United Nations

International Residual Mechanism for Criminal Tribunals

Financial report and audited financial statements

for the year ended 31 December 2017

and

Report of the Board of Auditors

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

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A/73/5/Add.15

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Note

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

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Letters of transmittal

Letter dated 29 March 2018 from the Secretary-General addressed to the Chair of the Board of Auditors

In accordance with financial regulation 6.2, I have the honour to submit the financial statements of the International Residual Mechanism for Criminal Tribunals of the United Nations for the year ended 31 December 2017, which I hereby approve. The financial statements have been completed and certified by the Controller as correct in all material respects.

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

(*Signed*) António **Guterres**

Letter dated 24 July 2018 from the Chair of the Board of Auditors addressed to the President of the General Assembly

I have the honour to transmit to you the report of the Board of Auditors on the financial statements of the International Residual Mechanism for Criminal Tribunals for the financial year ended 31 December 2017.

(*Signed*) Rajiv **Mehrishi**
Comptroller and Auditor General of India
Chair of the Board of Auditors

Chapter I

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

Opinion

We have audited the financial statements of the International Residual Mechanism for Criminal Tribunals, which comprise the statement of financial position (statement I) as at 31 December 2017 and the statement of financial performance (statement II), the statement of changes in net assets (statement III), the statement of cash flows (statement IV) and the statement of comparison of budget and actual amounts (statement V) for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Mechanism as at 31 December 2017 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS).

Basis for opinion

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

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

The Secretary-General of the United Nations is responsible for the other information, which comprises the financial report for the year ended 31 December 2017, contained in chapter IV below, but does not include the financial statements and our auditor's report thereon.

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

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

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

The Secretary-General of the United Nations is responsible for the preparation and fair presentation of the financial statements in accordance with IPSAS and for such internal control as management determines to be necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is appropriate and sufficient to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentation or the overriding of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Mechanism's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Draw conclusions as to the appropriateness of management's use of the going-concern basis of accounting and, on the basis of the audit evidence obtained, whether a material uncertainty exists in relation to events or conditions that may cast significant doubt on the ability of the Mechanism to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Mechanism to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on other legal and regulatory requirements

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

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

(*Signed*) Rajiv **Mehrishi**
Comptroller and Auditor General of India
Chair of the Board of Auditors

(*Signed*) Mussa Juma **Assad**
Controller and Auditor General of the
United Republic of Tanzania
(Lead Auditor)

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

24 July 2018

Chapter II
Long-form report of the Board of Auditors

Summary

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

The Board of Auditors has audited the financial statements and reviewed the operations of the Mechanism for the year ended 31 December 2017. The audit was carried out through the examination of financial transactions and operations of the Mechanism in Arusha and The Hague.

Scope of the report

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

The audit was conducted primarily to enable the Board to form an opinion on whether the financial statements present fairly the financial position of the Mechanism as at 31 December 2017 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS). The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

The Board also reviewed the Mechanism's operations under regulation 7.5 of the Financial Regulations and Rules of the United Nations, which allows the Board to make observations on the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of operations. The Board examined key activities of the Mechanism, including evaluation of overall service sustainability, completion strategy, post-implementation of IPSAS, asset management, archives and records management, travel management, and information and communications technology. The report also includes a brief commentary on the status of implementation of recommendations from previous years.

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

The Board did not identify material deficiencies in the financial records and operations of the Mechanism. However, the Board found potential for improvement in the areas of construction and contract management, procurement management, archives and records management, asset management, travel management, and information and communications technology. The Mechanism has developed the self-standing administration that it needs to finalize the discharge of the remaining responsibilities of the International Criminal Tribunal for Rwanda and the International Tribunal for the Former Yugoslavia, which closed their operations on 31 December 2015 and 31 December 2017, respectively.

Key findings

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

Inadequate control system for heating, ventilation and air conditioning

(a) The internal memorandum issued by the Mechanism Archives and Records Section on 12 January 2017 on the control system for heating, ventilation and air conditioning at the Lakilaki office, in Arusha, showed that the system did not fully meet the standards for air quality, temperature and relative humidity specified by the Mechanism for the archive repositories. As a result, the Section continued to store the records in the Arusha International Conference Centre building, for which, at the time of completion of the audit (5 May 2018), the Mechanism had paid rent in an amount of $179,518 for the financial year ended 31 December 2017. The rental cost could have been avoided if the repositories had been moved to the designated facility. The Mechanism informed the Board that the architectural firm tasked with reviewing the required specifications in the environmental control system would rectify the problems that had been identified.

Unapproved ex post facto cases

(b) Paragraph 1 (a) of chapter 12.10 of the United Nations Procurement Manual (version 7, 2013) provides that all ex post facto variation orders must be presented to contract committees and, subsequently, to the Procurement Division for their review and approval. However, as of May 2018, three variation orders amounting to a total of $399,726 for additional construction works undertaken in Arusha between December 2016 and February 2017 had not been presented to the local committee on contracts and the Procurement Division for approval. The variation order amount had been charged against the regular budget on an exigency basis.

Lack of audiovisual recording backups

(c) During its review of information about audiovisual recordings in the Electronic Document and Records Management System (RM8), the Board found that there were no backups for 4,399 audiovisual recordings, out of approximately 115,000 such recordings generated from some 35,000 court sessions held between January 1994 and December 2017. Management explained that it had identified a course of action to preserve and create copies of approximately 25 per cent of the recordings without backup, which would reduce their overall number by approximately 1,100 tapes. Management would also ensure that redundant records that had been examined are de-accessioned and destroyed. The Board is of the view that, in case of disaster, the lack of audiovisual recording backups may lead to the permanent loss of information and records.

Recommendations

In view of the key findings above, the Board's main recommendations are that the Mechanism:

Inadequate control system for heating, ventilation and air conditioning

(a) **Supervise the architectural firm tasked with reviewing the control system for air quality, temperature and relative humidity of the archive repositories in the Lakilaki facility and modifying the system to ensure that it meets standard requirements;**

Unapproved ex post facto cases

(b) **Present the three variation orders to the local committee on contracts and, subsequently, to the Procurement Division for their ex post facto review and approval;**

Lack of audiovisual recording backups

(c) **Implement the audiovisual preservation plan by completing the stated target of preserving 25 per cent of the recordings without backup, reviewing records for validity and completeness and establishing a governance board for the project.**

A. Mandate, scope and methodology

1. The International Residual Mechanism for Criminal Tribunals was established by the Security Council in its resolution 1966 (2010) to continue the jurisdiction, rights and obligations and essential functions of the International Criminal Tribunal for Rwanda and the International Tribunal for the Former Yugoslavia after the completion of their respective mandates, including a range of judicial activities, the enforcement of sentences, the resettlement of acquitted and released persons, the protection of victims and witnesses, and the management of archives.

2. The Mechanism has two branches: one in Arusha, United Republic of Tanzania, and the other in The Hague, Netherlands. The Arusha branch, which covers functions inherited from the International Criminal Tribunal for Rwanda, commenced its operations on 1 July 2012. The branch in The Hague, which covers functions inherited from the International Tribunal for the Former Yugoslavia, commenced its operations on 1 July 2013.

3. The Mechanism consists of three organs, namely, the Chambers, the Office of the Prosecutor and the Registry. The Chambers comprise a full-time President, an Appeals Chamber common to both branches, a Trial Chamber for each branch, a duty judge at the Arusha branch and single judges appointed at both branches. The Chambers are responsible for all judicial work of the Mechanism, including the enforcement of sentences, administrative review, trials, appeals, proceedings for review of final judgment, contempt and false testimony proceedings, and disposition of other requests related to, for example, access to confidential material and witness protection. The Office of the Prosecutor is responsible for investigation and prosecution. The Registry, which services both the Chambers and the Office of the Prosecutor, is responsible for the administration and servicing of the Mechanism.

4. The Board of Auditors has audited the financial statements of the Mechanism and reviewed its operations for the year ended 31 December 2017 in accordance with General Assembly resolution 74 (I). The audit was conducted in conformity with article VII of the Financial Regulations and Rules of the United Nations and the annex thereto, as well as with the International Standards on Auditing. The Standards require that the Board comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

5. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements presented fairly the financial position of the Mechanism as at 31 December 2017 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS). This included an assessment as to whether the expenditure recorded in the financial statements had been incurred for the purposes approved by the governing bodies and whether revenue and expenses had been properly classified and recorded in accordance with the Financial Regulations and Rules of the United Nations. 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.

6. In addition to the audit of the accounts and financial transactions, the Board carried out reviews of the Mechanism's operations under financial regulation 7.5, which requires the Board to make observations with respect to the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of the Mechanism's operations. Those matters are addressed in the relevant sections of the present report.

7. The Board coordinates with the Office of Internal Oversight Services during the audit to avoid duplication of effort and to determine the extent to which the Board could rely on the latter's work.

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

B. Findings and recommendations

1. Previous years' recommendations

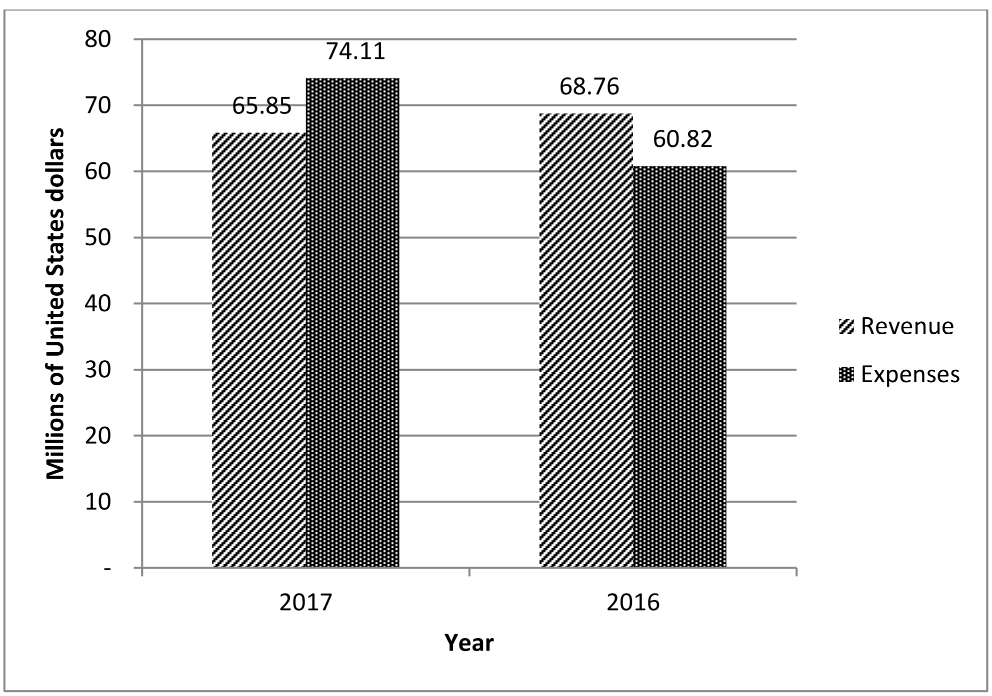
9. Of the 15 recommendations that remained outstanding at 31 December 2016, nine recommendations (60 per cent) have been fully implemented, five (33 per cent) are under implementation and one (7 per cent) has been overtaken by events. The Board urges the Mechanism to fully implement the outstanding recommendations. Details of the status of implementation of recommendations are presented in the annex to the present report.

2. Financial overview

10. Total revenue during the year under review was $65.85 million (2016: $68.76 million) against expenses of $74.11 million (2016: $60.82 million (restated)), resulting in a deficit of $8.26 million (2016: surplus of $7.94 million). The recorded deficit was mainly attributable to the increase in depreciation and amortization expense following the transfer of assets from the International Tribunal for the Former Yugoslavia and to an increase in the after-service liabilities accrued during the year.

11. A comparison of revenue and expenses for the financial years 2016 and 2017 is illustrated in the figure below.

Revenue and expenses



Source: Board of Auditors analysis of the Mechanism's financial statements for the year 2017.

12. As at 31 December 2017, cash and cash equivalents and investments amounted to $70.61 million, equivalent to 61.2 per cent of total assets. This represented an increase of $46.86 million from the balance of $23.75 million held at the end of 2016. The increase was a result of the amalgamation with the International Criminal Tribunal for Rwanda, which brought $52.82 million in cash and investments.

13. Liabilities as at 31 December 2017 totalled $122.71 million (2016: $89.55 million). Employee benefits liabilities accounted for $95.17 million (2016: $61.80 million), or 77.6 per cent of the reported liabilities. The increase of $33.37 million (37 per cent) in the employee benefits liabilities is mostly attributable to the actuarial loss of $21.73 million reported for the year and additional liabilities of $7.57 million for the staff transferred from the International Tribunal for the Former Yugoslavia. The actuarial loss resulted from the use of new census data, which impacted the actuarial demographic assumption, experience adjustment and financial assumptions.

14. Table II.1 contains key financial ratios, as extracted from the Mechanism's financial statements for the year ended 31 December 2017.

Table II.1
Ratio analysis

Description of ratio	*31 December 2017*	*31 December 2016 (restated)*
Total assets: total liabilities[a]	0.94	1.17
Current ratio[b] Current assets: current liabilities	7.88	7.46
Quick ratio[c] Cash and short-term investments and accounts receivable: current liabilities	7.69	7.38
Cash ratio[d] Cash and short-term investments: current liabilities	5.19	1.59

Source: Mechanism's financial statements for the year ended 31 December 2017.

[a] A high ratio is a good indicator of solvency.

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

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

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

15. Compared to 2016, the liquidity ratios show a stronger liquidity position, despite the deficit sustained during the year. The current ratio of 7.88:1, the quick ratio of 7.69:1 and the cash ratio of 5.19:1 indicate that the current liabilities are adequately covered by liquid assets, implying that the Mechanism has a greater ability to pay its short-term obligations from its liquid resources. The solvency of the entity has slightly deteriorated, as indicated by the total assets to total liability ratio of 0.94:1 (2016; 1.17:1). The main reason for this ratio to have worsened is the large balance of employee benefits and judges' honorariums and allowances of $116.92 million (2016: $82.31 million), which constituted a significant proportion of the liabilities and are settled on a pay-as-you-go basis.

3. Construction and contract management

Inadequate control system for heating, ventilation and air conditioning

16. The Board found that, in its internal memorandum dated 12 January 2017 to the Registry, the Mechanism Archives and Records Section had raised concerns about the inadequacy of the control system for heating, ventilation and air conditioning installed at the facility. The Section had indicated in its memorandum that the system did not fully meet the standards for air quality, temperature and relative humidity specified by the Mechanism for archive repositories. The repositories need to be fitted with an environmental control system capable of removing dust and pollutants and keeping the main record repository at a constant temperature of 18–22˚C and at a relative humidity of 35–45 per cent, and the cold vault at a constant temperature of 8˚C and at a relative humidity of 25 per cent. However, the initial four-week monitoring period by the Section showed that the equipment installed at Lakilaki did not maintain the environment to the Section's standards, that is, the equipment installed at both the main record repository and the cold vault was not capable of maintaining the temperature and relative humidity at the levels recommended for storing records over a long period. The deficiency was also confirmed by the Board during its visit to the main record repository on 22 November 2017, when the temperature was measured at 24.7˚ C and the relative humidity at 50 per cent, both figures being above the ranges set by the Section.

17. The fact that the heating, ventilation and air conditioning system installed in Lakilaki is not fully operational has meant that, even though the Mechanism moved to Lakilaki in December 2016, four repositories for the Mechanism Archives and Records Section and one for the Office of the Prosecutor are still located in the Arusha International Conference Centre building. The Mechanism has therefore continued to pay rent for those repositories, for a total amount of $179,518 for the period from 1 January to 31 December 2017.

18. The Mechanism informed the Board that the architectural firm contracted for the project would review the required specifications of the environmental control system for air quality, temperature and relative humidity of the archives and advise on the schematic design of a redesigned system. The Mechanism, in close coordination with the architect, has assessed the delivery and installation lead times required for the retrofits and estimated that the modifications will be substantially completed by the third quarter of 2018.

19. While acknowledging management's response, the Board remains concerned that a substantial period has elapsed without resolving the issue since it was first raised by the Mechanism Archives and Records Section, on 12 January 2017. The delay in fixing the issue has meant that the Mechanism has had to continue to pay rent for the premises at the Arusha International Conference Centre, which is an expense that could otherwise have been avoided.

20. **The Mechanism agreed with the Board's recommendation to supervise the architectural firm tasked with reviewing the control system for air quality, temperature and relative humidity of the archive repositories in the Lakilaki facility and modifying the system to ensure that it meets standard requirements.**

4. Procurement management

Unapproved ex post facto case

21. Paragraph 1 of chapter 12.10 of the United Nations Procurement Manual provides that ex post facto cases must be presented to contracts committees.

22. In March 2017, the Mechanism paid a total of $399,726 for three variation orders for additional works relating to the Arusha construction project, and it charged the amount against the regular budget on an exigency basis in form of an ex post facto case. However, as of May 2018, more than 14 months after the payment date (5 March 2017), those variation orders had still not been presented to the local committee on contracts and the Procurement Division for review and approval. Details of the variation orders are presented in table II.2.

Table II.2
Variation orders not presented to the local committee on contracts

Invoice number	*Invoice date*	*Variation order No.*	*Amount paid (US dollars)*
2017/INV/008	14 February 2017	008-008A	317 813.30
2017/INV/0012	21 February 2017	010	9 800.00
2017/INV/011	21 February 2017	011	72 112.80
Total			**399 726.10**

Source: Construction invoice files and minutes of meetings of the local committee on contracts.

23. Management attributed the delay in presenting the variation orders to the local committee on contracts and the Procurement Division for approval to a multitude of competing priorities. The Board is of the view that failure to submit the ex post facto cases to the respective committees in a timely manner means that the procedures laid down for the procurement cases concerned have not been followed. Consequently, the assessment of the underlying causes to determine their justification and to find a solution to avoid the recurrence of the cases will also be delayed.

24. **The Mechanism agreed with the Board's recommendation to present the three variation orders to the local committee on contracts and, subsequently, to the Procurement Division for their ex post facto review and approval.**

5. Asset management

Delays in disposal and write-off of idle assets

25. Part D, paragraph (2) (iv), of the standard operating procedures on the disposition, de-recognition and impairment of assets (revision 2), provides that the de-recognition of an asset must be performed within 30 days from the time of submission of the write-off case and processed within the same reporting period.

26. During its review of asset data extracted from Umoja, the Board noted that 51 assets valued at $702,290 (from the Arusha and Kigali branches) were not in use, including four motor vehicles and one generator that were out of order and had been grounded at the Kigali field office since December 2016.

27. Management informed the Board that a major assessment of assets had been carried out to determine the usefulness and usability of assets. Management explained that the asset cases had been sent to the Local Property Survey Board for write-off and disposal. While the Board appreciates the efforts made so far to dispose of the assets, it notes that, as at 5 May 2018, no physical disposal had yet taken place.

28. **The Mechanism agreed with the Board's recommendation to ensure that unused assets and other assets that are out of order are physically disposed of in a timely manner.**

Non-updating of information on assets in Umoja

29. Under paragraph 7 of the standard operating procedures on the transfer of assets from the International Tribunal for the Former Yugoslavia to the Mechanism, the Property Control and Inventory Unit is required to process the transfer of assets. This task includes the transfer of asset data into Umoja. Furthermore, it is stated in paragraph 7.2 of the standard operating procedures that the respective section (asset holder) may assign the asset and issue it to a staff member (user) in Umoja.

30. However, during its review of data in Umoja, the Board observed incomplete or inadequate information for a total of 6,680 assets and equipment (with a book value of $12.54 million), for example, with regards to identification numbers. In addition, while the assets and equipment had been transferred from the International Tribunal for the Former Yugoslavia to the Mechanism between July and December 2017, the data lacked information about the user to whom the asset had been assigned/issued. Of those assets, 3,088 had also been assigned incorrect acquisition dates and 1,010 presented no information regarding their physical locations.

31. Management explained that information on assets, such as user identification, was incomplete owing to massive staff separation. However, management had an action plan to update the information in Umoja early in 2018. The location of assets will be updated together with other information, and the asset and inventory database will be synchronized with Umoja after completion of the physical verification of assets.

32. The Board notes management's response but considers that the electronic transfer of assets from the International Tribunal for the Former Yugoslavia to the Mechanism in Umoja was not effectively performed to ensure that recorded assets are supported by complete and accurate information.

33. **The Mechanisms agreed with the Board's recommendation to update the information on assets in Umoja, including assigning and issuing them to users (staff members) without delays.**

6. Archives and records management

Lack of audiovisual recording backups

34. In article 27 of annex 1 to its resolution 1966 (2010), the Security Council stated that the Mechanism was responsible for the management of the archives of the two Tribunals, including their preservation and the provision of access thereto, as well as its own archives, including documents, maps, photographs, audiovisual recordings and objects.

35. The Board reviewed information about audiovisual recordings in the Electronic Document and Records Management System (RM8) and physical tapes and disks stored in the repositories of the Mechanism Archives and Records Section (repositories M01 and M1A). The Board found that, of approximately 115,000 audiovisual recordings generated from about 35,000 court sessions held between January 1994 and December 2017, 4,399 recordings had no backups.

36. Management explained that it was still in the process of reviewing 69,363 audiovisual recordings to identify any redundant recordings that could be destroyed, and check for non-redundant recordings to validate their completeness and accuracy and correct any errors in terms of preservation and provision of access. In implementing the audiovisual preservation and access project, the Mechanism Archives and Records Section had already identified a course of action and, over the following 12 months, would: (a) establish a project team and project board; (b) prepare and examine the cases selected, to ensure that records were ready for

preservation actions, and preserve and create duplicate copies of approximately 25 per cent of the recordings identified as lacking backup (thereby reducing the overall number by approximately 1,100 tapes); and (c) ensure that redundant records that had been examined could be de-accessioned and destroyed.

37. The Board considers that management needs to ensure the existence of backups, as the lack thereof could lead to the permanent loss of important information or records in case of disaster.

38. **The Mechanism agreed with the Board's recommendation to implement the audiovisual preservation plan by completing the stated target of preserving 25 per cent of the recordings without backup, reviewing records for validity and completeness and establishing a governance board for the project.**

7. Travel management

Delays in the submission of travel requests

39. Since the implementation of Umoja, in November 2015, staff members and travel administrators who create travel requests on behalf of travellers who do not have access to Umoja of the International Tribunal for the Former Yugoslavia and the Mechanism have been guided by Umoja travel job aids.[1] These job aids state that all travel requests should be submitted 21 days prior to the departure date to ensure compliance with the requirements laid down in section 3.3 of administrative instruction ST/AI/2013/3, namely, that travellers either finalize their travel arrangement 16 days in advance of the commencement of travel or that programme managers provide justification for non-compliance with that deadline.

40. The Board reviewed the travel data in Umoja and found that 80 of 200 trips undertaken between January and November 2017 had been submitted less than 21 days before the commencement of travel, contrary to the Umoja travel job aids guideline. As a result, 76 of these requests had been approved less than 16 days before the travel date.

41. Management informed the Board that there were a number of reasons for travel requests to be approved outside the 21-day/16-day guidelines for approval, including urgent recruitment cases, changes in meeting and trial schedules, urgent staff requests for travel due to family emergencies and budget or system limitations that prevented travel certification.

42. However, of the 80 trips concerned, only 45 related to recruitment, while the remaining 35 related to home leave, family visit, education grant, separation travel and repatriation travel, and could have been planned and requested 21 days in advance of the travel dates. Management also argued that the administrative instruction was meant to ensure operational flexibility, provided that there were justifications for missing the deadline. However, the Board found no evidence that the non-compliance in question satisfied the requirement of acceptable justification, such as factors beyond the control of staff members and travel administrators.

43. **The Board recommends that the Mechanism regularly remind staff members and travel administrators of travel provisions through periodic broadcast messages, to ensure that travel relating to home leave, family visit, education grant, separation and repatriation are planned well in advance of their**

[1] Employee self-service for creating: official travel, human resources travel requests, entitlement travel (tickets paid by the United Nations), entitlement travel (lump-sum option), expense reports and others.

commencement in order to comply with the request to submit travel requests at least 21 days before the travel date.

8. Information and communications technology

Inadequate general controls in the Mechanism's data centre in Arusha

44. The Mechanism's data centre in Arusha encompasses computer, server and networking systems and components for the Mechanism's information technology. In the server room, two uninterruptible power supplies, with capacities of 80 kVA and 40 kVA, are used to support information technology equipment at the Vblock storage equipment and other data centre and equipment of the Mechanism Archives and Records Section. The Board also noted a new uninterruptible power supply with a capacity of 80 kVA, which was intended to support the data centre as an alternative uninterruptible power supply in case the existing supplies stopped working.

45. The Board noted that the new uninterruptible power supply had been out of order since October 2016 and up to the time of completion of its audit, in May 2018.

46. In addition, the Board found that water supply pipes ran above the servers and across the ceiling of the data centre where servers and network system racks were kept, posing the risk of equipment damage in case of water leakage.

47. The Mechanism explained that a contractor had been hired in November 2017 to modify the water pipes, but that, since the contractor had not yet intervened, it was planning to introduce follow-up measures.

48. While acknowledging the responses from management, the Board considers that the defective uninterruptible power supply needs to be repaired or replaced without delay. The Board is also of the view that the water pipes that run across the ceiling of the data centre need to be relocated urgently.

49. **The Mechanism agreed with the Board's recommendation: (a) to repair or replace the defective uninterruptible power supply so that it might provide steady power in times of fluctuations; and (b) to follow up closely with the contractor to ensure completion of the modification to the water pipes that run across the ceiling of the data centre.**

Inadequate project management of the unified judicial database

50. In section 3.4 of the change management procedure, it is explained that the testing of a system should involve various user groups in order to get wider acceptance, as well as the business section directly affected by the change. Furthermore, section 2.2.3 of the United Nations information and communications technology (ICT) project management handbook provides that a project initiation documentation[2] must be prepared to serve as a guide between the project board and the project manager.

51. The Mechanism engaged a vendor on 31 December 2015 to develop and implement a unified judicial database. The unified judicial database project is aimed at developing an electronic system for receiving, storing, managing and distributing its own judicial records, as well as maintaining access to the judicial records of the two Tribunals and the Mechanism. The project was costed at $256,812 and was expected to be completed by 31 October 2016. However, during the review of the project, the Board found that the following issues needed to be addressed by management:

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[2] The project initiation documentation serves as guidance and information for those involved in the project and is used for evaluation purposes at the end of a project.

(a) The vendor completed the assignment on 30 June 2017. A certificate of final acceptance was issued to confirm acceptance of the unified judicial database as a successfully installed, configured and fully functional system. However, as of the time of completion of the present audit, on 5 May 2018, the Mechanism had not yet started to use the system. Management explained that there were ongoing internal activities, such as internal testing of the system, development of a web-based search interface undertaken by the Mechanism Archives and Records Section in Arusha, end-user training and development of standard operating procedures for establishing the roles and responsibilities in the database. The Board, however, considers that the noted deficiencies mostly stemmed from a lack of master plan to include and distinguish activities to be done internally by the Mechanism staff and those supposed to be done by the vendor. As of December 2017, there was no plan in place for ongoing activities which were expected to be completed by 31 October 2016, and later extended to 31 May 2017;

(b) Management considers that the initial functional requirements addressed the business requirements comprehensively (even after completion of the work by the contractor). However, the Board noted several issues, such as information security requirements, a web-based search interface and the integration of the unified judicial database with the witness database and other related information systems, that had not been adequately covered, specified and implemented by the vendor even though they were specified in the contract. The Board is concerned that the gaps identified in integration, search facility requirements and security issues could have been addressed by the vendor after completion of testing before issuing a certificate of final acceptance. As the failure of the vendor to configure the system as agreed has necessitated a continuation of internal activities, such as the development of a web-based search interface, the Board considers that the functional requirements were not comprehensively defined to address the entire business requirements;

(c) There was no project initiation documentation, which is the contract between the project board and the project manager. This is a crucial document that can also be used for information and guidance by those involved in the project and project evaluation. While management explained that it used high-level briefs and business cases for project initiation documentation purposes, the Board is concerned that, in the absence of project initiation documentation, project goals may not be agreed upon at the very beginning, thereby increasing the risks that the project manager will scope the project incorrectly;

(d) The user acceptance test did not take into consideration all test results provided by business units. For example, input from the Judicial Records and Archives Unit showed that, in the legacy system, there were pre-defined groups for circulating electronic files, while in the unified judicial database, circulation required selecting recipients from an email system, which lent itself to errors. In addition, according to the Information Technology Service Section, retrieving transcript information based on a selected witness was not possible in the unified judicial database;

(e) According to the ICT strategy for 2014–2017, establishing specifications for a new system such as the unified judicial database that did not include all functions available in legacy systems and still required by business units carried a risk. However, no actions had been taken to mitigate that risk. Furthermore, the risk had not been included in the original risk assessment of the unified judicial database project in 2015, even though the assessment had been updated in May 2017;

(f) In May 2018, the Board was informed that the unified judicial database project had been suspended late in 2017 pending an independent assessment of the current state of the project and the feasibility of integrating custom-built applications of the International Tribunal for the Former Yugoslavia that were used by the Mechanism, as recommended by the Office of Internal Oversight Services in its report of March 2018 (see S/2018/206).

52. The Board is of the view that, unless the noted deficiencies are addressed, the project may not meet the intended business objectives.

53. **The Mechanism agreed with the Board's recommendation to review and identify the gap between the unified judicial database and business requirements by involving key business-process owners and, thereafter, to prepare a master project plan encompassing all the activities that will be implemented by the vendor and internal staff.**

54. **The Mechanism also agreed with the Board's recommendation to expedite the engagement of one or more independent reviewers to advise the Mechanism on the best way to complete the project.**

55. **In addition, the Mechanism agreed with the Board's recommendation to ensure that: (a) the acceptance test is performed by users who will then sign off on and acknowledge that the implemented system meets their functional requirements; and (b) as a lesson learned, a project initiation document is prepared in line with the guidance for ICT project management, to serve as a framework for future projects.**

Lack of an information and communications technology strategy

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

57. The Board noted that, while the Mechanism used to have an ICT strategy, which had been implemented from November 2014 to December 2017, no ICT strategy had been approved for 2018.

58. The Mechanism explained that the ICT strategy had expired at the end of 2017 and that the Information Technology Service Section was in the process of discussing priorities and initiatives with business units, with a view to developing a new strategy, which was expected to be adopted in the third quarter of 2018.

59. The Board is concerned that, without an ICT strategy, ICT investments may not meet the business requirements, which could result in a non-alignment of those investments with the overall strategic goals of the Mechanism and of the Secretariat. In addition, an ICT strategy would enable the Mechanism to adopt a holistic approach on the direction to give to ICT investments based on available resources.

60. **The Mechanism agreed with the Board's recommendation to develop a new ICT strategy aligned with the Mechanism's overall strategy and the overall ICT strategic initiatives of the United Nations.**

C. Disclosures by management

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

61. Pursuant to financial rule 106.7 (a), the Mechanism approved write-offs of receivables of $14,322 and write-offs of property, plant and equipment of $44,333 for the year 2017.

2. Ex gratia payments

62. Management confirmed that the Mechanism had not made any ex gratia payments in 2017.

3. Cases of fraud and presumptive fraud

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

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

65. In 2017, the Board did not identify any cases of fraud or presumptive fraud and the Mechanism reported to the Board that it had no such cases.

D. Acknowledgement

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

(*Signed*) Rajiv **Mehrishi**
Comptroller and Auditor General of India
Chair of the Board of Auditors

(*Signed*) Mussa Juma **Assad**
Controller and Auditor General of the
United Republic of Tanzania
(Lead Auditor)

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

24 July 2018

Annex

Status of implementation of recommendations up to the year ended 31 December 2016

Financial period in which the recommendation was first made	*Paragraph reference*	*Recommendations*	*Mechanism responses*	*Board assessment*	*Status after verification*			
					Implemented	*Under implementation*	*Not implemented*	*Overtaken by events*
2015	26	The Board recommended that the Mechanism use the policy development framework to update its administrative rules, policies and procedures to suit its current operating environment	The Mechanism is using the policy development framework to draft new administrative rules, policies and procedures, and expects to have redrafted a majority of its administrative policies by the first quarter of 2017	Management demonstrated that it used the policy development framework to draft new administrative rules, policies and procedures. Therefore, the Board considers this recommendation to be implemented	X			
2015	52	The Board recommended that the Mechanism collaborate with the Procurement Division at Headquarters to: (a) continue to closely monitor the project so as to avoid further delays; (b) prepare a project plan and supervise its implementation to demonstrate how the project will be completed on time and within the approved budget; and (c) evaluate and enforce the provision regarding liquidated damages, as appropriate, for the failure of the contractor to abide by the contractual terms	As regards part (a), the Mechanism continues to monitor the project closely and notes that, in a recent audit, the Office of Internal Oversight Services had found that project management by the Mechanism was satisfactory. As regards part (b), the Mechanism notes that the project was tested and commissioned in the last week of September 2016, the last step before substantial completion. The project remains well within its approved budget. The Mechanism therefore believes that this part of the recommendation has been overtaken by events and is closed. As regards part (c), the Mechanism is working in close coordination with the Procurement Division, the Office of Legal Affairs and the Office of Central Support Services to ensure that the	Parts (a) and (b) of the recommendation have been closed The Board assessed the implementation of part (c) of the recommendation and confirms that liquidation damages payment has been withheld while work is still in progress. The recommendation is therefore considered to be implemented	X			

Financial period in which the recommendation was first made	Paragraph reference	Recommendations	Mechanism responses	Board assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
			contractor continues to rectify the punch list items and achieves final completion by the end of April 2018. At the same time, the Mechanism has withheld some payments in view of the delay damages					
2016	18	The Mechanism agreed with the Board's recommendation to: (a) ensure that the contractor and the architect (consultant) complete the remaining works under the defect liability period without further delay; and (b) continue to engage with the Secretariat on how to recover liquidated damages as legally appropriate and economically feasible	The contractor and architect are providing updates on progress made with regard to the rectifications that have been identified as necessary and are completing the remaining work on the new facility. After receipt and review of their progress report, the Mechanism will issue a formal notification to them to ensure that any remaining works are completed properly and in a timely manner. As part of this process, information will also be provided by the Mechanism's liaison office to the appropriate offices in the United Nations Secretariat to facilitate a determination of whether the liquidated damages may be recovered legally and economically and, if so, to what extent	Outstanding works needed to be completed and verified after the end of the revised defect liability period, which ran until 30 April 2018. In addition, liquidated damages had not been recovered and their collectability had not been determined. Given that those activities are pending, it is the Board's view that the recommendation is still under implementation		X		
2016	23	The Mechanism agreed with the Board's recommendation that it exercise close supervision and ensure that the contractor conducts the 10 remaining training events and orientation sessions for the users of the building without further delay	Nine training events and orientation sessions have been conducted for building users, and the remaining one will be held after defects in the archive facility have been rectified	The Board has verified that the training events were conducted, therefore the recommendation is fully implemented	X			

Financial period in which the recommendation was first made	*Paragraph reference*	*Recommendations*	*Mechanism responses*	*Board assessment*	*Status after verification*			
					Implemented	*Under implementation*	*Not implemented*	*Overtaken by events*
2016	25	The Mechanism agreed with the Board's recommendation that it instruct the contractor to submit a revised work programme in order to monitor the outstanding works items and defects on the list	The contractor and architect are providing updates on progress made with regard to the rectifications that have been identified as necessary and are completing the remaining work on the new facility. After receipt and review of their progress report, the Mechanism will issue a formal notification to them to ensure that any remaining works are completed properly and in a timely manner. The revised work programme has been submitted by the contractor	The revised work programme has been submitted and verified. The Board considers this recommendation to be closed	X			
2016	29	The Mechanism agreed with the Board's recommendation that it liaise with the architect and the contractor to ensure that the contractor fully adheres to the contract terms regarding the waste management plan and conducts compaction of loose soil material as required	Owing to the situation on hand, it is not worth touching the soil. Compacting it would cause erosion, as the area is planted with grass	The Board made a physical verification on site and agreed with the Mechanism that compacting loose soil would cause erosion. Therefore, the Board has closed this recommendation on the ground that its implementation would not be adding value				X
2016	34	The Board recommends that the Mechanism ensure that the contract with the current owner of the premises is signed and that proper documentation on progress made in securing and renovating the office premises is maintained	The Mechanism has a long-standing written commitment from the owner of the premises that it can remain on the current premises beyond 2017. In this connection, a final draft contract is being discussed, and the Mechanism expects to sign a new lease by the end of 2017	As of April 2018, the amendment to the lease agreement (contract) had entered into force, therefore the Board considers that this recommendation has been implemented	X			

Financial period in which the recommendation was first made	Paragraph reference	Recommendations	Mechanism responses	Board assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
2016	40	The Mechanism agreed with the Board's recommendation that it revise its time frame for the development of an archives and records management governance document and establish a clear timeline for developing and implementing all remaining policies, guidelines and procedures	The Mechanism Archives and Records Section is preparing a revised document on the time frame for the development of an archives and records management governance, in which it will establish clear timelines for the development of all remaining policy documents	Management has shared the status and target completion date for the remaining policies, guidelines and procedures. Therefore, the Board consider the recommendation to be implemented	X			
2016	46	The Mechanism agreed with the Board's recommendation that the Mechanism Archives and Records Section develop an overall project plan/ workplan for the entire backlog project, including a determination of all of the cases and records to be covered and the corresponding time frame, and for how it will monitor the plan's implementation	The Mechanism Archives and Records Section is currently preparing an overall project workplan for the backlog project, including a timeline and provisions for monitoring its implementation	The Board noted that the workplan for the backlog project had been identified in the audiovisual preservation and access project. It therefore considers that the implementation of the recommendation is in progress		X		
2016	51	The Mechanism agreed with the Board's recommendation that the Mechanism ensure that all records in the repositories of the Mechanism Archives and Records Section are clearly reviewed and mapped to the approved records retention schedules and that there is effective implementation through initiation of the appropriate disposition actions	The Mechanism Archives and Records Section is facilitating the timely and comprehensive transfer of all physical and digital records from the International Tribunal for the Former Yugoslavia to the Mechanism, ahead of the liquidation of the Tribunal, which was scheduled for the end of 2017. Once the project is completed, the Section will have the resources to commence remapping the repositories	The Board noted that, the review and mapping of the approved records retention schedules are yet to start. It therefore considers that the recommendation is still under implementation		X		

Financial period in which the recommendation was first made	Paragraph reference	Recommendations	Mechanism responses	Board assessment	Status after verification			
					Implemented	Under implementation	Not implemented	Overtaken by events
2016	56	The Mechanism agreed with the Board's recommendations that it ensure that the approval process is expedited in line with paragraph 26 of the Standard Operating Procedures on Travel Requests and Authorizations of 30 March 2015	The Mechanism will take steps to ensure that the approval process with respect to travel requests is expedited. Furthermore, the relevant standard operating procedure will be revised in line with the Mechanism's policy development framework	The Board noted the same instances of delays in the approval of travel requests during the year 2017. In addition, the Mechanism had not yet taken the steps intended to address the recommendation. The Board considers the recommendation to be under implementation		X		
2016	61	The Board recommends that the Mechanism consistently monitor accountability of travel advances through ensuring that travel reimbursement forms are submitted in a timely manner and that the requisite measures are instituted in the event of non-compliance	The Mechanism has instituted a weekly review of outstanding expense reports for the purpose of following up with staff members who do not complete their reports in a timely manner. In addition, a feature in Umoja has been activated that will trigger the recovery of travel advances in the event of non-compliance with the prescribed deadlines	In view of the measures instituted by the Mechanism for accountability of travel advances, the Board considers the recommendation to be implemented	X			
2016	67	The Mechanism agreed with the Board's recommendation that it review and formalize the procedure for the provisioning and de-provisioning of user access to RM8 with a defined user role matrix	The user role matrix was provided to the Board for its review prior to the publication of its final report. Accordingly, the Mechanism's management requests the closure of this recommendation	The procedure for the provisioning and de-provisioning of user access to RM8 has been formalized. The Board considers the recommendation to be implemented	X			

Financial period in which the recommendation was first made	Paragraph reference	Recommendations	Mechanism responses	Board assessment	Status after verification			
					Implemented	Under implementation	Not implemented	Overtaken by events
2016	72	The Mechanism agreed with the Board's recommendation that it review, update and test the disaster recovery plan of the Mechanism's Arusha branch and implement thereafter a comprehensive disaster recovery plan which considers all of the information systems and their dependencies	The Mechanism has undertaken a complete review of the disaster recovery plan for its Arusha branch, updated it as necessary and ensured that it is implemented accordingly	The Mechanism has reviewed the updated disaster recovery plan of its Arusha branch. Therefore, the Board considers the recommendation to be implemented	X			
2016	80	The Board recommends that the Mechanism expedite assessment and review of its information and communications technology (ICT) organizational structure to ensure that functions are located outside the ICT unit only for approved reasons, and that ICT functions are mainly consolidated and centralized so as to prevent the fragmentation of ICT expertise and capacity	The Mechanism is assessing and reviewing its ICT organizational structure, and the results will be further reviewed and approved by the Mechanism's ICT Committee	The ICT Committee has been tasked with reviewing the ICT organizational structure and discussing how ICT personnel in sections other than the ICT section may be incorporated into the latter and work together. Therefore, the recommendation is considered to be under implementation		X		
Total number of recommendations					**9**	**5**	**0**	**1**
Percentage of total number of recommendations					**60**	**33**	**0**	**7**

Chapter III

Letter dated 23 March 2018 from the Assistant Secretary-General, Controller, addressed to the Chair of the Board of Auditors

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

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

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

(*Signed*) Bettina Tucci **Bartsiotas**
Assistant Secretary-General, Controller

Chapter IV
Financial report for the year ended 31 December 2017

A. Introduction

1. The Registrar has the honour to submit herewith the financial report on the accounts of the International Residual Mechanism for Criminal Tribunals for the year ended 31 December 2017.

2. The present report is designed to be read in conjunction with the financial statements. Attached to the present chapter is an annex which includes supplementary information that is required to be reported to the Board of Auditors under the Financial Regulations and Rules of the United Nations.

3. The Mechanism was established by the Security Council in its resolution 1966 (2010) to continue the jurisdiction, rights and obligations and essential functions of the International Criminal Tribunal for Rwanda and the International Tribunal for the Former Yugoslavia after the completion of their respective mandates.

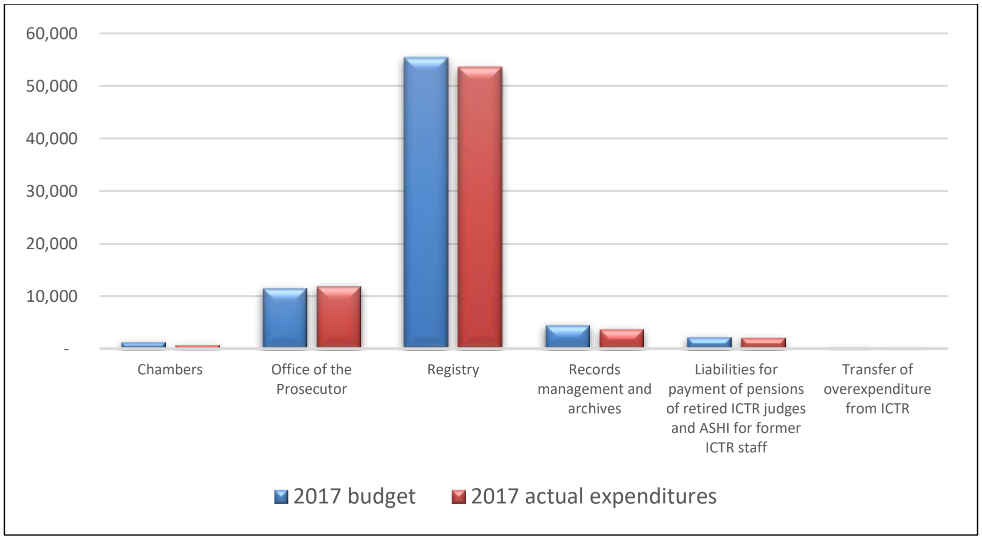
4. The Mechanism comprises two branches. One branch covers functions inherited from the International Criminal Tribunal for Rwanda and is located in Arusha, United Republic of Tanzania. It commenced its operations on 1 July 2012. The other branch is located in The Hague, Netherlands, and inherited functions from the International Tribunal for the Former Yugoslavia. It commenced its operations on 1 July 2013.

5. The Mechanism consists of three organs, which serve both of its branches: (a) the Chambers, from which single judges can be appointed and trial and appeal benches formed as needed, and which is presided over by the President; (b) the Prosecutor; and (c) the Registry, which provides administrative services to the Mechanism, including the Chambers and the Prosecutor.

6. In accordance with its mandate, the Mechanism has assumed responsibility for essential functions of the two Tribunals, including a range of judicial activities, the enforcement of sentences, the resettlement of acquitted and released persons, the protection of victims and witnesses and the management of archives. The International Criminal Tribunal for Rwanda was formally amalgamated into the Mechanism on 1 January 2017. As the International Tribunal for the Former Yugoslavia progressively downsized its operations in 2017, the Mechanism continued to work closely with Tribunal principals and staff to ensure a smooth transition of the remaining functions and services and the harmonization and adoption of best practices. The Tribunal completed its mandate as at 31 December 2017 and was formally amalgamated on 1 January 2018.

7. Figure IV.I shows the relative proportion of the 2017 budget of the Mechanism for each of its programme components; the final annual budget totalled $75.01 million (2016: $67.87 million), and expenditure amounted to $72.13 million (2016: $56.61 million). Actual expenditure was less than budget by 3.8 per cent, principally as a result of the lower-than-anticipated level of judicial activity at the Arusha branch of the Mechanism owing to the non-arrest of two fugitives, as well as some impact of fluctuations in exchange rates and lower inflation. The comparative budget and expenditures of the Mechanism are presented below.

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



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

B. Overview of the financial statements for the year ended 31 December 2017

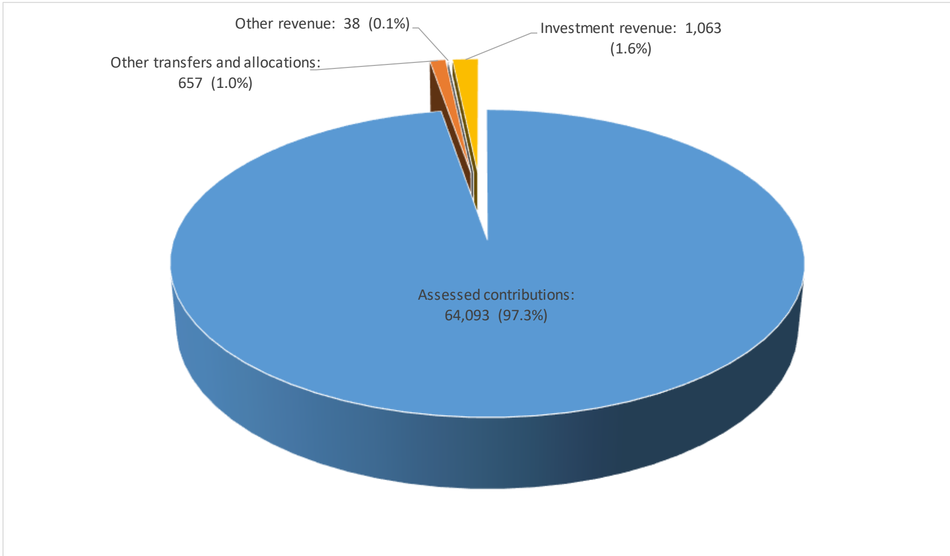
8. The financial statements of the Mechanism comprise the statement of financial position (statement I), the statement of financial performance (statement II), the statement of changes in net assets (statement III), the statement of cash flows (statement IV) and the statement of comparison of budget and actual amounts (statement V), which show the financial results of the activities of the Mechanism and its financial position as at 31 December 2017. The notes to the financial statements explain the Mechanism's accounting and financial reporting policies and provide additional information on the individual amounts contained in the statements.

Revenue

9. In 2017, revenue totalled $65.85 million (2016: $68.76 million). The main source of revenue was assessed contributions of $64.09 million assessed to Member States. This revenue has been recorded in accordance with the Financial Regulations and Rules of the United Nations and the relevant resolutions of the General Assembly for the biennium 2016–2017 (resolutions 70/243, 71/269 and 72/258). Assessed revenue decreased from $67.87 million in 2016 to $64.09 million in 2017, owing to the decrease in the final appropriation, for an amount of $3.78 million at the end of the biennium 2016–2017.

10. The other sources of revenue included mainly investment revenue, other transfers and allocations and other revenue of $1.06 million, $0.66 million and $0.04 million, respectively. Revenue reported as other transfers and allocations includes contributions in kind of used assets from the International Tribunal for the Former Yugoslavia.

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



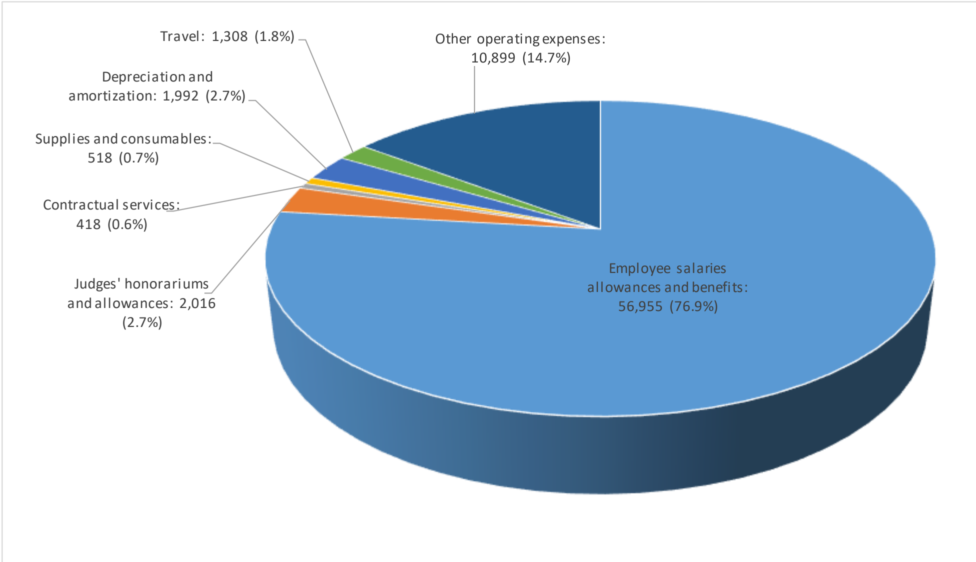
Expenses

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

12. For the year ended 31 December 2017, expenses totalled $74.11 million (2016: 60.82 million (restated)). The main expense categories were employee salaries, allowances and benefits of $56.96 million, which constituted 76.9 per cent of total expenses; other operating expenses of $10.90 million (14.7 per cent); judges' honorariums and allowances of $2.02 million (2.7 per cent); depreciation and amortization of $1.99 million (2.6 per cent); travel expenses of $1.31 million (1.8 per cent); and contractual services and supplies and consumables of $0.93 million (1.3 per cent).

13. The 2017 increase in employee salaries, allowances and benefits (from $43.67 million in 2016 to $56.96 million) is in line with the transition of the remaining functions and services of the Tribunals to the Mechanism. Judges' honorariums and allowances also increased in 2017 (from $1.54 million in 2016 to $2.01 million), owing mainly to the establishment of the position of President.

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



Operating results

14. The deficit of revenue over expense in 2017, as measured under the International Public Sector Accounting Standards (IPSAS), was $8.26 million. This was due to IPSAS adjustments, attributed mainly to the capitalization of property, plant and equipment and intangible assets as well as depreciation and amortization costs, and increased accrued costs of after-service liabilities earned by staff for their service during the year.

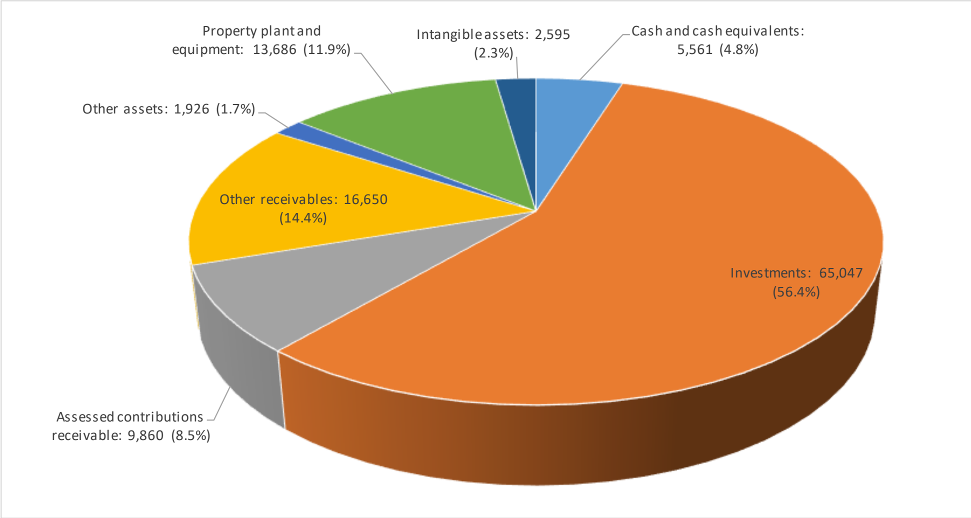
15. The surplus under IPSAS in 2016, which was $7.94 million, resulted mainly from the lower-than-budgeted expense on a budget basis, which was offset in part by IPSAS adjustments, principally the accrued cost of after-service liabilities earned by staff for their service during the year.

Assets

16. Assets as at 31 December 2017 totalled $115.32 million, compared with the balance as at 31 December 2016 of $105.11 million.

Figure IV.IV
Assets of the Mechanism as at 31 December 2017

(Thousands of United States dollars)



17. As figure IV.IV illustrates, the main assets of the Mechanism at 31 December 2017 were cash and cash equivalents and investments totalling $70.61 million (representing 61.2 per cent of total assets); other accounts receivable of $16.65 million (14.4 per cent); property, plant and equipment of $13.69 million (11.9 per cent); and assessed contributions receivable from Member States of $9.86 million (8.5 per cent).

18. Cash and cash equivalents and investments of $70.61 million at 31 December 2017 were held in the United Nations main cash pool. This represents an increase of $46.86 million compared with the balance of $23.75 million held at the end of 2016. The increase is attributable mainly to the amalgamation of the International Criminal Tribunal for Rwanda, which yielded $52.82 million in cash and investments.

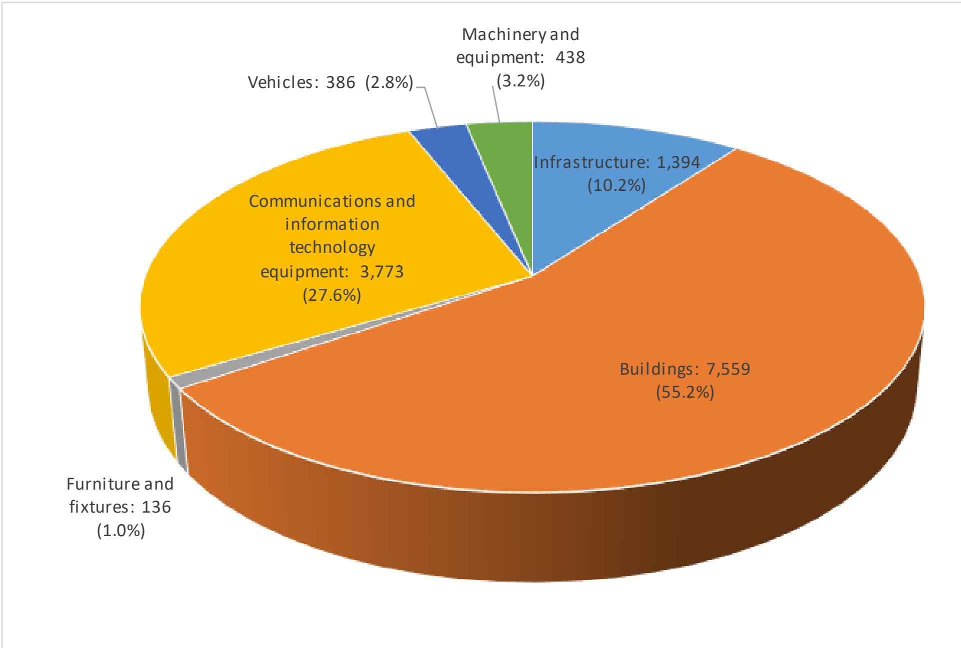
19. Assessed contributions receivable increased from $2.38 million to $9.86 million. This increase was due mainly to the amalgamation of the former International Criminal Tribunal for Rwanda, which included the assessed contributions still due to the Tribunal. Out of the $9.86 million at the end of the fiscal year, $7.75 million corresponds to arrears due to the former Tribunal and $2.11 million to contributions due from Member States to the Mechanism.

20. Other accounts receivable consist largely of a receivable of $14.74 million due from the International Tribunal for the Former Yugoslavia in respect of employee and judges' benefits liabilities in connection with those who transferred from the Tribunal. This balance was expected to be cleared on the date of the amalgamation of the Tribunal into the Mechanism.

21. The Mechanism's property, plant and equipment assets consist primarily of the building and infrastructure assets of the new facility in Arusha (valued at $7.56 million and $1.39 million, respectively) as shown in figure IV.V.

22. During 2017, the International Tribunal for the Former Yugoslavia transferred some of its property, plant and equipment, for a total net book value of $0.93 million, to the Mechanism.

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



23. Intangible assets consist primarily of an intangible asset under development of the Unified Judicial Database for an amount of $1.81 million, which is aimed at merging the judicial records of the International Criminal Tribunal for Rwanda, the International Tribunal for the Former Yugoslavia and the Mechanism into a single database, thus enabling the Mechanism to retire the two older databases inherited from the Tribunals.

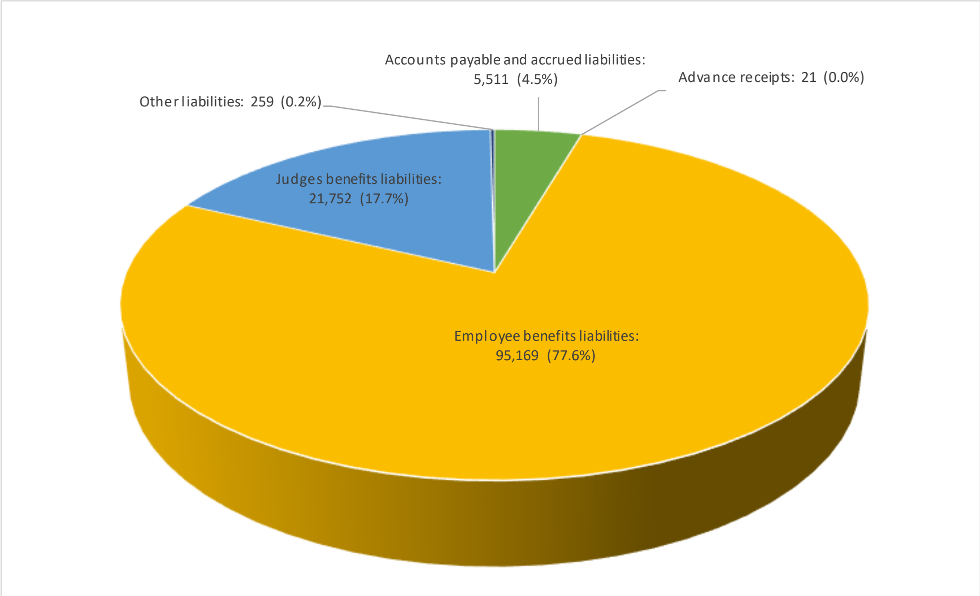
Liabilities

24. Liabilities as at 31 December 2017 totalled $122.71 million (31 December 2016: $89.55 million).

25. As shown in figure IV.VI, the largest liability was for employee benefits earned by staff members and retirees in the amount of $95.16 million, representing 77.6 per cent of the Mechanism's total liabilities. The increase in these liabilities in the amount of $33.37 million in 2017 was due primarily to the employment of new census data, which had an impact on actuarial demographic assumption, experience adjustment and financial assumptions, driving the actuarial loss to $21.73 million. The Mechanism has recognized additional liabilities of $7.57 million in 2017 for the transfer of staff from the International Tribunal for the Former Yugoslavia to the Mechanism.

Figure IV.VI
Liabilities as at 31 December 2017

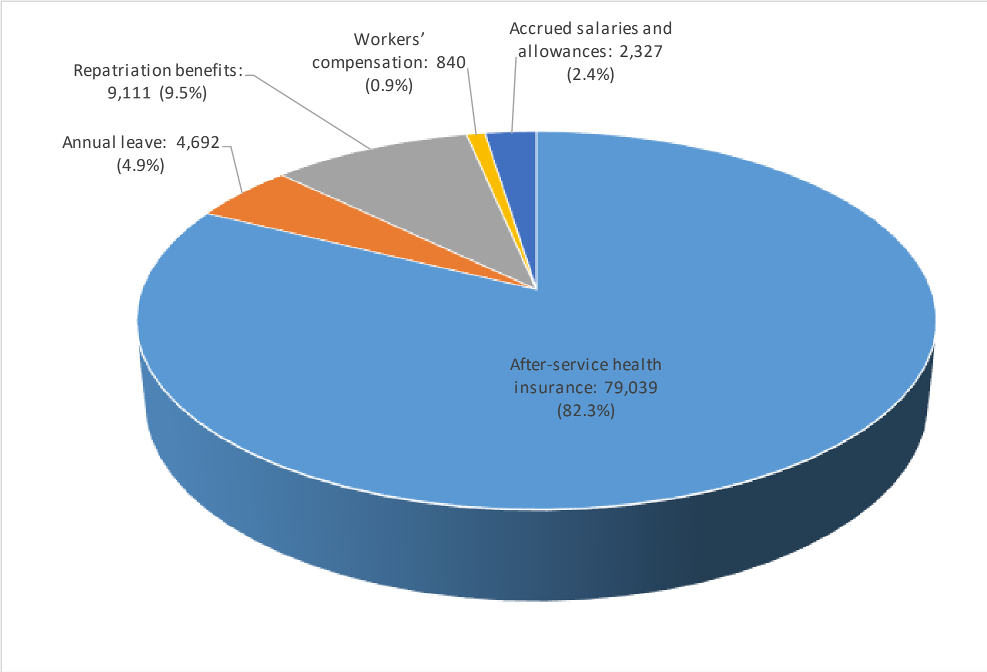
(Thousands of United States dollars)



26. As illustrated in figure IV.VII, employee benefits liabilities consisted largely of liabilities related to after-service health insurance ($79.04 million), annual leave ($4.69 million) and repatriation benefits ($9.11 million), all of which are valued by independent actuaries.

Figure IV.VII
Employee benefits liabilities

(Thousands of United States dollars)



27. The liabilities related to judges' honorariums and allowances amounted to $21.75 million, which represented the judges' pension liabilities transferred from the two Tribunals.

Net assets

28. An error relating to the 2016 financial statement was identified and restated, which led to an increase in the total net asset position from $14.86 million to $15.56 million. It relates to the non-recognition of intangible assets under development of $0.695 million.

29. The movement in net assets during the year reflects a decrease of $22.95 million, from $15.56 million in 2016 to ($7.39 million) in 2017, explained mainly by the actuarial losses on employee and judges' benefits liabilities of $22.79 million. The amalgamation of the International Criminal Tribunal for Rwanda had a positive impact of $8.10 million, offset by the deficit for 2017 of $8.26 million. As at 31 December 2017, the net assets of the Mechanism included a restricted portion of $5.05 million relating to the balance of the special account for the construction of the Arusha facility.

Liquidity position

30. At 31 December 2017, liquid assets totalled $83.50 million (cash and cash equivalents of $5.56 million, short-term investments of $49.51 million, and other accounts receivable, assessed contributions receivable and other assets totalling $28.43 million), whereas total current liabilities amounted to $10.60 million.

31. The table below summarizes four key liquidity indicators for the financial year ended 31 December 2017, with comparatives for the year ended 31 December 2016.

	Year ended 31 December	
Liquidity indicator	*2017*	*2016 (restated)*
Ratio of liquid assets to current liabilities	7.9:1	7.5:1
Ratio of liquid assets less accounts receivable to current liabilities	5.2:1	2.1:1
Ratio of liquid assets to total assets	0.7:1	0.8:1
Average months of cash, cash equivalents and investments on hand	11.7	4.8

32. The ratio of liquid assets to current liabilities is a measure of the ability of the Mechanism to pay its short-term obligations from its liquid resources. The ratio of 7.9:1 indicates that current liabilities are largely covered by liquid assets.

33. As at 31 December 2017, the Mechanism's liquid assets were about 72.4 per cent of its total assets and it held sufficient cash and cash equivalents and investments to cover its estimated average monthly expenses (less depreciation and amortization) of $6.01 million for 12 months.

34. As at the reporting date, the Mechanism had liabilities for employee benefits and judges' honorariums and allowances of $116.92 million. With total cash and cash equivalents and investments of $70.61 million, there was not sufficient coverage for the full amount of employee benefits liabilities incurred to date. No amounts were reserved in the accounts to cover employee benefits liabilities to be paid in the future.

Annex

Supplementary information

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

Write-off of losses of cash and receivables

2. Pursuant to financial rule 106.7 (a), receivables of $14,322.06 were approved for write-off during 2017.

Write-off of losses of property

3. Pursuant to financial rule 106.7 (a), the Mechanism approved write-offs of property, plant and equipment of $44,333.38 for financial year 2017.

Ex gratia payments

4. There were no ex gratia payments made by the Mechanism during 2017.

Chapter V

Financial statements for the year ended 31 December 2017

International Residual Mechanism for Criminal Tribunals

I. Statement of financial position as at 31 December 2017

(Thousands of United States dollars)

	Note	*31 December 2017*	*31 December 2016 (restated)*
Assets			
Current assets			
Cash and cash equivalents	8	5 561	6 560
Investments	8	49 507	11 605
Assessed contributions receivable	8, 9	9 860	2 379
Other accounts receivable	8, 9	16 650	63 794
Other assets	10	1 926	892
Total current assets		**83 504**	**85 230**
Non-current assets			
Investments	8	15 540	5 588
Property, plant and equipment	11	13 686	12 807
Intangible assets	12	2 595	1 483
Total non-current assets		**31 821**	**19 878**
Total assets		**115 325**	**105 108**
Current liabilities			
Accounts payable and accrued liabilities	13	5 511	6 390
Advance receipts	14	21	22
Employee benefits liabilities	15	3 600	2 870
Judges’ benefits liabilities	16	1 298	1 316
Provisions	17	–	829
Other liabilities	18	172	–
Total current liabilities		**10 602**	**11 427**
Non-current liabilities			
Employee benefits liabilities	15	91 569	58 933
Judges’ benefits liabilities	16	20 454	19 187
Other liabilities	18	87	–
Total non-current liabilities		**112 110**	**78 120**
Total liabilities		**122 712**	**89 547**
Net of total assets and total liabilities		**(7 387)**	**15 561**
Net assets			
Accumulated surpluses/(deficits) — unrestricted	19	(12 441)	10 526
Accumulated surpluses/(deficits) — restricted	19	5 054	5 035
Total net assets		**(7 387)**	**15 561**

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

International Residual Mechanism for Criminal Tribunals

II. Statement of financial performance for the year ended 31 December 2017

(Thousands of United States dollars)

	Note	*31 December 2017*	*31 December 2016 (restated)*
Revenue			
Assessed contributions	20	64 093	67 874
Other transfers and allocations	20	657	386
Other revenue	20	38	82
Investment revenue	8	1 063	419
Total revenue		**65 851**	**68 761**
Expenses			
Employee salaries, allowances and benefits	21	56 955	43 674
Judges' honorariums and allowances	21	2 016	1 544
Contractual services	21	418	354
Grants and other transfers	21	–	2 105
Supplies and consumables	21	518	448
Depreciation and amortization	11, 12	1 992	1 318
Travel	21	1 308	1 496
Other operating expenses	21	10 899	9 882
Total expenses		**74 106**	**60 821**
Surplus/(deficit) for the year		**(8 255)**	**7 940**

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

International Residual Mechanism for Criminal Tribunals

III. Statement of changes in net assets for the year ended 31 December 2017

(Thousands of United States dollars)

	Note	*Accumulated surpluses/ (deficits) – unrestricted (restated)*	*Accumulated surpluses/ (deficits) – restricted*	*Total (restated)*
Net assets as at 1 January 2016		**1 894**	**4 946**	**6 840**
Changes in net assets in 2016				
Actuarial gains/(losses) on defined benefits liabilities	15	694	(11)	683
Actuarial gain/(loss) on judges' pensions	16	98	–	98
Surplus/(deficit) for the year	5	7 840	100	7 940
Net assets as at 31 December 2016	**5**	**10 526**	**5 035**	**15 561**
Changes in net assets				
Actuarial gain/(loss) on defined benefits liabilities	15	(21 730)	–	(21 730)
Actuarial gain/(loss) on workers' compensation liabilities	15	(92)		(92)
Actuarial gain/(loss) on judges' pensions	16	(981)	–	(981)
Amalgamation of International Criminal Tribunal for Rwanda	6	8 101	–	8 101
Other adjustment to net assets	6	9	–	9
Surplus/(deficit) for the year		(8 274)	19	(8 255)
Net assets as at 31 December 2017		**(12 441)**	**5 054**	**(7 387)**

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

International Residual Mechanism for Criminal Tribunals

IV. Statement of cash flows for the year ended 31 December 2017

(Thousands of United States dollars)

	Note	*31 December 2017*	*31 December 2016 (restated)*
Cash flows from operating activities			
Surplus/(deficit) for the year		**(8 255)**	**7 940**
Non-cash movements			
Depreciation and amortization	11, 12	1 992	1 318
Actuarial gain/(loss) on defined benefits liabilities	15	(21 730)	683
Actuarial gain/(loss) on workers' compensation liabilities	5	(92)	–
Actuarial gain/(loss) on judges' pensions	16	(981)	98
Other adjustment on net assets	6	9	–
Transfers and donated property, plant and equipment and intangibles	11, 12	(967)	(386)
Net gain/loss on disposal of property, plant and equipment	11, 12	99	–
Other adjustments on property, plant and equipment	11, 12	(53)	–
Changes in assets			
Increase/(decrease) in assessed contributions receivables	9	2 225	(122)
Increase/(decrease) in other receivables	9	(6 462)	(63 321)
Increase/(decrease) in other assets	10	(667)	752
Changes in liabilities			
Increase/(decrease) in accounts payable — Member State		(1)	–
Increase/(decrease) in accounts payable — other	13	(881)	(650)
Increase/(decrease) in advance receipts	14	(2)	(7)
Increase/(decrease) in employee benefits payable	15	32 201	47 111
Increase/(decrease) in judges' benefits liabilities	16	1 249	20 503
Increase/(decrease) in provisions	17	(846)	(40 597)
Increase/(decrease) in other liabilities	18	258	–
Investment revenue presented as investing activities	8	(1 063)	(419)
Net impact of the amalgamation of International Criminal Tribunal for Rwanda	6	14 579	–
Net cash flows from/(used in) operating activities		**10 612**	**(27 097)**
Cash flows from investing activities			
Pro rata share of net changes in the cash pool	8	(9 612)	32 410
Investment revenue presented as investing activities	8	1 063	419
Acquisition of property, plant and equipment	11	(1 785)	(7 712)
Acquisition of intangibles	12	(1 277)	(1 090)
Net cash flows from/(used in) investing activities		**(11 611)**	**24 027**
Cash flows from financing activities			
Net cash flows from/(used in) financing activities		**–**	**–**
Net increase/(decrease) in cash and cash equivalents		(999)	(3 070)
Cash and cash equivalents at beginning of year		6 560	9 630
Cash and cash equivalents at end of year		**5 561**	**6 560**

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

International Residual Mechanism for Criminal Tribunals

V. Statement of comparison of budget and actual amounts for the year ended 31 December 2017

(Thousands of United States dollars)

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

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

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

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

[c] Total expenditure (budget basis) less final budget. Differences greater than 10 per cent are considered in note 7.

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

(Thousands of United States dollars)

Prior-year comparative:	2016 budget (appropriation)[a]				Actual 2016 expenditure (budget basis), restated[c]	2016 difference[b] (percentage)
	Original biennium	Final biennium	Original annual	Final annual		
Mechanism						
Chambers	6 153	6 438	3 076	3 219	1 819	(43.5)
Office of the Prosecutor	19 636	19 342	9 818	9 671	9 694	0.2
Registry	101 200	99 724	50 600	49 862	38 196	(23.4)
Records management and archives	6 895	6 823	3 447	3 411	3 319	(2.7)
Liabilities for payment of pensions of retired ICTR judges and ASHI for former ICTR staff	3 520	3 421	1 760	1 710	1 209	(29.3)
Transfer of overexpenditure from ICTR	–	–	–	–	2 373	–
Total	**137 404**	**135 748**	**68 701**	**67 873**	**56 610**	**(16.6)**

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

[a] The original budget for the biennium 2016–2017 is the appropriation approved by the General Assembly for the biennium in its resolution 70/243. The final budget for the biennium reflects the original budget plus any adjustments reflected in the revised appropriation approved by the Assembly in its resolution 71/269. The original annual budget is the portion of the revised appropriation allocated to 2016. The final annual budget reflects the original budget plus any adjustments reflected in the final appropriation. The relevant element of assessed contributions is recognized as revenue at the beginning of each year of the biennium.

[b] Actual expenditure (budget basis) less final budget. Differences greater than 10 per cent are considered in note 7.

[c] Actual 2016 expenditure has been restated to exclude expenditure recorded in the previous year on a fund other than the regular budget fund, for a total amount of $0.35 million.

International Residual Mechanism for Criminal Tribunals Notes to the 2017 financial statements

Note 1 Reporting entity

United Nations and its activities

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

(a) The maintenance of international peace and security;

(b) The promotion of international economic and social progress and development programmes;

(c) The universal observance of human rights;

(d) The administration of international justice and law.

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

(a) The General Assembly focuses on a wide range of political, economic and social issues, as well as financial and administrative aspects of the United Nations;

(b) The Security Council is responsible for various aspects of peacekeeping and peacemaking, including efforts to resolve conflicts, restore democracy, promote disarmament, provide electoral assistance, facilitate post-conflict peacebuilding, engage in humanitarian activities to ensure the survival of groups deprived of basic needs, and oversee the prosecution of persons responsible for serious violations of international humanitarian law;

(c) The Economic and Social Council plays a particular role in economic and social development, including a major oversight role in the efforts of other organizations of the United Nations system to address international economic, social and health problems;

(d) The International Court of Justice has jurisdiction over disputes between Member States brought before it for advisory opinions or binding resolutions.

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

Reporting entity

4. The present financial statements relate to the International Residual Mechanism for Criminal Tribunals, a separate financial reporting entity of the United Nations. The Mechanism was established by the Security Council in its resolution 1966 (2010) to carry out a number of essential functions of the International Criminal Tribunal for Rwanda and the International Tribunal for the Former Yugoslavia after the completion of their respective mandates. The Mechanism comprises two branches:

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

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

5. In accordance with Security Council resolution 1966 (2010), the Mechanism consists of three organs:

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

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

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

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

Note 2
Basis of preparation and authorization for issue

Basis of preparation

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

(a) Statement of financial position (statement I);

(b) Statement of financial performance (statement II);

(c) Statement of changes in net assets (statement III);

(d) Statement of cash flows (using the indirect method) (statement IV);

(e) Statement of comparison of budget and actual amounts (statement V);

(f) Notes to the financial statements, comprising a summary of significant accounting policies and other explanatory notes;

(g) Comparative information in respect of all amounts presented in the financial statements identified in subparagraphs (a) to (e) above and, where relevant, comparative information for narrative and descriptive information presented in the notes to these financial statements.

Going concern

8. The present financial statements have been prepared on a going concern basis, and the accounting policies, as summarized in note 3, have been applied consistently in the preparation and presentation of the statements. The going concern assertion is based on the continuing mandate of the Mechanism to perform a number of essential functions previously carried out by the International Criminal Tribunal for Rwanda and the International Tribunal for the Former Yugoslavia, as well as the authorization by the General Assembly, in its resolution 72/258 of 24 December 2017, for the Secretary-General to enter into commitments for the maintenance of the Mechanism for 2018.

Authorization for issue

9. The present financial statements are certified by the Controller and approved by the Secretary-General of the United Nations. In accordance with financial regulation 6.2, the Secretary-General transmits these financial statements as at 31 December 2017 to the Board of Auditors. As agreed with the Board of Auditors, the financial statements for the year ended 31 December 2017 are submitted by the deadline of 31 March 2018. In accordance with financial regulation 7.12, the reports of the Board of Auditors, together with the audited financial statements, shall be transmitted to the General Assembly through the Advisory Committee on Administrative and Budgetary Questions and authorized for issue on 30 July 2018.

Measurement basis

10. These financial statements are prepared using the historical-cost convention, except for real estate assets recorded at depreciated replacement cost and financial assets recorded at fair value through surplus or deficit.

Functional and presentation currency

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

12. Foreign currency transactions are translated into United States dollars at the United Nations Operational Rates of Exchange at the date of the transaction. The United Nations Operational Rates of Exchange approximate the spot rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies, those currencies other than the functional currency, are translated at the year-end operational rate of exchange. Non-monetary foreign currency items measured at historical cost or fair value are translated at the operational rate of exchange prevailing at the date of the transaction or when the fair value was determined.

13. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognized in the statement of financial performance on a net basis.

Materiality and use of judgment and estimation

14. Materiality is central to the preparation and presentation of the Mechanism's financial statements, and its materiality framework provides a systematic method in guiding accounting decisions relating to presentation, disclosure, aggregation, offsetting and retrospective versus prospective application of changes in accounting

policies. In general, an item is considered material if its omission or its aggregation would impact the conclusions or decisions of the users of the financial statements.

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

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

International Public Sector Accounting Standards transitional provisions

17. IPSAS 17: Property, plant and equipment allows a transitional period of up to five years for the full recognition of capitalized property, plant and equipment. The Mechanism invoked the transitional provision and has not recognized assets where reliable data are in the process of being collected.

Future accounting pronouncements

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

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

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

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

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

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

(f) Infrastructure assets: the objective of the project is to research and identify issues that preparers deal with when applying IPSAS 17 to infrastructure assets.

Informed by this research. the aim is to provide additional guidance on accounting for infrastructure assets.

Recent and future requirements of IPSAS

19. The IPSAS Board issued the following standards: IPSAS 34 to 38 in 2015, effective 1 January 2017; IPSAS 39 in 2016, effective 1 January 2018; and IPSAS 40 in 2017, effective 1 January 2018. The impact of those standards on the Mechanism's financial statements and the comparative period reflected therein has been evaluated to be as follows:

Standard	*Anticipated impact in the year of adoption*
IPSAS 34	The requirements for separate financial statements in IPSAS 34 are very similar to the requirements of the repealed IPSAS 6: Consolidated and separate financial statements. The introduction of IPSAS 34 with effect from 1 January 2017 has not affected the Mechanism's financial statements, as the Mechanism does not have investments in controlled entities, joint ventures and associates.
IPSAS 35 to IPSAS 39	IPSAS 35 still requires that control be assessed having regard to benefits and power, but the definition of control has changed and the standard now provides considerably more guidance on assessing control. A key change introduced by IPSAS 36 is the elimination of the IPSAS 7 exemption from application of the equity method where joint control or significant influence is temporary. IPSAS 37 introduces new definitions and has a significant impact on the way joint arrangements are classified and accounted for. These financial statements include joint venture arrangements accounted for using the equity method. IPSAS 38 increases the extent of disclosures required for interest in other entities. These standards do not have an impact on the Mechanism's financial statements, as the Mechanism's activities do not come under the scope of these standards. Currently, IPSAS 39 will have no impact on the Mechanism, since the "corridor method" on actuarial gains or losses, which is being eliminated, has never been applied since the adoption of IPSAS in 2014. The Mechanism does not have any plan assets; therefore, there is no impact from application of the net interest approach prescribed by the standard. IPSAS 39 will be effective from 1 January 2018. Further analysis will be carried out in the future should the Mechanism procure plan assets.
IPSAS 40	IPSAS 40: Public sector combinations is relevant to the Mechanism, given that the International Criminal Tribunal for Rwanda was amalgamated into the Mechanism on 1 January 2017 and the International Tribunal for the Former Yugoslavia will also be amalgamated, on 1 January 2018. As at the amalgamation date, the Mechanism recognizes and consolidates identifiable remaining assets and liabilities of the Tribunals in the Mechanism's financial statements at their carrying amount. The standard has been applied from the 2017 reporting period, and relevant disclosures have been presented in note 6.

Note 3
Significant accounting policies

Financial assets: classification

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

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

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

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

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

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

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

26. Financial assets are derecognized when the rights to receive cash flows have expired or have been transferred and the Mechanism has transferred substantially all risks and rewards of the financial asset.

27. Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Financial assets: investment in the main cash pool

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

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

Financial assets: cash and cash equivalents

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

Financial assets: receivables from non-exchange transactions — contributions

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

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

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

(c) Receivables that are past due in excess of two years for which Member States have specifically contested the balance: 100 per cent allowance;

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

Financial assets: receivables from exchange transactions — other receivables

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

Other assets

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

Heritage assets

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

Property, plant and equipment

35. Property, plant and equipment are classified into different groupings of similar nature, functions, useful life and valuation methodologies, such as vehicles; temporary and mobile buildings; communications and information technology equipment; machinery and equipment; furniture and fixtures; and real estate assets (building, infrastructure and assets under construction). Recognition of property, plant and equipment is as follows:

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

(b) All property, plant and equipment other than real estate assets is stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost comprises the purchase price, any costs directly attributable to bringing the asset to its location and condition and the initial estimate of dismantling and site restoration costs;

(c) Owing to the absence of historical cost information, real estate assets are initially recognized at fair value using a depreciated replacement cost methodology. Baseline costs per baseline quantity have been calculated by collecting construction cost data, utilizing in-house cost data (where it existed) or using external cost estimators for each catalogue of real estate assets. The baseline costs per baseline quantity adjusted for price escalation factor, size factor and location factor are applied to value the real estate asset and determine the replacement cost;

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

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

Class	*Subclass*	*Estimated useful life (years)*
Communications and information technology equipment	Information technology equipment	4
	Communications and audiovisual equipment	7
Vehicles	Light-wheeled vehicles	6
	Heavy-wheeled and engineering support vehicles	12
	Specialized vehicles, trailers and attachments	6–12

Class	*Subclass*	*Estimated useful life (years)*
Machinery and equipment	Light engineering and construction equipment	5
	Medical equipment	5
	Security and safety equipment	5
	Water treatment and fuel distribution equipment	7
	Transportation equipment	7
	Heavy engineering and construction equipment	12
	Printing and publishing equipment	20
Furniture and fixtures	Library reference material	3
	Office equipment	4
	Fixtures and fittings	7
	Furniture	10
Buildings	Temporary and mobile buildings	7
	Fixed buildings	Up to 50
	Finance lease or donated right-to-use buildings	Shorter of term of arrangement or life of building
Infrastructure assets	Telecommunications, energy, protection, transport, waste and water management, recreation, landscaping	Up to 50
Leasehold improvements	Fixtures, fittings and minor construction work	Shorter of lease term or 5 years

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

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

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

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

Intangible assets

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

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

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

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

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

Financial liabilities: classification

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

Financial liabilities: accounts payable and accrued liabilities

46. Accounts payable and accrued expenses arise from the purchase of goods and services that have been received but not paid for as at the reporting date. They are

stated at invoiced amounts, less discounts at the reporting date. Payables are recognized and subsequently measured at their nominal value, as they are generally due within 12 months.

Advance receipts and other liabilities

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

Leases: the Mechanism as lessee

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

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

Donated rights to use

50. The Mechanism occupies land and buildings and uses infrastructure assets, machinery and equipment through donated right-to-use agreements granted primarily by host Governments at nil or nominal cost. Based on the term of the agreement and the clauses on transfer of control and termination contained in the agreement, the donated right-to-use arrangement is accounted for as an operating lease or finance lease.

51. In the case of operating leases, an expense and a corresponding revenue equal to the annual market rent of similar property is recognized in the financial statements. In the case of finance leases (principally with a lease term of over 35 years for premises), the fair market value of the property is capitalized and depreciated over the shorter of the useful life of the property and the term of the arrangement. In addition, a liability for the same amount is recognized, which is progressively recognized as revenue over the term period.

52. Long-term donated rights to use building and land arrangements are accounted for as operating leases where the Mechanism does not have exclusive control over the building and title to the land is not granted.

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

Employee benefits

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

Short-term employee benefits

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

Post-employment benefits

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

Defined benefit plans

57. Defined benefit plans are those where the obligation of the Mechanism is to provide agreed benefits and where it therefore bears the actuarial risks. The liability for defined benefit plans is measured at the present value of the defined benefit obligation. Changes in the liability for defined benefit plans, excluding actuarial gains and losses, are recognized in the statement of financial performance in the year in which they occur. The Mechanism has elected to recognize changes in the liability for defined benefit plans from actuarial gains and losses directly through the statement of changes in net assets. At year-end, the Mechanism did not hold any plan assets as defined by IPSAS 25: Employee benefits.

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

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

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

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

Pension plan: United Nations Joint Staff Pension Fund

62. The Mechanism is a member organization participating in the United Nations Joint Staff Pension Fund, which was established by the General Assembly to provide retirement, death, disability and related benefits to employees. The 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.

63. The plan exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual organizations participating in the plan. The Mechanism and the Pension Fund, in line with the other organizations participating in the Fund, are not in a position to identify the Mechanism's proportionate share of the defined benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence, the Mechanism has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 25: Employee benefits. The Mechanism's contributions to the Fund during the financial period are recognized as expenses in the statement of financial performance.

Termination benefits

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

Other long-term employee benefits

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

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

Provisions

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

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

Contingent liabilities

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

Contingent assets

70. Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the effective control of the Mechanism.

Commitments

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

Non-exchange revenue: assessed contributions

72. Assessed contributions for the Mechanism are assessed and approved for a two-year budget period. The relevant portion of assessed contributions is recognized as revenue at the beginning of the year. Assessed contributions include the amounts assessed to the Member States to finance the activities of the Mechanism in accordance with the scale of assessments determined by the General Assembly. Revenue from assessed contributions from Member States and from non-Member States is presented in the statement of financial performance.

Non-exchange revenue: other

73. In-kind contributions of goods, above the recognition threshold of $5,000 per discrete contribution, are recognized as assets and revenue once it is probable that future economic benefits or service potential will flow to the Mechanism and the fair value of those assets can be measured reliably. Contributions in kind are initially

measured at their fair value at the date of receipt determined by reference to observable market values or by independent appraisals. The Mechanism has elected not to recognize in-kind contributions of services but to disclose in-kind contributions of service above the threshold of $5,000 in the notes to the financial statements.

Exchange revenue

74. Exchange transactions are those in which the Mechanism sells goods or services. Revenue comprises the fair value of consideration received or receivable for the sale of goods and services. Revenue is recognized when it can be reliably measured, when the inflow of future economic benefits is probable and when specific criteria have been met.

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

Investment revenue

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

Expenses

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

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

79. Contractual services include non-employee compensation such as consultant fees and related allowances and benefits. Other operating expenses include any maintenance, utilities, training, security services, shared services, rental, insurance, allowance for bad debt and write-off expenses.

Note 4
Segment reporting

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

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

Note 5
Prior-period restatement

82. The Mechanism has identified one error relating to 2016 financial statements: omitting recognition of an intangible asset under development in the amount of $0.695 million. This asset refers to the Unified Judicial Database project, which is aimed at merging the judicial records of the International Criminal Tribunal for Rwanda, the International Tribunal for the Former Yugoslavia and the Mechanism into a single database, enabling the Mechanism to retire the two older databases inherited from the two Tribunals. The project moved into its development stage in 2016; at the time of reporting, the implementation of the project was reported as being at an advanced stage, pending final verification and related adjustments.

83. The $0.695 million was wrongly recorded as expenses in the year 2016, instead of being capitalized; the tables below reflect the resulting restatement of the 2016 figures to correct this error and recognize the intangible asset.

(i) Statement of financial position

(Thousands of United States dollars)

	Note	*31 December 2016*	*Adjustment*	*31 December 2016 (restated)*
Assets				
Non-current assets				
Intangible assets	11	788	695	1 483
Total non-current assets		**19 183**	**695**	**19 878**
Total assets		**104 413**	**695**	**105 108**
Net of total assets and total liabilities		**14 866**	**695**	**15 561**
Net assets				
Accumulated surpluses/(deficits) — unrestricted	19	9 831	695	10 526
Total net assets		**14 866**	**695**	**15 561**

(ii) Statement of financial performance

(Thousands of United States dollars)

	Note	*31 December 2016*	*Adjustment*	*31 December 2016 (restated)*
Revenue				
Total revenue		**68 761**	**–**	**68 761**
Expenses				
Employee salaries allowances and benefits	21	44 088	(414)	43 674
Travel	21	1 520	(24)	1 496
Other operating expenses	21	10 139	(257)	9 882
Total expenses		**61 516**	**(695)**	**60 821**
Surplus/(deficit) for the year		**7 245**	**695**	**7 940**

84. "Employee salaries allowances and benefits" refers to staff time working on the project; "travel" refers to missions between Arusha and The Hague to coordinate both branches' databases; and "other operating expenses" refers to software licences for the external, public version.

(iii) Statement of changes in net assets

(Thousands of United States dollars)

	Accumulated surpluses/(deficits) – unrestricted	*Accumulated surpluses/(deficits) – restricted*	*Total*
Net assets as at 1 January 2016	1 894	4 946	6 840
Change in net assets			
Surplus/(deficit) for the year (restated)	7 840	100	7 940
Net assets as at 31 December 2016 (restated)	**10 526**	**5 035**	**15 561**

(iv) Statement of cash flows

(Thousands of United States dollars)

	Note	*31 December 2016*	*Adjustment*	*31 December 2016 (restated)*
Cash flows from operating activities				
Surplus for the year		7 245	695	7 940
Net cash flows used in operating activities		**(27 792)**	**695**	**(27 097)**
Acquisition of intangibles		(395)	(695)	(1 090)
Net cash flows from investing activities		**24 722**	**(695)**	**24 027**
Net cash flows from financing activities		**–**	**–**	**–**
Net increase in cash and cash equivalents		**(3 070)**	**–**	**(3 070)**
Cash and cash equivalents: beginning of year		9 630	–	9 630
Cash and cash equivalents: end of year	**8**	**6 560**	**–**	**6 560**

Note 6
Amalgamation of the International Criminal Tribunal for Rwanda into the Mechanism

85. On 1 January 2017, the Tribunal was formally amalgamated by way of the transfer of the identifiable remaining assets and liabilities to the Mechanism, notably employee liabilities and financial assets.

Amounts recognized for each major class of assets and liabilities as at 1 January 2017

(Thousands of United States dollars)

	ICTR 31 December 2016	*MICT 31 December 2016 (restated)*	*Elimination 1 January 2017*	*MICT 1 January 2017*
Assets				
Cash and cash equivalents	14 579	6 560	–	21 139
Investments	38 241	17 193	–	55 434
Assessed contributions receivable	9 706	2 379	–	12 085
Other accounts receivable	2 317	63 794	(55 924)	10 187
Other assets	367	892	–	1 259
Property, plant and equipment	–	12 807	–	12 807
Intangible	–	1 483	–	1 483
Total assets	**65 210**	**105 108**	**(55 924)**	**114 394**
Liabilities				
Accounts payable and accrued liabilities	55 926	6 390	(55 924)	6 392
Advance receipts	–	22	–	22
Employee benefits liabilities	1 165	61 803	–	62 968
Judges' benefits liabilities	–	20 503	–	20 503
Provisions	18	829	–	847
Total liabilities	**57 109**	**89 547**	**(55 924)**	**90 732**
Total net assets	**8 101**	**15 561**	**–**	**23 662**

Abbreviations: ICTR, International Criminal Tribunal for Rwanda; MICT, International Residual Mechanism for Criminal Tribunals.

86. Adjustments were made to the carrying amounts of the assets and liabilities recorded by each combining operation, the International Criminal Tribunal for Rwanda and the Mechanism, as at 1 January 2017 in order to align with the resulting entity's fund accounting basis.

87. Accordingly, the following transaction, corresponding to a payable of $55.93 million for the International Criminal Tribunal for Rwanda and a receivable of the same amount for the Mechanism prior to the amalgamation, was eliminated. This amount corresponds to the transfer of $21.07 million in respect of judges' benefits liabilities and $34.86 million in respect of employee benefits liabilities from the Tribunal to the Mechanism as at 1 January 2016, in accordance with General Assembly resolution 70/243.

Amounts recognized in net assets as at 1 January 2017

(Thousands of United States dollars)

	Note	*ICTR*	*MICT*	*Total*
Accumulated surpluses/(deficits) — unrestricted		8 101	10 526	18 627
Accumulated surpluses/(deficits) — restricted		–	5 035	5 035
Total net assets		**8 101**	**15 561**	**23 662**

Abbreviations: ICTR, International Criminal Tribunal for Rwanda; MICT, International Residual Mechanism for Criminal Tribunals.

Note 7
Comparison to budget

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

89. Approved budgets are those that authorize expenses to be incurred and are approved by the General Assembly. In its resolutions 70/243 and 71/269, the Assembly approved the Mechanism's budget appropriations for the biennium 2016–2017. Annual budget apportionments are funded by assessments to Member States, 50 per cent in accordance with the scale of assessments applicable to the United Nations regular budget and 50 per cent in accordance with the scale of assessments applicable to peacekeeping operations.

90. The original annual budget is the portion of the revised appropriation allocated to 2017. The final annual budget reflects the original budget and any adjustments reflected in the final appropriation. Explanations for material differences (i.e., those greater than 10 per cent) between (a) the original and final budget amounts and (b) the final budget amounts and actual expenditure on a modified cash basis, are considered in the table below.

	Material differences greater than 10 per cent	
Budget area	*Original versus final budget*	*Final budget versus actual expenses on a budget basis*
Chambers	The decrease is due mainly to the lower-than-anticipated level of trial activity owing to the non-arrest of two fugitives during the biennium	The decrease is due to the lower-than-anticipated level of trial activity owing to the non-arrest of two fugitives, as well as some impact of fluctuations in exchange rates and lower inflation
Office of the Prosecutor	The increase is due to the additional resources associated with the retrial in the *Stanišić* and *Simatović* cases in The Hague, for which no provisions were made in the 2016–2017 budget, offset in part by lower requirements in Arusha due to the non-occurrence of the trials of two fugitives	Variance of less than 10 per cent
Registry	Variance of less than 10 per cent	Variance of less than 10 per cent

	Material differences greater than 10 per cent	
Budget area	*Original versus final budget*	*Final budget versus actual expenses on a budget basis*
Records management and archives	The increase is attributable mainly to the lower-than-budgeted vacancy rates during the biennium at both branches (The Hague and Arusha)	The decrease is attributable to the change in actual vacancy rates as well as some impact due to fluctuations in exchange rates and lower inflation
Liabilities for payment of pensions of retired ICTR judges and ASHI for former ICTR staff	Variance of less than 10 per cent	Variance of less than 10 per cent
Transfer of expenditure from ICTR	The International Criminal Tribunal for Rwanda had an overexpenditure of $2.1 million for the year ended 31 December 2016, which was transferred and charged against the 2016–2017 budget of the Mechanism pursuant to General Assembly resolution 71/267	The decrease is due to the readjustment of estimated costs on the basis of updated information that became available only at the end of the biennium

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

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

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

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

(Thousands of United States dollars)

Current year: 2017	*Operating*	*Investing*	*Financing*	*Total*
Actual amounts on a comparable basis (statement V)	**(71 333)**	**(793)**	**–**	**(72 126)**
Basis differences	3 185	(2 269)	–	916
Entity differences	(606)	–	–	(606)
Presentation differences	79 366	(8 549)	–	70 817
Actual amounts in the statement of cash flows (statement IV)	**10 612**	**(11 611)**	**–**	**(999)**

Prior-year comparative: 2016 (restated)	*Operating*	*Investing*	*Financing*	*Total*
Actual amounts on a comparable basis (statement V)	**(48 503)**	**(8 107)**	**–**	**(56 610)**
Basis differences	(47 249)	–	–	(47 249)
Entity differences	(345)	–	–	(345)
Presentation differences	69 000	32 134	–	101 134
Actual amounts in the statement of cash flows (statement IV)	**(27 097)**	**24 027**	**–**	**(3 070)**

92. The Mechanism has identified one error relating to 2016 financial statements. It relates to the non-recognition of an intangible asset under development of $0.695 million. The impact on the financial statements is presented in note 5. As a result, the reconciliation of actual amounts on a comparable basis to the statement of cash flows for 2016 has been amended in order to reflect these changes. In addition to this amendment, 2016 reconciliation includes the restatement of 2016 actual expenditures showing as entity differences, as explained in the notes to the statement of comparison of budget and actual amounts for the year ended 31 December 2016.

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

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

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

Status of appropriations

96. In accordance with General Assembly resolutions 70/243, 71/269 and 72/258, gross appropriations for the Mechanism for the biennium 2016–2017 and gross assessments for each year are as follows:

(Thousands of United States dollars)

	Gross appropriation
Mechanism	
Initial appropriation for the biennium 2016–2017 (resolution 70/243)	137 404
First performance report for the biennium 2016–2017 (A/71/579)	(1 656)
Second performance report for the biennium 2016–2017 (A/72/604)	(3 782)
Total final appropriation for the biennium 2016–2017	**131 966**
Assessment for 2016 (resolution 70/243)	(68 702)
Assessment for 2017 (resolution 71/269)	(67 046)
Balance to be assessed for 2018 (resolution 72/258)	**(3 782)**

Note 8
Financial instruments

(Thousands of United States dollars)

Financial instruments	*31 December 2017*	*31 December 2016*
Financial assets		
Fair value through the surplus or deficit		
Short-term investments — main pool	49 507	11 605
Long-term investments — main pool	15 540	5 588
Total	**65 047**	**17 193**
Loans and receivables		
Cash and cash equivalents — main pool	5 559	6 555
Cash and cash equivalents — other	2	5
Subtotal total cash and cash equivalents	**5 561**	**6 560**
Assessed contributions receivable	9 860	2 379
Other accounts receivable (note 9)	16 650	63 794
Total loans and receivables	**26 510**	**66 173**
Total carrying amount of financial assets	**97 118**	**89 926**
Of which relates to financial assets held in the main pool	70 606	23 748
Financial liabilities at amortized cost		
Accounts payable and accrued liabilities (note 13)	5 511	6 390
Total carrying amount of financial liabilities	**5 511**	**6 390**
Summary of net income from financial assets		
Share of main pool net interest and gains	1 063	419
Total	**1 063**	**419**

97. Out of $65.05 million of investments and $5.56 million of cash and cash equivalents, $57.89 million relates to cash and investments of the International Criminal Tribunal for Rwanda amalgamated into the Mechanism and restricted pending a decision of the General Assembly on its disposal.

Note 9
Accounts receivable

Assessed contributions receivable

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Assessed contributions	9 899	2 381
Allowance for doubtful receivables — assessed	(39)	(2)
Total assessed contributions receivable	**9 860**	**2 379**

98. Out of the $9.9 million at the end of the fiscal year, $7.79 million corresponds to arrears to the former International Criminal Tribunal for Rwanda for which final

assessment was issued in 2016; payments received during 2017 amounted to $2.0 million.

Other accounts receivable

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Current other receivables		
Member States	1 752	1 506
Receivables from other United Nations entities	14 865	62 288
Other exchange revenue receivables	33	–
Total other receivables (current)	**16 650**	**63 794**

99. Receivables from Member States include primarily a balance of recoverable value-added tax of $1.75 million for the Mechanism, including $1.42 million from the United Republic of Tanzania, $0.24 million from the Netherlands and $0.03 million from Rwanda.

100. Receivables from other United Nations entities include a balance of $14.74 million due from the International Tribunal for the Former Yugoslavia in respect of employee benefits liabilities in connection with staff transferred from that Tribunal. This balance is expected to be cleared on the amalgamation date.

Note 10
Other assets

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Advances to staff	499	326
Advances to vendor	1 035	–
Advances to military and other personnel	–	2
Deferred charges	392	556
Other	–	8
Total	**1 926**	**892**

101. Other assets include education grant advances and prepayments for goods or services to be delivered. Advances to vendor comprise primarily the advance payment of the rental of office premises for an amount of $0.86 million. Deferred charges refer to $0.32 million for information technology applications and equipment maintenance prepaid in 2017 and $0.07 million for prepaid airline tickets.

Note 11
Property, plant and equipment

102. As at the reporting date, the Mechanism had identified an asset (vehicle) to be impaired for an amount of $0.23 million. The Mechanism had no significant heritage assets as at the reporting date. During the reporting period, there were no assets recognized under the transitional provisions in accordance with IPSAS 17.

Property, plant and equipment

(Thousands of United States dollars)

Current year: 2017	*Infrastructure*	*Buildings*	*Furniture and fixtures*	*Communications and information technology equipment*	*Vehicles*	*Machinery and equipment*	*Assets under construction*	*Total*
Cost								
As at 1 January 2017	1 458	7 386	167	8 152	1 075	1 413	–	19 651
Additions	–	615	46	881	55	188	–	1 785
Disposals	–	–	(26)	(522)	(193)	(106)	–	(847)
External transfers				(26)				(26)
Transfer from ICTY	–	–	255	6 799	581	37	–	7 672
Other changes	–	–	(65)	65	97	–	–	97
As at 31 December 2017	**1 458**	**8 001**	**377**	**15 349**	**1 615**	**1 532**	**–**	**28 332**
Accumulated depreciation and impairment								
As at 1 January 2017	5	121	111	4 866	740	1 001	–	**6 844**
Depreciation and impairment	59	321	11	1 173	99	129	–	1 792
Disposals	–	–	(26)	(523)	(149)	(73)	–	(771)
External transfers	–	–	–	(3)	–	–	–	(3)
Transfer from ICTY	–	–	158	6 050	495	37	–	6 740
Other changes	–	–	(13)	13	44	–	–	44
As at 31 December 2017	**64**	**442**	**241**	**11 576**	**1 229**	**1 094**	**–**	**14 646**
Net carrying amount								
As at 1 January 2017	1 453	7 265	56	3 286	335	412	–	12 807
As at 31 December 2017	**1 394**	**7 559**	**136**	**3 773**	**386**	**438**	**–**	**13 686**

Abbreviation: ICTY, International Tribunal for the Former Yugoslavia.

103. During 2017, the International Tribunal for the Former Yugoslavia transferred some of its property, plant and equipment, for a total net book value of $0.93 million, to the Mechanism.

Prior-year comparative: 2016	*Infrastructure*	*Buildings*	*Furniture and fixtures*	*Communications and information technology equipment*	*Vehicles*	*Machinery and equipment*	*Assets under construction*	*Total*
Cost								
As at 1 January 2016	–	–	82	5 424	535	653	2 140	8 834
Additions	–	–	35	687	145	249	6 596	7 712
Disposals	–	–	–	(29)	–	–	–	(29)
Completed assets under construction	1 458	7 278	–	–	–	–	(8 736)	–
Transfers	–	108	50	2 070	395	511	–	3 134
As at 31 December 2016	**1 458**	**7 386**	**167**	**8 152**	**1 075**	**1 413**	**–**	**19 651**

Prior-year comparative: 2016	*Infrastructure*	*Buildings*	*Furniture and fixtures*	*Communications and information technology equipment*	*Vehicles*	*Machinery and equipment*	*Assets under construction*	*Total*
Accumulated depreciation and impairment								
As at 1 January 2016	–	–	74	1 919	388	546	–	2 927
Depreciation	5	13	4	1 050	68	58	–	1 198
Disposals	–	–	–	(29)	–	–	–	(29)
Transfers	–	108	33	1 926	284	397	–	2 748
As at 31 December 2016	**5**	**121**	**111**	**4 866**	**740**	**1 001**	**–**	**6 844**
Net carrying amount								
As at 1 January 2016	–	–	8	3 505	147	107	2 140	5 907
As at 31 December 2016	**1 453**	**7 265**	**56**	**3 286**	**335**	**412**	**–**	**12 807**

Note 12
Intangibles

(Thousands of United States dollars)

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

Abbreviation: ICTY, International Tribunal for the Former Yugoslavia.

104. As for property, plant and equipment, intangible assets are not subject to the transitional provisions and all intangible assets are recognized in the 2017 financial statements. During 2017, the International Tribunal for the Former Yugoslavia transferred all its intangibles with a total net book value of $0.03 million referring to externally acquired software to the Mechanism.

105. The intangible asset under development relates to the Unified Judicial Database project replacing the existing databases that were created separately by the

International Criminal Tribunal for Rwanda and the International Tribunal for the Former Yugoslavia.

Prior-year comparative: 2016 (restated)	*Software internally developed*	*Software acquired externally*	*Asset under development (restated)*	*Total*
Cost				
As at 1 January	468	82	–	550
Additions	–	395	695	1 090
As at 31 December	**468**	**477**	**695**	**1 640**
Accumulated amortization and impairment				
As at 1 January 2016	23	14	–	37
Amortization	94	26	–	120
As at 31 December	**117**	**40**	**–**	**157**
Net carrying amount				
As at 1 January	445	68	–	513
As at 31 December	**351**	**437**	**695**	**1 483**

Note 13
Accounts payable and accrued liabilities

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Vendor payables (accounts payable)	2 683	572
Payables to other United Nations entities	245	2 450
Accruals for goods and services	1 930	3 169
Accounts payable — other	653	198
Payables to Member States	–	1
Total accounts payable and accrued liabilities (current)	**5 511**	**6 390**

106. Accounts payable and accrued liabilities of $5.51 million consist mainly of vendor payables of $2.68 million; accruals for goods and services of $1.93 million; and other accounts payable, mostly of $0.33 million for detention facilities and $0.17 million for defence fees.

Note 14
Advance receipts

107. Advance receipts represent assessed contributions received in advance; these amounted to $0.02 million in 2017 (2016: $0.02 million).

Note 15
Employee benefits liabilities

(Thousands of United States dollars)

Year ended 31 December 2017	*Current*	*Non-current*	*Total*
After-service health insurance	1 046	77 993	79 039
Annual leave	355	4 337	4 692
Repatriation benefits	679	8 432	9 111
Subtotal: defined benefits liabilities	**2 080**	**90 762**	**92 842**
Appendix D/workers' compensation	33	807	840
Accrued salaries and allowances	1 487	–	2 327
Total employee benefits liabilities	**3 600**	**91 569**	**95 169**

Year ended 31 December 2016	*Current*	*Non-current*	*Total*
After-service health insurance	984	50 531	51 515
Annual leave	370	3 754	4 124
Repatriation benefits	610	4 648	5 258
Subtotal: defined benefits liabilities	**1 964**	**58 933**	**60 897**
Accrued salaries and allowances	906	–	906
Total employee benefits liabilities	**2 870**	**58 933**	**61 803**

108. The liabilities arising from end-of-service/post-employment benefits and the workers' compensation programme under appendix D to the Staff Rules of the United Nations are determined by independent actuaries and are established in accordance with the Staff Regulations of the United Nations and Staff Rules. Actuarial valuation is usually undertaken every two years. The most recent full actuarial valuation was conducted as at 31 December 2017.

109. The total employee benefits liability increased by $33.37 million in 2017 owing to the employment of new census data which impacted actuarial demographic assumption, experience adjustment and financial assumption, driving the actuarial loss to $21.73 million. The Mechanism has recognized additional after-service health insurance, annual leave and repatriation liabilities of $7.57 million in 2017 for the transfer of staff from the International Tribunal for the Former Yugoslavia to the Mechanism. The remaining $4.07 million is constituted by service cost, interest obligation, appendix D workers' compensation and accrued salaries.

Actuarial valuation — assumptions

110. The Mechanism reviews and selects assumptions and methods used by the actuaries in the year-end valuation to determine the expense and contribution requirements for the employee benefits. The principal actuarial assumptions used to determine the employee benefit obligations in the 31 December 2017 full valuation are as follows:

Principal actuarial assumptions

(Percentage)

Assumptions	*After-service health insurance*	*Repatriation benefits*	*Annual leave*
Discount rates: 31 December 2016	4.10	3.52	3.52
Discount rates: 31 December 2017	3.94	3.68	3.69
Inflation: 31 December 2016	4.00–6.00	2.25	–
Inflation: 31 December 2017	4.00–5.70	2.20	–

111. For the 2017 actuarial valuations, the yield curves used in the calculation of the discount rates in respect of the United States dollar, the euro and the Swiss franc are those developed by Aon Hewitt and detailed in the actuarial report. This is consistent with the decision of the Task Force on Accounting Standards — established under the auspices of the Finance and Budget Network of the High-level Committee on Management of the United Nations System Chief Executives Board for Coordination — taken in the context of the harmonization of actuarial assumptions across the United Nations system and the recommendation of the Advisory Committee on Administrative and Budgetary Questions (see A/71/815, para. 26) endorsed by the General Assembly (see resolution 71/272 B, sect. IV). The discount rates reflected in the 2016 after-service liability valuations were based on a weighted blend of per-currency discount rates, themselves calculated on the basis of United States dollar, euro and Swiss franc cash flows. The discount rate for each of the three currencies was derived from a different yield curve: the Citigroup Pension Discount Curve for the United States dollar, the Ernst & Young eurozone corporate yield curve for the euro; and the Federation bond yield curve, plus the spread observed between government rates and high-grade corporate bond rates for the Swiss franc.

112. For the appendix D workers' compensation valuation, the actuaries applied the year-end Citigroup Pension Discount Curve discount rate applicable to the year in which the cash flow takes place. For 2017, the single equivalent discount rate obtained is 3.95 per cent.

113. As at 31 December 2017, the salary increase assumptions for staff in the Professional category were 8.5 per cent for the age of 23, grading down to 4.0 per cent for the age of 70. The salaries of staff in the General Service category were assumed to increase by 6.8 per cent for the age of 19, grading down to 4.0 per cent for the age of 65.

114. The per capita claim costs for the after-service health insurance plans are updated to reflect recent claims and enrolment experience. The health-care cost trend rate assumption reflects the current short-term expectations of after-service health insurance plan cost increases and the economic environment. The medical cost trend rate assumptions that were used for the valuation as at 31 December 2017 reflected the current short-term expectations of after-service health insurance plan cost increases and the economic environment through a benchmark of market expectations. As at 31 December 2017, these escalation rates were health-care yearly escalation rates of 4.0 per cent (2016: 4.0 per cent) for non-United States medical plans and 5.7 per cent (2016: 6.0 per cent) for all other medical plans (except 5.5 per cent (2016: 5.7 per cent) for the United States Medicare plan and 4.8 per cent (2016: 4.9. per cent) for the United States dental plan), grading down to 3.85 per cent over 15 years. The escalation rates grade down to 3.65 per cent over five years for eurozone medical plans and to 3.05 per cent over 10 years for Swiss franc medical plans.

115. With regard to the valuation of repatriation benefits as at 31 December 2017, inflation in travel costs was assumed to be 2.20 per cent (2016: 2.25 per cent), on the basis of the projected United States inflation rate over the next 20 years. The assumption for 2016 was over 10 years.

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

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

Movement in employee benefits liabilities accounted for as defined benefit plans

(Thousands of United States dollars)

	After-service health insurance	*Repatriation grant*	*Annual leave*	*Total*
Net defined benefit obligation as at 31 December 2016	**51 515**	**5 258**	**4 124**	**60 897**
Current service cost	1 246	627	408	2 281
Interest on obligation	2 082	182	145	2 409
Total cost recognized in the statement of financial performance	**3 328**	**809**	**553**	**4 690**
Benefits paid	(1 025)	(633)	(384)	(2 042)
Transfer from ICTY	5 777	1 040	750	7 567
Actuarial (gains)/losses recognized directly in the statement of changes in net assets	19 444	2 637	(351)	21 730
Net defined benefit liability as at 31 December 2017	**79 039**	**9 111**	**4 692**	**92 842**

	After-service health insurance	*Repatriation grant*	*Annual leave*	*Total*
Net defined benefit obligation as at 31 December 2015	**9 178**	**2 901**	**1 844**	**13 923**
Current service cost	604	443	178	1 225
Interest on obligation	1 803	102	67	1 972
Transfers from other agencies	3 130	1 109	613	4 852
Total cost recognized in the statement of financial performance	**5 537**	**1 654**	**858**	**8 049**
Benefits paid	(929)	(431)	(161)	(1 521)
Transfer from ICTR/ICTY	39 362	844	923	41 129
Actuarial (gains)/losses recognized directly in the statement of changes in net assets	(1 633)	290	660	(683)
Net defined benefit liability as at 31 December 2016	**51 515**	**5 258**	**4 124**	**60 897**

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

118. The General Assembly, in section II of its resolution 70/243, authorized the Secretary-General to establish a sub-account within the Mechanism and decided in that regard to appropriate for the biennium 2016–2017 additional amounts, under the budget of the Mechanism, corresponding to the requirement for the pensions of retired judges, and their surviving spouses, of the International Criminal Tribunal for Rwanda and for the after-service health insurance benefits to former staff of the Tribunal, on a pay-as-you-go basis. Pursuant to that resolution, the balance of employee benefits liabilities as at 1 January 2016 was transferred to the Mechanism and subsequent movements have been recognized in the statement of financial position and statement of financial performance of the Mechanism.

119. As of the end of 2017, the remaining active staff of the International Tribunal for the Former Yugoslavia were transferred to the Mechanism. In addition to $6.23 million of employee benefits liabilities relating to staff transferred in 2016, the Mechanism has recognized additional liabilities of $7.57 million in 2017. In accordance with resolution 70/243, the above-mentioned sub-account within the Mechanism will be extended to the Tribunal after its closure to manage, on a pay-as-you-go basis, the accrued liabilities for the after-service health insurance benefits to former staff.

Discount rate sensitivity analysis

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

Impact on obligations of changes in discount rate

(Thousands of United States dollars)

	After-service health insurance	*Repatriation benefits*	*Annual leave*
31 December 2017:			
Increase of discount rate by 1 per cent	(14 525)	(809)	(419)
Decrease of discount rate by 1 per cent	19 424	942	485
31 December 2016:			
Increase of discount rate by 1 per cent	(8 383)	(508)	(387)
Decrease of discount rate by 1 per cent	11 034	582	455

Medical costs sensitivity analysis

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

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

(Thousands of United States dollars)

	Increase	*Decrease*
31 December 2017:		
Effect on the defined benefit obligation	19 595	(14 891)
Effect on the aggregate of the current service cost and interest cost	1 494	(1 257)
31 December 2016:		
Effect on the defined benefit obligation	11 597	(8 934)
Effect on the aggregate of the current service cost and interest cost	927	(686)

Other defined benefit plan information

122. Benefits paid for 2017 are estimates of what would have been paid to separating staff and/or retirees during the year on the basis of the pattern of rights acquisition under each scheme: after-service health insurance, repatriation and commutation of accrued annual leave. The estimated defined benefit payments (net of participants' contributions in these schemes) are shown in the table below.

Estimated defined benefit payments, net of participants' contributions

(Thousands of United States dollars)

	After-service health insurance	*Repatriation benefits*	*Annual leave*	***Total***
2018	1 088	704	368	**2 160**
2017	1 025	633	384	**2 042**

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

(Thousands of United States dollars)

	2017	*2016*	*2015*	*2014*	*2013*
Present value of the defined benefit obligations	92 842	60 897	13 923	11 627	3 912

Appendix D/workers' compensation costs sensitivity analysis

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

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

(Thousands of United States dollars and percentage)

	31 December 2017	*31 December 2016*
Increase of cost-of-living adjustment by 1 per cent	157	137
As a percentage of year-end liability	19	18
Decrease of cost-of-living adjustment by 1 per cent	(124)	(109)
As a percentage of year-end liability	(15)	(14)

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

(Thousands of United States dollars and percentage)

	31 December 2017	*31 December 2016*
Increase of discount rate by 1 per cent	(118)	(104)
As a percentage of year-end liability	(14)	(13)
Decrease of discount rate by 1 per cent	151	132
As a percentage of year-end liability	18	17

Accrued salaries and allowances

124. Accrued salaries and allowances as at year-end consist of accruals for home leave ($0.72 million (2016: $0.54 million)); accruals for outstanding payments for staff members separated in December 2017 ($0.15 million (2016: $0.06 million)); accrual for repatriation grant to be paid to former staff members ($0.44 million (2016: $0.07 million)); and other miscellaneous accrual for staff entitlements ($0.17 million (2016: $0.24 million)). The Mechanism recognized no termination benefits during the year.

United Nations Joint Staff Pension Fund

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

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

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

128. The roll-forward of the participation data as at 31 December 2013 to 31 December 2016 resulted in a funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, of 150.1 per cent (127.5 per cent in the 2013 valuation). The funded ratio was 101.4 per cent (91.2 per cent in the 2013 valuation) when the current system of pension adjustments was taken into account.

129. After assessing the actuarial sufficiency of the Fund, the consulting actuary concluded that there was no requirement, as at 31 December 2016, for deficiency payments under article 26 of the Regulations of the Fund, as the actuarial value of

assets exceeded the actuarial value of all accrued liabilities under the Fund. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as at the valuation date. At the time of reporting, the General Assembly had not invoked the provision of article 26.

130. During 2017, The Mechanism's contributions paid to the Pension Fund amounted to $8.23 million (2016: $7.09 million).

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

Impact of General Assembly resolutions on staff benefits

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

Change	*Details*
Increase in mandatory age of separation	The mandatory age of retirement for staff who joined the United Nations on or after 1 January 2014 is 65; for those who joined before 1 January 2014, that age is 60 or 62. The General Assembly decided to extend the mandatory age of separation for staff recruited before 1 January 2014 by organizations of the United Nations common system to 65 years, at the latest by 1 January 2018, taking into account the acquired rights of staff. This change has been implemented as at 1 January 2018 and affects future calculations of employee benefits liabilities.
Unified salary structure	The salary scales for internationally recruited staff (Professional and Field Service) as at 31 December 2016 were based on single or dependency rates. Those rates affected staff assessment and post adjustment amounts. The General Assembly approved a unified salary scale that resulted in the elimination of single and dependency rates as from 1 January 2017 and was implemented in September 2017. The dependency rate was replaced by allowances for staff members who have recognized dependants in accordance with the Staff Regulations of the United Nations and Staff Rules. A revised staff assessment scale and pensionable remuneration scale was implemented along with the unified salary structure. The implementation of the unified salary scale was not designed to result in reduced payments for staff members. However, it is expected that the unified salary scale will affect the calculation and valuation of the repatriation benefit and the commuted annual leave benefit. Currently, the repatriation benefit is calculated on the basis of gross salary and staff assessment at the date of separation, whereas commuted annual leave is calculated on the basis of gross salary, post adjustment and staff assessment at the date of separation.

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

133. The impact of the changes, other than the education grant, has been fully reflected in the actuarial valuation conducted in 2017.

Note 16
Judges' honorariums and allowances liabilities

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Judges' pension benefits (defined benefit valuation)	21 752	20 417
Judges' relocation allowances	–	86
Total	**21 752**	**20 503**
Current	1 298	1 316
Non-current	20 454	19 187
Total	**21 752**	**20 503**

134. The key assumption for the valuation of judges' pension benefits liabilities is the discount rate of 3.31 per cent as at 31 December 2017.

135. As noted above, the General Assembly, in its resolution 70/243, authorized the Secretary-General to establish a sub-account within the Mechanism and in that regard decided to appropriate for the biennium 2016–2017 additional amounts under the budget of the Mechanism corresponding to the requirement for the pensions of retired judges, and their surviving spouses, of the International Criminal Tribunal for Rwanda and for after-service health insurance benefits to former staff of the Tribunal, on a pay-as-you-go basis. Pursuant to that resolution, the balance of judges' benefits liabilities as at 1 January 2016 has been transferred to the Mechanism.

136. In 2017, the Mechanism recognized judges' pension benefit liabilities of $0.94 million for judges who had transferred from the International Tribunal for the Former Yugoslavia in relation to its liquidation at the end of the year. In accordance with resolution 70/243, the above-mentioned sub-account within the Mechanism will be extended to the Tribunal after its closure to manage, on a pay-as-you-go basis, the accrued liabilities for the pensions of retired judges, and their surviving spouses.

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

(Thousands of United States dollars)

	2017	*2016*
Net defined benefit liability at 1 January	20 417	–
Current service cost	–	–
Interest cost	691	758
Total costs recognized in the statement of financial performance	**691**	**758**
Benefits paid	(1 273)	(1 314)
Actuarial(gain)/losses recognized directly in the statement of changes in net assets	981	(98)
Net defined benefit liability transferred from International Criminal Tribunal for Rwanda	–	21 071
Net defined benefit liability transferred from International Tribunal for the Former Yugoslavia	936	–
Net recognized liability at 31 December	**21 752**	**20 417**

Note 17
Provisions

(Thousands of United States dollars)

	Credits to Member States
Provisions as at 1 January 2016	–
Additional provisions made	829
Provisions as at 31 December 2016 (current)	**829**
Change in provisions	
Balance carried from the amalgamation of ICTR	18
Additional provisions made	–
Amounts used	(847)
Provisions as at 31 December 2017 (current)	**–**

Abbreviation: ICTR, International Criminal Tribunal for Rwanda.

137. In its resolution 71/269 of 23 December 2016, the General Assembly revised the initial appropriation for the biennium 2016–2017 from $137.4 million to $135.7 million. The 2016 initial assessment of $68.70 million, corresponding to half of the initial appropriation, was reduced by $0.83 million and recognized as a provision relating to credits to be returned to Member States.

138. Pursuant to its consideration of the second performance report on the budget of the Mechanism for the biennium 2016–2017 (A/72/604), the General Assembly, in section I, paragraph 3, of its resolution 72/258, approved a reduction of $3.78 million gross in the final appropriation. Out of this amount of $3.78 million, $0.83 million had already been provisioned in 2016 and therefore was used in 2017.

139. With the amalgamation of the International Criminal Tribunal for Rwanda, the Mechanism carried a provision of $0.02 million as at 1 January 2017 relating to claims made by the former workers at the United Nations Detention Facility. This amount was fully used in 2017. The Mechanism had no other events giving rise to a material amount of provision to be recognized for 2017.

Note 18
Other liabilities

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Liabilities under finance lease arrangements	172	–
Total other liabilities (current)	**172**	**–**
Liabilities under finance lease arrangements	87	–
Total other liabilities (non-current)	**87**	**–**
Total other liabilities	**259**	**–**

140. In 2017, the International Tribunal for the Former Yugoslavia transferred to the Mechanism a finance lease for the use of equipment as detailed in note 24.

Note 19
Changes in net assets for the year ended 31 December

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

142. The net assets balance decreased from $15.56 million as at 31 December 2016 to ($7.39 million) as at 31 December 2017.

143. The changes in net assets are due primarily to the actuarial valuation losses on defined benefits liabilities, for a total amount of $21.73 million. These losses are due mainly to experience adjustments ($12.57 million) and changes in demographic assumptions ($7.94 million). Experience adjustments are attributable mainly to the increase in headcount, staff members' early retirement in 2017 and the overstatement of mortality.

144. The amalgamation of the former International Criminal Tribunal for Rwanda had a positive impact on net assets, for an amount of $8.10 million.

Note 20
Revenue

Assessed contributions

145. Assessed contributions of $64.09 million (2016: $67.87 million) have been recorded for the Mechanism in accordance with the Financial Regulations and Rules of the United Nations, the relevant resolutions of the General Assembly and the policies of the United Nations.

(Thousands of United States dollars)

	2017
Assessment for 2017 (resolution 71/269)	67 046
Decrease in the final appropriation for the biennium 2016–2017 (resolution 72/258)	(3 782)
Share of revised appropriations for the biennium attributable to document A/71/671	829
Revenue from assessed contributions	**64 093**

Other transfers and allocations

146. Other transfers and allocations comprise primarily contributions in kind from the International Tribunal for the Former Yugoslavia for the transfer of used equipment for $0.96 million, less the transfer of the finance lease liabilities for $0.36 million related to information technology equipment, in addition to in-kind contributions for the transfer of a used ambulance to support the Mechanism's enforcement-of-sentences operation for $0.05 million.

Other revenue

147. Other revenue includes foreign exchange gains of $0.01 million and other miscellaneous revenue of $0.03 million.

Note 21
Expenses

Employee salaries, allowances and benefits and judges' honorariums and allowances

148. Employee salaries include international, national and general temporary staff salaries, post adjustments and staff assessments. Allowances and benefits include other staff entitlements, including pension and insurance, staff assignment, repatriation, hardship and other allowances, as set out below.

(Thousands of United States dollars)

	31 December 2017	*31 December 2016 (restated)*
Salary and wages	44 340	31 197
Pension and insurance benefits	10 853	10 044
Other benefits	1 762	2 433
Total employee salaries, allowances and benefits	**56 955**	**43 674**
Judges' honorariums and allowances	**2 016**	**1 544**

Contractual services

149. Contractual services expenses consist of fees paid to individuals for services provided to the Mechanism, such as consultancies, expert witnesses, interpreters and Tanzanian police officers. The main component corresponds to allowances paid to Tanzanian police officers for security services under the host country agreement totalling $0.29 million.

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Consultants and individual contractors	418	354
Total contingent contracted services	**418**	**354**

Supplies and consumables

150. Supplies and consumables include consumables, spare parts and fuel, as shown below.

(Thousands of United States dollars)

	31 December 2017	31 December 2016
Fuel and lubricants	104	98
Rations	88	102
Spare parts	60	156
Consumables	266	92
Total	**518**	**448**

Travel

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

(Thousands of United States dollars)

	31 December 2017	31 December 2016 (restated)
Staff travel	1 226	1 343
Representative travel	82	153
Total	**1 308**	**1 496**

Other operating expenses

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

(Thousands of United States dollars)

	31 December 2017	31 December 2016 (restated)
Contracted services	7 528	6 332
Acquisition of goods	551	667
Acquisition of intangible assets	119	97
Rent — offices and premises	2 165	2 287
Rental — equipment	131	207
Maintenance and repair	191	200
Bad debt expense	16	17
Other/miscellaneous operating expenses	198	75
Total	**10 899**	**9 882**

153. Contracted services include companies' fees for air and ground transport, communications and information technology, facilities, security services, legal, audit, training, utilities, freight and other services such as translation and verbatim reporting.

(Thousands of United States dollars)

	31 December 2017	*31 December 2016 (restated)*
Air transport	10	12
Ground transport	12	7
Communications and information technology	973	1 024
Facilities	1 152	1 328
Security services	191	635
Legal service defence counsel	1 564	1 201
Legal service detention service	1 253	1 323
Other legal	111	38
Training	132	16
Utilities	402	329
Freight	129	49
Administrative and audit services	953	–
Other	646	370
Total	**7 528**	**6 332**

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

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

Note 22
Financial instruments and financial risk management

Main pool

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

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

158. As at 31 December 2017, the Mechanism participated in the main pool, which held total assets of $8,086.5 million (2016: $9,033.6 million), of which $70.61 million was due to the Mechanism, including $57.89 million amalgamated in 2017 from the former International Criminal Tribunal for Rwanda (2016: Mechanism, $23.75 million; International Criminal Tribunal for Rwanda, $52.82 million), and its share of revenue from the main pool was $1.02 million (2016: Mechanism, $0.4 million; International Criminal Tribunal for Rwanda, $0.3 million).

Summary of assets and liabilities in the main pool as at 31 December 2017

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Fair value through surplus or deficit		
Short-term investments	5 645 952	4 389 616
Long-term investments	1 779 739	2 125 718
Total	**7 425 691**	**6 515 334**
Loans and receivables		
Cash and cash equivalents, main pool	636 711	2 493 332
Accrued investment income	24 098	24 961
Total loans and receivables	**660 809**	**2 518 293**
Total carrying amount of financial assets	**8 086 500**	**9 033 627**
Main pool liabilities		
Payable to the Mechanism	70 608	23 748
Payable to other main pool participants	8 015 892	9 009 879
Total carrying amount of financial liabilities	**8 086 500**	**9 033 627**
Main pool net assets	–	–

Summary of net income and expenses of the main pool for the year ended 31 December 2017

	31 December 2017	*31 December 2016*
Investment revenue	104 576	73 903
Unrealized losses	874	(13 474)
Investment revenue from main pool	**105 450**	**60 429**
Foreign exchange losses	7 824	(5 105)
Bank fees	(853)	(646)
Operating expenses from main pool	**6 971**	**(5 751)**
Revenue and expenses from main pool	**112 421**	**54 678**

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

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

Financial risk management: credit risk

161. 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.

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

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

Investments of the cash pool by credit ratings as at 31 December 2017

(Percentage)

Main pool	*Ratings as at 31 December 2017*				*Ratings as at 31 December 2016*				
Bonds (long-term ratings)									
	AAA	**AA+/AA/AA-**	**A+**	**NR**		**AAA**	**AA+/AA/AA-**	**BBB**	**NR**
Standard & Poor's	30.5	65.5	4.0	–	Standard & Poor's	33.6	55.1	5.6	5.7
Fitch	61.3	30.6	–	8.1	Fitch	62.4	28.3		9.3
	Aaa	**Aa1/Aa2/Aa3**				**Aaa**	**Aa1/Aa2/Aa3**		
Moody's	55.3	44.7			Moody's	50.3	49.7		
Commercial papers (short-term ratings)									
	A-1+/A-1					**A-1**			
Standard & Poor's	100.0				Standard & Poor's	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)									
	A-1+					**A-1+**			
Standard & Poor's	100.0				Standard & Poor's	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)									
	aaa	**aa/aa-**	**a+/a/a-**			**aaa**	**aa/aa-**	**a+/a**	
Fitch	–	44.2	55.8		Fitch		48.1	51.9	

Credit risk: assessed contributions

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

Ageing of assessed contributions receivable

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

(Thousands of United States dollars)

	31 December 2017		*31 December 2016*	
	Gross receivable	*Allowance*	*Gross receivable*	*Allowance*
Less than one year	2 109	–	5 218	–
One to two years	4 310	–	4 204	–
More than two years	3 480	39	2 700	37
Total	**9 899**	**39**	**12 122**	**37**

Ageing of assessed contributions receivable for the Mechanism

(Thousands of United States dollars)

	31 December 2017		*31 December 2016*	
	Gross receivable	*Allowance*	*Gross receivable*	*Allowance*
Less than one year	794	–	1 501	–
One to two years	741	–	536	–
More than two years	574	3	344	2
Total	**2 109**	**3**	**2 381**	**2**

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

(Thousands of United States dollars)

	31 December 2017		*31 December 2016*	
	Gross receivable	*Allowance*	*Gross receivable*	*Allowance*
Less than one year	–	–	3 717	–
One to two years	4 310	–	3 668	–
More than two years	3 480	36	2 356	35
Total	**7 790**	**36**	**9 741**	**35**

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

Credit risk: cash and cash equivalents

166. The Mechanism held cash and cash equivalents of $5.56 million at 31 December 2017 (2016: $6.56 million), which is the maximum credit exposure on these assets.

167. 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

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

Financial risk management: interest rate risk

169. Through participation in the main pool, the Organization has its main exposure to interest rate risk, with fixed-rate cash and cash equivalents and investments being the 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 four years (2016: five years). The average duration of the main pool was 0.61 years (2016: 0.71 years), which is considered to be an indicator of low risk.

Main pool interest rate risk sensitivity analysis

170. 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. With 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 2017

(Millions of United States dollars)

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

Main pool interest rate risk sensitivity analysis as at 31 December 2016

(Millions of United States dollars)

	Shift in yield curve (basis points)								
	-200	*-150*	*-100*	*-50*	*0*	*+50*	*+100*	*+150*	*+200*
Increase/(decrease) in fair value									
Main pool total	124.35	93.26	62.17	31.08	–	(31.08)	(62.14)	(93.21)	(124.27)

Other market price risk

171. 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

172. 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.

173. The levels are defined as follows:

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

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

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

176. 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 2017			*31 December 2016*		
	Level 1	*Level 2*	*Total*	*Level 1*	*Level 2*	*Total*
Financial assets at fair value through surplus or deficit						
Bonds — corporates	355 262	–	355 262	697 676	–	697 676
Bonds — non-United States agencies	1 190 050	–	1 190 050	1 903 557	–	1 903 557
Bonds — non-United States sovereigns	124 892	–	124 892	124 854	–	124 854
Bonds — supranational	173 275	–	173 275	213 224	–	213 224
Bonds — United States treasuries	610 267	–	610 267	586 739	–	586 739
Main pool — commercial papers	671 945	–	671 945	149 284	–	149 284
Main pool — term deposits	–	4 300 000	4 300 000	–	2 840 000	2 840 000
Main pool total	**3 125 691**	**4 300 000**	**7 425 691**	**3 675 334**	**2 840 000**	**6 515 334**

Movement in the allowance for doubtful receivables

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Opening allowance for doubtful receivables	2	3
Amounts written off	–	(17)
Doubtful receivables adjustment for current year	37	16
Closing allowance for doubtful receivables	**39**	**2**

Note 23
Related parties

Key management personnel

177. Key management personnel are those with the ability to exercise significant influence over financial and operating decisions. For the Mechanism, such personnel are the President and the Prosecutor, at the level of Under-Secretary-General; and the Registrar, at the level of Assistant Secretary-General (who together constitute the Coordination Council of the Mechanism). Those individuals have the relevant authority and responsibility for planning, directing and controlling the Mechanism's activities. The Prosecutor transferred from the International Tribunal for the Former Yugoslavia at the beginning of 2017 but continued double-hatting for the Tribunal and the Mechanism throughout the year until the closure of the Tribunal.

Key management personnel

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Monetary benefits	745	255
Total remuneration for the period	**745**	**255**

178. As at 31 December 2017, after-service health insurance, repatriation and leave benefits for key management personnel included in employee benefits liabilities amounted to $0.42 million, as determined by actuarial valuation.

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

Related entity transactions

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

Balances reflected in the Tax Equalization Fund

181. The present financial statements report employee benefit expenses on a net-of-tax basis. The tax liabilities relating to operations are reported separately as part of the Tax Equalization Fund in the financial statements of the United Nations, Volume I, which also has a financial reporting date of 31 December.

182. The Tax Equalization Fund was established under the provisions of General Assembly resolution 973 (X) of 15 December 1955 to equalize the net pay of all staff members whatever their national tax obligations. The Fund operationally reports as income staff assessment with respect to staff members financed under the regular budget, assessed peacekeeping operations, the international tribunals for Rwanda and the Former Yugoslavia and the International Residual Mechanism for Criminal Tribunals.

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

184. The cumulative surplus accumulated in the Tax Equalization Fund as at 31 December 2017 was $67.3 million (2016: $46.9 million), consisting of amounts payable to the United States of America at year-end of $23.03 million (2016: $13.1 million) and to other Member States of $44.3 million (2016: $33.8 million). The overall amount payable of the Fund is $88.6 million (2016: $74.8 million), which includes an estimated tax liability of $21.3 million relating to the 2017 and prior tax years (2016: $27.9 million), of which approximately $0.3 million was disbursed in January 2018 and approximately $20.9 million was expected to be settled in April 2018.

Note 24
Leases and commitments

Finance leases

185. In 2014, the International Tribunal for the Former Yugoslavia entered into a finance lease with a value of $1.2 million for the use of equipment. The corresponding assets and liabilities were transferred to the Mechanism as part of the transfer of operations from the Tribunal to the Mechanism. The net year-end carrying value included in property, plant and equipment is $0.1 million. Future minimum finance lease payments under non-cancellable arrangements are set out in the table below.

Obligations for finance leases: minimum lease payments

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Due in less than 1 year	172	–
Due in 1 to 5 years	87	–
Total minimum finance lease obligations	**259**	**–**

Operating leases

186. The Arusha branch of the Mechanism entered into operating leases for the use of premises and equipment, while the branch of The Hague used the premises and

equipment of the International Tribunal for the Former Yugoslavia. The total operating lease payments recognized in expenditure for 2017 were $2.16 million for premises and $0.15 million for equipment.

187. The lease arrangements of the International Tribunal for the Former Yugoslavia were transferred to the Mechanism as part of the ongoing transfer of operations from the Tribunal to the Mechanism. The Tribunal was the lessee of contract for its main building, the United Nations Detention Unit, and for field offices in Sarajevo and Belgrade, with 50 per cent cost-sharing arrangements with the Mechanism. In relation to the closure of the Tribunal, the lease arrangement for the field office in Sarajevo was transferred in November 2017 when a new contract was entered into by the Mechanism, and the arrangements for the main building and the Detention Unit were fully transferred to the Mechanism as at 31 December 2017. Future minimum lease payments under non-cancellable arrangements are set out below.

Obligations for operating leases: minimum lease payments

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Due in less than one year	4 490	150
Due in one to five years	–	–
Total minimum operating lease obligations	**4 490**	**150**

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

Contractual commitments

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

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Property, plant and equipment	225	538
Goods and services	828	2 928
Total	**1 053**	**3 466**

Note 25
Contingent liabilities and contingent assets

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

191. In accordance with IPSAS 19, the Mechanism discloses contingent assets where an event gives rise to a probable inflow of economic benefits or service potential to the Mechanism and there is sufficient information to assess the probability of that inflow. As at 31 December 2017, the Mechanism had reported a contingent asset relating to the delay damages for the new Arusha facility.

192. The construction of the Arusha premises was completed on 1 December 2016; the contractor officially handed over the site to the United Nations on 4 December 2016. With substantial completion, the construction phase of the project was concluded and the project entered into the post-occupancy/defect and liability phase. This is a 12-month period starting from 1 December 2016, during which the contractor must complete any minor outstanding works or remedy any defective works, as notified by or on behalf of the United Nations. The project team, in close coordination with the architect, continued to review and monitor punch-list rectifications.

193. Throughout the reporting period, the Mechanism continued to make full use of the office building. In addition, the courtroom building is fully functional and ready to host trial activity.

194. Concurrently, in close coordination with the Office of Legal Affairs, the Procurement Division and the Office of Central Support Services, and in the context of the ongoing activities in the project's defect liability phase, the Mechanism continued to examine options for the appropriate recovery of direct and indirect costs arising out of delays which may be attributable to the Mechanism's contractual partners, where economically feasible, pursuant to paragraph 7 of resolution 70/258.

195. By November 2017, the contractor had completed only 20 per cent of the 880 items recorded on the punch list. The majority of the remaining items to be rectified on the punch list were electromechanical and architectural components, which the contractor indicated would require the deployment of the subcontractors engaged by the contractor. The contractor indicated that, owing to a protracted negotiation with the United Nations regarding the terms of payment for the pending invoice in the light of the contractor's potential liability for delay damages, amounting to up to 10 per cent of the contract price ($0.66 million), the subcontractors were not willing to return to work; therefore, payment was needed to mobilize the subcontractors and, thus, to expedite progress towards the completion of the punch-list items. Following the protracted negotiation, and in close coordination with the Office of Legal Affairs, the Office of Central Support Services and the Procurement Division, in December 2017 the Mechanism released the payment for the pending invoice to facilitate the redeployment of the necessary subcontractors. Nevertheless, the Mechanism informed the contractor that it would continue negotiations with them with regard to the recovery of delay damages. The Mechanism retains significant leverage in this regard, as the total retention amount in the contract is $316,481 and, as indicated by the architect, works in the amount of $235,000 remain to be certified. Releasing the payment of $493,075, the full amount of the pending invoice, allowed the redeployment of the subcontractors on site and expedited the punch-list rectification process while also retaining leverage on the matter of delay damages. Works on site subsequently resumed. According to current estimates, the punch-list items are scheduled to be completed by the end of April 2018.

196. As the rectification of punch-list items continued past the contractual one-year defect liability period, the Procurement Division informed the contractor that the defect liability period was being extended until 30 April 2018 with respect to all of the works. The Procurement Division also informed the contractor that the United Nations had not excused any delay in the timely completion of the works and that it reserved its contractual rights and remedies.

Note 26
Future operations

197. By its resolutions 2193 (2014) and 2194 (2014), the Security Council requested the International Tribunal for the Former Yugoslavia and the International Criminal Tribunal for Rwanda, respectively, to complete their work and facilitate the closure

of the Tribunals as expeditiously as possible, with the aim of completing the transition to the Mechanism. Upon the conclusion of the mandate of the liquidation team for the International Criminal Tribunal for Rwanda, on 31 July 2016 the Mechanism assumed full responsibility for the remaining liquidation tasks. The Tribunal was formally amalgamated into the Mechanism on 1 January 2017.

198. In 2017, the International Tribunal for the Former Yugoslavia completed the finalization of its work, in close coordination with the Mechanism, to ensure its smooth liquidation in accordance with Security Council resolution 1966 (2010) and the completion strategy (for the latest reports on the completion strategy, see S/2017/436 and S/2017/1001). On 1 January 2018, the Tribunal will formally amalgamate administratively by way of the transfer of its remaining functions and services, as well as the identifiable remaining assets and liabilities, to the Mechanism.

199. In accordance with its mandate, the Mechanism has assumed responsibility for a number of the functions of both Tribunals, including with regard to a range of judicial activities, the enforcement of sentences, the resettlement of acquitted and released persons, the protection of victims and witnesses and the management of archives.

Note 27
Statements of financial position and financial performance as at 31 December 2017 by subentities

I. Statement of financial position as at 31 December 2017

(Thousands of United States dollars)

	Note	*Former ICTR*	*MICT*	*31 December 2017*
Assets				
Current assets				
Cash and cash equivalents	8	4 558	1 003	5 561
Investments	8	40 591	8 916	49 507
Assessed contributions receivable	8, 9	7 754	2 106	9 860
Other accounts receivable	8, 9	–	16 650	16 650
Other assets	10	11	1 915	1 926
Total current assets		**52 914**	**30 590**	**83 504**
Non-current assets				
Investments	8	12 741	2 799	15 540
Property, plant and equipment	11	–	13 686	13 686
Intangible assets	12	–	2 595	2 595
Total non-current assets		**12 741**	**19 080**	**31 821**
Total assets		**65 655**	**49 670**	**115 325**
Current liabilities				
Accounts payable and accrued liabilities	13	–	5 511	5 511
Advance receipts	14	–	21	21
Employee benefits liabilities	15	1 032	2 568	3 600
Judges’ benefits liabilities	16	1 247	51	1 298
Other liabilities	18	–	172	172
Total current liabilities		**2 279**	**8 323**	**10 602**

	Note	Former ICTR	MICT	31 December 2017
Non-current liabilities				
Employee benefits liabilities	15	40 151	51 418	91 569
Judges' benefits liabilities	16	19 569	885	20 454
Other liabilities	18	–	87	87
Total non-current liabilities		**59 720**	**52 390**	**112 110**
Total liabilities		**61 999**	**60 713**	**122 712**
Net of total assets and total liabilities		**3 656**	**(11 043)**	**(7 387)**
Net assets				
Accumulated surpluses/(deficits) — unrestricted	19	3 656	(16 097)	(12 441)
Accumulated surpluses/(deficits) — restricted	19	–	5 054	5 054
Total net assets		**3 656**	**(11 043)**	**(7 387)**

Abbreviations: ICTR, International Criminal Tribunal for Rwanda; MICT, International Residual Mechanism for Criminal Tribunals.

II. Statement of financial performance for the year ended 31 December 2017

(Thousands of United States dollars)

	Note	Former ICTR	MICT	31 December 2017
Revenue				
Assessed contributions	20	–	64 093	64 093
Other transfers and allocations	20	–	657	657
Other revenue	20	–	38	38
Investment revenue	8	691	372	1 063
Total revenue		**691**	**65 160**	**65 851**
Expenses				
Employee salaries, allowances and benefits	21	378	56 577	56 955
Judges' honorariums and allowances	21	(582)	2 598	2 016
Contractual services	21	–	418	418
Supplies and consumables	21	–	518	518
Depreciation and amortization	11, 12	–	1 992	1 992
Travel	21	–	1 308	1 308
Other operating expenses	21	(71)	10 970	10 899
Total expenses		**(275)**	**74 381**	**74 106**
Surplus/(deficit) for the year		**966**	**(9 221)**	**(8 255)**

Abbreviations: ICTR, International Criminal Tribunal for Rwanda; MICT, International Residual Mechanism for Criminal Tribunals.

Note 28
Events after the reporting date

200. The Mechanism identified a material non-adjusting event after the reporting date, namely, the implementation of a downsizing strategy as an austerity measure

following the lack of approval of the Mechanism's budget for the biennium 2018–2019.

201. The General Assembly declined to approve a biennial budget and instead authorized a commitment authority. In its resolution 72/258, the Assembly authorized the Secretary-General to enter into commitments in an amount not to exceed \$87,796,600 gross (\$79,993,400 net) for the maintenance of the Mechanism for the one-year period from 1 January to 31 December 2018.

202. As the authorized amount was significantly less than what had been requested in the Mechanism's budget proposal for 2018–2019, as an interim measure, two-month contracts were issued on 1 January 2018 to the staff of the Mechanism, while cost reduction planning was conducted. Following the determination of the scope of reduced operations to accommodate the significant reduction of resources available for the year 2018, 34 contracts subject to budgetary approval were not extended beyond 28 February 2018, while the majority of Mechanism staff contracts were extended until 30 June 2018.

203. There will be a second phase of staff reductions based on a downsizing strategy for the Mechanism in support of cost reduction measures to be put in place in 2018, with an expected further reduction of up to approximately 60 posts. At the time of reporting, it was not feasible to estimate any financial effect of the implementation of the downsizing strategy.

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