



United Nations

ICCD/COP(14)/9



Convention to Combat Desertification

Distr.: General
7 August 2019

English only

Conference of the Parties

Fourteenth session

New Delhi, India, 2–13 September 2019

Item 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 biennium 2018–2019 as at 31 December 2018

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), the secretariat shall provide the Parties with an interim statement of accounts for the first 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 2018, issued as received without formal editing and with the original pagination.

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BOARD OF AUDITORS

TEL.: 1 (212) 963.5623

25 July 2019

Dear Mr.Thiaw,

Subject: Board of Auditors' report on UNCCD

I am pleased to enclose a signed copy of the Board of Auditors' report on the United Nations Convention to Combat Desertification (UNCCD) and its audited financial statements ending 31 December 2018.

Sincerely Yours,



Anjana Das
Executive Secretary

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

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



United Nations

**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 2018

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.

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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 2018 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 2018, 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 2018 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:

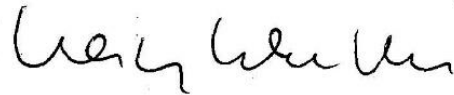
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting 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.

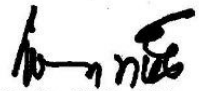
Report on other legal and regulatory requirements

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.



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



Rajiv Mehrishi
Comptroller and Auditor General of India



Jorge Bermúdez
Comptroller General of the Republic of Chile

24 July 2019

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 2018. The audit was carried out at UNCCD's headquarters in Bonn, Germany.

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 \$11.3 million. In 2018, UNCCD recognized a surplus of \$1.6 million. Only 84 per cent of indicative contributions of the parties had been received.

The 2018 financial statements were presented for audit on 31 March 2019. The Board did not identify any material shortcomings in the financial statements. The Board found certain areas for further improvement including funding and calculation of long-term employee benefits, programme support costs, programme and budget and the institutional linkage that merit attention.

Key findings

Funding of employee benefit liabilities

Liabilities for long-term employee benefits, in particular for after-service health insurance liabilities, represent the largest liability in the financial statements. For staff financed from voluntary contributions, UNCCD started funding the liabilities from 2017 onwards. The Board noted that the Conference of the Parties (COP) neither decided on the funding for staff financed from indicative contributions nor on funding for the staff financed from voluntary contributions. The Board further noted that the reporting on the funding was not sufficient to obtain a clear decision-making basis.

Programme support costs

Programme support costs are generally charged on all projects to recover indirect costs amounting to 13 per cent of project costs. The Board noted projects that deviated from this general handling. UNCCD concluded agreements with lower or no programme support charge. Reasons for the deviation from the general handling were not documented or justified.

Programme and budget

The UNCCD programme and budget proposal for the biennium 2018 – 2019 consisted of two documents: One document contained the proposed core budget, another document presented the multi-year work plan and the two-year costed work programme. The core budget was divided into objects of expenditure such as staff, consultants, general operating expenses and joint administration costs. The multi-year work plan defined strategic objectives, main outcomes, outcome indicators and main outputs. The costed work programme then provided objects of expenditure for each programme covering the core budget and described the subprogrammes.

The Board holds that the separate documents with different tables make it difficult to understand budget allocation. In addition to that, the budget lines (objects of expenditure) deviate from the breakdown of the expenses in the financial statements.

Assignment of Umoja roles

Umoja users are assigned a role or combination of roles in order to carry out their functions in the Umoja system. The Umoja roles guide sets out numerous requirements that have to be applied. Certain combinations of roles should be avoided to comply with requirements for segregation of duty. The Board found cases where combinations of roles for Umoja users of UNCCD violated segregation of duty requirements according to the roles guide. Segregation of duty is a basis for an internal controls system to manage risk. Weaknesses and non-compliance could lead to unmitigated risk of errors and irregularities.

Institutional linkage

In 1998, the United Nations Secretariat and UNCCD signed an arrangement for administrative support. According to the arrangement, United Nations Office at Geneva (UNOG) and Headquarters Treasury would provide financial and common support services in accordance with their respective responsibilities. The COP and the General Assembly regularly reaffirmed the continuation of the administrative arrangement and the connected institutional linkage.

The Board found that the actual situation differed from the original arrangements. Other entities provided support to UNCCD. At the same time, UNCCD assumed more administrative functions and responsibilities. For example, in contrast to the 1998 agreement, UNCCD maintained its accounts and approved payments. This causes confusion with regard to the delegation of authority. Also, the status of UNCCD in the United Nations system is not clearly defined. In the previous years, UNCCD reported through the Secretary-General only on programmatic aspects but did not elaborate on the changes and modifications required to the arrangement and institutional linkage.

Main recommendations

The Board recommends that UNCCD:

Funding of employee benefit liabilities

- (a) **Seek a Conference of Parties decision for the funding of the employee benefit liabilities,**
- (b) **Enhance the disclosure on the funding of the employee benefit liabilities in its financial statements.**

Programme support costs

- (c) **Generally apply its standard programme support cost rate, and justify and document any exception from the rule.**

Programme and budget

- (d) **Revise the objects of expenditure as presented in the 'programme and budget' documents and align them with the expenditure categories of the financial statements.**

Assignment of Umoja roles

- (e) Analyse the cases of role assignments to Umoja users not recommended by the Umoja roles guide and revise them accordingly.**

Institutional linkage

- (f) Review the administrative services provided by other United Nations entities, price lists of service providers and its own structure with the aim to propose the revision of the administrative arrangement and the institutional linkage.**

Key facts

\$19.39 million	Revenue
\$17.75 million	Expenses
\$1.64 million	Surplus for the year
\$30.36 million	Assets
\$19.03 million	Liabilities
\$11.32 million	Fund balance and reserves
€8.1 million	Core Budget
73	Staff

A. Mandate, scope and methodology

1. The Board of Auditors (Board) has audited the financial statements of the United Nations Convention to Combat Desertification (UNCCD) and reviewed its operations for the year ended 31 December 2018 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.

2. 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 2018 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.

3. 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.

4. The audit was carried out from 1 April to 3 May 2019. 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.

5. 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.

6. 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

7. The Board noted that out of the 16 open recommendations up to the year ended 31 December 2017, 8 (50 per cent) had been implemented, 7 (44 per cent) were under implementation and 1 (6 per cent) was overtaken by events. Details of the status of implementation of these recommendations are indicated in Annex I to this report.

8. Previous recommendations that are under implementation and require adequate attention of UNCCD pertain to the funding of after-service health insurance liabilities (see Annex I No. 8) and to its arrangement for the administrative support and an update on delegation of authority (see Annex I No. 2). The Board welcomes the steps taken by UNCCD to discuss the institutional linkage with the United Nations Secretariat. The Board noted that as a result of the use of Umoja, the linkage became even stronger: For instance, staff members were assigned approving and certifying authority in Umoja although the Controller had not delegated the respective authorities.

In the light of the United Nations reform with its aim to provide more transparency and clear accountabilities, UNCCD should review the functioning of the institutional linkage, the delegated authorities and associated accountabilities and make proposals for improvements.

2. Financial overview

Revenue and expenses

9. The Board noted that revenue from indicative and voluntary contributions amounted to \$18.28 million in 2018. Revenue was significantly lower - by \$5.65 million - than in 2017 (\$23.93 million), reaching the level of the total from indicative and voluntary contributions for 2016 (\$18.64 million). The peak of total contributions revenue in 2017 resulted from voluntary contributions. UNCCD recorded revenue from multi-year contributions which was recognized at the signature date of the agreement in line with IPSAS 23. Cash inflow and expenses are not directly related to the year of revenue recognition. The total revenue that predominantly consists of the indicative and voluntary contributions further includes \$0.99 million from interest and other revenue.

10. UNCCD's total expenses (\$17.75 million) for the year 2018 decreased by \$4.47 million compared to the expenses for the year 2017 (\$22.21 million) reaching almost 2016 expenses level (\$16.37 million). The expenses peak in 2017 was caused by major non-staff-expense categories such as costs for official travel, costs for contractual services and for operating and other direct costs mainly connected to the 2017 COP 13 meeting in Ordos, China.

11. Table 1 below presents an overview covering the three-year period 2016 to 2018. The table does not only show changes and trends within revenue and expenses but also for the other balance sheet categories.

Table 1: Overview covering the years 2016-2018 (in million United States dollars)

Year-end	2018	2017	2016	from 2016 to 2017		from 2017 to 2018	
Revenue	19.39	24.55	19.11	↑	28.5%	↓	21.0%
Expenses	17.75	22.21	16.37	↑	35.7%	↓	20.1%
Surplus	1.64	2.34	2.75	↓	14.9%	↓	29.9%
Assets	30.36	31.23	34.32	↓	9.0%	↓	-2.8%
Liabilities	19.03	22.62	27.70	↓	18.3%	↓	15.9%
Fund balance and reserves	11.32	8.61	6.62	↑	30.1%	↑	31.5%
Personnel expenses	10.21	10.26	8.43	↑	21.7%	↓	0.5%

Source: Own calculations based on UNCCD's financial statements for the years 2018, 2017 and 2016

12. The number of staff decreased from 76 at the end of 2017 to 73 staff members at the end of 2018. In addition to that, 178 consultants and individual contractors had a contract with UNCCD in 2018 compared to 220 consultants and individual contractors in 2017. The purchase orders issued for consultants and individual contractors had a total value of \$2.1 million in 2018.

Assets and liabilities

13. For assets, the Board noted a significant change within investments with less impact on total assets – as displayed in table 3 below. This shift from non-current assets to current assets has a positive impact on UNCCD's liquidity as displayed under the ratio analysis (see table 2).

14. The Board noted a significant decrease in other accounts receivable: From 2016 to 2017, receivables decreased from \$10.5 million to \$6.6 million. From 2017 to 2018, other accounts receivable further decreased by \$2.74 million (representing 42 per cent) to \$3.86 million. The

previous year's decrease and the decrease for the current fiscal year 2018 resulted primarily from a major change of lower Global Mechanism receivables (corresponding minus \$1.70 million) and \$1.03 million (minus 30 per cent) in voluntary contributions receivable.

15. For liabilities, UNCCD recognized advance receipts for conditional voluntary contributions of \$1.22 million as at 31 December 2018. These liabilities are recognized because the underlying agreements do not fulfill the revenue recognition criteria in IPSAS 23 and are assumed to be conditional (note 10 to the financial statements). As at 31 December 2017, the estimated amount to meet such obligations was \$4.47 million. This decrease of liabilities also reflects UNCCD's solvency and liquidity as stated in the ratio analysis (table 2).

16. Key financial ratios are presented in table 2 and indicate that UNCCD was in a generally sound financial position as at 31 December 2018:

Table 2: Ratio analysis

Ratio	31 Dec 2018	31 Dec 2017	31 Dec 2016	31 Dec 2015	31 Dec 2014
Assets-to-liabilities ratio^a					
Total assets : total liabilities	1.60	1.38	1.24	1.17	0.96
Current ratio^b					
Current assets : current liabilities	7.97	3.75	2.19	2.83	3.92
Quick ratio^c					
(Cash + short-term investments + accounts receivable): current liabilities	7.85	3.70	2.14	2.64	3.88
Cash ratio^d					
(Cash + short-term investments) : current liabilities	6.26	2.56	1.27	2.00	3.49

Source: UNCCD's financial statements for the years 2018, 2017, 2016, 2015 and 2014

^aA high ratio is a good indicator of solvency.

^bA high ratio indicates an entity's ability to pay off its current liabilities.

^cThe 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.

^dThe 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.

17. The Board recognized an increase in UNCCD solvency for the current financial period 2018 compared to prior years. The ability of UNCCD to pay off its current liabilities as well as its liquid current position was also strengthened. This mainly results from shifting long-term to short-term investments as shown in table 3 below, and \$0.56 million more in cash and cash equivalents whereas "accounts payable and accrued expenses" and "advanced receipts" taken together decreased by \$3.59 million.

Table 3: Development of investments during the years 2016-2018 (in million US dollars)

Investments	2018	2017	2016	from 2016 to 2017	from 2017 to 2018
Short-term	20.17	15.97	10.72	↑ 49.0 %	↑ 26.3 %
Long-term	1.57	5.03	5.19	↓ 3.1 %	↓ 68.8 %
Total	21.74	21.0	15.91	↑ 31.9 %	↑ 3.5 %

Source: Own calculations based on UNCCD's financial statements for the years 2018, 2017 and 2016

18. The short-term investments almost doubled since 2016. Whereas long-term investments remained roughly stable from 2016 to 2017, they decreased from 2017 to 2018 by more than two thirds. However, the total of invested moneys in 2017 compared to the total of invested moneys in 2018 increased by merely 3.52 per cent.

Indicative contributions outstanding

19. UNCCD received indicative contributions from Parties that are the equivalent of assessed contributions received for the United Nations. Compared to the biennium 2016-2017, for which UNCCD did not reach the expected total of indicative contributions (but 94 per cent), a further decrease occurred for the first year of the current biennium 2018-2019. For 2018, only 84 per cent of indicative contributions were received.

20. Over the last three years, the provision for impaired indicative contributions increased from \$1.59 million (2016) to \$1.78 million (2017) and to \$1.88 million (2018). As in the previous year, 18 Parties have been in arrears at least since 2007, hence for more than a decade. These arrears lead to outstanding contributions of \$1.86 million (nominal \$3.74 million less allowance for doubtful debts) which is almost one fourth of the total indicative contributions for the year 2018.

21. UNCCD reminds the Parties of outstanding contributions in several ways. In August 2018, UNCCD sent reminder letters to concerned Parties. UNCCD either reminded a Party of current outstanding contributions, or of previous years depending on whether the party also had other arrears. In the latter case, the reminder included a schedule of payments for such a Party to pay all unpaid agreed contributions. However, the Board noted that no such schedules were in place.

22. In addition to the reminder letters, the secretariat used the occasion of events to discuss the payment of contributions. In the course of the audit, the Board noted that during the last COP Bureau meeting in early 2019, UNCCD had pursued the case of one major contributor for two years' worth of outstanding contributions, which were paid within 60 days of notification. UNCCD stated that it would continue to raise this issue to the attention of Parties, especially at the COP and COP Bureau meetings.

23. The Board notes with concern the continuous growth of impaired indicative contributions (see Note 6 of the notes to the financial statements) and uncollected indicative contributions. However, the Board appreciates the steps taken by the UNCCD secretariat.

3. Funding and calculation of employee benefit liabilities

3.1 Funding of employee benefit liabilities and related disclosure

24. The post-employment long-term benefits granted to employees of UNCCD include after-service health insurance, repatriation grant, annual leave, death benefit and pension benefits. The pension benefits are paid through the United Nations Joint Staff Pension Fund (UNJSPF). While UNJSPF is a funded, multi-employer defined benefit plan, the other long-term employee benefits are financed through a 'pay as you go' system. For the post-employment long-term benefits not covered by UNJSPF, UNCCD recognizes liabilities. These liabilities represent the largest liability in the financial statements. Out of the employee liabilities, the liabilities for after-service health insurance are the largest share and that amount to \$13.9 million per 31 December 2018.

25. UNCCD stated that in accordance with IPSAS 39 (formerly IPSAS 25), the liabilities for after-service health insurance and repatriation benefits were considered unfunded. Therefore, the entire after-service health insurance and repatriation benefit liability was recognized as a liability of UNCCD.

Funding of employee benefit liabilities related to voluntary contributions

26. Financial Rule 103.4 (b) stipulates that "voluntary contributions, gifts or donations which directly or indirectly involve additional financial liability for the Organization may be accepted only with the approval of the General Assembly." Therefore, as of 2017, the United Nations decided to start systematically setting aside funds for unfunded after-service health insurance and repatriation benefits liabilities from voluntary contributions. The United Nations

estimated that for after-service health insurance a charge equivalent to 9 per cent of gross salary plus post adjustment was needed for all staff funded from voluntary contributions. The United Nations decided to implement the new accrual policy in a phased manner to minimize the impact on ongoing projects and programme delivery, starting with a monthly accrual of 3 per cent that should be applied through payroll to all posts funded by voluntary contributions. Accordingly, UNCCD had started funding the liabilities for after-service health insurance and repatriation by accruing for these expenses as of January 2017. This included all funds except core budget and the special account for UNCCD programme support costs.

27. In its 2017 audit report, the Board had recommended that UNCCD review its funding policy for after-service health insurance and repatriation liabilities, in particular the duration of the accumulation phase, and seek a COP decision on the funding plan of the voluntary funded liabilities (Annex I No. 8). As no COP has taken place since the Board has made the recommendation, the recommendation is considered as being under implementation.

Funding of employee benefit liabilities related to indicative contributions

28. Disparate rules apply for staff financed from indicative contributions. The General Assembly (Resolution 68/244, Resolution 70/248, Resolution 73/279) decided to continue a 'pay-as-you-go' approach for after-service health insurance liabilities for staff funded from assessed contributions for the United Nations entities under its governance. According to the opinion of the General Assembly, assessed contributions are generally predictable and cover budgets that reflect all requirements for the period in question, including those for current and retired employees. The Secretary-General of the United Nations did not share this view. The Secretary-General therefore suggested that the after-service health insurance liability should be funded on a pay-as-you-accrue basis. As a result of the proposals developed by a working group consisting of representatives of 18 United Nations system entities – but not UNCCD –, the Secretary-General recommended to the General Assembly (A/73/662) to maintain a pay-as-you go-approach for staff members recruited before 2022, start funding the after-service health insurance liabilities for staff recruited after 2022 and review the approach every three years.

29. Although the General Assembly decided to maintain the pay-as-you-go proposal for staff financed from the regular budget, it acknowledged with concern the importance of after-service health insurance liabilities. The General Assembly welcomed the efforts of the Secretary-General to propose measures to address the issue. It also asked to be kept abreast of developments and requested the Secretary-General to seek for comprehensive solutions (Resolution 73/279).

30. For the core budget and staff financed from programme support costs, UNCCD currently applies the 'pay-as-you-go' approach in accordance with the General Assembly decision. The reason for this is that the funding generated in these two funds relates to indicative contributions which are the equivalent of assessed contributions received for the United Nations. UNCCD informed the Parties at the COP 13 about the current discussion on the funding of the after-service health insurance liabilities within the United Nations. The COP requested the secretariat to continue monitoring developments within the United Nations system and report to the COP at its fourteenth session. Currently, the liabilities for after-service health insurance and repatriation grants for posts financed from core budget remain unfunded.

31. The Board welcomes the transparent approach to inform the COP about the developments regarding the after-service health insurance funding in the United Nations. Since UNCCD is institutionally linked to the United Nations, but not governed by the General Assembly, the Board holds that the COP as the governing body should take funding decisions for long-term liabilities. Since the COP has not yet decided on the funding of the after-service health insurance liability for voluntary financed posts, the Board suggests that the COP consider how to fund core financed after-service health insurance liabilities as well: starting now through accruing or later through pay-as-you-go.

32. **The Board recommends that UNCCD incorporate the liabilities incurred by staff financed from indicative contributions in its funding policy review for employee benefits and seek a COP decision.**

33. UNCCD accepted the recommendation.

Disclosure of funded vs. unfunded share

34. During the year 2017, the accrued funds for voluntary contributions were accounted in a fund managed by United Nations Headquarters. During the year 2018, these accrued funds were paid back from United Nations Headquarters to UNCCD. UNCCD accrued \$0.2 million for after-service health insurance and repatriation benefits in 2017 and 2018, which are held in cash and investments in the United Nations cash pool like any other cash and investments. The Board noted that the financial statements do not show which part of the after-service health insurance liability is funded and whether it stems from core financed or from voluntarily funded posts.

35. The Board holds that this information is essential to provide to Management and the Parties a reliable decision-making basis. Therefore, the share of liabilities that is incurred by core financed and by non-core financed activities and the information as to whether it is funded or not should be displayed transparently in the financial statements.

36. The Board recommends that UNCCD disclose 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.

37. UNCCD agreed with the recommendation.

Investment strategy for funding the liabilities

38. The funds for the after-service health insurance liabilities that have already accrued are held in the United Nations cash-pool like any other cash and investments. After-service health insurance liabilities take a long time to reach maturity, whereas the investments held in the cash-pool are mainly invested in a short-term horizon. Hence maturities of assets and liabilities do not match. UNCCD did not agree on a specific investment approach for these reserves with United Nations Treasury.

39. The Board is of the view that UNCCD should develop a specific investment approach for the after-service health insurance reserves to optimize the returns from the reserves. The investment approach should identify the asset allocation strategy, such as the share of long-term assets in the investment mix. It should include performance objectives for the reserve, the means of monitoring of the objectives and, when necessary, modifying allocations and performance objectives in the light of changing liabilities and market conditions

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.

41. UNCCD agreed with the recommendation.

3.2 Calculation of the employee benefit liabilities

Plausibility check of the actuarial valuation report

42. The valuation of the employee benefit liabilities was conducted by an external actuary to whom UNCCD provided the census data, such as name, age, date of hire, type of employment. UNCCD is therefore responsible for the completeness and accuracy of the data. The actuaries' responsibility is to calculate the liability from the data provided by UNCCD. UNCCD could not explain how the actuary chose the eligible staff for after-service health insurance and for repatriation benefits from the provided data. Also, UNCCD could not explain how the actuary calculated the average age and seniority of the staff members. The Board noted that UNCCD had not regularly carried out verification checks between the census data and the actuarial valuation

data. The Board is of the view that UNCCD should verify whether the actuary took into account the data as it was provided by UNCCD.

43. UNCCD stated that UNCCD's data matched with Umoja records as UNCCD fully relied on that system.

44. The Board did not question the quality of the underlying data provided by UNCCD to the actuary. Rather, UNCCD should verify by means of an internal control mechanism whether the actuary has taken into account all and accurate data for the actuarial valuation. Given the high value of the liability, this is important for the accuracy of the financial statements.

45. The Board recommends that UNCCD conduct and document a plausibility analysis of the actuarial valuation of the employee benefit liabilities.

46. UNCCD accepted the recommendation.

Accuracy of the provided census data

47. The eligibility of staff members for after-service health insurance is earned after five years of participating in a contributory health insurance plan of the United Nations for staff hired before July 2007 and ten years for staff hired after July 2007. Therefore, both years of service at times of participation in a contributory health insurance plan of other organizations in the United Nations common system of salaries and allowances and cumulative contributory participation with different types of appointment have to be taken into account.

48. The Board found that for the calculation the actuary did not use the years that a staff member participated in a contributory health insurance plan of the United Nations. Instead, the actuary used the date of hire to UNCCD (for continuous appointments: the date of hire in the previous organization) as a main parameter of the calculation of the liabilities.

49. The Board identified cases of staff members that had worked at other United Nations organizations for several years but were only taken into account with their service years in UNCCD for the calculation of the after-service health insurance liability.

50. The Board holds that the entry date might be inappropriate to accurately reflect staff members' eligibility. Therefore, the calculation may not reflect the eligibility of those staff members accurately. The Board is of the view that UNCCD should consult with the actuary and the respective focal point at United Nations Headquarters to enhance data quality and the reliability of the calculation.

51. The Board recommends that UNCCD consult with the actuary and United Nations Headquarters on the data basis for the actuarial valuation of employee benefits liabilities to enhance the accuracy of the actuarial valuation.

52. UNCCD agreed with the recommendation. UNCCD stated that these issues needed to be discussed in a broader United Nations context.

Transfer of staff members between United Nations organizations

53. When a staff member is transferred from another United Nations system entity to UNCCD, the staff member keeps most of its earned allowances and entitlements (UNCCD as the receiving organization). The same is true for staff that separates from UNCCD and is transferred to other United Nations system entities. The leaving staff member keeps most of earned allowances and entitlements (UNCCD as the releasing organization). The "Inter-Organization Agreement concerning Transfer, Secondment or Loan of Staff among the Organizations applying the United Nations Common System of Salaries and Allowances" (transfer agreement) stipulates that "The extent of each organization's liability for employers' contributions to health insurance or social security schemes other than the Pension Fund will be agreed between the two

organizations in each case.” The Board noted that UNCCD did not routinely conclude such agreements with the receiving or releasing organization.

54. The Board holds that there might be a risk that the receiving organization of a former UNCCD staff may claim funds to cover the liabilities earned by the staff during the time he or she was a UNCCD staff member. UNCCD should assess as to whether agreements with the organizations of incoming and leaving UNCCD staff should be concluded on a regular basis. A consultation with Legal Affairs and United Nations Headquarters might be needed to gain legal assurance.

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.**

56. UNCCD agreed with the recommendation. UNCCD stated that these issues needed to be discussed in a broader United Nations context.

4. Findings related to the accounting and financial reporting function

4.1 Accounting for voluntary contributions

Treatment of voluntary contributions

57. UNCCD receives voluntary contributions (non-exchange transactions) from Parties, multilateral organizations, private sector and other sources. Voluntary contributions are provided to UNCCD in the form of unrestricted regular resources and contributions earmarked for a specific programme or project.

58. According to IPSAS 23.15, stipulations to donor agreements may be either conditions or restrictions. Regarding the revenue recognition, UNCCD distinguishes between non-conditional (“subject to restrictions”) and conditional agreements (“subject to conditions”). Non-conditional agreements are contributions from donors with general stipulations that do neither require specific performance nor return of future economic benefits. No liability is recognized to offset the recognized asset (accounts receivable or cash). Conditional agreements are contributions for specific projects or programmes. These agreements contain specific conditions on the performance of specified activities in accordance with a budget and work plan approved by the donor. In addition, funds not used for the purposes specified in the agreement must be returned to the donor or reprogrammed to other projects with the permission of the donor. On signature of the agreement by both parties, the amount covered by the agreement will be recognized as an asset (accounts receivable or cash) and a liability (advance receipts) with the same amount. Revenue is recognized when the conditions in the agreement are satisfied by performing the specified tasks required by the donor in proportion to the costs incurred.

59. The Board reviewed nine donor agreements amounting to revenues of \$6.5 million. The Board noted that UNCCD recognized three donor agreements with refund clauses as conditional and three as non-conditional. UNCCD had not documented any reasons why some clauses led to the conclusion to recognize the agreements to be conditional in one case and in another case to recognize the agreement differently.

60. UNCCD stated that it assessed the asset and revenue recognition criteria but did not document the decision on how to recognize the agreements.

61. The Board holds that finance relevant decisions should be documented comprehensively and with a full audit trail. In order to improve the documentation, UNCCD should use a checklist to assess on a case-by-case basis as to whether an agreement fulfills the asset and revenue recognition criteria as set in IPSAS 23.

62. **The Board recommends that UNCCD, when reviewing its donor agreements on a case-by-case basis with regard to all asset and revenue recognition criteria of IPSAS 23, document the decision whether to recognize the agreement as being conditional or not.**

63. UNCCD agreed with the recommendation.

Disclosure in the notes

64. IPSAS 23.106 requires the entity among others:

- to disclose the amount of liabilities recognized in respect of transferred assets subject to conditions; and
- to disclose the amount of assets recognized that are subject to restrictions and the nature of those restrictions.

65. The Board noted that UNCCD did not disclose the amount of assets recognized that are subject to restrictions and the nature of those restrictions in the financial statements.

66. The Board holds that the disclosure does not only improve compliance, but also enhances transparency. Therefore, UNCCD should disclose such information based on the nature of the stipulations.

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.**

68. UNCCD agreed with the recommendation and it plans to implement it as of 2019.

4.2 Programme support costs

69. Following the United Nations Finance and Budget Manual, the purpose of the programme support cost charge is to recover incremental indirect costs that are the additional costs incurred by activities financed from extra-budgetary contributions. This charge aims to ensure that the additional cost of supporting activities financed from extra-budgetary contributions is not borne by core resources within the United Nations Secretariat. In 1997, the COP decided that the Financial Regulations and Rules of the United Nations shall apply¹. In 1998, the United Nations and UNCCD concluded Arrangements for Administrative Support by the United Nations to the Permanent Secretariat to the UNCCD. This memorandum stipulates that all established funds² are subject to 13 per cent programme support reimbursement.³

70. The United Nations Finance and Budget Manual quotes 13 per cent of programme support costs on all voluntary contributions where the United Nations retains primary and overarching programmatic responsibility and is the first or primary recipient of these funds. In exceptional cases, the Manual quotes a rate of 7 per cent on all voluntary contributions in support of inter-agency programmes and collaboration with other multi-lateral institutions. 3 per cent are to be applied on all voluntary contributions for projects that are entirely implemented by other United Nations organizations, non-governmental organizations or government services (so called "pass-through arrangements"). These two lower levels of programme support costs would largely replace, and provide clarity and consistency in respect of current exceptions. The rationale of the requirement derives from Financial Rule 103.4 (b), which was promulgated pursuant to Financial Regulation 3.11, and provides that "voluntary contributions, gifts or donations that directly or indirectly involve additional financial liability for the Organization may be accepted only with the approval of the General Assembly."

¹ ICCD/COP(1)/11/Add.1, Annex Financial rules for the COP.

² General Fund for the core budget, Supplementary Fund for facilitation of various activities, Special Fund for travel of representatives from developing countries.

³ The programme support cost rate set at 13 per cent is based on the decision of the United Nations Development Programme (UNDP) Governing Council (80/44 of 27 June 1980) that was noted by the General Assembly in section V of its resolution 35/217 of 17 December 1980.

71. The approved budget for the biennium 2018-2019⁴ stated that a rate of 13 per cent was charged to all trust funds for programme support services or overheads. In its financial statements (para. 117), UNCCD stated that programme support revenue was charged in line with the United Nations financial procedures, where UNCCD charged a standard programme support cost of 13 per cent on technical cooperation financed activities and 12 per cent for Associate Experts.

72. The Board found that in 13 out of 17 agreements that were subject to programme support costs, a rate of 13 per cent was agreed. While in 2 cases, a rate of 7 per cent was agreed, the other 2 agreements did not charge any programme support costs⁵. The difference between the programme support costs set at 13 per cent and the programme support costs set at 7 per cent or 0 per cent amounts to almost \$99,000 for 2018. The decision to deviate from the 13 per cent rate in these cases was taken by the former Executive Secretary without any substantial justification. UNCCD stated that as part of the discussions with donors, the element of overheads could be a major challenge in negotiations, one that the Executive Secretary would be aware of when determining how best to proceed.

73. The Board is of the opinion that each file should document a justification for exemptions from standard recognition of the regular programme support cost. The justification should show that the administrative overhead for the activities covered by agreements is lower in order to ensure that funds available for core functions do not cross-subsidize voluntary funded activities. Further, the Board holds that precedential cases should be avoided to which other potential donors might refer when it comes to negotiations about voluntary funding. To enhance transparency, UNCCD should disclose such exceptions to the Parties.

74. The Board recommends that UNCCD generally apply its standard programme support cost rate, and justify and document any exception from the rule.

75. UNCCD agreed with the recommendation.

4.3 Accounting treatment of appendix D benefits

76. The United Nations provides compensation for employees that covers death, illnesses or injury if service-incurred. The basis for these entitlements is Staff Rule 6.4, complemented by appendix D of the Staff Regulations and Rules (appendix D benefits). For United Nations organizations outside the United Nations Secretariat, the United Nations Secretariat usually pools the money of fees received from participating organizations and pays benefits to individuals. These fees were paid by UNCCD and returned because UNCCD decided not to participate in this mechanism. UNCCD decided not to handle the risks on its own with regards to cost concerns. Therefore, it concluded a contract with a private insurance company that partly covers the benefits. UNCCD is obliged to cover the remaining amounts not covered by the insurance.

77. The Board found weaknesses in the complex accounting treatment, for instance in how the insurance premiums are taken into account. Also, UNCCD did not assess whether it is necessary to recognize a liability for appendix D benefits in its financial statements for the potential part that might not be covered.

78. The Board holds that the accounting treatment of appendix D benefits should be reviewed.

79. The Board recommends that UNCCD review its accounting treatment of appendix D benefits.

80. UNCCD agreed with the recommendation.

⁴ ICCD/COP(13)/7, para.29.

⁵ In two further cases fix costs were agreed instead of a programme support cost rate but in its size equivalent to the regular 13 per cent-rate. In both cases, the recovery of costs was agreed for a project officer and a lump sum for administrative costs.

4.4 Cost sharing at the Liaison office in New York

81. In 1998, the secretariat of the United Nations Convention on Biological Diversity (CBD) and the secretariat of UNCCD signed a memorandum of co-operation. The parties agreed to establish a liaison office in New York with two professional staff (P-4 and P-3) and one general service staff (G-4). The staff members would be employed by UNCCD but they would report to both Executive Secretaries. The parties agreed that they would share the costs for salary and office requirements equally.

82. According to a letter dated 13 November 2013, CBD funded 50 per cent of one P-4 staff member and 30 per cent of the operating costs. UNCCD funded the remaining costs including the full staff costs for the general service staff and the P-5 staff. UNCCD requested that CBD increase its funding starting in 2013. CBD mainly denied the request and agreed to fund 50 per cent of the costs for the general service staff, in case that CBD received 50 per cent of his/her service. In 2014, CBD agreed to fund 50 per cent of the costs of the general service staff. In 2017, the total costs for the New York Liaison Office were \$0.66 million. CBD funded \$0.19 million (29 per cent) of the total costs. It was only on 6 November 2018 that UNCCD sent a financial utilization report as at 31 December 2017 to CBD and recorded the transactions in Umoja. In 2019, the office received an additional D-1 post.

83. In 1998, UNCCD and CBD agreed to share staff and the costs of the office on equal terms. The funding share rose significantly for UNCCD without the two organizations revising the memorandum. The Board considers it important that UNCCD analyse its resource requirements and update the memorandum. Furthermore, UNCCD has to ensure that transactions and other events are recorded in the accounting records and recognized in the financial statements for the periods to which they relate. Alternatively, UNCCD may consider agreeing with CBD on separate billing and recognition in the accounts.

84. **The Board recommends that UNCCD analyse the portion of services rendered by the staff members in the New York liaison office to UNCCD and CBD with the objective to share the costs accordingly and formalize the updated arrangements.**

85. UNCCD agreed with the recommendation. UNCCD would follow up with CBD accordingly.

5. Programme and budget

86. The Financial Regulations and Rules of the United Nations stipulate that the proposed programme budget shall be divided into parts, sections and programmes. Programme narratives shall set out subprogrammes, outputs, objectives and accomplishments expected during the biennium.⁶

87. The UNCCD programme and budget proposal for the biennium 2018 – 2019 consisted of two documents: One document contained the proposed core budget⁷, another document presented the multi-year work plan and the two-year costed work programme.⁸ The budget proposal provided two main tables for the core budget. Table 1 allocated the core budget to the secretariat programmes, Table 2 divided the core budget into objects of expenditure such as staff, consultants, general operating expenses and joint administration costs. The multi-year work plan defined strategic objectives, main outcomes, outcome indicators and main outputs. The costed work programme provided objects of expenditure for each secretariat programme covering the core budget and described the subprogrammes. The Board found that UNCCD did not prepare detailed costing sheets to support its budget calculations. UNCCD divided each programme into budget lines but did not go into details per budget line.

6 Regulation 2.3 of the Financial Regulations and Rules of the United Nations.

7 ICCD/COP(13)/7.

8 ICCD/COP(13)/8-ICCD/CRIC(16)/2.

88. The Board holds that the separate documents with different tables make it difficult to understand budget allocation. The budget lines (objects of expenditure) deviate from the breakdown of the expenses in the financial statements. As a result, the budget cannot be compared easily with the statements. Furthermore, the Board considers it important that UNCCD enhance its internal planning of the budget. Detailed planning will help to monitor budget consumption.

89. UNCCD stated that the multi-year work plan and the two-year costed programme defined the strategic results framework.⁹ All activities carried out with extra-budgetary resources were in line with the work plan. The work programme included information about activities for which donors had transferred extra-budgetary funding to UNCCD. Combining the two budget documents would be difficult as the Committee for the Review of the Implementation of the Convention was responsible for considering the work plan and work programme. Furthermore, UNCCD stated that official documents should not duplicate documents and had to comply with maximum word counts. UNCCD stated that it shared the budget calculations with the budget contact group at the COP 12.

90. **The Board recommends that UNCCD revise the objects of expenditure as presented in the 'programme and budget' documents and align them with the expenditure categories of the financial statements.**

91. UNCCD agreed with this recommendation and will present the budget accordingly at its next session of the COP.

6. Assignment of Umoja roles

92. The process to add, modify or delete Umoja users is called User Access Provisioning process. Guidance to this process is given on the United Nations intranet iSeek¹⁰. Among other sources, iSeek refers to the Umoja roles guide¹¹. The Umoja roles guide "provides a detailed overview of each transactional role, as well as training requirements, Delegation of Authority requirements and Segregation of Duty role conflicts". It describes 240 different roles and contains numerous rules to be considered.

93. The Board analysed the combinations of roles to which 81 Umoja users of UNCCD were mapped to. 86 different roles had actually been used. The Board found 19 cases of combinations of roles, which were not recommended by the Umoja roles guide. 11 of them referred to segregation of duty requirements. 8 referred to combinations that were granting users functionalities redundantly (redundancy with embedded roles). Further, the Board found 1 case of assignment to a specific role¹² where the maximum number of users that may be mapped to for one location had been exceeded.

94. Segregation of duty and limitations on number of assignments are fundamental for an internal controls system to manage risk. Weaknesses and non-compliance may lead to unmitigated risk of errors and irregularities. The Board also considers that the higher the number of redundancies, the higher the risk not to have a full overview which may make the management of role assignment cumbersome and error-prone. The guidance of the Umoja roles guide needs to be complied with.

95. **The Board recommends that UNCCD analyse the cases of role assignments to Umoja users not recommended by the Umoja roles guide and revise them accordingly.**

⁹ Regulation 4.1 of ST/SGB/2016/6.

¹⁰ https://iseek.un.org/departmental_page/addmodifydelete-user (retrieved on 16 April 2019).

¹¹ The current version of the Umoja roles guide was Version 16.04.2019 during the course of the audit.

¹² Seven users had been assigned to the role FA.13 (FA Month End User). Six of them appear to belong to the unit Administration and Finance and Human Resources. Users mapped to that role can record late adjustments during the monthly closing process. According to the roles guide, this role should typically only be assigned to a maximum of four people per location. See Additional Mapping Guiding Principles on page 195 of the Umoja roles guide.

96. UNCCD agreed to the recommendation, it is consulting with the United Nations Office at Geneva with the matter, and initiated the revision promptly.

7. Procurement

97. In 2017, the former Executive Secretary delegated procurement authority to staff members to sign contracts up to \$50,000; to procure goods and services up to \$50,000; and to procure low value items up to \$10,000. In 1998, a former Under-Secretary-General for Management granted procurement authority to a former Executive Secretary in 1998. The two personal delegations are outdated and have not been renewed.

Low value acquisitions

98. UNCCD processed 45 low value purchases in 2018. UNCCD had the duty to record the details of the purchase orders in Umoja. The Board found that UNCCD recorded the adequate financial rule in only 11 cases (24 per cent). 19 purchase orders (42 per cent) used a financial rule with the description "DO NOT USE" and 2 recorded no financial rule at all. The Board found that some purchase orders were awarded to the same vendor for the same services. For instance, three purchase orders were issued to a supplier for the provision of quarterly maintenance of e-mail services. UNCCD had not obtained 3 quotations for the services. Low value acquisitions may not be used for recurring demands for which contracts are to be established.¹³

99. UNCCD stated that initially the company providing e-mail services did not possess the expertise required. UNCCD then issued these low value purchase orders to the company that also participated in the original solicitation.

100. The Board holds that in case of recurring requirements UNCCD needs to establish a systems contract instead of issuing individual purchase orders.

Acquisitions above \$10,000

101. UNCCD had concluded an agreement with UNFCCC for the provision of procurement services.¹⁴ The Board reviewed the Umoja records of six purchase orders with target values between €16,588 and €44,000. The Board noted that UNCCD carried out the solicitation: UNCCD drafted the technical specifications/terms of reference, advertised the tender and evaluated the offers. It was only then that UNFCCC was involved and approved the purchase order in Umoja. No data on the solicitation was recorded in Umoja.

102. The Board found weaknesses in the procedures. For instance, one purchase order recorded the financial rule for request for quotations, but the target value of €44,000 exceeded the threshold of \$40,000. Two purchase orders resulted from an advertisement for individual consultants and contractors. As companies submitted a bid, UNCCD awarded the purchase order under the procurement rules (request for proposal) which are governed by other rules.

103. In accordance with the Financial Regulations and Rules of the United Nations, only designated officials may perform the procurement function. UNCCD does not have Umoja procurement roles that are governed by the delegation of procurement authority. The Board holds that UNCCD should not carry out procurement function without the official designation. The Board holds that UNCCD does not have the capacity to use formal methods of solicitation (invitation to bid and request for proposals).

104. UNCCD needs to ensure that the activities are compliant with applicable rules and properly documented. All staff members involved need to know the applicable procedure. While

¹³ See procurement manual chapter 13.9; Memo from the Director of the Procurement Division 'Increase in direct procurement threshold from \$4,000 to 10,000' dated 9 December 2016.

¹⁴ Agreement for the provision of procurement services by Secretariat of the United Nations Framework Convention on Climate Change and its Kyoto Protocol on behalf of the Secretariat of the United Nations Convention to combat Desertification Bonn effective from 10 January 2007.

the majority of purchases were assigned to a procurement assistant, some low value acquisitions were processed without involving the assistant. The Board holds that a sole focal point for procurement activities would be beneficial. Also, UNCCD needs to ensure that purchase orders processed by service providers are properly recorded in Umoja.

105. UNCCD stated that the decision to award the contract to companies instead of individual consultants was approved by the Executive Secretary; the process was transparent and fair.

106. The Board also holds that UNCCD did not comply with the rules applicable to a request for proposal as recorded in the cases mentioned above.

107. **The Board recommends that UNCCD clarify the procedures for all procurement activities including low value acquisitions and establish a compliance control mechanism.**

108. UNCCD agreed with the recommendation.

8. Institutional linkage

109. In 1998, a former Under-Secretary-General for Management of the United Nations Secretariat and the former Executive Secretary of UNCCD signed an arrangement for administrative support. According to the arrangement, the Secretary-General appoints the Executive Secretary of UNCCD after consultation with the COP through its Bureau who shall report to the Secretary-General on administrative and financial issues. Financial and common support services shall be provided by UNOG and the Treasury in accordance with their respective responsibility.

110. The COP approved the institutional linkage.¹⁵ UNCCD should not be fully integrated into the work programme and management structure of any particular department or programme of the United Nations in order to ensure efficient servicing of the Convention and its implementation. The General Assembly also approved the institutional linkage and requested the Parties to review the functioning with a view to making modifications as may be considered desirable.¹⁶ The General Assembly regularly reaffirmed the continuation.¹⁷

111. In 2019, the Secretary-General established a new framework for delegation of authority.¹⁸ The Secretary-General rescinded all existing delegations of authority and subdelegations of authority issued to any official of the United Nations, other than the executive heads of separately administered and funded subsidiary institutions and programmes. The framework stipulates that delegation of authority should not lead to the creation of new duplicative administrative capacities in entities that lack the structural capacity to execute decisions. Consequently, where the entity lacks the appropriate capacity to execute the decision, another entity shall be assigned as service provider. Heads of entities received the new delegations of authority through a portal. UNCCD was informed by the United Nations Secretariat that it was one of the specialized entities for which delegations of authority were not rescinded. Therefore, the status quo for exercising administrative authorities remained the same as before.

112. The Board found that the actual situation of UNCCD differed from the 1998 arrangement. In 2018, UNCCD received services from UNOG and Headquarters Treasury, but also from the United Nations Global Centre for Human Resources Services (OneHR), UNFCCC, and common services for the location in Bonn. At the same time, UNCCD assumed more administrative functions and responsibilities. In contrast to the 1998 agreement, UNCCD maintained its accounts and approved payments. The costs associated with UNOG services decreased. In 2000-2001 UNCCD paid \$1.3 million for UNOG services while in 2018-2019

15 Decision 3/COP 1.

16 A/RES/52/198.

17 A/RES/72/220.

18 ST/SGB/2019/2.

UNCCD is to pay approximately \$0.5 million for UNOG services.¹⁹ Furthermore, the Board noted that the ratio of administrative staff to the total number of staff increased, as per table 4.

Table 4: Development of administrative staff in relation to total staff

Year	No. of admin staff	Total No. of staff	Admin per total staff
1998 ²⁰	6	45	13.3
2003 ²¹	11	58	19.0
2019 ²²	17	83	20.5

Source: Own calculations

113. Assuming more administrative functions was challenging because of the small size of UNCCD. For instance, United Nations Headquarters did not implement the delegation of procurement authority with the Umoja system for UNCCD. Since 2019, the new framework has required the entity to have, among others, bids receiving and safeguarding capacity and a minimum of two procurement officials of which at least one is a procurement officer.²³

114. The Board noted that neither the institutional linkage nor the related administrative arrangement have been modified although they do not reflect the current practice. This results in uncertainty with regard to the delegation of authority (see Annex I No. 2). Despite UNCCD following up with the United Nations Secretariat, no progress has been made. In 2019, a new Executive Secretary was appointed. The Board considers it crucial that the Executive Secretary receive a functional delegation of authority. Also, the status of UNCCD in the United Nations System is not clearly defined. In the previous years, UNCCD reported through the Secretary-General only on programmatic aspects but did not elaborate on the changes and modifications required to the arrangement and institutional linkage.

115. The Board holds that the decisions related to the establishment of UNCCD show that it was not intended to establish a completely autonomous institution outside the United Nations system. One objective was to avoid duplicative administrative structures. The new delegation of authority framework states a similar aim. The Board is of the view that UNCCD is part of the United Nations system. Due to its size, UNCCD cannot and should not carry out all administrative tasks itself but rely on the administrative structures of other United Nations entities, where necessary.

116. **The Board recommends that UNCCD review the administrative services provided by other United Nations entities, price lists of service providers and its own structure with the aim to propose the revision of the administrative arrangement and the institutional linkage.**

117. UNCCD agreed with the recommendation and will continue to consult with United Nations Headquarters on the matter.

C. Disclosures by Management

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

118. UNCCD reported that there were no write-offs of cash, receivables, and assets during 2018. UNCCD also did not make any ex-gratia payment.

19 ICCD/COP(6)/2/Add.5.

20 Organization chart as of April 1998 for UNCCD Secretariat.

21 Organization chart as of 2003 for UNCCD Secretariat.

22 Organization chart as at February 2019 for UNCCD Secretariat and Global Mechanism.

23 Delegation of authority from the Secretary-General to Head of Entity.

Cases of fraud and presumptive fraud

119. 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.

120. 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.

121. UNCCD further reported that there was no case of fraud and presumptive fraud for the financial year ended 31 December 2018.

D. Acknowledgement

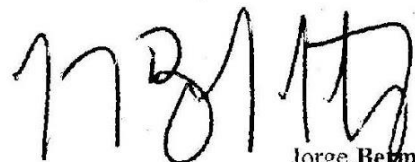
122. The Board wishes to express its appreciation for the cooperation and assistance extended to it by the Executive Secretary and staff members of UNCCD.



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



Rajiv Mehrishi
Comptroller and Auditor General of India



Jorge Bermúdez
Comptroller General of the Republic of Chile

Annex

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

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
1.	2015	20	UNCCD develop its Business Continuity and Disaster Recovery Plan at the earliest, test periodically and update it as necessary.	UNCCD has completed version 2.0 of UNCCD IT Business Continuity in March 2019.	Version 2.0 of UNCCD IT Business Continuity documents the Business Continuity Plan and Disaster Recovery Plan sufficiently.	X			
2.	2016	32	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 in October 2018 with Central Support Services of the United Nations. UNCCD was asked to complete a questionnaire for the Secretary-General's consideration of the revised bulletin on the delegation of authorities in January 2019. However, it was discovered that the new guideline excluded agencies like the UNCCD Secretariat.	UNCCD followed up with the United Nations Secretariat, which has not achieved any results yet. The Secretariat informed UNCCD that it would regulate agencies excluded from the bulletin ST/SGB/2019/2 soon. The recommendation remains under implementation.			X	
3.	2016	42	UNCCD explain classifications and sub-classifications in more detail and streamline the format and layout of the financial statements. To the extent possible it should use the United Nations template for financial statements.	Taking into the consideration of the Secretariat's nature of business, its budgets and number of transactions, UNCCD secretariat explained the classification and sub-classification to the extent possible using United Nations template. If a specific classification and sub-classification to be elaborated further, UNCCD secretariat would be happy to do so if the request is made by Board with samples of such details.	The secretariat has made progress with classifications and sub-classifications, and the format. The Board encourages the Secretariat to further optimize its template for financial statements.	X			
4.	2017	25	UNCCD increase its efforts to collect outstanding indicative contributions, for	UNCCD sent reminder letters to Parties in August 2018 and followed up any	A major contribution was received after a dialogue on the COP.			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
			instance by meeting individually with party representatives to establish a dialogue on payment plans.	outstanding balances in the notification of contributions for 2019. On occasion, staff on mission has approached individual Parties regarding their contributions.	Nevertheless, UNCCD received only 84 per cent of indicative contributions for 2018, which represents a decrease compared to the same time in the previous biennium. UNCCD needs to assess further action.				
5.	2017	30	UNCCD assess whether it could benefit from an IT system that permits the automated preparation of the financial statements using the standardized mapping and building on Umoja.	United Nations Secretariat offered a price of \$150,000 one-time costs plus \$30,000 per year, which is very significant for UNCCD's budget. For the time being, UNCCD has decided to continue with the present procedures for the preparation of the financial statements.	UNCCD assessed the IT system used by United Nations Headquarters for preparing the financial statements. UNCCD drew the conclusion that it is economically not viable.	X			
6.	2017	34	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 agreed on the recommendation. UNCCD will follow up with United Nations Office at Geneva and United Nations Headquarters on posting all transactions in Umoja.	UNCCD still operates accounting entries outside Umoja. The recommendation remains under implementation.		X		
7.	2017	40	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.	The Board acknowledges the progress made in professionalization of the finance staff. However, UNCCD needs to establish continuous training of its finance staff to achieve sound management of IPSAS and Umoja.		X		
8.	2017	49	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 thirteenth session about the developments regarding after-service health insurance I within the United Nations Secretariat. The	Funding the after-service health insurance liabilities is currently being discussed by the Secretary-General of the United Nations and		X		

Audit report No.	Year	Paragraph reference	Recommendations of the Board	UNCCD response	Board's assessment	Status after verification			
						Implemented	Under implementation	Overtaken by events	Not implemented
				Secretariat will follow up at fourteenth session to inform the Parties about the recent developments.	the General Assembly; cf. para. 27. The recommendation remains under implementation.				
9	2017	50	UNCCD enter into an agreement with United Nations Headquarters on the after-service health insurance fund to have a legal basis for its contributions to it.	UNCCD is in contact with United Nations Headquarters to reverse the deductions of after-service health insurance from its Core Budget Trust Fund. The Secretariat is currently considering going to the COP for a proposal to set aside funds for after-service health insurance. UNCCD will diminish its contribution to this general ASHI fund until more information is provided on how to access it.	UNCCD has recovered all amounts previously collected centrally from United Nations Headquarters and transferred all related balances into its funds. UNCCD intends to manage the reserves and related payments for after-service health insurance and repatriation liabilities in the organization's own accounts. Therefore, there is no longer a need to enter into a formal agreement with Headquarters.				X
10.	2017	57	UNCCD explore and implement other functionalities in the website tool SharePoint such as automatic alerts to improve the management of donor agreements.	UNCCD has made progress in this area, in that donor agreements and their reporting milestones are tracked in a single view on the Secretariat's SharePoint site.	UNCCD has enhanced the tool, which contains more information than last year. The tool highlights next required steps per agreement. UNCCD should continue to upload relevant documents. The recommendation is considered to be implemented.	X			
11.	2017	62	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 responsibilities and accountability.	UNCCD has a working draft guideline on the selection process for implementing partners and managing grants. Furthermore, UNCCD liaised with the United Nations Secretariat with regard to the planned changes to Umoja and guidance available at the Secretariat.	UNCCD is working on establishing the process. The recommendation remains under implementation.				X
12.	2017	70	UNCCD start tracking the attendance of staff members in mandatory United Nations trainings on safety and security,	In response to the Secretary-General's bulletin on mandatory training programmes (referencing	UNCCD has monitored the attendance of basic security training. The attendance rate had	X			

Board Report 2018

Audit report No.	year	Paragraph reference	Recommendations of the Board	UNCCD response	Board's assessment	Status after verification			
						Implemented	Under implementation	Overtaken by events	Not implemented
			and take appropriate action in case of a low attendance rate.	ST/SGB/2018/4), UNCCD is tracking the progress of all staff members in completing the task by the set deadline.	been 90 per cent. UNCCD is sending reminders to those who still have not completed the training.				
13.	2017	79	UNCCD ensure justification for non-adherence to the advance purchase policy is provided for cases of non-compliance without exception.	Non-adherence to advance purchase of travel tickets is already coded into Umoja. No further action needs to be taken.	Mandatory, standardized reason codes for the late submission of travel requests were implemented in Umoja in April 2018. Therefore, the recommendation is considered to be implemented.	X			
14	2017	80	In coordination with United Nations Headquarters, UNCCD review the advance purchase policy and evaluate how best prices for official travels can be achieved.	United Nations Headquarters confirmed continuing to monitor industry trends in this area of travel policy. It upheld that in general, an advance purchase of airline tickets yields savings to the organization, as is the case in the private sector.	We acknowledge the assessment of United Nations Headquarters. Thus, the current advance purchase policy is considered to ensure best prices.	X			
15	2017	86	UNCCD establish a systematic fraud risk assessment in line with the enterprise risk management.	This topic will be considered in the future Risk Management Task Force meeting in June 2019.	The recommendation remains under implementation.			X	
16.	2017	87	UNCCD expedite the operationalization of an appropriate mechanism for reporting all complaints, including those pertaining to suspected fraud and corruption.	UNCCD conducted the Leadership Dialogue regarding staff members' obligation to report wrong-doing and how to go about it. There are clear established procedures with the United Nations system which are used by UNCCD (such as to contact Ethics Office or OIOS).	UNCCD informed its staff members of their obligation and the existing procedures. The recommendation is implemented.	X			
Total						8	7	1	0
Percentage						44	50	6	0

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 2018 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

31 March 2019

Chapter IV

Financial report on the 2018 accounts

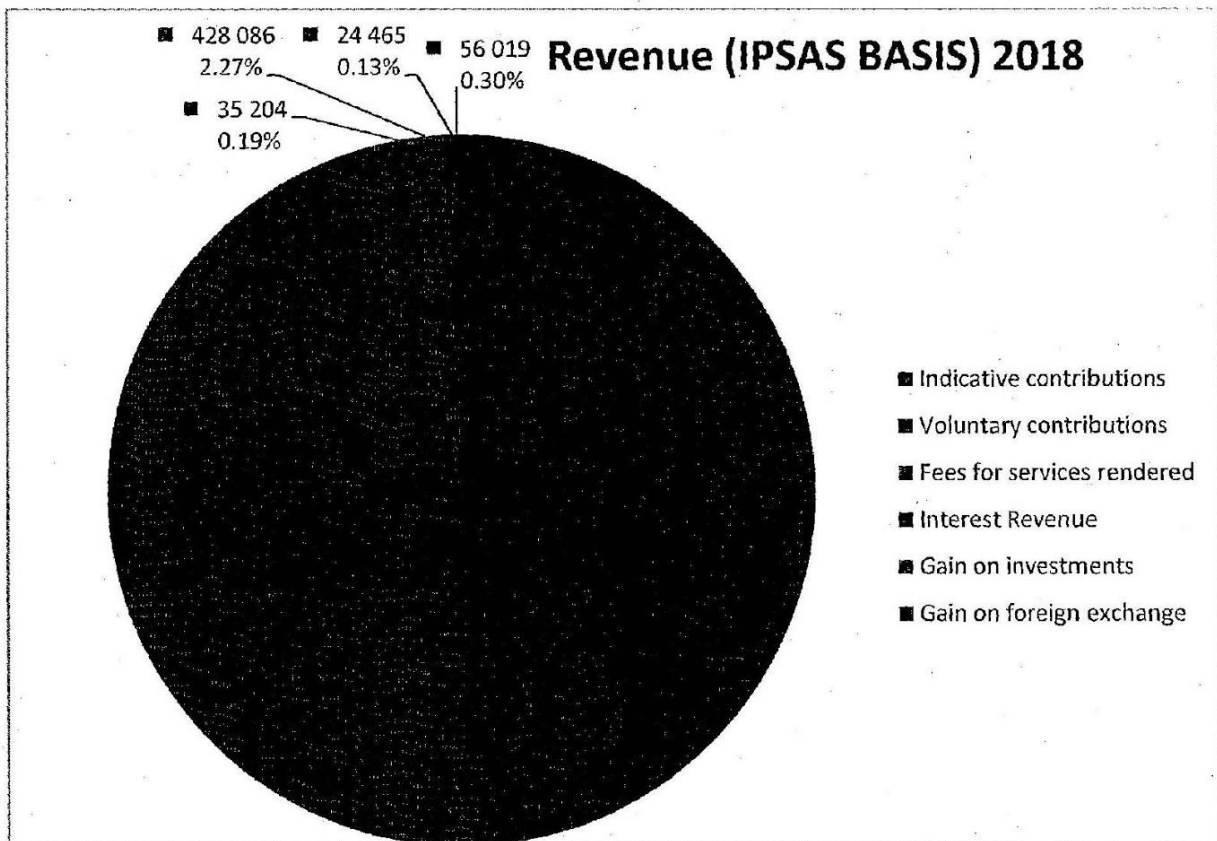
Introduction

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 2018 financial statements are for the fifth time 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 2018 is the depreciation on a vehicle, and communications information technology equipment.

2018 Financial Highlights (in USD)

Total revenue:

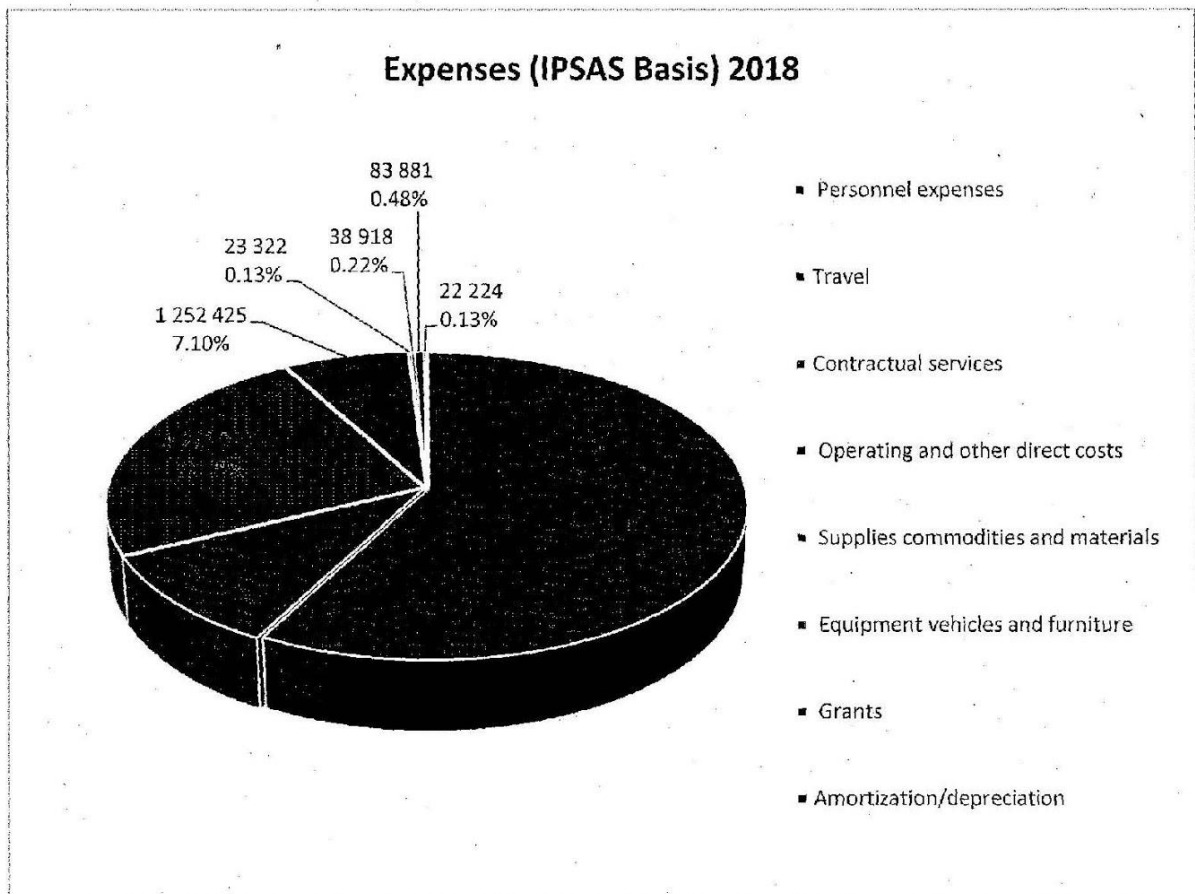
4. Revenue in 2018 totalled USD 18.82 million excluding other revenue of USD 0.57 million referred in Note 13: Revenue, as follows:



5. The principal sources of revenue were:

- The indicative contributions from signatories of the Convention. The indicative contributions for 2018 totalled USD 9.27 million.
- Voluntary contributions from donors totalled USD 9.01 million.
- The remaining revenue includes fees for services rendered, interest revenue, gain on investments and gain on foreign exchange in the amount of USD 0.54 million.

6. **Total expenses:** Expenses in 2018 totalled USD 17.65 million excluding change in provision for doubtful debts in the amount of USD 0.09 million.



7. The main expenses categories are personnel expenses for USD 10.21 million or 57.86%, which include interest and current service costs related to defined benefit obligations (After-Service Health Insurance [ASHI], annual leave, and repatriation grant/travel) in the amount of USD 0.91 million; contractual services (non-employee compensation including consulting services individual fee, consultancy travel fee) for USD 4.23 million or 23.95%; travel for USD 1.79 million or 10.14%, and Operating and other direct costs in the amount of USD 1.25 million or 7.10%.

8. **Operating result:** The net surplus of expenses revenue over expenses in 2018, as measured under IPSAS, is USD 1.64 million.

9. **Assets:** Assets as of 31 December 2018 totalled USD 30.36 million compared to the balance at 31 December 2017 of USD 31.23 million. The major components of UNCCD's assets are as follows:

Summary of Assets at 31 December (in United States dollars)	2018	2017	Difference
Cash and cash equivalents	2 362 968	1 800 774	562 194
Investments	21 736 960	21 001 663	735 297
Sub total assets held in cash pool	24 099 928	22 802 437	1 297 491
Indicative contributions receivable	3 742 166	3 120 449	621 717
Less provision for doubtful debts	(1 880 330)	(1 784 270)	(96 060)
Net indicative contributions receivable	1 861 836	1 336 179	525 657
Other accounts receivable	3 863 165	6 604 150	(2 740 985)
Other current assets	443 994	377 398	66 596
Fixed assets	88 698	110 922	(22 224)
Total Assets	30 357 621	31 231 086	(873 465)

10. The major assets at 31 December 2018 are cash, cash equivalents and investments totalling USD 24.1 million representing 79.39 % of the total assets; receipts from voluntary contributions including the Global Mechanism totalling USD 3.86 million or 12.73% of total assets; and indicative contributions from signatories to the convention receivable of USD 1.86 million, or 6.13%. The remaining assets consist of other current assets and fixed assets in the amount of USD 0.54 million or 1.75%.

11. **Cash, cash equivalents and investments:** Cash, cash equivalents and investments USD 24.1 million held in the UN Treasury Cash Pools. This represents an increase of USD 1.3 million over the balance held at the end of 2017. 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 3.86 million of which USD 1.34 million represents receivable due for the Global Mechanism, and investment revenue receivable in the amount of USD 0.09 million reported by UNHQ New York. Value Added Tax balances in the amount of USD 0.04 million are also included in other accounts receivables.

13. **Liabilities:** Liabilities as of 31 December 2018 totalled USD 19.03 million (USD 22.6 million as at 31 December 2017) as follows:

Summary of liabilities at 31 December (in United States dollars)	2018	2017	Difference
Accounts payable and accruals	1 196 477	1 878 815	(682 338)
Advance receipts	1 718 583	4 629 682	(2 911 099)
Employee benefit liabilities	16 115 502	16 101 913	13 589
Other liabilities	4 272	7 569	(3 297)
Total Liabilities	19 034 834	22 617 979	(3 583 145)

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 16.12 million, represent 84.66% of UNCCD's total liabilities and are explained in detail in note 11 to the financial statements.

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 0.5 million. Also included are voluntary contributions, provided by donors totalling USD 1.22 million, of which USD 0.58 million relates to the Global Mechanism 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 2018 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 increase of USD 2.7 million from USD 8.6 million in 2017 to USD 11.3 million in 2018 due to the operating surplus of USD 1.6 million and actuarial adjustment related to employee benefits of USD 1.1 million. Net assets include the operating reserves which remained at USD 1.9 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 2018. 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.

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 2018 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 0.847 at the rate of exchange set by the United Nations and using the modified cash method of accounting, total Core budgetary revenue for 2018 amounted to EUR 8.4 million (USD 9.9 million). Expenses under the regular budget during 2018 amounted to EUR 7.3 million (USD 8.7 million) resulting in a net surplus of EUR 1 million (USD 1.2 million). However, expenses resulted in a net surplus fund of EUR 0.77 million (USD 0.91 million) when compared to the biennium budget. The surplus in the biennium is primarily due to savings accrued from vacant posts, which were filled in late 2018, as well as savings achieved under funding for consultancies and training.

Chapter V

Financial statements for the year ended 31 December 2018

STATEMENT I

United Nations Convention to Combat Desertification
Statement of Financial Position as at 31 December 2018

<i>(In United States Dollars)</i>	<i>Note</i>	<i>31 December 2018</i>	<i>31 December 2017</i>
Assets			
Current Assets			
Cash and cash equivalents	5	2 362 968	1 800 774
Short-term investments	5	20 167 466	15 968 126
Indicative contributions receivable	6	1 861 836	1 336 179
Other accounts receivable	6	3 863 165	6 604 150
Other current assets	7	443 994	377 398
Total current Assets		28 699 429	26 086 627
Non-Current Assets			
Intangible assets		-	-
Fixed Assets	8	88 698	110 922
Long-term investments	5	1 569 494	5 033 537
Total Non-Current Assets		1 658 192	5 144 459
Total Assets		30 357 621	31 231 086
Liabilities			
Current liabilities			
Accounts payable and accrued expenses	9	1 196 477	1 878 815
Advance receipts	10	1 718 583	4 629 682
Employee benefit liability	11	679 502	431 913
Other current liabilities	12	4 272	7 569
Total Current Liabilities		3 598 834	6 947 979
Non-Current Liabilities			
Employee benefit liability	11	15 436 000	15 670 000
Total Non-Current Liabilities		15 436 000	15 670 000
Total Liabilities		19 034 834	22 617 979
Net Assets		11 322 787	8 613 107
Net Assets/Equity			
Accumulated surpluses/(deficits)		8 605 596	6 960 918
Actuarial gain (loss) recognized in net assets	11	764 936	(300 066)
Operating reserves	15	1 952 255	1 952 255
Total Fund Balances and Reserves		11 322 787	8 613 107

The accompanying notes form an integral part of these financial statements

STATEMENT II

**United Nations Convention to Combat Desertification
Statement of Financial Performance for the period 1 January to 31 December 2018**

<i>(in United States dollars)</i>	<i>Note</i>	<i>2018</i>	<i>2017</i>
REVENUE	13		
Indicative contributions		9 270 941	7 892 878
Voluntary contributions		9 009 263	16 034 513
Fees for services rendered		35 204	27 570
Interest Revenue		428 086	281 223
Gain on investments		24 465	-
Gain on foreign exchange		56 019	231 904
Other revenue		566 032	83 968
TOTAL REVENUE		19 390 010	24 552 056
EXPENSES	14		
Personnel expenses		10 211 890	10 257 094
Travel		1 788 875	2 681 602
Contractual services		4 227 737	6 817 550
Operating and other direct costs		1 252 425	1 746 349
Supplies commodities and materials		23 322	5 666
Equipment vehicles and furniture		38 918	147 063
Grants		83 881	232 758
Loss on investments		-	116 984
Amortization of intangible assets and depreciation		22 224	14 060
Change in provision for doubtful debts		96 060	193 523
TOTAL EXPENSES		17 745 332	22 212 649
SURPLUS/DEFICIT FOR THE PERIOD		1 644 678	2 339 407

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 2018**

(United States Dollars)

	Note	Accumulated Surplus - General Fund	Reserves	Total
Net Assets 31 December 2016		4 672 328	1 952 255	6 624 583
Recognition of actuarial adjustments in net assets		(350 883)	-	(350 883)
Interfund adjustments		-	-	-
Net result for 2017	Statement II	2 339 407	-	2 339 407
Net Assets at 31 December 2017		6 660 852	1 952 255	8 613 107
Recognition of actuarial adjustments in net assets	11	1 065 002	-	1 065 002
Interfund adjustments		-	-	-
Net result for 2018	Statement II	1 644 678	-	1 644 678
Net Assets at 31 December 2018	Statement I	9 370 532	1 952 255	11 322 787

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 2018**

<i>(in United States dollars)</i>	<i>Note</i>	<i>2018</i>	<i>2017</i>
Cash flows from operating activities			
Surplus (deficit) for the period excluding interest	Statement II	1 216 592	2 058 184
Interest revenue		428 086	281 223
Surplus (deficit) for the period		1 644 678	2 339 407
Depreciation and amortization	8	22 224	14 060
Provision for doubtful debts	6	96 060	193 523
(Increase) decrease in receivables	6	2 119 268	3 420 338
(Increase) decrease in other current assets	7	(66 596)	340 055
Increase (decrease) in advance receipts	10	(2 911 099)	(5 949 977)
Increase (decrease) in accounts payable	9	(682 338)	238 080)
Increase (decrease) in other current liabilities	12	(3 297)	3 246
Increase (decrease) in employee benefit liabilities recognized in surplus	11	1 078 591	755 932
Net cash flows from operating activities		1 297 491	878 504
Cash flows from investing activities			
(Increase) decrease in short-term investments	5	(4 199 340)	(5 243 441)
Purchase of fixed assets	8	-	(85 992)
(Increase) decrease in long-term investments	5	3 464 043	160 007
Net cash flows from investing activities		(735 297)	(5 169 426)
Net increase (decrease) in cash and cash equivalents		562 194	(4 290 922)
Cash and cash equivalents at beginning of year	5	1 800 774	6 091 696
Cash and cash equivalents at end of year	5	2 362 968	1 800 774

The accompanying notes form an integral part of these financial statements

STATEMENT V

United Nations Convention to Combat Desertification
Statement of Comparison of Budget and Actual amounts
for the period 1 January 2018 to 31 December 2018
(in euros)*

Core budget of the Secretariat	<i>Original budget 2018</i>	<i>Final Budget 2018</i>	<i>Actual 2018</i>	<i>Actual 2018</i>
<i>Programmes</i>	<i>EUR</i>	<i>EUR</i>	<i>EUR</i>	<i>USD</i>
I. Secretariat programmes				
A. Executive direction and management	1 025 043	1 025 043	977 786	1 154 411
B. External relations, policy and advocacy	1 086 450	1 086 450	932 521	1 100 970
C. Science, technology and implementation	1 976 700	1 976 700	1 819 927	2 148 675
D. Administrative services	1 254 525	1 254 525	1 099 840	1 298 513
II. Global Mechanism				
E. Global Mechanism	1 820 150	1 820 150	1 650 672	1 948 845
Subtotal (A-E)	<u>7 162 868</u>	<u>7 162 868</u>	<u>6 480 747</u>	<u>7 651 413</u>
Programme support costs**	931 173	931 173	842 497	994 684
Working capital reserve	0	0	0	0
TOTAL Core Budget of the Secretariat	8 094 041	8 094 041	7 323 244	8 646 097
Contribution from the host Government	511 292	511 292	511 292	595 911
Indicative contributions	7 582 749	7 582 749	7 852 487	9 270 941
TOTAL income	8 094 041	8 094 041	8 363 779	9 866 852
Drought Initiative	1 815 651	1 815 651	624 311	737 086
Programme support costs**	236 035	236 035	81 160	95 821
Total other budgets approved by the Conference of the Parties	2 051 686	2 051 686	705 472	832 907

*At the average monthly exchange rate of the United Nations for the year 2018 with 1 USD = EUR 0.847

**Includes USD 1,279.67 from pre-commitments and USD 99.13 for the current year adjustment.

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 Vice-Presidents 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 long-term 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 fifth 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 2018 financial statements are presented on an annual basis covering the period 1 January 2018 to 31 December 2018.

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) which represent the prevailing rate at the time of transaction. 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, equipment 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.

3.3 Inventories

17. 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

18. 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

19. 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
Leasehold improvements	10 (or lease term, whichever shorter)

20. 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

21. 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

22. 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

23. 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

24. 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

25. 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

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

3.9 Other Liabilities

27. 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

28. 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.

29. 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.

30. 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.

31. 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.

32. 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.

33. 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, in line with the

other participating organizations in the Fund, is not in a position to identify its share of the underlying financial position and performance of the plan with sufficient reliability for accounting purposes and hence has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 39: Employee benefits. UNCCD's contributions to the Fund during the financial period are recognized as expenses in the statement of financial performance.

3.11 Provisions

34. Provisions are made for future liabilities and charges where UNCCD has a present legal or constructive obligation as a result of past events and it 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

35. 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

36. 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 straight-line basis over the period of the lease.

Revenue

3.14 Non-exchange Revenue and Receivables

37. 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.

38. 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 112 refers.

39. 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.

40. 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.

41. 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 credits from Repatriation Grant and ASHI voluntary contributions for 2018 are also eliminated with the corresponding expenses recorded by Payroll.

42. 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.

3.15 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.

Note 4: Financial Risk and Instruments

54. UNCCD's operations may expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Office Away from Headquarters (OAH) cash pool related credit risk disclosures

55. 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 main pool. The main pool comprises of operational bank account balances in a number of currencies and investments in United States dollars.

56. 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, short-term investments and long-term investments) and revenue is based on each participating entity's principal balance.

57. As at 31 December 2018, the United Nations Convention to Combat Desertification ("UNCCD") participated in the main pool and that held total assets of \$7,504.8 million (2017: \$8,086.5 million), of which \$24.2 million was due to the Organization (2017: \$22.9 million including participation in the Main Pool), and its share of revenue from the main pool was \$0.4 million (2017: \$0.3 million).

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Summary of assets and liabilities of the main pool as at 31 December 2018 compared to 2017

(Thousands of United States dollars)

	<i>Main pool 2018</i>	<i>Main pool 2017</i>
Fair value through the surplus or deficit		
Short-term investments	6 255 379	5 645 952
Long-term investments	486 813	1 779 739
Total fair value through the surplus or deficit investments	6 742 192	7 425 691
Loans and receivables		
Cash and cash equivalents	732 926	636 711
Accrued investment revenue	29 696	24 098
Total loans and receivables	762 622	660 809
Total carrying amount of financial assets	7 504 814	8 086 500
Cash pool liabilities		
Payable to UNCCD	24 196	22 871
Payable to other cash pool participants	7 480 618	8 063 629
Total liabilities	7 504 814	8 086 500
Net assets	-	-

Summary of revenue and expenses of the main pool for the year ended 31 December 2018 compared to 2017

(Thousands of United States dollars)

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

Financial risk management

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

59. The objective of investment management is to preserve capital and ensure sufficient liquidity to meet operating cash 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.

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

Financial risk management: credit risk

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

62. 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.

63. The credit ratings used for the main pool 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.

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

<i>Main pool</i>	<i>Ratings as at 31 December 2018</i>				<i>Ratings as at 31 December 2017</i>				
Bonds (Long term ratings)					Bonds (Long term ratings)				
	AAA	AA+/AA/AA-	A+	NR		AAA	AA+/AA/AA-	A+	NR
S&P	15.4%	79.0%	5.6%	-	S&P	30.5%	65.5%	4.0%	-
Fitch	55.1%	39.3%	-	5.6%	Fitch	61.3%	30.6%	-	8.1%
	Aaa	Aa1/Aa2/Aa3	A1			Aaa	Aa1/Aa2/Aa3		
Moody's	49.7%	50.0%	0.3%		Moody's	55.3%	44.7%		
Commercial papers (Short term ratings)					Commercial papers (Short term ratings)				
	A-1+					A-1+/A-1			
S&P	100.0%				S&P	100.0%			
	F1+					F1			
Fitch	100.0%				Fitch	100.0%			
	P-1					P-1			
Moody's	100.0%				Moody's	100.0%			
Reverse repurchase agreement (Short term ratings)					Reverse repurchase agreement (Short term ratings)				
	A-1+					A-1+			
S&P	100.0%				S&P	100.0%			
	F1+					F1+			
Fitch	100.0%				Fitch	100.0%			
	P-1					P-1			
Moody's	100.0%				Moody's	100.0%			
Term deposits (Fitch viability ratings)					Term deposits (Fitch viability ratings)				
	aaa	aa/aa-	a+/a/a-			aaa	aa/aa-	a+/a/a-	
Fitch	-	53.5%	46.5%		Fitch	-	44.2%	55.8%	

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

Financial risk management: liquidity risk

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

considered to be low.

Financial risk management: interest rate risk

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

Main pool interest rate risk sensitivity analysis

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

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

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

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

<i>Shift in yield curve (basis points)</i>	-200	-150	-100	-50	0	+50	+100	+150	+200
Increase/(decrease) in fair value (Millions of United States dollars):									
Main pool total	95.47	71.60	47.73	23.86	-	(23.86)	(47.72)	(71.57)	(95.42)

Other market price risk

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

Accounting classifications and fair value hierarchy

69. 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.

70. 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).

71. 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 main pool is the current bid price.

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72. 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.

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

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

(Thousands of United States dollars)

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

Financial Instruments

(United States Dollars)	2018	2017
Cash and cash equivalents at fair value through surplus and deficit	2 362 968	1 800 774
Short-term investments at fair value through surplus and deficit	20 167 466	15 968 126
Long-term investments	1 569 494	5 033 537
Accounts Receivable at amortized cost	5 725 001	7 940 329
Accounts Payable at amortized cost	(1 060 181)	(1 102 046)
Total net financial instruments	28 764 748	29 640 724

74. The carrying amounts of the indicative contribution receivable are denominated in

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euros.

75. The age of contributions receivables at the reporting date are as follows.

(United States dollars)

<i>Receivables past due</i>	<i>Indicative</i>	<i>Other receivables</i>
Up to 1 year	1 376 138	708 171
1 to 2 years	246 774	188 994
2 to 3 years	17 862	3 019 563
3 to 4 years	173 336	-
Above 4 years	1 777 573	-
Total receivables at 31 December	3 591 683	3 916 728
Provision for impaired receivables at 1 January	(1 880 330)	-
Revaluation	150 483	(53 563)
Total receivables after provisioning as at 31 December	1 861 836	3 863 165

Note 5: Cash, Cash Equivalents and Investments

Cash and investments

(in United States dollars)	2018	2017
Cash and cash equivalents held in OAH Euro dollar Cash Pool	<u>2 362 968</u>	<u>1 800 774</u>
Total cash	2 362 968	1 800 774
Short-term investments	<u>20 167 466</u>	<u>15 968 126</u>
Total current cash and short-term investments	22 530 434	17 768 900
Long-term investments	1 569 494	5 033 537
Total cash and investments	24 099 928	22 802 437

76. Most of UNCCD cash forms part of the cash pools that are maintained and managed by the UN Treasury. The cash pools comprises 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.

77. The difference of USD 24.30 between the Trial Balance and Participating Fund's

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Share of United Nations Main Investment Pool report received from UNHQ Treasury at the Business Area level under fund 32GMZ has been noticed. However, at the fund level the amount between trial balance and investment report matches. UNHQ has been contacted and requested to make necessary corrections at Business Area level and informed that this cannot be done and informed by UNHQ that each entity is responsible for recording the necessary entry. The UNCCD will further review this difference and book this amount in Umoja accordingly. The UNCCD is therefore included this amount in the financial statements as manual adjustment.

Note 6: Accounts receivable

In United States dollars	2018	2017
Indicative Contributions due from Parties to the Convention (Non-exchange transactions) (in US dollars)		
Current	3 591 683	2 662 884
Revaluation	150 483	457 565
Less provision for doubtful debts	(1 880 330)	(1 784 270)
Sub-total indicative contributions	1 861 836	1 336 179

78. 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.

79. Other accounts receivables include amounts invoiced for taxes reimbursable under the headquarters agreement with the host government, global mechanism receivables, voluntary contributions receivable and investment revenue receivable.

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Other receivables (in United States dollars)	2018	2017
VAT	36 623	76 515
Investment income receivable	95 741	68 154
Global Mechanism receivables less revaluation	1 338 230	3 041 302
Voluntary contributions receivable less revaluation	2 392 571	3 418 179
Sub-total	3 863 165	6 604 150

80. Provisions have been established covering indicative contributions receivables equal to 50% of amounts outstanding for more than three but less than four years and 100% of amounts outstanding for more than four years.

Note 7: Other current assets

81. Other current assets consist of the following:

Other current assets (in United States dollars)	2018	2017
Travel advance	66 251	68 773
Education grant advance	203 501	182 137
Salary advance	4 609	
UNDP Remittances net of charges	169 633	126 488
Total other current assets	443 994	377 398

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Notes to the 2018 financial Statements (continued)

Note 8: Fixed Assets
(United States dollars)

	Vehicles	Communications Information Technology Equipment	Total
Cost as at 31 December 2017	109 882	91 432	201 314
Additions	0	0	0
Impairment	0	0	0
Disposals	0	0	0
Cost as at 31 December 2018	109 882	91 432	201 314
Accumulated depreciation as at 31 December 2017	79 363	11 029	90 392
Depreciation	3 938	18 286	22 224
Impairment	0	0	0
Disposals	0	0	0
Accumulated depreciation as at 31 December 2018	83 301	29 315	112 616
Net carrying amount			
31 December 2017	30 519	80 403	110 922
31 December 2018	26 581	62 117	88 698

82. 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).

83. 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).

84. UNCCD has utilized the transition provision in IPSAS-31. Intangible assets and the value of intangibles assets were recognized prospectively beginning with costs incurred on

or after 1 January 2014.

Note 9: Accounts payables and accrued expenses

(in United States dollars)	2018	2017
Vendor payables	503 438	1 102 046
Unexpended balance of contribution from the Government of the Bolivarian Republic of Venezuela	556 742	556 742
Accruals for goods and services	136 297	220 027
Total payables and accrued expenses	1 196 477	1 878 815

85. Payables to vendors relate to amounts due for goods received and services rendered payment had not been completed.

86. 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 2018 financial statements pending receipt of the instruction from the Government.

87. 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)	2018	2017
Conditional voluntary contributions	1 219 050	4 474 757
Indicative contributions received in advance	499 533	154 925
Total advance receipts	1 718 583	4 629 682

88. 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

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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.

89. Indicative contributions received in advance cover amounts received before the due date as established by the Financial Rules and Regulations.

Note 11: Employee Benefit liability

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

(in United States dollars)	2018	2017
Current liabilities		
Repatriation grant and travel	164 000	113 000
After service health insurance	125 000	102 000
Accumulated annual leave	84 000	76 000
USA Tax reimbursement	24 275	1 964
Home leave	86 905	82 152
Other	195 322	56 797
Subtotal current liabilities	679 502	431 913
Non-current liabilities		
Repatriation grant and travel	1 069 000	1 153 000
After service health insurance	13 753 000	13 884 000
Accumulated annual leave	614 000	633 000
Subtotal non-current liabilities	15 436 000	15 670 000
Total employee benefits liabilities	16 115 502	16 101 913

91. The methodology for estimating the amounts of each liability is as follows:

Short term benefits:

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.

US taxes: American citizens that are officials of UNCCD are reimbursed for the amount 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 at least one 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 2018, the gross liability was calculated by the actuary as USD 13,878,000 net of contributions from plan participants (USD 13,986,000 at 31 December 2017).

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 Nations.

Defined benefit obligations: An actuarial valuation at 31 December 2018 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 after-service health insurance at the reporting date.

The results as at 31 December 2018 presented in this report for defined benefit obligations are based on a roll-forward of the 31 December 2017 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 2017 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.

92. 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

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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.

93. The following assumptions and methods have been used to determine the value of employee benefit liabilities for the UNCCD at 31 December 2018.

<i>Assumption</i>	<i>After-service health insurance</i>	<i>Repatriation grant</i>	<i>Accumulated annual leave</i>
Discount rate (31 December 2017)	1.34	3.4	3.39
Discount rate (31 December 2018)	1.62	4.09	4.08
Travel inflation (31 December 2017)	–	2.2	–
Travel inflation (31 December 2018)	–	2.2	–
Health-care cost trend rate (31 December 2017)	4.00 decreasing to 3.65 in five years	–	–
Health-care cost trend rate (31 December 2018)	3.91 decreasing to 3.65 in four years	–	–
Salary increase rate	Based upon age and calculated separately for Professional and General Service staff		

94. The following assumptions were utilized by the actuary in determining the maturity profile of the defined benefit obligations at 31 December 2018:

- 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.

Sensitivity analysis: Actuarial Assumptions: 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 per cent, this would affect the measurement of the defined-benefit obligations as follows:

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(Thousands of United States dollars)

	2018		2017	
	Increase	Decrease	Increase	Decrease
1 per cent movement in the assumed medical costs trend rate				
Effect on the defined benefit obligation	3 985	(2 961)	4 008	(2 979)
Effect on the aggregate of the current service cost and interest cost	356	(251)	348	(246)
	2018		2017	
	Increase	Decrease	Increase	Decrease
1 per cent movement in the assumed discount rate				
Effect on the ASHI defined-benefit obligation	(2 938)	4 049	(2 956)	4 072
Effect on the Repatriation Grant defined-benefit obligation	(90)	105	(93)	107
Effect on the Annual Leave defined-benefit obligation	(50)	47	(51)	58

95. The liabilities established for defined benefit obligations and the net service costs for 2018 are as follows:

(Thousands of United States dollars)	ASHI	Repatriation Grant & Travel	Annual Leave
Reconciliation of defined benefit obligation			
Defined benefit obligation, beginning of year	13 986	1 266	709
Current service cost	769	111	83
Interest cost	187	40	22
Benefits paid (net of participant contribution)	(103)	(117)	(79)
Liability (gain)/loss due to actuarial assumptions and experience recognized in net assets	<u>(961)</u>	<u>(67)</u>	<u>(37)</u>
Total liability recognized on Statement of Financial Position	<u>13 878</u>	<u>1 233</u>	<u>698</u>
Annual expense for calendar year			
Current service cost	769	111	83
Interest cost	187	40	22
Benefits paid (net of participant contribution)	<u>(103)</u>	<u>(117)</u>	<u>(79)</u>
Total (charge)/credit recognized on statement of financial performance	853	34	26

96. Under IPSAS-39 the liabilities for ASHI, repatriation grant and travel and

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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.

97. 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. Based on the instruction from UNHQ New York, death benefits ceased being recognized as liabilities in the financial statements at the end of 2016. 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 obligation at 31 December	2018	2017	2016
After Service Health Insurance	13 878	13 986	12 275
Repatriation Grant and Travel	1 233	1 266	1 392
Annual Leave	698	709	1 139
Death Benefit	0	0	32
Total	15 809	15 961	14 838

98. 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

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

100. The plan exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual organizations participating in the plan. The Agency and the UNJSPF, in line with the other participating organizations in the Fund, are not in a position to identify the Agency'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 Agency has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 39 Employee Benefits. The Agency's contributions to the plan during the financial period are recognized as expenses in the Statement of Financial Performance.

101. 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 Pension Fund will be sufficient to meet its liabilities.

102. The Agency's financial obligation to the UNJSPF 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 proportionates to the total contributions which each paid during the three years preceding the valuation date.

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

104. 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% (150.1% in the 2016 roll forward). The funded ratio was 102.7% (101.4% in the 2016 roll forward)

when the current system of pension adjustments was taken into account.

105. 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.

106. Should Article 26 be invoked due to an actuarial deficiency, either during the ongoing operation or due to the termination of the UNJSPF pension plan, deficiency payments required from each member organization would be based upon the proportion of that member organization's contributions to the total contributions paid to the Fund during the three years preceding the valuation date. Total contributions paid to the UNJSPF during the preceding three years (2015, 2016 and 2017) amounted to USD 6,931.39 million, of which 0.049% was contributed by UNCCD.

107. During 2018, contributions paid to UNJSPF amounted to USD 1.47 million (2017 USD 1.42 million). Expected contributions due in 2019 are approximately USD 1.62 million.

108. 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.

109. The United Nations Board of Auditors carries out an annual audit of the UNJSPF and reports to the UNJSPF Pension Board and to the United Nations General Assembly on the audit every year. The UNJSPF publishes quarterly reports on its investments and these can be viewed by visiting the UNJSPF at www.unjspf.org.

Note 12: Other current liabilities

(United States dollars)	2018	2017
Repatriation grant held in trust	4 323	4 323
Payroll charges	0	3 246
Others	(51)	0
Total	4 272	7 569

110. The above-mentioned amount is related to a repatriation grant payable and payroll charges to staff member whose contracts expired in 2016. This charge will be further reviewed, and appropriate action will be taken by UNCCD in coordination with UNOG/UNHQ. Other current liabilities related to the revaluation, which will also be reviewed, and appropriate action will be taken in Umoja in consultation with UNOG/UNHQ.

Note 13: Revenue

111. 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

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and post adjustments and are 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)

	2018	2017
Indicative contributions approved by the Conference of the parties	9 270 941	7 892 878
Amount reported in Statement II: Indicative contributions	9 270 941	7 892 878

112. 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)

	2018	2017
Voluntary contributions	9 010 616	16 333 127
Refunds	(1 353)	(298 614)
Net voluntary contributions	9 009 263	16 034 513

113. Fees for services rendered in the amount of USD 35,204 represent the administrative and financial services provided by UNCCD during the Adaptation Fund Board Meetings held in Bonn.

114. In 2018, interest income earned totalled USD 428,086 compared to USD 281,223 in 2017, recorded by UNHQ Treasury New York.

115. Gain on foreign exchange represent gains realized on transactions occurring in currencies other than US dollars and unrealized losses resulting from revaluation of monetary assets. In 2018, USD 24,465 as gain on investment and USD 56,019 as gain on foreign exchange booked by UNHQ New York.

116. Other revenue of USD 566,032 related to the credits in respect of 2017 Repatriation

Grant Accrual and ASHI voluntary contribution accrual recorded by payroll, subsequently cleared by UNHQ/UNOG. The credits for core budget and programme support costs were correctly recorded in Umoja, whereas the funds related to the grant management (32BMA, 32GMZ and 32UWA) are manually included in the financial statements as other revenue, as it is impossible to record the respective funds in Umoja. The actual recording of these credits will be made in Umoja after discussing with management.

117. 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

118. Employee salaries, allowances and benefits (personnel expenses) are for all international and national staff expenses such as salaries, post adjustments, entitlements, pension and health plan contributions for professional and general service category staff. It also includes temporary staff expenses such as costs relating to the employment of temporaries.

119. Travel covers the cost of airfare and other transport cost, daily support allowances and terminal allowances.

120. Non-employee compensation and allowances (contractual services) cover the cost of contracting with individual experts and consultants, including insurances and travel expenses of the consultants.

121. Operating and other expenses include maintenance, utilities, contracted services,

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training, security services, shared services, rent, and insurance, as per details below.

Other operating expenses	2018	2017
Bank Charges and UNDP service fee	28 918	41 125
Communications Utilities	51 343	82 648
Contracted services	662 416	691 165
Insurance	2 570	18
Joint activities	401 126	640 267
Maintenance	2 760	3 098
Shared services	9 465	8 945
Rental	47 531	163 952
Shipping	10 040	46 795
Hospitality and official functions	6 990	15 027
Training	29 686	6 306
Others	(420)	47 003
Total Other Operating Expenses	1 252 425	1 746 349

122. Grants include outright grants and transfers to the implementing agencies, partners and other entities to carry out the mandates contained in the Convention.

123. Change in provision for doubtful debts represents the provision for the theoretical amount of uncollectable indicative contributions during the reporting period, based on UNCCD policies.

Note 15: Reserves

124. 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 2017).

Note 16: Budget Comparison and Reconciliation

125. 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.

126. 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 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.

127. The reconciliation between the actual amounts presented in statement V, and the actual amounts presented on the Statement of Financial Performance is as follows:

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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	9 866 852	9 866 852
Statement V-A Core Budget (UXA) expense on budgetary basis	8 646 097	8 646 097
Drought Initiative	832 907	832 907
Core Budget (UXA) Expense	9 479 004	9 479 004
Core Budget (UXA) Actual net result on budgetary basis	387 848	387 848
Basis differences		
Adjustments to revenue		
Miscellaneous revenue not included in budget	216 371	216 371
Capitalization of equipment & intangible Assets	5 026	5 026
Change in provision for doubtful debts	96 060	96 060
Other adjustments to expenditure	221 177	221 177
Post employment benefit interest and current service cost	(593 000)	(593 000)
Sub-total basis differences	(54 365)	(54 365)
Full accrual based net result for Core Budget	333 483	333 483
Entity differences on IPSAS Basis		
Global Mechanism (GMZ)	966 577	966 577
Participation in UNCCD COP Sessions (UVA)	196 702	196 702
Convention events organized by Secretariat (BMA)	242 347	242 347
Programme support costs (ZQA)	(600 469)	(600 469)
Cost Recovery under home country agreement (ZHC)	515 113	515 113
Voluntary Financing of activities (UWA)	(9 075)	(9 075)
Sub-total entity differences	1 311 195	1 311 195
Actual net result on the Statement of Financial Performance	1 644 678	1 644 678

Note 17: Budget to Actual variance analysis

128. 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

129. 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)

	<i>Number of Individuals (full time equivalents)</i>	<i>Aggregate Remuneration</i>
Senior Management (2018)	11	2 095 138
Senior Management (2017)	10	2 073 921

130. 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.

131. Key management personnel are ordinary members of the United Nations Joint Staff Pension Fund (UNJSPF).

132. Advances are those made against entitlements in accordance with the staff rules and regulations. There were no loans granted to key management personnel.

133. 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.

134. 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 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.

135. 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.

136. 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

137. 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.

138. The minimum lease payments under non-cancellable property in 2018 are USD 22,547 compared to 2017 in the amount of USD 21,533, and has no outstanding leases qualifying as finance leases at the reporting date. Lease payments recognised as expenses in the period are USD 22,547 (2017 USD 21,533).

139. Other commitments relate to the acquisition of goods and services contracted for, but not delivered, as at 31 December 2018 amount to USD 503,438 (2017 USD 1,102,046).

140. There are no contingent liabilities arising from legal actions and claims that are likely to result in a significant liability to UNCCD. There are no contingent assets of which relate to official made by donors to UNCCD for future contributions at the reporting date as at 31 December 2018.

Note 20: In-kind contributions of services

141. 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.

Note 21: Events after the reporting date

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

Note 22: Fund Accounting

143. 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.

144. However, to provide essential information to senior management and owners 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

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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

145. All funds elimination includes revenue and expenses arising from transfers between funds which are accounted for at cost and are eliminated on consolidation.

UNITED NATIONS CONVENTION TO COMBAT DESERTIFICATION

Statement I: Statement of Financial Position by Fund

In United States Dollars	TRUST FUND FOR THE CORE BUDGET OF THE UNCCD (UCA)		TRUST FUND FOR PARTICIPATION OF REPRESENTATIVES OF STATE PARTIES IN THE SESSION OF THE UNCCD CONFERENCE (IVA)		TRUST FUND FOR VOLUNTARY FINANCING OF ACTIVITIES UNDER THE UNCCD (UWA)		TRUST FUND FOR CONVENTION EVENTS ORGANIZED BY THE UNCCD SECRETARIAT (BMA)		SPECIAL ACCOUNT FOR UNCCD PROGRAMME SUPPORT COST (ZQA)		UNCCD COST RECOVERY UNDER RCA (ZHC)		TRUST FUND FOR VOLUNTARY FINANCING OF THE UNCCD GLOBAL MECHANISM (GMZ)		TOTAL	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017	31 December 2018	31 December 2017	31 December 2018	31 December 2017	31 December 2018	31 December 2017	31 December 2018	31 December 2017	31 December 2018	31 December 2017	31 December 2018	31 December 2017
	Assets															
Current Assets																
Cash and cash equivalents	523 289	584 266	85 619	57 851	782 339	581 677	92 577	60 990	51 968	61 188	227 509	146 961	599 668	507 841	2 362 968	1 800 774
Short-term investments	4 466 155	3 407 430	730 741	512 980	6 677 106	5 157 942	790 130	540 821	443 539	542 580	1 941 743	1 303 155	5 118 052	4 503 218	20 167 466	15 968 126
Indicative contributions receivable	1 861 836	1 336 179	-	-	-	-	-	-	-	-	-	-	-	-	1 861 836	1 336 179
Other accounts receivable	43 851	70 321	96 174	2 189	2 281 957	3 451 991	3 755	2 432	3 739	8 042	71 162	8 653	1 362 527	3 060 522	3 863 165	6 604 150
Other current assets	306 290	272 199	(42 346)	736	17 021	14 113	607	592	94 513	82 303	61 924	2 339	6 185	5 116	443 994	377 398
Total current Assets	7 201 420	5 470 395	870 188	573 756	9 758 423	9 205 723	887 069	604 835	593 559	694 113	2 302 338	1 461 108	7 086 432	8 076 697	28 699 429	26 086 627
Non-Current Assets																
Intangible assets																
Equipment	29 120	34 146	-	-	59 578	76 776	-	-	-	-	-	-	-	-	88 698	110 922
Long-term investments	347 570	1 074 104	56 868	161 704	519 633	1 625 907	61 490	170 480	34 518	171 034	151 112	410 786	398 303	1 419 522	1 569 494	5 033 537
Total Non-Current Assets	376 690	1 108 250	56 868	161 704	579 211	1 702 683	61 490	170 480	34 518	171 034	151 112	410 786	398 303	1 419 522	1 658 192	5 144 459
Total Assets	7 578 110	6 578 645	927 056	735 460	10 337 634	10 908 406	948 559	775 315	628 077	865 147	2 453 450	1 871 894	7 484 735	9 496 219	30 357 621	31 231 086
Liabilities																
Current liabilities																
Accounts payable and accrued expenses	102 217	443 729	(3 845)	1 261	734 424	675 341	(3 797)	95 751	68 229	27 346	107 601	41 158	191 648	594 229	1 196 477	1 878 815
Advance receipts	499 533	154 925	-	-	637 999	1 316 228	-	-	-	-	-	-	581 051	3 158 529	1 718 583	4 629 682
Employee benefit liability	587 209	337 293	-	-	9 228	11 540	1 800	3 351	83 871	76 335	-	-	(2 606)	3 394	679 502	431 913
Other current liabilities	(28)	2	-	-	-	3 241	(3)	-	(18)	3	-	-	4 321	4 323	4 272	7 569
Total Current Liabilities	1 188 931	935 949	(3 845)	1 261	1 381 651	2 006 350	(2 000)	99 102	152 082	103 684	107 601	41 158	774 414	3 760 475	3 598 834	6 947 979
Non-Current Liabilities																
Employee benefit liability	10 897 000	11 216 000	-	-	184 000	137 000	263 000	258 000	4 081 000	4 056 000	-	-	11 000	3 000	15 436 000	15 670 000
Total Non-Current Liabilities	10 897 000	11 216 000	-	-	184 000	137 000	263 000	258 000	4 081 000	4 056 000	-	-	11 000	3 000	15 436 000	15 670 000
Total Liabilities	12 085 931	12 151 949	(3 845)	1 261	1 565 651	2 143 350	2 61 000	357 102	4 233 082	4 159 684	107 601	41 158	785 414	3 763 475	19 034 834	22 617 979
Net Assets	(4 507 821)	(5 573 304)	930 901	734 199	8 771 983	8 765 056	687 559	418 213	(3 605 005)	(3 294 537)	2 345 849	1 830 736	6 699 321	5 732 744	11 322 787	8 613 107
Net Assets/Equity																
Accumulated surpluses/(deficits)	(5 674 754)	(6 008 237)	715 224	518 522	8 246 515	8 255 590	(134 089)	(376 436)	(2 785 149)	(2 182 080)	2 345 849	1 830 736	5 890 000	4 923 423	8 605 596	6 960 918
Actuarial gain (loss) recognized in net assets	212 915	(319 085)	-	-	140 074	124 072	821 648	794 649	(1 219 022)	(1 509 023)	-	-	809 321	809 321	764 936	(300 066)
Operating reserves	954 018	954 018	215 677	215 677	385 394	385 394	-	-	397 166	397 166	-	-	-	-	1 952 255	1 952 255
Total Fund Balances and Reserves	(4 507 821)	(5 573 304)	930 901	734 199	8 771 983	8 765 056	687 559	418 213	(3 605 005)	(3 294 537)	2 345 849	1 830 736	6 699 321	5 732 744	11 322 787	8 613 107

STATEMENT II

UNITED NATIONS CONVENTION TO COMBAT DESERTIFICATION
 Statement of Financial Performance for the period 1 January to 31 December 2018 by fund

(in United States dollars)	TRUST FUND FOR THE CORE BUDGET OF THE UNCCD (UNA)		TRUST FUND FOR PARTICIPATION OF REPRESENTATIVES OF STATE PARTIES IN THE SESSION OF THE UNCCD CONFERENCE (UVA)		TRUST FUND FOR VOLUNTARY FINANCING OF ACTIVITIES UNDER THE UNCCD (UWA)		TRUST FUND FOR CONVENTION EVENTS ORGANIZED BY THE UNCCD SECRETARIAT (BMA)		SPECIAL ACCOUNT FOR UNCCD PROGRAMME SUPPORT COST (ZQA)		UNCCD COST RECOVERY UNDER ICA (ZIC)		TRUST FUND FOR VOLUNTARY FINANCING OF THE UNCCD GLOBAL MECHANISM (GMZ)		ELIMINATIONS		TOTAL	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
REVENUE																		
Indicative contributions	9 270 941	7 892 878	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9 270 941	7 892 878
Voluntary contributions	595 911	605 796	226 145	1 112 936	2 956 843	3 665 152	595 211	511 101	-	-	711 800	1 796 650	3 922 653	8 342 878	-	-	9 009 263	16 034 513
Fees for services rendered	-	-	-	-	-	-	-	-	35 204	27 570	-	-	-	-	-	-	35 204	27 570
Interest revenue	90 431	64 677	15 603	12 909	154 265	99 041	13 933	5 577	7 423	555	35 625	12 645	110 806	94 779	-	-	428 086	281 223
Programme support revenue	-	-	-	-	-	-	-	-	1 657 638	2 129 274	-	-	-	-	(1 657 638)	(2 129 274)	-	-
Gain on investments	(6 046)	-	(101)	-	32 926	-	-	-	-	-	-	-	(2 314)	-	-	-	24 465	-
Gain on foreign exchange	(253 436)	812 418	4 977	4 459	29 335	(81 216)	4 989	(523)	525	6 162	212	(460)	269 467	(508 930)	-	-	56 019	231 904
Other revenue	385 422	53 486	-	(91 000)	18 651	96 138	19 097	-	126 015	25 344	-	-	16 847	-	-	-	566 032	83 968
TOTAL REVENUE	10 083 223	9 429 256	246 624	1 039 304	3 192 020	3 770 115	633 880	516 155	1 826 805	2 188 905	747 637	1 808 869	4 317 459	7 928 727	(1 657 638)	(2 129 274)	19 390 010	24 552 056
EXPENSES																		
Personnel expenses	6 443 426	6 474 727	-	-	766 814	825 158	344 536	319 591	2 381 381	2 175 657	-	-	275 733	461 961	-	-	10 211 890	10 257 094
Travel	498 139	514 362	42 730	847 862	408 014	398 883	3 585	14 124	-	(633)	220 103	615 438	621 304	291 566	-	-	1 788 875	2 681 602
Contractual services	821 381	880 895	1 593	2 156	1 430 871	1 958 191	1	74	54 267	(15 796)	12 404	140 745	1 907 220	3 851 285	-	-	4 227 737	6 817 550
Operating and other direct costs	753 232	1 013 233	1	358	162 296	195 988	186	-	(8 374)	18 352	17	94 878	345 067	423 540	-	-	1 252 425	1 746 349
Supplies commodities and materials	11 017	5 610	-	-	13 086	-	-	-	-	-	-	-	(781)	56	-	-	23 322	5 666
Equipment vehicles and furniture	35 452	126 657	-	-	5 422	20 242	-	-	-	-	-	-	44	164	-	-	38 918	147 063
Grants	(3 119)	23 681	-	-	87 000	209 077	-	-	-	-	-	-	-	-	-	-	83 881	232 758
Programme support costs	1 089 126	1 189 302	5 598	110 741	317 394	350 037	43 225	39 294	-	-	-	-	202 295	439 900	(1 657 638)	(2 129 274)	-	-
Loss on investments	-	(12 002)	-	(82)	-	(11 948)	-	6	-	5	-	(100)	-	141 105	-	-	-	116 984
Amortization/depreciation	5 026	4 844	-	-	17 198	9 216	-	-	-	-	-	-	-	-	-	-	22 224	14 060
Change in provision for doubtful debts	96 060	193 523	-	-	-	-	-	-	-	-	-	-	-	-	-	-	96 060	193 523
Loss on foreign exchange	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENSES	9 749 740	10 414 832	49 922	961 035	3 201 095	3 954 844	391 533	373 089	2 427 274	2 177 585	232 524	850 961	3 350 882	5 609 577	(1 657 638)	(2 129 274)	17 745 332	22 212 649
SURPLUS/(DEFICIT) FOR THE PERIOD	333 483	(985 577)	196 702	78 269	(9 075)	(184 729)	242 347	143 066	(600 469)	11 320	515 113	957 908	966 577	2 319 150	-	-	1 644 678	2 339 407

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