf{7 2}$ |

100. Under IPSAS-39 the liabilities for ASHI, repatriation grant and travel and accumulated annual leave are considered unfunded and, therefore, no fair value of plan assets has been recognized and the entire liabilities are recognized as liabilities of UNCCD.
101. Effective 01 January 2017, a monthly accrual has been implemented to start funding afterservice health insurance liabilities relating to extra-budgetary activities. For this purpose, an accrual rate of $3 \%$ is applied on the sum of gross salary and post adjustment.

United Nations Convention to Combat Desertification
Notes to the 2019 financial Statements (continued)
102. As of 31 December 2019, UNCCD accrued USD 149,593 for repatriation grant and travel and USD 164,801 for ASHI from all funds except core budget and programme support costs. These amounts were collected in the fund for employee benefits and will be used to (partially) fund future payments for ASHI and repatriation grants relating to the funds participating in the accrual.
103. Beginning in 2014 with the adoption of IPSAS, interest cost and current service cost related to the defined benefit obligation for ASHI liability, repatriation grant and travel, death benefits and accumulated leave have been recognized on the statement of financial performance as a component of staff costs. Actuarial gains or losses for the ASHI defined benefits plan results from changes in actuarial assumptions or experience adjustments including experience adjustments are directly recognized in the consolidated statement of changes in net assets. Actuarial adjustments for other long-term benefits including repatriation grants, death benefits and accumulated leave are recognized directly in the Statement of Financial Performance. The balance of each provision is reviewed annually and adjusted to reflect actual experience.

Historical present value of liability for defined-benefit obligations as at 31 December
(Thousands of United States dollars)

| Present value of liability for defined benefit <br> obligation at 31 December | 2019 | 2018 <br> (Restated) | 2017 |
| :--- | ---: | ---: | ---: |
| After Service Health Insurance | 27768 | 18311 | 13986 |
| Repatriation Grant and Travel | 1623 | 1233 | 1266 |
| Annual Leave | 793 | 698 | 709 |
| Total | $\mathbf{3 0 1 8 4}$ | $\mathbf{2 0 2 4 2}$ | $\mathbf{1 5 9 6 1}$ |

104. Short-term employee benefit liabilities for education grants and home leave are recognized at an undiscounted amount. Short-term compensated absences are recognized, as employees earn their entitlement to future compensated absences through rendering a service to the UNCCD. For non-accumulating compensating absences an expense is recognized when the absence occurs.

## United Nations Joint Staff Pension Fund

105. The UNCCD is a member organization participating in the United Nations Joint Staff Pension Fund (the "Fund"), which was established by the United Nations General Assembly to provide retirement, death, disability and related benefits to employees. The 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.
106. The 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

United Nations Convention to Combat Desertification
Notes to the 2019 financial Statements (continued)
no consistent and reliable basis for allocating the obligation, plan assets and costs to individual organizations participating in the Fund. The UNCCD and the Fund, in line with the other participating organizations in the Fund, are not in a position to identify the UNCCD'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 UNCCD has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 39, Employee Benefits. The UNCCD's contributions to the Fund during the financial period are recognized as expenses in the Statement of Financial Performance.
107. The Fund's Regulations state that the Pension Board shall have an actuarial valuation made of the Fund at least once every three years by the Consulting Actuary. The practice of the Pension Board has been to carry out an actuarial valuation every two years using the Open Group Aggregate Method. The primary purpose of the actuarial valuation is to determine whether the current and estimated future assets of the Fund will be sufficient to meet its liabilities.
108. The UNCCD's financial obligation to the Fund consists of its mandated contribution, at the rate established by the United Nations General Assembly (currently at $7.9 \%$ for participants and $15.8 \%$ 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 only payable if and when the United Nations 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 of 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.
109. The latest actuarial valuation for the Fund was completed as of 31 December 2017, and the valuation as of 31 December 2019 is currently being performed. A roll forward of the participation data as of 31 December 2017 to 31 December 2018 was used by the Fund for its 2018 financial statements.
110. The actuarial valuation as of 31 December 2017 resulted in a funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, of $139.2 \%$. The funded ratio was $102.7 \%$ when the current system of pension adjustments was taken into account.
111. After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as of 31 December 2017, for deficiency payments under Article 26 of the Regulations of the Fund as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the plan. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as of the valuation date. At the time of this report, the General Assembly has not invoked the provision of Article 26.
112. Should Article 26 be invoked due to an actuarial deficiency, either during the ongoing operation or due to the termination of the Fund, 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

United Nations Convention to Combat Desertification
Notes to the 2019 financial Statements (continued)
contributions paid to the Fund during the preceding three years (2016, 2017 and 2018) amounted to USD $7,131.56$ million, of which $0.058 \%$ was contributed by the UNCCD.
113. During 2019, contributions paid to the Fund amounted to USD 1.5 million (2018 USD 1.47 million). Expected contributions due in 2020 are approximately USD 1.5 million.
114. Membership of the Fund may be terminated by decision of the United Nations General Assembly, upon the affirmative recommendation of the Pension Board. A proportionate share of the total assets of the Fund at the date of termination shall be paid to the former member organization for the exclusive benefit of its staff who were participants in the Fund at that date, pursuant to an arrangement mutually agreed between the organization and the Fund. The amount is determined by the United Nations Joint Staff Pension Board based on 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.
115. The United Nations Board of Auditors carries out an annual audit of the Fund and reports to the Pension Board and to the United Nations General Assembly on the audit every year. The Fund publishes quarterly reports on its investments and these can be viewed by visiting the Fund at www.unjspf.org.

Note 12: Other current liabilities

| (United States dollars) | $\mathbf{2 0 1 9}$ | $\mathbf{2 0 1 8}$ |
| :--- | ---: | ---: |
| Repatriation grant held in trust | 6586 | 4323 |
| Provision for Litigation | 300000 | 0 |
| Others | $(126)$ | $(51)$ |
| Total | $\mathbf{3 0 6 4 6 0}$ | $\mathbf{4 2 7 2}$ |

116. USD 6,586 related to the repatriation grant payable to staff member whose contracts expired in 2018. This charge will be further reviewed, and appropriate action will be taken by UNCCD in coordination with UNOG/UNHQ.
117. There are contingent liabilities arising from legal actions and claims that are likely to result in a significant liability to UNCCD. In 2019, UNCCD made a provision to cover the contingent liability pending the final decision of UNDT.
118. USD (126) related to the revaluation of currencies which will be reviewed, and appropriate action will be taken in 2020 in consultation with UNOG/UNHQ.

## Note 13: Revenue

119. Indicative contributions are funds received from Parties to the Convention toward funding the Core Budget based on the United Nations scale of assessment and have been recorded in accordance with the Financial Rules and Regulations of the United Nations. The contributions are based on a biennium budget adjusted for changes in exchange rates and post adjustments and are

United Nations Convention to Combat Desertification
Notes to the 2019 financial Statements (continued)
recognized as of the first day of the year to which they relate. Indicative contributions are considered to be without conditions.

Indicative contributions
(In United States dollars)

|  | $\mathbf{2 0 1 9}$ | $\mathbf{2 0 1 8}$ |
| :--- | :--- | :---: |
| Indicative contributions approved by the Conference of <br> the parties | 8656106 | 9270941 |
| Amount reported in Statement II: <br> contributions | $\mathbf{8 6 5 6 1 0 6}$ | $\mathbf{9 2 7 0 9 4 1}$ |

120. Voluntary contributions are recognised as revenue at the point of signature except where such agreement contains a condition in which case recognition as revenue is deferred until the conditions specified in the donor agreement have been satisfied.

## Voluntary contributions

(In United States dollars)

|  | $\mathbf{2 0 1 9}$ | $\mathbf{2 0 1 8}$ |
| :--- | ---: | ---: |
| Voluntary contributions | 13691432 | 9010616 |
| Refunds | $(5699)$ | $(1353)$ |
| Net voluntary contributions | $\mathbf{1 3 6 8 5 7 3 3}$ | $\mathbf{9 0 0 9} \mathbf{2 6 3}$ |

121. Fees for services rendered in the amount of USD 38,361 represent the administrative and financial services provided by UNCCD during the Adaptation Fund Board Meetings held in Bonn.
122. In 2019, interest income earned totalled USD 615,053 compared to USD 428,086 in 2018, recorded by UNHQ Treasury New York.
123. Other revenue USD 40 related to the refund of home leave travel of a staff member.
124. Program Support Revenue is charged in line with the UN financial procedures, where UNCCD charges a standard programme support cost of $13 \%$ on technical cooperation financed activities and $12 \%$ for Associate Experts. Programme support revenue and matching expenses is eliminated in the financial statements since they represent inter-fund charges and revenue.

## Note 14: Expenses

125. Personnel expenses include employee salaries, allowances, and benefits. Employee salaries include international, national, and general temporary staff salaries, post adjustment and staff assessment including employment of temporaries. The allowances and benefits include other staff entitlements, such as pension and insurance subsidies and staff assignment, repatriation, hardship, living allowances and post-employment benefits for United Nations Volunteers, and other allowances.

United Nations Convention to Combat Desertification
Notes to the 2019 financial Statements (continued)

| In United States dollars | 2019 |
| :--- | ---: |
| Salary and wages | 5868061 |
| Pension and insurance benefits | 1750831 |
| Other benefits | $\mathbf{3 2 8 0 5 1 8}$ |
| Total personnel costs | $\mathbf{1 0 8 9 9 4 1 0}$ |

126. Travel covers the cost of airfare and other transport cost, daily support allowances and terminal allowances.
127. Non-employee compensation and allowances (contractual services) cover the cost of contracting with individual experts and consultants, insurances and travel expenses of the consultants, ICT services, production and printing of information materials, and translation and interpretation services.

| In United States dollars | 2019 |
| :--- | ---: |
| ICT services | 105364 |
| Information services - production and printing | 373384 |
| Consultancy services - individual and institutional | 2506176 |
| Translation and interpretation services | 116260 |
| Other | 12124 |
| Total contractual services | $\mathbf{3 1 1 3 ~ 3 0 8}$ |

128. Operating and other expenses include maintenance, utilities, contracted services, training, security services, shared services, rent, and insurance, as per details below. Rental of USD 234,413 includes rental of office premises for New York Liaison Office and Regional offices, rental of conferencing service equipment and rental of transportation services. The increase of rental costs for 2019 is also due to the usage of such services during the CRIC 17 and COP14 held in 2019.

United Nations Convention to Combat Desertification Notes to the 2019 financial Statements (continued)

| Other operating expenses | $\mathbf{2 0 1 9}$ | $\mathbf{2 0 1 8}$ |
| :--- | ---: | ---: |
| Bank Charges and UNDP service fee | 42997 | 28918 |
| Communications Utilities | 56536 | 51343 |
| Contracted services | 516053 | 662416 |
| Insurance | 3323 | 2570 |
| Joint activities | 399523 | 401126 |
| Maintenance | 2160 | 2760 |
| Shared services | 40976 | 9465 |
| Rental | 234413 | 47531 |
| Shipping | 27166 | 10040 |
| Hospitality and official functions | 22938 | 6990 |
| Training | 2301 | 29686 |
| Others | - | $(420)$ |
| Total Other Operating Expenses | $\mathbf{1 3 4 8 3 8 6}$ | $\mathbf{1 2 5 2 4 2 5}$ |

129. Grants include outright grants and transfers to the implementing agencies, partners and other entities to carry out the mandates contained in the Convention.
130. Change in provision for doubtful receivable represents the provision for the theoretical amount of uncollectable indicative contributions during the reporting period, based on UNCCD policies.
131. Loss on foreign exchange represent loss realized on transactions occurring in currencies other than US dollars and unrealized losses resulting from revaluation of monetary assets. In 2019, USD 78,733 as loss on investment and USD 135,389 as loss on foreign exchange booked by UNHQ New York.

## Note 15: Reserves

132. A working capital reserve has been established for the Core Budget as part of the adoption of the budget by the COP along with operating reserves established for the Trust Fund for Voluntary Financing, Trust Fund for participation of State Parties in the Conference and Special Account for Programme Support. The total reserves at the reporting date totalled USD 2.0 million (USD 2.0 million at 31 December 2018).

## Note 16: Budget Comparison and Reconciliation

133. UNCCD's budget is prepared on a modified cash accounting basis and the financial statements are prepared on a full accrual basis in accordance with IPSAS. On statement V, the budget is adopted in euro on a biennial basis and divided into annual amounts for presentation in the financial statement. Comparison of budget and actual amounts are presented in euro, with the corresponding amounts of actuals presented in United States dollars. The comparison is only made in respect of budgets adopted by the COP.
134. The actual amounts presented on a comparable basis to the budget are not prepared on a comparable basis to the Statement of Financial Performance, as the accounts are maintained in

## United Nations Convention to Combat Desertification

 Notes to the 2019 financial Statements (continued)United States dollars. A reconciliation of the revenue and expenses on the budgetary basis as on the Statement V to the amounts presented on the Statement II is presented below. As required by IPSAS-24 the differences have been categorized as follows:

Presentation differences are differences in the format and classification schemes in the Statement of Financial Performance which includes both revenue and expenses and the Statement of Comparison of Budget and Actual Amounts which includes only revenue.
Basis differences capture the differences resulting from preparing the budget on a modified cash basis. In order to reconcile the budgetary results to the net results on an IPSAS basis the non-cash elements such as un-liquidated obligations, payments against prior year obligations and outstanding indicative contributions are included as basis differences.
Entity differences represent funds other than Core budget that are reported in the Statement of Financial Performance.
135. The reconciliation between the actual amounts presented in statement $V$, and the actual amounts presented on the Statement of Financial Performance is as follows:

United Nations Convention to Combat Desertification
Notes to the 2019 financial Statements (continued)

| Reconciliation of net results on budgetary and IPSAS basis |  |  |
| :---: | :---: | :---: |
| (in United States dollars) | Operations | Total |
| Actual net result on the Statement of budgets to actual comparison |  |  |
| Core Budget (UXA) Revenue | 9224208 | 9224208 |
| Statement V-A Core Budget (UXA) expense on budgetary basis | 9251186 | 9251186 |
| Drought Initiative | 387408 | 387408 |
| Core Budget (UXA) Expense | 9683594 | 9683594 |
| Core Budget (UXA) Actual net result on budgetary basis | (414386) | (414 386) |
| Basis differences |  |  |
| Adjustments to revenue |  |  |
| Miscellaneous revenue not included in budget | 113164 | 113164 |
|  | 113164 | 113164 |
| Capitalization of equipment $\&$ intangible Assets | 5026 | 5026 |
| Change in provision for doubtful debts | 43267 | 43267 |
| Loss on investment | 8702 | 8702 |
| Loss on Foreign exchange | 240418 | 240418 |
| Other adjustments to expenditure | (848808) | (848808) |
| Post employment benefit interest and current service cost | (612000) | (612 000) |
|  | (1 163 395) | (1163 395) |
| Sub-total basis differences | (1050 231) | (1050 231) |
| Full accrual based net result for Core Budget | (1464 617) | (1464 617) |
| Entity differences on IPSAS Basis |  |  |
| Global Mechanism (GMZ) | 5980831 | 59890831 |
| Participation in UNCCD COP Sessions (UVA) | (371 213) | (371 23) |
| Convention events organized by Secretariat (BMA) | (153 049) | (153 049) |
| Programme support costs (ZQA) | (441 598) | (441 598) |
| Cost Recovery under home country agreement (ZHC) | (97745) | (97 745) |
| Voluntary Financing of activities (UWA) | 456616 | 456616 |
| Sub-total entity differences | 5373842 | 5373842 |
| Actual net result on the Statement of Financial Performance | 3909225 | 3909225 |

United Nations Convention to Combat Desertification
Notes to the 2019 financial Statements (continued)

## Note 17: Budget to Actual variance analysis

136. Explanations of material differences between the original budget and final budget, and final budget and the actual amounts are presented in the statement V from the Executive Secretary accompanying these statements.

## Note 18: Related Parties

137. The key management personnel of UNCCD are the Executive Secretary, Deputy Executive Secretary and Coordinators of major organizational units, who have the authority and responsibility for planning, directing and controlling the activities of UNCCD and influencing its strategic direction.

## Key management remuneration

(United States dollars)

|  | Number of Individuals <br> (full time equivalents) | Aggregate <br> Remuneration |
| :--- | :---: | :---: |
| Senior Management (2019) | 10 | 1764834 |
| Senior Management (2018) | 11 | 2095138 |

138. The aggregate remuneration paid to key management personnel includes gross salaries, post adjustment, entitlements, assignments and other grant, rental subsidy, personal effects shipment costs, income tax reimbursement, employer contributions to pension plan and current health insurance contributions. Key management personnel are also qualified for post-employment benefits which are payable only upon separation. In addition to the above-mentioned remuneration, the post-employment benefits for the key management personnel as at 31 December 2019 in the amount of USD 799,000 provided by the actuary is also included.
139. Key management personnel are ordinary members of the United Nations Joint Staff Pension Fund (UNJSPF).
140. Advances are those made against entitlements in accordance with the staff rules and regulations. There were no loans granted to key management personnel.
141. Except otherwise noted in these statements for revenue from non-exchange transactions including contributions in kind, all transactions made with 3rd parties occur within a normal supplier or client/recipient relationship or at arm's length terms and conditions.
142. The charges paid to the United Nations (UN Office at Geneva - UNOG) for services related to security, payroll, treasury and other services are considered to be provided on a normal supplier basis. The United Nations Secretariat also provides support services on a normal supplier basis such as translation and editing of documents related to the meetings of the Conference of Parties

United Nations Convention to Combat Desertification
Notes to the 2019 financial Statements (continued)
to the Organization. In addition, the United Nations Volunteers (UNV) is responsible for the management of the building occupied by UNCCD in Bonn, Germany. UNV charges UNCCD for the costs of space occupancy and security services on a normal supplier basis.
143. The authority to establish funds is vested in the Secretary General of the United Nations with the approval of the Conference of the Parties. All such funds must be consistent with the objectives of the UN Convention to Combat Desertification. The termination of any existing fund by the Conference of the Parties and the distribution of any remaining fund balance is subject to consultation with the Secretary General of the United Nations.
144. The Organization reimburses the United Nations for the cost of all services provided at such rates as may from time to time be agreed upon for that purpose by both organizations.

## Note 19: Leases and commitments and Contingencies

145. UNCCD has operating leases for photocopiers, water coolers, data and telecommunications equipment and outsourced computer services. The leases for photocopiers provide for the payment of costs per copy made above a maximum monthly amount, the leases for the water coolers for water supplies and for computer services provide for special services charged on an as needed basis. These additional charges are considered contingent rents and are not included in the minimum lease payments disclosed below.
146. The minimum lease payments under non-cancellable property in 2019 are USD 23,707 compared to 2018 in the amount of USD 22,547, and has no outstanding leases qualifying as finance leases at the reporting date. Lease payments recognised as expenses in the period are USD 23,707 (2018 USD 22,547).
147. Other commitments relate to the acquisition of goods and services contracted for, but not delivered, as at 31 December 2019 amount to USD 278,687 (2018 USD 503,438).
148. There are no contingent assets of which relate to official confirmation made by donors to UNCCD for future contributions at the reporting date as at 31 December 2019.

## Note 20: In-kind contributions of services

149. The UNCCD receives in-kind contributions from the government of the Federal Republic of Germany of the right to use land, office space and other facilities in its operations. The Organization has not received title to these properties which remain with the government. The facilities are provided to UNCCD without charge. The agreement under which the facilities are provided may be cancelled by the UNCCD or by the government with twelve months' notice but, in such case, would remain in force for whatever additional period is required for UNCCD to cease its activities in the Federal Republic of Germany in an orderly manner. UNCCD does not recognize the value of in-kind contributions of services including the financial value of the donated right to use the facilities provided by the Federal Republic of Germany on the financial statements.
150. During 2019, the Government of Guyana has provided conference facilities by hosting the $17^{\text {th }}$ Session of the Committee of the Review of Implementation of the Convention (CRIC 17). The Government of India has also provided the conference and logistics facilities by hosting the $14^{\text {th }}$ Session of the Conference of the Parties (COP14) held in New Delhi, India.

## Note 21: Events after the reporting date

151. UNCCD's reporting date is 31 December 2019. The financial statements were authorized for issue on 31 March 2020, the date at which they were submitted to the External Auditor. On the date of submitting these accounts, the impact of the corona virus pandemic is characterised as a material event, which has occurred since 31 December 2019, the impact of which cannot be reliably measured or assessed. No other material events, favourable or unfavourable, have occurred that would have impacted the present statements.

## Note 22: Fund Accounting

152. The UNCCD is a single purpose entity established by the Parties to the Convention and the United Nations. The UNCCD has one major mandate to assist the signatories of the Convention. It, therefore, does not have segments as defined under IPSAS-18: Segment reporting.
153. However, to provide essential information to senior management and parties on the utilization of resources by funding source, separate funds have been established to reflect the major funding sources of UNCCD as follows:

- Trust fund for the Core Budget of UNCCD financed from indicative contributions (or general purpose contributions from donors) supports the core functions of the secretariat.
- Trust fund for Participation of Representatives of eligible State Parties affected by Desertification and/or Drought in the sessions of the Conference of the Parties and its Subsidiary Bodies.
- Sub-Fund of the Special Fund for the voluntary financing of activities under the UNCCD (United Nations Convention to Combat Desertification) enabling a donor or a recipient government to make voluntary contributions supports mandated activities for which provisions are not made under the Core budget.
- Trust fund for the Sub-Fund of the Trust Fund for Convention Events organized by the UNCCD Secretariat.
- Special account for Programme Support Costs financed from charges made to the projects financed from voluntary contributions used to manage the overhead charges payable on all trust funds to cover costs relating to administrative services.
- Special account for UNCCD Cost Recovery under the Host Country Agreement used to finance costs associated with the hosting of the Conference of the Parties under the host country agreement. Balances in this account are refunded to the host country.
- Trust Fund for voluntary financing of Global Mechanism

154. All funds elimination includes revenue and expenses arising from transfers between funds which are accounted for at cost and are eliminated on consolidation.
statement I
united nations convention to combat desertification
Statement of Finarcial Position by Fimd
as at31 December 2019

|  | TRUST FINDFOR convention events organzed bythe unccd secretariat (BMA) |  | TRUST FUNDFOR VOLINTARYFINANCING OF the unccd global MECHANISM (GMZ) |  | TRUST FUNDFOR PARTICIPATION OF Representatives of State parties in the SESSION OF THE UNCCD CONFERENCE(UVA) |  | TRUST FIND For voluntaryfinancing of ACTINTIES LINDER THE UNCCD (JWA) |  | TRUST FIND FOR THE COREBUDGET OF THE UNCCD (UXA) |  | SPECIAL ACCOUNT FOR UNCCDPROGRAMME SUPPORT COST (ZQA) |  | UNCCD COST RECOVERY UNDER HCA (ZHC) |  | total |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | $\begin{aligned} & 31 \text { December } \\ & 2019 \end{aligned}$ | $\begin{gathered} \text { 31 December } \\ 2018 \end{gathered}$ | $\begin{gathered} 31 \text { December } \\ 2019 \end{gathered}$ | $\begin{gathered} \text { 31December } \\ \text { 2018 } \end{gathered}$ | 31 December 2019 | $\begin{aligned} & \text { 31 December } \\ & \text { 2018 } \end{aligned}$ | $\begin{gathered} 31 \text { December } \\ 2019 \end{gathered}$ | $\begin{gathered} \text { 31 December } \\ 2 \theta 18 \end{gathered}$ | $\begin{gathered} 31 \text { December } \\ 2019 \end{gathered}$ | $\begin{gathered} \hline 31 \text { December } \\ 2018 \\ \text { (restated) }) \\ \hline \end{gathered}$ | $\begin{aligned} & \text { 31 December } \\ & 2019 \end{aligned}$ | $\begin{gathered} 31 \text { December } \\ 2018 \end{gathered}$ | $\begin{gathered} \text { 31 December } \\ 2919 \end{gathered}$ | $\begin{gathered} 31 \text { December } \\ 2018 \end{gathered}$ | $\begin{gathered} 31 \text { December } \\ 2 \theta 19 \end{gathered}$ | $\begin{gathered} \hline 31 \text { December } \\ 2018 \\ \text { (ressated) } \\ \hline \end{gathered}$ |
| Assets |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Cash and cash equivalents | 223800 | 92577 | 2185300 | 599668 | 144690 | 85619 | 2484908 | 782339 | 944418 | 523288 | 131719 | 51968 | 618552 | 227509 | 6733387 | 2362968 |
| Shortemminvestments | 463480 | 790130 | 4525654 | 5118052 | 299645 | 730741 | 5146128 | 6671106 | 195584 | 4466155 | 272785 | 443539 | 1280991 | 1941743 | 1394557 | 20167466 |
| Indicative contributions recivable |  |  |  |  |  |  |  |  | 3324103 | 1861836 |  |  |  |  | 24103 | 1861836 |
| Voluntary contributions receivable for global |  |  | 4622633 | 133230 |  | 92705 | 1414611 | 2237866 |  |  |  |  | 62000 | 62000 | 6099244 | 3730801 |
| Otheraccounts recivivale | 3390 | 3755 | 33106 | 24297 | 2192 | 3469 | 39981 | 44091 | 30170 | 43851 | 47583 | 3739 | 13369 | 9162 | 169791 | 132364 |
| Other current assets | 123 | 607 | 16234 | 6185 | 9189 | (42344) | 8323 | 17021 | 267790 | 306290 | 99295 | 94313 | (3299) | 61924 | 397655 | 44399 |
| Total current Assets | 690793 | 887069 | 1138297 | 7086432 | 455716 | 870188 | 9093951 | 9758423 | 6522325 | 7201420 | 551382 | 593559 | 191613 | 2302338 | 30668707 | 28699429 |
| Non-Current Assets |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Equipment |  |  |  |  |  |  | 42380 | 59578 | 2404 | 29120 |  |  |  |  | 66774 | 88698 |
| Long temminvestments | 145424 | 61490 | 1419992 | 398303 | 94018 | 56868 | 1614675 | 519633 | 613676 | 347570 | 85591 | 34518 | 401930 | 151112 | 4375306 | 156949 |
| Total Non-Current Assets | 145424 | 61490 | 1419992 | 398303 | 94018 | 56868 | 1657055 | 579211 | 637770 | 376690 | 85591 | 34518 | 401930 | 151112 | 4441780 | 1658192 |
| Total Assets | 836217 | 948559 | 12802919 | 7484735 | 549734 | 927056 | 10751006 | 10337634 | 7160095 | 7578110 | 636973 | 628077 | 2373543 | 2453450 | 35110487 | 30357621 |
| Liabilities |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Current liabilities |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Accounts payable and accrued expenses | (970) | (3797) | 70519 | 191648 | (9954) | (384) | 614239 | 734424 | 135673 | 102217 | 45542 | 68229 | 1254 | 107601 | 971752 | 119647 |
| Advance receipts |  |  | 22857 | 581051 |  |  | 598620 | 637999 | 583964 | 499533 |  |  |  |  | 125441 | 171858 |
| Employee benefit liability | 11332 | 1800 | 4996 | (2600) |  |  | 5461 | 9228 | 617599 | 587209 | 147821 | 83871 | . |  | 787209 | 679502 |
| Other current liabilities |  | (3) |  | 4321 |  |  |  |  | 306509 | (28) | (49) | (18) |  |  | 306460 | 4272 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Employee benefit liability | 1669000 | 263000 | 257000 | 11000 |  |  | 137000 | 184000 | 19134000 | 15330000 | 8559000 | 4081000 |  |  | 29756000 | 19869000 |
| Total Non-Current Liabilities | 1669000 | 263000 | 257000 | 11000 |  |  | 137000 | 184000 | 19134000 | 15330000 | 8559000 | 4081000 |  |  | 29756000 | 19869000 |
| Total Liabilities | 1670626 | 261000 | 355372 | 785414 | (9954) | (3845) | 1355320 | 1565651 | 20777745 | 16518931 | 8752314 | 4233082 | 125439 | 107601 | 33026862 | 23467834 |
| Net Assets | (834 409) | 687559 | 12447547 | 6699321 | 559688 | 930901 | 9395686 | 8771983 | (13 617650 ) | (8940 821) | (8115 341) | (3605 005 ) | 2248104 | 2345849 | 2083625 | 6889787 |
| Accurmated surpluses (defecits) | (287 138) | (134089) | 11870831 | 589000 | 344011 | 715224 | 8703131 | 8246515 | (7139 371) | (567474) | (322474) | (2783149) | 2248104 | 2345849 | 12514821 | 8605596 |
| A ctuarial gain (loss) recognized in net assets | (54721) | 821648 | 576716 | 809321 |  |  | 307161 | 140074 | (7432297) | (422085) | (5287760) | (1219022) |  |  | (12383451) | (3668064) |
| Operating reserves |  |  |  |  | 21567 | 21567 | 385394 | 385394 | 954018 | 954018 | 397166 | 397166 |  |  | 1952255 | 1952235 |
| Total Fimd Balances and Reserres | (834409) | 687559 | 12447547 | 6699321 | 559688 | 930901 | 9395686 | 8771983 | 13617650) | $8940821)^{\prime}$ | (8115 341) | (3605 005) | 2248104 | 2345849 | 2083625 | 6889787 |

## STATEMENTII

untted nations convention to combat desertification
Statement of Financial Performance for the period 1 January to 31 December 2019 by fund


ACRONYMS

| ASHI | After Service Health Insurance |
| :--- | :--- |
| COP | Conference of the Parties |
| ICSC | International Civil Service Commission |
| IFAD | International Fund for Agricultural Development |
| IPSAS | International Public Sector Accounting Standards |
| OAH | Office Away from Headquarters |
| PP\&E | Property, plant and equipment |
| SDG | Sustainable Development Goals |
| UN | United Nations |
| UNCCD | United Nations Convention to Combat Desertification |
| UNDP | United Nations Development Programme |
| UNDSA | United Nations Daily Subsistence Allowance |
| UNJSPF | United Nations Joint Staff Pension Fund |
| UNOG | United Nations Office at Geneva |
| UNON | United Nations Office at Nairobi |
| UNORE | United Nations operational rate of exchange |
| UNV | United Nations Volunteers |
| USD | United States dollar |


[^0]:    The accompanying notes form an integral part of these financial statements

