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United Nations

## International Residual Mechanism for Criminal Tribunals

# Financial report and audited financial statements

## for the year ended 31 December 2020

## and

# Report of the Board of Auditors


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


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**for the year ended 31 December 2020**

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# Report of the Board of Auditors

United Nations • New York, 2021

*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.

[22 July 2021]

# Contents

# Letters of transmittal

## Letter dated 31 March 2021 from the Secretary-General addressed to the Chair of the Board of Auditors

In accordance with financial regulation 6.2, I have the honour to transmit herewith the financial statements of the International Residual Mechanism for Criminal Tribunals of the United Nations for the year ended 31 December 2020, which I hereby approve. The financial statements have been completed and certified by the Controller as correct in all material respects.

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

(*Signed*) António **Guterres**

## Letter dated 22 July 2021 from the Chair of the Board of Auditors addressed to the President of the General Assembly

I have the honour to transmit to you the report of the Board of Auditors, together with the financial report and the audited financial statements of the International Residual Mechanism for Criminal Tribunals of the United Nations for the year ended 31 December 2020.

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

# Chapter I

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

### Opinion

We have audited the financial statements of the International Residual Mechanism for Criminal Tribunals, which comprise the statement of financial position (statement I) as at 31 December 2020 and the statement of financial performance (statement II), the statement of changes in net assets (statement III), the statement of cash flows (statement IV) and the statement of comparison of budget and actual amounts (statement V) for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Mechanism as at 31 December 2020 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS).

### Basis for opinion

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

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

The Secretary-General of the United Nations is responsible for the other information, which comprises the financial report for the year ended 31 December 2020, contained in chapter IV below, but does not include the financial statements and our auditor's report thereon.

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

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

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

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

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

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

**Auditor's responsibilities for the audit of the financial statements**

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

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

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

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Mechanism;

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

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

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

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

### Report on other legal and regulatory requirements

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

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

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

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

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

22 July 2021

# Chapter II
# Long-form report of the Board of Auditors


*Summary*

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

The Board of Auditors has completed the audit of the Mechanism for the financial year ended 31 December 2020. The interim audit was carried out at both branches and at the field offices located in Sarajevo and Kigali, and simultaneously and remotely from Santiago, owing to the coronavirus disease (COVID-19) pandemic, from 27 October to 18 December 2020. The final audit of the financial statements was also performed remotely from Santiago from 6 April to 3 May 2021. The audit was conducted as part of the audit of the financial statements for the year ended 31 December 2020 and was in conformity with article VII of the Financial Regulations and Rules of the United Nations and the annex thereto, as well as the International Standards on Auditing. A summary of the Board's conclusions, key findings and recommendations is presented below.

**Scope of the report**

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

The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements present fairly the financial position of the Mechanism as at 31 December 2020 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS). The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

The Board also reviewed the Mechanism's operations under regulation 7.5 of the Financial Regulations and Rules of the United Nations, which allows the Board to make observations on the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of operations.

The Board also reviewed a detailed follow-up of actions taken in response to recommendations made in previous years.

**Audit opinion**

In the Board's opinion, the financial statements present fairly, in all material respects, the financial position of the Mechanism as at 31 December 2020 and its financial performance and cash flows for the year then ended, in accordance with IPSAS.

### Overall conclusion

The Board did not identify significant errors, omissions or misstatements from the review of the financial records of the Mechanism for the year ended 31 December 2020. However, the Board identified scope for improvements in the areas of the Immediate Office of the Registrar, budget management, human resources management and procurement management.

### Key findings

The Board's key findings are as follows:

*Planning of the relocation of released and acquitted persons*

On 1 January 2015, the Arusha branch of the Mechanism assumed, from the International Criminal Tribunal for Rwanda, responsibility for relocating the persons acquitted and released by the Tribunal. After the Board's review, it was noticed that the actions carried out by the Mechanism in order to relocate the released and acquitted persons in the short term were not within the framework of a formalized action plan, which would contain periodic activities, the responsible personnel and follow-up and monitoring acts that would allow for the verification of the effective fulfilment of this responsibility.

*Budgetary planning in relation to the general temporary assistance positions*

The Board reviewed the budget preparation and presentation for 2020 and the subsequent documents related to the reviews and questions from the Programme Planning and Budget Division of the Secretariat and the Advisory Committee on Administrative and Budgetary Questions, and observed differences between the number of positions that the entity projected in its budget and those currently reported as occupied in Umoja. Shortcomings regarding the documentation related to the projection of positions were also observed.

### Working days recorded during telecommuting in the context of the COVID-19 pandemic

The Board analysed the working days recorded in the COVID-19 telecommuting report in Umoja from March to August 2020 and observed that, out of a total of 3,227 records, there were 791 in which the working days were not registered on a daily or weekly basis. In addition, the Board noted that there was a total of 20 records in which the working days were recorded two months later, and 2 records were made at once for more than 90 working days. There was one case in which, by November 2020, working days had been recorded from 10 August to 31 December 2020, despite the fact that the telecommuting had not yet been carried out. Finally, out of a total of 556 staff members, 204 did not record any remote working days in Umoja during the COVID-19 telecommuting period.

*Preparation of the procurement demand plan for 2020*

The Board assessed how the forms relating to the acquisition and demand plans for 2020 were prepared by the Mechanism and reviewed the forms prepared by each unit of the branches in Arusha and The Hague. The Board did not obtain evidence of the demand plan forms containing the minutes of the meetings between requisitioners and the procurement officials in order to review and update on a quarterly basis the acquisition plans. In addition, the demand plan forms did not contain the personnel involved in the process of reviewing and approving each one of the forms. It was further noticed that neither the 2020 acquisition plan nor the demand plan for the

Mechanism, which had been submitted by the Acting Chief of the Procurement Section at the branch in The Hague to the Global Service Centre on 20 January 2020, had been uploaded to the website of the Procurement Division of the Secretariat, as required in the United Nations Procurement Manual.

**Main recommendations**

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

*Planning of the relocation of released and acquitted persons*

(a) **Streamline its activities for the relocation of the released and acquitted persons, by drafting and approving an action plan including the activities to be performed and their responsible staff and timing, allowing the Mechanism to schedule such activities, monitor their progress and track their effectiveness, thus promoting the effective fulfilment of its objectives;**

*Budgetary planning in relation to the general temporary assistance positions*

(b) **Strengthen the budget planning process on position matters and determine the subsequent requirements for general temporary assistance positions, by properly recording these requirements and improving the available documentation;**

*Working days recorded during telecommuting in the context of the COVID-19 pandemic*

(c) **Take measures to improve the compliance of its staff with the policy guidance on alternate working arrangements and flexible working arrangements in the context of the COVID-19 pandemic, in order to reflect the working days of the staff, and keep this information updated in Umoja on a weekly basis;**

*Preparation of the procurement demand plan for 2020*

(d) **Document and formalize the planning and preparation of the acquisition plan and demand plan forms, in order to fully comply with the provisions of the United Nations Procurement Manual;**

(e) **Streamline the process to fill the Chief Procurement Manager position in the short term.**

**Follow-up of previous recommendations**

Of the 29 outstanding recommendations (up to the period ended 31 December 2019), 8 recommendations have been implemented (28 per cent), while 12 were under implementation (41 per cent), 9 were not implemented (31 per cent) and none were overtaken by events (zero per cent). Details of the status of implementation of the recommendations are provided in the annex to chapter II.

| Key facts | |
|---|---|
| **$96.93 million** | Budget approved by the General Assembly for 2020 |
| **$84.56 million** | Total revenue for 2020 |
| **$92.56 million** | Total expenses for 2020 |
| **$230.66 million** | Total assets as at 31 December 2020 |
| **$172.48 million** | Total liabilities as at 31 December 2020 |
| **559** | Total staff (473 on a fixed-term contract, 70 temporary staff, 15 on a permanent contract and 1 on a continuing contract) |

## A. Mandate, scope and methodology

1. The International Residual Mechanism for Criminal Tribunals was established by the Security Council in its resolution 1966 (2010) to continue the jurisdiction, rights and obligations and essential functions of the International Criminal Tribunal for Rwanda and the International Tribunal for the Former Yugoslavia after the completion of their respective mandates, including a range of judicial activities, the enforcement of sentences, the tracking of fugitives, the resettlement of acquitted and released persons, the protection of victims and witnesses, the monitoring of cases referred to national jurisdictions, the provision of assistance to national jurisdictions 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 are composed of an Appeals Chamber common to both branches, a Trial Chamber for each branch, single judges appointed at both branches and a duty judge to serve at short notice as a single judge at the Arusha branch. The Chambers comprise a full-time President and a roster of 25 independent judges who serve both branches of the Mechanism. From this roster, the President appoints the judges to exercise their judicial functions at one of the aforementioned seats for each case. The Chambers are responsible for all judicial work of the Mechanism, including the enforcement of sentences, administrative review, trials, appeals, proceedings for review of final judgment, contempt and false testimony proceedings, and disposition of other requests related to, for example, access to confidential material and witness protection. The Office of the Prosecutor is responsible for investigation and prosecution. The Registry, which services both the Chambers and the Office of the Prosecutor, is responsible for the administration and servicing of the Mechanism.

4. The Board has audited the financial statements of the Mechanism and reviewed its activities for the year ended 31 December 2020, in accordance with General Assembly resolution 74 (I) of 1946. The audit was conducted in conformity with the Financial Regulations and Rules of the United Nations, as well as the International Standards on Auditing. Those standards require that the Board comply with ethical

requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

5. The audit was conducted to enable the Board to form an opinion as to whether the financial statements presented fairly the financial position of the Mechanism as at 31 December 2020 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS). This included an assessment as to whether the expenditure recorded in the financial statements had been incurred for the purposes approved by the governing bodies and whether revenue and expenses had been properly classified and recorded in accordance with the Financial Regulations and Rules of the United Nations.

6. The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

7. The Board also reviewed the Mechanism's operations under financial regulation 7.5, which requires that the Board make observations with respect to the efficiency of the financial procedures, the accounting system and the internal financial controls and, in general, the administration and management of the Mechanism's operations.

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

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

## B. Findings and recommendations

### 1. Follow-up of previous recommendations

10. Of the 29 outstanding recommendations (up to the period ended 31 December 2019), 8 recommendations have been implemented (28 per cent), while 12 were under implementation (41 per cent) and 9 were not implemented (31 per cent), as detailed in table II.1. Details of the status of implementation of the recommendations are provided in the annex to chapter II.

Table II.1
**Status of implementation of recommendations**

| *Report (audit year)* | *Number of recommendations* | *Recommendations pending as at 31 December 2019* | *Implemented* | *Under implementation* | *Not implemented* | *Overtaken by events* | *Recommendations pending as at 31 December 2020* |
|---|---|---|---|---|---|---|---|
| A/73/5/Add.15, chap. II (2017) | 11 | 5 | 1 | 3 | 1 | – | 4 |
| A/74/5/Add.15, chap. II (2018) | 8 | 4 | 2 | 1 | 1 | – | 2 |
| A/75/5/Add.15, chap. II (2019) | 20 | 20 | 5 | 8 | 7 | – | 15 |
| **Total** | **39** | **29** | **8** | **12** | **9** | **–** | **21** |

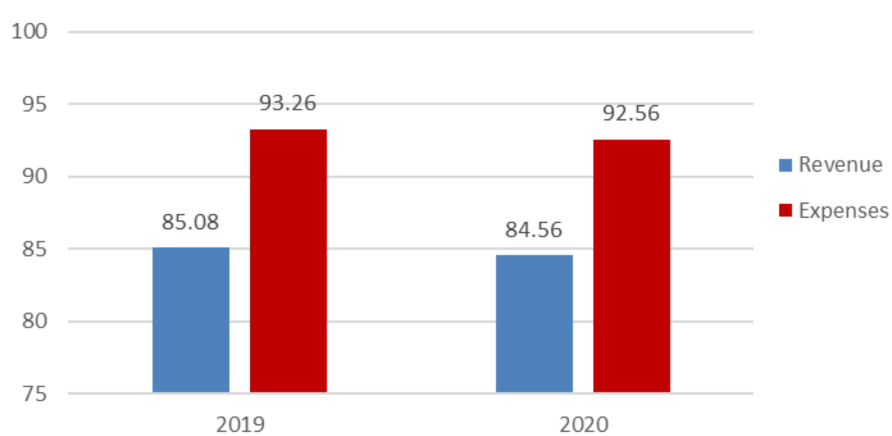
11. The Board noticed management's efforts towards the implementation of its recommendations. However, the Board expects the Mechanism to further expedite its efforts on this matter, especially regarding the recommendations dating from 2017. One of those recommendations, relating to procurement, remains not implemented and refers to the presentation of three ex post facto variation orders to the local committee on contracts and, subsequently, to the Procurement Division of the Secretariat for their ex post facto review. Another refers to the drafting and approval of an information and communications technology strategy and had previously been considered under implementation, but the Board observed no action on it during this year's audit. In addition, the Board expects further efforts on the recommendation dating from 2018 with regard to the development of a fraud risk assessment for the enterprise risk management document, which also remains not implemented.

## 2. Financial overview

12. The COVID-19 pandemic had an impact on the Mechanism's in-court judicial proceedings, which were postponed from mid-March 2020, later resuming virtually. This had an effect on 2020 expenditures, mainly for judges' honorariums and allowances, which decreased by 22.59 per cent to $2.83 million (2019: $3.65 million), and travel expenses, which decreased by 53.00 per cent to $0.80 million (2019: $1.70 million). Meanwhile, the acquisition of goods doubled in 2020 (2019: $0.67 million), owing mainly to the acquisition of laptop computers to support telecommuting in the different locations of the Mechanism; in addition, expenses for employee salaries, allowances and benefits increased by $2.64 million to $70.17 million (2019: $67.53 million).

13. Total revenue in 2020 was $84.56 million (2019: $85.08 million) against expenses of $92.56 million (2019: $93.26 million), resulting in a deficit of $8.00 million (2019: deficit of $8.19 million). The deficit decreased by $0.18 million (2.20 per cent) compared with the deficit recorded in 2019, as a result of the decrease in expenditure. For 2020, the deficit was mainly attributable to: (a) a provision for credits to Member States, which was recorded as a reduction in income; and (b) a decrease in investment income. A comparison of revenue and expenses for financial years 2019 and 2020 is illustrated in figure II.I.

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




*Source*: Analysis by the Board of Auditors of the Mechanism's financial statements for the year ended 31 December 2020.

14. As at 31 December 2020, assets totalled $230.66 million (2019: $224.21 million). Cash, cash equivalents and investments amounted to $162.73 million, equivalent to 70.50 per cent of total assets. This represented a decrease of $6.20 million (2019: $11.74 million).

15. The Mechanism reported total liabilities of $172.48 million as at 31 December 2020 (2019: $147.84 million), an increase of 16.70 per cent ($24.64 million). Of the total liabilities for 2020, 57.20 per cent ($98.60 million) were employee benefits liabilities (2019: $88.21 million). The increase, by $10.39 million in 2020, in the amount of employee benefits liabilities is attributable primarily to the net increase of $9.87 million in defined employee benefits liabilities brought mainly by an actuarial loss of $6.53 million arising from changes in financial assumptions in the latest actuarial valuation, conducted in 2020. By contrast, in 2019, employee benefits liabilities had decreased by $34.57 million, attributable to the net decrease by $31.65 million in defined employee benefits liabilities brought mainly by an actuarial gain of $36.51 million. Another important variation corresponds to the provisions for credits to Member States, which in 2020 represented $19.08 million, or 11.06 per cent of the total liabilities (2019: $6.82 million), equivalent to an increase of 179.77 per cent ($12.26 million) compared with the previous period.

16. Table II.2 contains key financial ratios, as extracted from the Mechanism's financial statements for the year ended 31 December 2020.

Table II.2
**Ratio analysis**

| *Description of ratio* | *31 December 2020* | *31 December 2019* |
|---|---|---|
| **Total assets: total liabilities**[a] | | |
| Total assets: total liabilities | 1.34 | 1.52 |
| **Current ratio**[b] | | |
| Current assets: current liabilities | 5.69 | 9.70 |
| **Quick ratio**[c] | | |
| Cash and short-term investments and accounts receivable: current liabilities | 5.67 | 9.65 |
| **Cash ratio**[d] | | |
| Cash and short-term investments: current liabilities | 4.01 | 7.44 |

*Source*: The Mechanism's financial statements for the year ended 31 December 2020.

[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.

17. The overall financial ratios in 2020 indicate a weakening in the liquidity position of the entity, compared with the preceding year. However, the current ratio of 5.69:1 indicates that current liabilities are largely covered by liquid assets. The quick ratio of 5.67:1 and the cash ratio of 4.01:1 imply that the Mechanism is in a position to pay its short-term obligations from its liquid resources. The solvency of the Mechanism has decreased slightly, as indicated by the total assets to total liabilities ratio of 1.34:1 (2019: 1.52:1), in line with the deficit sustained during the year.

### 3. Immediate Office of the Registrar

*Planning of the relocation of released and acquitted persons*

18. The mandate of the Mechanism, contained in Security Council resolution 1966 (2010), establishes it as a subsidiary organ of the Security Council which should be a small, temporary and efficient structure, whose functions and size will diminish over time, with a small number of staff commensurate with its reduced functions.

19. The Mechanism is assigned the task of assisting with the relocation of the acquitted and released persons. These are persons who were either acquitted by the International Criminal Tribunal for Rwanda, which closed on 31 December 2015, or persons sentenced by the Tribunal and subsequently released in Arusha.

20. On 1 January 2015, the Arusha branch of the Mechanism assumed from the International Criminal Tribunal for Rwanda responsibility for these persons, currently five acquitted and four released, who are living together in a safe house in Arusha, provided by the United Nations and under its care, security and expense. This measure is temporary and the relocation of these individuals largely depends on the assistance of Member States.

21. In its resolution 2422 (2018), the Security Council reiterated its call upon all States to cooperate with and render all necessary assistance to the Mechanism, for increased efforts towards the relocation of acquitted persons and convicted persons who had completed serving their sentences. In its resolution 2529 (2020), the Council noted with concern that the Mechanism faced problems in the relocation of acquitted persons and convicted persons who had completed serving their sentence, emphasized the importance of finding expeditious and durable solutions to these problems, including as part of a reconciliation process, encouraged all efforts to that end, and, in that regard, reiterated its call upon all States to cooperate with and render all necessary assistance to the Mechanism.

22. To date, nine acquitted and three released persons have been relocated to a number of countries in Africa and Europe, with the last relocation having occurred in July 2018 for one acquitted person. Nonetheless, many acquitted and released persons have been waiting for a definite relocation for several years; most notably, one of them has remained in this predicament since his acquittal almost 16 years ago.

23. The Board reviewed the Mechanism’s Strategic Plan for the Relocation of Acquitted and Released Persons, elaborated in 2015, when the Mechanism assumed responsibility for the relocation of released and acquitted persons. The Board also analysed the arrangements performed by the Mechanism during 2019 and 2020 for the relocation of the released and acquitted persons. During these two years, the following actions were taken by the Mechanism:

(a) The holding of meetings with three countries that could potentially host such persons;

(b) The holding of a meeting with one of the Mechanism’s judges to follow up on a request to a fourth country;

(c) The issuance of one note verbale to a fifth country;

(d) The holding of a meeting with one regional organization;

(e) The provision of a letter of introduction to support the efforts of one acquitted person;

(f) The compilation of medical information requested by the counsel of one acquitted person in support of his private relocation effort.

24. Moreover, in the third review report of the Mechanism (S/2020/309, annex), the President of the Mechanism mentioned the Mechanism's efforts to raise awareness about this issue and the need for a solution to it. As mentioned above, despite the calls by the Security Council upon States to cooperate with and render all necessary assistance to the Mechanism with regard to these individuals, only a limited number have been relocated successfully so far. Accordingly, during 2020, the Mechanism has insisted in its call for all Member States to support it in finding solutions to this issue, in its eighth annual report to the General Assembly, dated 1 August (see A/75/276–S/2020/763), and the assessment and progress reports of the President of the Mechanism to the Security Council for the period from 16 November 2019 to 16 May 2020 (S/2020/416, annex I) and for the period from 17 May to 15 November 2020 (S/2020/1119, annex I).

25. Furthermore, the Mechanism informed the Board that it intended to relocate the released and acquitted persons in the short term, but that the success of the arrangements relied significantly on the third States' commitment.

26. The Board considers that these arrangements could be streamlined and their effectiveness could be improved if an action plan or calendar of activities were developed, allowing for further monitoring and contributing to the implementation of good practices on this issue. Such arrangements, and their planning, take greater relevance when considering the temporary lifespan of the Mechanism, expressed in its mandate, as well as the constant attention expressed by the Security Council on this matter.

27. In that sense, the Board is of the view that having an action plan that could provide further detail of the operationalization of the Mechanism's Strategic Plan would promote the opportune implementation of the relocation efforts and assist the Mechanism in tracking the results and progress of the activities performed in relation to this issue in a more complete manner.

28. **The Board recommends that the Mechanism streamline its activities for the relocation of the released and acquitted persons, by drafting and approving an action plan including the activities to be performed and their responsible staff and timing, allowing the Mechanism to schedule such activities, monitor their progress and track their effectiveness, thus promoting the effective fulfilment of its objectives.**

29. The Mechanism accepted the recommendation.

### 4. Budget management

*Budgetary planning in relation to the general temporary assistance positions*

30. Under articles 14 (5) and 15 (4) of the statute of the Mechanism, the Office of the Prosecutor and the Registry shall retain a small number of staff commensurate with the reduced functions of the Mechanism. Meanwhile, the presentation of the post and non-post resource requirements for the proposed budget report and supplementary information is established in internal guidance on the preparation of the proposed budget for 2020 for the Mechanism.

31. For its part, in the supplementary information to the proposed budget for the Mechanism for 2020 (A/74/355 and A/74/355/Corr.1), issued in September 2019, 346 positions were expressed as being required by the Mechanism for December 2019. Subsequently, the Mechanism indicated to the Advisory Committee on Administrative and Budgetary Questions that 419 general temporary assistance positions would be required for January 2020, decreasing to 350 positions by December 2020 (A/74/593, para. 21).

32. In paragraph 23 of its report (A/74/593), the Advisory Committee recommended a reduction of 4 per cent, or $1,629,900, in related resources under other staff costs. In this regard, the Committee expected that a review of the resource requirements for general temporary assistance positions would be undertaken in 2020, reflecting the changes in workload, including the anticipated decrease in the workload at the branch in The Hague.

33. The Board examined how the budget was prepared and presented, by reviewing the information contained in the proposed budget for 2020 and subsequent documents related to the reviews and questions from the Programme Planning and Budget Division of the Secretariat and the Advisory Committee. Regarding the presentation of the budget for 2020, the Board compared the data in Umoja for the positions as at November 2020 with the previous projections at year end for general temporary assistance positions, which were detailed in the supplementary information to the proposed budget for 2020.

34. The Board observed differences between the number of positions that the entity projected in its budget and those actually reported as occupied in Umoja, namely:

(a) For the Professional and higher categories, seven more positions were projected in the budget compared with the actually occupied positions for both the branches in Arusha and The Hague;

(b) For the General Service and related categories, 20 fewer positions were projected in the budget compared with the actually occupied positions for both the branches in Arusha and The Hague. Specifically, for the branch in Arusha, there were 24 fewer projected positions compared with those actually occupied, while for the branch in The Hague, there were four more projected positions compared with those actually occupied.

35. The Board is of the view that the identified differences between the budgeted positions and the positions actually occupied present a risk for budget planning. In the Board's opinion, the process of projecting the estimated demand for general temporary assistance positions could be improved by strengthening the available documentation regarding each unit or section's requirements and their justifications.

36. Such supporting documentation acquires even greater relevance considering that keeping a reduced number of staff, in accordance with its reduced functions, is expressed in the Mechanism's mandate, that the methodology for the planning of the budget was recently changed from biennial to annual, and that the issue of general temporary assistance positions has been consistently commented on by the Advisory Committee on Administrative and Budgetary Questions, which has recommended a spending reduction of 4 per cent.

37. **The Board recommends that the Mechanism strengthen the budget planning process on position matters and determine the subsequent requirements for general temporary assistance positions, by properly reporting these requirements and improving the available documentation.**

38. The Mechanism accepted the recommendation.

### 5. Human resources management

*Personnel file information*

39. Rule 1.3 of the Staff Regulations and Rules of the United Nations, on the performance of staff, states that staff members shall be evaluated for their efficiency, competence and integrity through performance appraisal mechanisms that shall assess the staff member's compliance with the standards set out in the Staff Regulations and Rules for purposes of accountability. On this matter, paragraph 3.2 of the

administrative instruction on the Performance Management and Development System (ST/AI/2010/5 and ST/AI/2010/5/Corr.1) states that when a staff member takes up new duties upon recruitment, transfer or assignment in the course of the performance year, an individual workplan shall be established within the first two months of assumption of the new function. If a staff member actively serves with the United Nations for less than six months during the performance cycle, no e-PAS or e-performance document is required to be completed.

40. Paragraph 6.1 of the administrative instruction on the administration of temporary appointments (ST/AI/2010/4/Rev.1) establishes that at the end of the temporary appointment, regardless of duration, the programme manager shall issue a performance evaluation on a standard performance evaluation form for staff members holding temporary appointments (form P.333).

41. In addition, paragraph 3.6 of ST/AI/2010/4/Rev.1 establishes that when a candidate has been selected, the candidate shall be offered the respective appointment, which for external candidates will be subject to satisfactory reference checks to be completed by the recruiting department/office. Such reference checks shall include, at a minimum, verification of the highest required academic qualification(s) and record with the last employer. Once such reference checks are completed to the satisfaction of the recruiting office, a letter of appointment will be provided upon entry on duty.

42. The Board reviewed a sample of 30 cases from the list of all staff members provided by the Mechanism on 31 August 2020 and observed the following situations:

(a) E-performance documents or form P.333 were not provided for 10 cases, five of which were temporary appointments, four were fixed-term appointments and one was a permanent appointment. All of the detected cases had been appointed more than two months before the date of the Board's review and had been actively serving with the United Nations for more than six months;

(b) Education certificates were not provided for three cases.

43. On that basis, the Board considers that there were shortcomings in the control regarding the e-performance (for fixed-term and permanent appointments) and form P.333 (for temporary appointments) evaluations and the respective compliance with the administrative instructions on that matter. Likewise, the Board is of the view that not having the related documentation and title for the profile of a position may imply a risk of non-compliance with the contracted functions, which could hamper the entity's services.

44. **The Board recommends that the Mechanism regularly remind programme managers and supervisors of the performance evaluation deadlines (e-performance or form P.333) to ensure that all staff members have a performance evaluation for each cycle or appointment.**

45. **The Board recommends that the Mechanism's Human Resources Section reinforce its regular monitoring of the personnel files with the aim of verifying that the educational certificates related to the functions for which the staff members were appointed are included.**

46. The Mechanism accepted the first recommendation.

47. Regarding the second recommendation, the Mechanism mentioned that, in two of the three detected cases, the staff members were short-notice direct hires and their educational certificates were not immediately available; furthermore, in all of the cases, the staff members were on temporary contracts. Nonetheless, the Human Resources Section acknowledged that despite the expedited nature of the hiring and

the temporary nature of their duties, follow-up should have been carried out. However, the Mechanism declined to accept the second recommendation.

48. Regarding the explanation of the Mechanism in reference to the second recommendation, the Board believes that the lack of educational certificates in the personnel files means that it could not be verified whether the hiring office had completed the reference checks to the satisfaction of the aforementioned administrative instruction. Therefore, the Board considers that the observed facts and the second recommendation should be maintained.

*Letters of appointment procedures*

49. Regulation 4.1 of the Staff Regulations and Rules of the United Nations, on appointment and promotion, indicates that, as stated in Article 101 of the Charter of the United Nations, the power of appointment of staff members rests with the Secretary-General. Upon appointment, each staff member, including a staff member on secondment from government service, shall receive a letter of appointment in accordance with the provisions of annex II to the Regulations and signed by the Secretary-General or by an official in the name of the Secretary-General.

50. Annex II to the Staff Regulations establishes that the letters of appointment shall state:

(a) That the appointment is subject to the provisions of the Staff Regulations and of the Staff Rules applicable to the category of appointment in question and to changes which may be duly made in such regulations and rules from time to time;

(b) The nature of the appointment;

(c) The date at which the staff member is required to enter upon his or her duties;

(d) The period of appointment, the notice required to terminate it and the period of probation, if any;

(e) The category, level, commencing rate of salary and, if increments are allowable, the scale of increments and the maximum attainable;

(f) Any special conditions which may be applicable;

(g) That a temporary appointment does not carry any expectancy, legal or otherwise, of renewal. A temporary appointment shall not be converted to any other type of appointment;

(h) That a fixed-term appointment does not carry any expectancy, legal or otherwise, of renewal or conversion, irrespective of the length of service.

51. In this regard, Umoja is currently being used for maintaining and recording the information with regard to human resources. Accordingly, Umoja allows access to multiple queries from the system, called T-codes, such as "letter of appointment", which provides the documents regarding appointment, reappointment and extension or renewal of appointment; and "Display HR Master Data", with which it is possible to visualize electronic records of the staff members, for example, basic data, contract data and payroll data.

52. The Board performed a review of 30 letters of appointment provided by the Mechanism as at 31 August 2020, and observed that seven of them were not signed by the respective staff member.

53. Subsequently, the Board compared the 30 letters of appointment provided by the Mechanism with the letters of appointment extracted from and published in Umoja, and observed the following situations:

(a) Divergences in the number of letters of appointment registered for one staff member, with the Mechanism's information showing one letter of appointment and Umoja presenting two letters of appointment;

(b) Discrepancies in category, grade and level and amounts of salaries (gross and net);

(c) Differences in the amounts of salaries (gross and net);

(d) Differences in the functions established in the letters of appointment presented by the Mechanism and those contained in Umoja.

54. The Board considers that there were shortcomings in the control regarding the appointment process and its compliance with the Staff Regulations and Rules of the United Nations, given the lack of signature for seven of the sampled letters of appointment. This may involve a risk related to compliance with the recruitment planning and processes, as well as to the availability of personnel when required.

55. The Board is of the view that the discrepancies between the letters of appointment provided by the Mechanism and the information in Umoja may imply an integrity risk related to the accuracy of the information available in the systems. The discrepancies may affect the enforceable right over the assignments made regarding the personnel's function, salary, category, grade and level.

56. Consequently, the above-mentioned situation could reflect a weakness in the internal control procedures related to human resources management, given that it denotes shortcomings in the review of the information available in the personnel files and the information available in Umoja.

57. **The Board recommends that the Mechanism take measures to ensure that letters of appointment are signed before the date of entry into duty or within a period of no more than 30 days thereafter, in order to comply with the Staff Regulations and Rules of the United Nations and reduce the related risks.**

58. **In addition, the Board recommends that the Mechanism strengthen its internal control procedures related to electronic records, with an emphasis on the letters of appointment registered in Umoja, with the purpose of improving the integrity of the information.**

59. **Moreover, the Board recommends that the Mechanism evaluate the future use of the letters of appointment module in Umoja and, if not viable, define a control measure for the updating and harmonization of the information contained in the current staff's letters of appointment in a centralized and accessible manner.**

60. The Mechanism did not accept the three recommendations, as it considered that the Board had not identified any internal control weaknesses. On the issue of the signature of letters of appointment, the Mechanism responded that the interim guidelines on physical signature/physical documents for human resources forms and processes during the alternate working arrangements in the context of the COVID-19 pandemic state that "there is no requirement for staff other than those on secondment to sign the letter of appointment". Accordingly, the Mechanism was of the view that the lack of signatures was not a shortcoming in the control regarding the appointment process, nor did it represent a lack of compliance with the Staff Regulations and Rules of the United Nations. Regarding the discrepancies between the provided letters of appointment and the information found in Umoja, the Mechanism responded that a letter of appointment signed by a person delegated to do so was the only letter of appointment that counted in terms of compliance with the Staff Regulations and Rules, and was legally actionable. In that sense, the Mechanism pointed out that the "letter of appointment" module in Umoja was not used by management to produce

letters of appointment for a variety of reasons, so there was no ground or need for management to reconcile the Registrar-signed letters of appointment with the “letters of appointment” generated by Umoja. In addition, management explained that it was important to recall that letters of appointment generated by Umoja were issued with the salary information that was available at a given moment in time. In that context, salary scales may change. In addition, the post names that appeared on the written letter of appointment were correct, and they frequently differed from those found in Umoja.

61. Regarding the lack of signature in seven letters of appointment, the Board has reviewed the interim guidelines provided by the Mechanism, noting that they indeed exempt United Nations entities from requiring the physical signature, but only when the latter is replaced by an electronic signature, for which the hired staff member must be notified by email. Those notifications for the observed cases were not provided by the Mechanism, however. In addition, as reported by the Mechanism in its response, the letter of appointment signed by a person delegated to do so is the only letter of appointment that counts in terms of compliance with the Staff Regulations and Rules of the United Nations. As a result, it is imperative that the signature of those documents be confirmed, either in physical or electronic form. Finally, the Board considers that using a control measure to keep the current staff’s information, contained in the letters of appointment, up-to-date in a centralized and accessible manner, is relevant for better management and would contribute to the decision-making process. In view of the above, the Board maintains the recommendations.

*Working days recorded during telecommuting in the context of the COVID-19-pandemic*

62. The policy guidance on alternate working arrangements and flexible working arrangements in the context of the COVID-19 pandemic states that, in all United Nations entities at all duty stations where, in an effort to contain the spread of COVID-19, the Secretary-General and respective heads of entities around the world have decided to restrict physical access to United Nations premises while keeping offices open virtually, “the United Nations personnel are required to work remotely, unless their physical presence on the premises is necessary to carry out essential work”.

63. The policy guidance also states, in the section entitled “Recording”, that “remote working under flexible working arrangements and alternate working arrangements approved in connection with the COVID-19 pandemic should be recorded in Umoja by selecting the ‘telecommuting COVID-19’ option in the drop-down menu for leave request”.

64. In addition, the summary table in the annex to the policy guidance document indicates that “personnel are required to record their remote working days in Umoja at the end of every week, under the COVID-19 telecommuting option. The recording can be made on a daily basis or in a block on a weekly basis for the days worked.” For recording purposes, the respective staff member registers the number of days worked during a certain period of time.

65. The Board reviewed the COVID-19 telecommuting report from March to August 2020 and observed the following issues:

(a) Out of a total of 3,227 records of working days under COVID-19 telecommuting, there were 791 records in which the working days were not registered on a daily or weekly basis. Furthermore, the Board noted a total of 20 records in which working days were recorded two entire months after the respective working days, and two records that were made each for an extension longer than 90 working days, all at the same time;

(b) In one case, by November 2020, one staff member had registered in a single record more than four months of telecommuting days, comprising the period from 10 August to 31 December. In addition, it should be noted that this included the record of more than one month of telecommuting days that had not yet occurred;

(c) Out of a total of 556 staff members, 204 did not record any remote working days in Umoja during COVID-19 telecommuting;

(d) The Mechanism was not able to provide a clear list of the staff required to conduct essential work within the entity's premises, and thus who were exempted from registering their remote working days.

66. The Board concludes that the Mechanism's control over the working hours of its staff should be improved, considering that about a quarter of its staff members were not recording their working days in accordance with the policy guidance on alternate working arrangements and flexible working arrangements in the context of the COVID-19 pandemic.

67. Although it conceded that compliance with the respective policy guidance should be improved, the Mechanism considered that the Board had not demonstrated that any of the 204 staff members mentioned above were actually working remotely and were therefore obliged to be recording their remote work. Therefore, the Mechanism was of the view that the Board's assertions were not evidence of non-compliance with the related policy guidance. In addition, the Mechanism expressed that, in Umoja, unless a working day was recorded as some form of absence from the office (e.g., leave or working remotely), the default assumption was that the staff member was present in the office for the full working day, and the recording did not give any indication as to what the staff members' working hours were. In consequence, the Mechanism considered that the accurate recording of working days spent remotely owing to the COVID-19 pandemic did not affect the fulfilment of the objectives of each department. The entity indicated that, since the beginning of the work-from-home regime on 14 March 2020, the Mechanism had had approximately 30 per cent of its staff on premises conducting "essential work", in accordance with the aforementioned policy guidance, who were mainly staff members from the Security Section, the Medical Unit and the Facilities Management Unit. As a result, it made sense that not all staff would be recording remote work in Umoja, because not everyone had been working remotely.

68. The Board considers that keeping track of the working days of each staff member is an efficient tool to manage the fulfilment of the objectives of each department and to strengthen accountability within the Mechanism. The latter takes even more relevance when considering General Assembly resolution 64/259, in which the Assembly reaffirmed its commitment to strengthening accountability in the United Nations Secretariat and the accountability of the Secretary-General for the performance of the Secretariat to all Member States, and stressed that accountability was a central pillar of effective and efficient management that required attention and strong commitment at the highest level of the Secretariat. In that regard, the Board considered that the essential staff who, it was informed, were working at the Mechanism's premises, mainly in the areas of security, health and facilities management, would not be required to record remote work and, as a result, were not included in the 204 mentioned cases. However, as the Mechanism was not able to provide an exhaustive list or specific categories of staff who would be on campus, it was not possible to properly determine the exact number of staff who failed to comply with the policy guidance. Thus, it remains within the Mechanism's scope of action to monitor whether its staff are working at the premises or telecommuting, and ensure the recording of working days for the latter cases.

69. **The Board recommends that the Mechanism take measures to improve the compliance of its staff with the policy guidance on alternate working arrangements and flexible working arrangements in the context of the COVID-19 pandemic, in order to reflect the working days of the staff, and keep this information updated in Umoja on a weekly basis.**

70. The Mechanism agreed that compliance with the policy guidance on alternate working arrangements and flexible working arrangements in the context of the COVID-19 pandemic should be improved by recording the remote work on a weekly basis.

*Management of the recovery of education grant advances*

71. Paragraph 7.2 of the administrative instruction on the education grant and related benefits (ST/AI/2018/1/Rev.1) states that any paid advance shall be considered as due from the staff member until the claim for payment of the education grant and related benefits has been received and processed or until the advance is recovered from the staff member. Staff members are required to submit their claims for payment promptly, as required by section 8 of the instruction. Recovery from the staff member's emoluments shall take place after the third month of the end of the academic year or upon separation from service, whichever comes first.

72. The Board reviewed the Umoja report on requests for paid advances for the period from January to August 2020 and observed the following issues:

(a) Out of a total of 70 requests for paid advances, 34 (49 per cent) were allocated with a recovery term longer than the third month after the end of the academic year. The Mechanism mentioned several explanations, but the situations described as such were not included in the provisions of the administrative instruction;

(b) In one case, the recovery from the staff member was registered on 7 July 2020, which was prior to the paid advance, dated 19 August 2020;

(c) For the same case mentioned above, the recovery from the staff member of the paid advance from 2019 was also performed on 7 July 2020, which was 100 days before the recovery period established by the administrative instruction.

73. The Board concludes that the control of recovery dates for the education grant advances could be improved. In addition, further standardization of the deadlines given to the staff could be implemented, considering that currently some staff members are required to adhere to the term stated in the administrative instruction, while others are conceded a longer term.

74. In this regard, the Board considers that tracking the recovery date of each staff member is an efficient tool to guarantee collection procedures on owed advances and to ensure timely reimbursement.

75. **The Board recommends that the Mechanism strengthen the monitoring of the assignations of recovery dates and properly report any issues detected, in order to maintain a standard recovery timeline for all personnel and improve compliance with the corresponding administrative instruction.**

76. The Mechanism did not agree with the recommendation, as it believed it was fully compliant with the administrative instruction. Furthermore, the Mechanism considered that the observed issues were not intentional and did not lead to any compliance violations, as the issues were regarding recovery dates in the future. In addition, the Mechanism transmitted a document entitled "Education grant and related benefits during COVID-19", which establishes that the education grant advance for 2019/20 (which normally takes place three months after the end of the academic year) could be postponed for a period not exceeding an additional three months after the initial three months. Finally, the Mechanism stated that, for those cases where the

recovery trigger date had been miscalculated to a later time, it had manually corrected them all. In the case cited in paragraph 72 (b) above, the Mechanism mentioned that while it had erred in processing the grant, the error had been noted and, with the Mechanism's human resources staff member being unable to undo the error, an iNeed service desk ticket had been raised in a timely fashion to request assistance; however, as at the date on which the final audit visit had concluded, it had not been addressed. Regarding the case cited in paragraph 72 (c) above, the Mechanism declared that it did not know the reasons for that recovery date.

77. While the Board acknowledges the management's explanation, it deems that the Mechanism should conduct a review of the allocation of recovery dates, in order to avoid disparities with the terms expressed in the administrative instruction and unjustified differences among the staff members. When such issues are observed, the Board considers that they should be reported to the iNeed service desk with the aim of promptly solving them and delivering an equal recovery term to all personnel. In addition, if issues regarding parametrization are being observed, then the service desk should be notified so that system issues can be appropriately fixed. It is the Board's view that, even when the recovery dates have not yet been met, these issues may imply a risk of not recovering the education grant advances in due time if no further review or controls are conducted on the recovery dates allocation. Therefore, the recommendation is maintained, considering also that the Mechanism had manually adjusted the recovery dates, which confirms the observed issues.

### 6. Procurement management

*Preparation of the procurement demand plan for 2020*

78. As established in the United Nations Procurement Manual, in order to carry out the procurement process in an effective and efficient manner, one of the essential activities that the Mechanism must fulfil is the preparation of the acquisition planning, which is a prerequisite for the procurement process. In that regard, section 4 of the Procurement Manual (September 2019 version), entitled "Demand planning, acquisition planning, procurement strategy and requirements definition", establishes that "acquisition planning necessarily includes procurement forecasting geared towards the timely delivery of goods and services. It requires that consideration be given to logistics, finance and resource management. Requisitioners are responsible for developing acquisition plans in cooperation with procurement officials in a timely manner".

79. As described in section 4.1 of the Procurement Manual, entitled "Demand planning and acquisition planning", for planning purposes, each unit shall prepare its "demand plan" forms, which must contain the following information:

(a) Item number (i.e., a numerical identifier);

(b) Type of goods or services, using nomenclature according to the United Nations Standard Products and Services Code;

(c) Estimated quantity (number of units) or term (number of months or years);

(d) Estimated value in United States dollars, funding source and budget reference;

(e) Delivery date or quarter when the goods are required to be delivered or the services are required to commence and be completed;

(f) Any other relevant information, including locations where goods or services are required if different from the requisitioner's location.

80. In addition, the Procurement Manual indicates that requisitioners and procurement officials shall meet at least "annually to review acquisition plans for the forthcoming budgetary period(s) and typically update the acquisition plans on a

quarterly basis as required". Finally, the Procurement Manual establishes that the planning function of an entity is responsible for the consolidation of the acquisition plan and will issue appropriate instructions for action.

81. The Board observed how the preparation processes for the acquisition plan and demand plan forms were carried out by the Mechanism for 2020 and reviewed the forms prepared by each unit at the branches in Arusha and The Hague. As described in the meetings held by the Board with the Procurement Section, the Mechanism carried out the process of preparing the demand plan forms during November and December 2019. During those months, each unit at the branches in The Hague and Arusha prepared their demand plan forms, which contained the instructions and minimum requirements established.

82. During the Board's review, it was verified that the information contained in the demand plan forms was in accordance with the requirements of the United Nations Procurement Manual. However, as at mid-December 2020, the Board had not received evidence of the preparation of the 2020 demand plan forms, made in accordance with the Procurement Manual, which should include documentation such as the minutes of the meetings between requisitioners and the procurement officials for reviewing and updating on a quarterly basis the acquisition plans, the personnel involved in the process and the review and approval process for each form.

83. Finally, the Board noticed that all the 2020 demand plan forms had been submitted by the Acting Chief of the Procurement Section at the branch in The Hague to the agency in charge of consolidating the demand plans, the Global Service Centre, on 20 January 2020. However, as at the review date, the Mechanism's acquisition plan and demand plan forms had neither been made available nor uploaded to the website of the Procurement Division, as required by the Procurement Manual.

84. On this last matter, the Department of Management Strategy, Policy and Compliance of the Secretariat informed the Board that the Office of Supply Chain Management in the Department of Operational Support had come to realize that the information technology application called the "Demand and Acquisition Tool", used for complex field missions, was not equally applicable to non-field entities such as the Mechanism. Therefore, a revised tool, "DAP Tool Light", had been created so that standard demands from non-field entities could be included in the global supply chain planning. In addition, it was expressed to the Board that the inputs received from the Mechanism were provided in an Excel sheet, which required significant effort to convert into the global demand and acquisition planning tool, including a full range of manual data entry, which would have been prone to mistakes. Finally, it was stated that the demand from all non-field entities received in the Umoja supply chain planning tool would be included in the global supply chain plan.

85. The Board is of the view that the process of preparing the acquisition plan and the demand plan ought to be carried out in accordance with the requirements established in the Procurement Manual, with all of the performed activities formally documented and evidence kept of their review and approval. In that sense, not keeping formal documentation of the process may hinder the Mechanism's ability to accurately evaluate past procurement processes and forecast future ones.

86. In this sense, the Board considers that having a formal review and approval of the acquisition plan by a management level allows for greater assurance that the procurement process of the Mechanism is better aligned with the entity's needs. In addition, forecasting allows for improving the effectiveness of future purchases in terms of logistics, finance and resource management.

87. The aforementioned takes even higher relevance when considering that, since December 2019, the Mechanism has not had a Chief Procurement Manager, a position that still remains vacant.

88. **The Board recommends that the Mechanism document and formalize the planning and preparation of the acquisition plan and demand plan forms, in order to fully comply with the provisions of the United Nations Procurement Manual.**

89. **The Board recommends that the Mechanism streamline the process to fill the Chief Procurement Manager position in the short term.**

90. The Mechanism accepted both recommendations.

## C. Disclosures by management

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

91. Pursuant to financial rule 106.7 (a), the Mechanism reported write-offs of cash and cash equivalents of $3,465.90 and write-offs of receivables of $9.60 for 2020. There were no reported write-offs of losses of property, plant and equipment, inventories and intangibles during 2020.

### 2. Ex gratia payments

92. The Mechanism reported to the Board that there were no ex gratia payments in 2020.

### 3. Cases of fraud and presumptive fraud

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

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

## D. Acknowledgement

95. The Board wishes to express its appreciation for the cooperation and assistance extended to its staff by the officials and staff of the Mechanism during the conduct of the audit.

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

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

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

22 July 2021

## Annex

### Status of implementation of recommendations up to the financial year ended 31 December 2019

| *No.* | *Audit report year* | *Report reference* | *Board's recommendation* | *Management/Administration's response* | *Board's assessment* | *Status after verification: Implemented* | *Under implementation* | *Not implemented* | *Overtaken by events* |
|---|---|---|---|---|---|---|---|---|---|
| 1 | 2017 | A/73/5/Add.15, chap. II, para. 20 | The Mechanism agreed with the Board's recommendation to supervise the architectural firm tasked with reviewing the control system for air quality, temperature and relative humidity of the archive repositories in the Lakilaki facility and modifying the system to ensure that it meets standard requirements. | Implementation of this recommendation is ongoing. Unfortunately, implementation was delayed as the coronavirus disease (COVID-19) pandemic forced a temporary shift in focus to facility amendments to allow for the safe use of premises with respect to hygiene measures and social distancing as well as the implementation of measures to allow for remote work. The Mechanism has recently rekindled efforts on this project. Solicitation documents are being finalized with the consultancy firm. The procurement process is expected to be completed before the end of 2021, after which installation and commissioning would take place. | Considering the ongoing implementation reported by the Mechanism, the recommendation remains under implementation. | | X | | |
| 2 | 2017 | A/73/5/Add.15, chap. II, para. 24 | The Mechanism agreed with the Board's recommendation to present the three variation orders to the local committee on contracts and, subsequently, to the Procurement Division for their ex post facto review and approval. | Management has presented the three variation orders to the local committee on contracts for its ex post facto review and has disposed of the cases in accordance with procurement rules. The Mechanism considers this recommendation to be implemented and requests its closure by the Board. | The presentation of the three variation orders to the local committee on contracts and the Procurement Division, with the evidence of their review and approval, has not been received, nor have further comments on the implementation of controls to avoid a new occurrence of the events that gave rise to the recommendation.<br>Therefore, the recommendation remains not implemented. | | | X | |

| No. | Audit report year | Report reference | Board's recommendation | Management/Administration's response | Board's assessment | Status after verification | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Implemented | Under implementation | Not implemented | Overtaken by events |
| 3 | 2017 | A/73/5/Add.15, chap. II, para. 28 | The Mechanism agreed with the Board's recommendation to ensure that unused assets and other assets that are out of order are physically disposed of in a timely manner. | A public sale was conducted in Kigali in March 2020, just before lockdown. It was successful for cars and generator sets; other smaller items were not successfully sold, so for those items the disposal method will be changed, as the result of this sale was an indication that the items have no commercial value, especially considering that the items are old and some had become unserviceable.<br>Currently, the Mechanism is looking at an alternative disposal method of destruction and scrapping. However, owing to the nature of the items (information technology equipment and appliances), their destruction will produce electronic and hazardous waste. As a result, in order to implement disposal by destruction, the Mechanism will need to ensure compliance with host country and United Nations environmental guidelines. The Mechanism is expecting COVID-19 restrictions to ease in order to engage with the authority and an authorized contractor to finalize the disposal. | The Board acknowledges the efforts made by the Mechanism on this matter, which resulted in the sale of five of the items, totalling $93,360.22 (acquisition value). Nonetheless, considering the pending disposal of the remaining items, the recommendation remains under implementation. | | X | | |
| 4 | 2017 | A/73/5/Add.15, chap. II, para. 49 | The Mechanism agreed with the Board's recommendation: (a) to repair or to replace the defective uninterruptible power supply so that it might provide steady power in times of fluctuations; and (b) to follow up closely with the contractor to ensure completion of the modification to the water pipes that run across the ceiling of the data centre. | As noted by the Board, the uninterruptible power supply units have been purchased, received and placed in their proper location. Installation occurred on 17 October 2020. Part (b) of the recommendation was assessed as implemented by the Board. | Photographs of the installed uninterruptible power supply units and the fully functioning equipment were provided and reviewed. Therefore, the recommendation is considered implemented. | X | | | |

| *No.* | *Audit report year* | *Report reference* | *Board's recommendation* | *Management/Administration's response* | *Board's assessment* | *Status after verification: Implemented* | *Under implementation* | *Not implemented* | *Overtaken by events* |
|---|---|---|---|---|---|---|---|---|---|
| 5 | 2017 | A/73/5/Add.15, chap. II, para. 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. | The Mechanism's information and communications technology (ICT) strategy is currently under review by management, and then will be presented to the Information and Communications Technology Committee. | As reported by the Mechanism, the development of the ICT strategy for the period 2018–2021 was still under review. Therefore, until the commented policy is acted upon, the Board considers the recommendation to be under implementation. | | X | | |
| 6 | 2018 | A/74/5/Add.15, chap. II, para. 20 | The Board recommends that the Mechanism conduct a systematic fraud risk assessment following the provisions of the Anti-Fraud and Anti-Corruption Framework. | In line with the Secretariat's new internal control exercise, the Mechanism will conduct a systematic fraud risk assessment in the third quarter of 2020. | Considering that the fraud risk assessment has not been finished, the updated enterprise risk management document is still pending and no schedule or planning was received, the recommendation is considered not implemented. | | | X | |
| 7 | 2018 | A/74/5/Add.15, chap. II, para. 35 | The Board recommends that the Mechanism negotiate and conclude, as soon as possible, a new lease agreement with the Netherlands Central Government Real Estate Agency (RVB), appropriate to its current requirements, in order to maximize efficiency in its assets and budget administration and to comply with paragraph 7 of Security Council resolution 1966 (2010). | The new lease agreement was concluded with the Netherlands Central Government Real Estate Agency and was approved by the Headquarters Committee on Contracts in the second quarter of 2020. The Mechanism considers this recommendation implemented and requests its closure by the Board. | The Board has reviewed the lease agreement signed with the new landlord, which covers 2020 and is extendable until 30 June 2021. Therefore, the recommendation is considered implemented. | X | | | |
| 8 | 2018 | A/74/5/Add.15, chap. II, para. 45 | The Board therefore recommends that the Mechanism update the enterprise risk management document, in accordance with the internal memorandum (MICT/A/IOR/2016/855) and the framework of the Committee of Sponsoring Organizations of the Treadway Commission. | As with the systematic fraud risk assessment, the Mechanism will update the enterprise risk assessment, in line with the Secretariat's new internal control exercise. | Given that the Mechanism is updating and expanding its enterprise risk register, the Board considers the recommendation to remain under implementation. | | X | | |

| No. | Audit report year | Report reference | Board's recommendation | Management/Administration's response | Board's assessment | Status after verification: Implemented | Under implementation | Not implemented | Overtaken by events |
|---|---|---|---|---|---|---|---|---|---|
| 9 | 2018 | A/74/5/Add.15, chap. II, para. 79 | The Board recommends that the Mechanism improve its data centre management, in order to establish: a contingency plan for possible emergencies; a matrix of access levels and approval requirements for different groups of visitors; a quarterly review of access; and a security system, in accordance with the guidelines in United Nations Secretariat ICT Technical Procedure INF.04. PROC. | The disaster recovery document has been updated, and the disaster recovery exercise will take place as soon as the new system is in place. Work is ongoing at The Hague branch, and will commence at the Arusha branch once travel conditions allow. In addition, an access review report has been generated and will be reviewed quarterly. | Having reviewed the documents provided by the Mechanism, the Board has evidenced that the disaster recovery plan has been updated and that quarterly reviews of access to the data centres have been performed. Given that these were the last pending components of this recommendation, the recommendation is considered implemented. | X | | | |
| 10 | 2019 | A/75/5/Add.15, chap. II, para. 21 | The Board recommends that the Mechanism coordinate with the Secretariat to assess and start the management of the portfolio of real estate infrastructure in the respective Umoja module. | An experienced General Services Officer recruited during 2020 commenced working on this project in the third quarter of 2020. Implementation is being performed, as well as training. Initially targeted for the end of December 2020, there have been challenges with the change of the authorization group, without which the transactions in the module would not work properly. | The implementation of the Umoja real estate module was an ongoing process by the time of the Board's final remote visit in April 2021. Thus, this recommendation remains under implementation. | | X | | |
| 11 | 2019 | A/75/5/Add.15, chap. II, para. 30 | The Board recommends that the Mechanism update the information on capitalized assets in Umoja, including the assignment of their respective users at the Mechanism and proper functional location, in the real estate management module in Umoja. | The assignment of functional locations will logically follow the implementation of the previous recommendation. The user information will be updated during the 2020 physical verification exercise. | Considering that this recommendation depends on the previous recommendation, the former will be addressed when the latter is implemented. Thus, this recommendation is considered under implementation. | | X | | |
| 12 | 2019 | A/75/5/Add.15, chap. II, para. 31 | The Board recommends that the Mechanism review and update the master data in Umoja for non-capitalized property, in order to update the users who are no longer working at the Mechanism. | The user information will be updated during the 2020 physical verification exercise. | The Board reviewed the information concerning the non-capitalized property in Umoja, detecting cases in which assets were assigned to users who had been separated from the Mechanism in January 2020, as well | | | X | |

| No. | Audit report year | Report reference | Board's recommendation | Management/Administration's response | Board's assessment | Implemented | Under implementation | Not implemented | Overtaken by events |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | as assets for which the user or the functional location had not been registered. Therefore, the recommendation is considered not implemented. | | | | |
| 13 | 2019 | A/75/5/Add.15, chap. II, para. 45 | The Board recommends that the Mechanism improve its procedures of physical verification for the inventory of all capitalized assets, adjusting this information in the Umoja records, to ensure the integrity of the data maintained in the system. | Capitalized asset data will be updated during the 2020 physical verification exercise. | The Board notes that the Mechanism carried out a physical verification of assets at the branches in The Hague and Arusha and at the Kigali field office. For the Sarajevo field office, the physical verification exercise could not be performed by the Mechanism, and images of the assets were provided by the Mechanism. However, the assets that during the audit for 2019 were not found or were in poor operating condition had not been written off, which indicates that further procedures have yet to be carried out. As a result, the recommendation is considered under implementation. | | X | | |
| 14 | 2019 | A/75/5/Add.15, chap. II, para. 46 | The Board recommends that the Mechanism identify all its assets with their respective tag number and proper description, keeping this information updated in Umoja. | Tag numbers and descriptions will be updated during the 2020 physical verification exercise. | Pictures with the tag number were received for most of the items requested. Nevertheless, the fixed assets added during 2020 did not yet have their proper description in Umoja and pictures of their tag number were not received. As a result, the recommendation is considered under implementation. | | X | | |
| 15 | 2019 | A/75/5/Add.15, chap. II, para. 56 | The Board recommends that the Mechanism perform a verification of the actual use of assets, in order to evaluate residual values and useful lives of property, plant and equipment items, where applicable. | An assessment of the actual use of assets will be conducted during the 2020 physical verification exercise. | During its final visit, the Board reviewed whether there were any totally depreciated assets that did not have "good and in use" status but were included in the 10 per cent depreciation recalculation. The Board | | X | | |

| No. | Audit report year | Report reference | Board's recommendation | Management/Administration's response | Board's assessment | Status after verification: Implemented | Under implementation | Not implemented | Overtaken by events |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | found two assets in this situation. Therefore, although the Board notes the procedures conducted by the Mechanism regarding the evaluation of the residual values and the useful lives of assets currently in use, the recommendation remains under implementation. | | | | |
| 16 | 2019 | A/75/5/Add.15, chap. II, para. 68 | The Board recommends that the Mechanism strengthen the review and supervision of the entire process of issuing purchase orders in order to guarantee their timely issuance. | The Mechanism's Procurement Section has implemented a shared workload spreadsheet that allows supervisors to monitor expected purchase orders and ensure their timely issuance. The Mechanism considers this recommendation implemented and requests its closure by the Board. | The Board requested the shared workload spreadsheets mentioned in the Mechanism's response, receiving them for both branches.<br>In addition, the Board conducted a review of the process for the issuance of purchase orders. Cases were detected in which the purchase orders were issued after the invoice was detected, but the Mechanism explained that this can occur at times under a valid contract. In one case, the occurrence corresponded to a human error; however, being for a small and immaterial amount, it was disregarded. Therefore, and considering the controls implemented by the Mechanism, the recommendation is considered implemented. | X | | | |
| 17 | 2019 | A/75/5/Add.15, chap. II, para. 69 | The Board recommends that the Mechanism implement a control of the commitments in order to ensure that the expenses are recorded in the correct accounting period. | The Mechanism's Procurement Section will run a monthly check of open shopping carts and purchase orders in Umoja to ensure they are completed in their respective fiscal years. In addition, requisitioners will review a list of unliquidated obligations on a quarterly, rather than yearly, basis, to ensure purchase orders no longer required are liquidated in a timely manner. | The Board reviewed the expenses during the final audit visit, verifying three cases, for a total of $55,000, in which the commitments were registered after the corresponding accounting period. As a result, further evidence of the controls implemented is needed. Therefore, the recommendation is considered under implementation. | | X | | |

| No. | Audit report year | Report reference | Board's recommendation | Management/Administration's response | Board's assessment | *Status after verification*<br>Implemented | Under implementation | Not implemented | Overtaken by events |
|---|---|---|---|---|---|---|---|---|---|
| 18 | 2019 | A/75/5/Add.15, chap. II, para. 70 | The Board recommends that the Mechanism examine and evaluate the purchase order reports used by the Mechanism, notifying iNeed of the differences detected, aimed at ensuring that the information is appropriately registered in Umoja. | The Mechanism notes that this recommendation pertains to Umoja-generated reports rather than the accuracy of the underlying data, and undertakes to notify iNeed in the event errors are detected in the reports. | The Board requested the iNeed notifications, but did not receive them. Therefore, the recommendation is considered not implemented. | | | X | |
| 19 | 2019 | A/75/5/Add.15, chap. II, para. 83 | The Board recommends that the Mechanism improve and strengthen the control mechanisms concerning annual and home leave, for both the staff members and their supervisors, in order to improve compliance with the correspondent regulation. | After further research, it was seen that moving from the Lotus manual system to Umoja was a large endeavour in which it appears some manual human errors were made. As they do not appear to be systemic, the recommendation would be revised accordingly. | The Board values the actions taken by the Mechanism on this matter and will continue to review the controls put in place. Meanwhile, the recommendation is considered under implementation. | | X | | |
| 20 | 2019 | A/75/5/Add.15, chap. II, para. 84 | The Board recommends that the Mechanism reinforce its policy regarding the importance of requesting and approving annual and home leave in Umoja prior to the use of these entitlements, communicating such matters to its staff. | Management is drafting a standard operating procedure regarding annual and other leave that will take into consideration modifications to existing policies in the light of the COVID-19 pandemic. This procedure will be communicated regularly to staff to ensure they are aware of their obligations when exercising these entitlements. | Considering that the standard operating procedure regarding annual and other leave and supporting documentation of the communications to the staff on this matter have not been received by the Board, the recommendation is considered not implemented. | | | X | |
| 21 | 2019 | A/75/5/Add.15, chap. II, para. 94 | The Board recommends that the Mechanism improve and strengthen the control mechanisms concerning the request and approval procedures for overtime, in order to comply with the corresponding regulation. | The Mechanism will review and revise the standard operating procedure on overtime, which will take into account the Board's observations. The procedure will clarify those situations where exceptions to the limit of 40 hours of overtime per month may occur. | The Board reviewed the overtime requests and approval for 2020 and did not observe any cases in which overtime had been approved outside the requirements of the corresponding regulation. As a result, the Board considers that the Mechanism has improved and strengthened the control mechanisms concerning the request and approval procedures for overtime.<br>Therefore, the recommendation is considered implemented. | X | | | |

| No. | Audit report year | Report reference | Board's recommendation | Management/Administration's response | Board's assessment | Status after verification: Implemented | Under implementation | Not implemented | Overtaken by events |
|---|---|---|---|---|---|---|---|---|---|
| 22 | 2019 | A/75/5/Add.15, chap. II, para. 104 | The Board recommends that the Mechanism improve its procedures for the planning of training to be conducted for staff, aimed at the proper execution of a training plan and its relevant budget, by drafting a document that identifies the corresponding staff in charge, dates, training topics, units, number of staff to be trained, and budget planned and expended per activity, among other possible issues. | The Mechanism has implemented an annual training plan that prioritizes training needs in accordance with the implementation of the mandate and on the basis of reports on the impact of those training sessions on the competencies, strengths and knowledge of staff in relation to their posts. The Mechanism considers this recommendation implemented and requests its closure by the Board. | Considering that the training plan and corresponding budget have not been received by the Board, the recommendation is considered not implemented. | | | X | |
| 23 | 2019 | A/75/5/Add.15, chap. II, para. 109 | The Board recommends that the Mechanism take action leading to registering in Umoja all the absences corresponding to the travel days. | As noted above, management is drafting a standard operating procedure regarding annual and other leave, including travel days, that will take into consideration modifications to existing policies in light of the COVID-19 pandemic. This procedure will be communicated regularly to the staff to ensure they are aware of their obligations when exercising these entitlements. | Considering that the standard operating procedure regarding annual and other leave, including travel days, and supporting documentation of the communications to the staff on this matter have not been received by the Board, the recommendation is considered not implemented. | | | X | |
| 24 | 2019 | A/75/5/Add.15, chap. II, para. 120 | The Board recommends that the Mechanism conduct a periodic analysis of the general database of the justifications for the due anticipation for travel requests required pursuant to the Umoja survival guide and ST/IC/2019/16, in order to detect the main reasons for the delays and take measures to reduce them. | Management will conduct a periodic analysis of the justifications for not purchasing tickets 16 days in advance of travel. | The Board reviewed the analysis report provided by the Mechanism regarding the justifications for not purchasing tickets 16 days in advance of travel and verified that the Mechanism has detected the main reasons for the delays, taking measures to reduce them when the reasons allow it and instructing its staff to further comply with this timing. Therefore, the recommendation is considered implemented. | X | | | |

| No. | Audit report year | Report reference | Board's recommendation | Management/Administration's response | Board's assessment | Status after verification: Implemented | Under implementation | Not implemented | Overtaken by events |
|---|---|---|---|---|---|---|---|---|---|
| 25 | 2019 | A/75/5/Add.15, chap. II, para. 121 | The Board recommends that the Mechanism take action to improve its final travel arrangements, aimed at carrying them out with the anticipation required pursuant to ST/IC/2019/16 and providing the suitable justifications in the case of exceptions. | Management will conduct a periodic analysis of the justifications for not finalizing travel arrangements 16 days in advance of travel, noting that many categories of travel (for example, that of witnesses and trial monitors) are often affected by factors entirely beyond the Mechanism's control. | The Board reviewed the requests for official travel, as well as the analysis report provided by the Mechanism regarding the justifications for not purchasing tickets 16 days in advance of travel. It has been verified that the Mechanism included a review of the justifications in each case in which the number of days required by the regulation had not been met, thereby improving its travel arrangements regarding ticket purchase. Therefore, the recommendation is considered implemented. | X | | | |
| 26 | 2019 | A/75/5/Add.15, chap. II, para. 122 | The Board recommends that the Mechanism have supporting documentation regarding the selection of the most economical offer, in order to ensure that this requirement is met at the time of purchasing the tickets. | Management will collect supporting documentation, on a randomized basis, in order to ensure that it can demonstrate that the Mechanism is purchasing the most economical tickets. | The Board reviewed the supporting documentation regarding the selection of the most economical offer. While the Board acknowledges the efforts made, the evidence provided referred to purchases made during 2021 and did not allow identification of which of the three considered tickets was actually purchased. In this regard, the recommendation is considered under implementation. | | X | | |
| 27 | 2019 | A/75/5/Add.15, chap. II, para. 131 | The Board recommends that the Mechanism take action to ensure that the travel expense reports are submitted within the time frame outlined in the Umoja survival guide and that all the documentation needed for effective control in travel matters, as required pursuant to the relevant normative, is included in Umoja. | Management will undertake to strengthen its actions to ensure staff complete their expense reports within the time frame outlined in the Umoja survival guide. | The Board reviewed the communications sent to staff members as reminders regarding the completion of their expense reports within the time frame outlined in the Umoja survival guide. Therefore, the recommendation is considered implemented. | X | | | |

| No. | Audit report year | Report reference | Board's recommendation | Management/Administration's response | Board's assessment | Status after verification: Implemented | Under implementation | Not implemented | Overtaken by events |
|---|---|---|---|---|---|---|---|---|---|
| 28 | 2019 | A/75/5/Add.15, chap. II, para. 138 | The Board recommends that the Mechanism perform and keep a record of the disaster recovery exercise at least annually, incorporating the disaster recovery planning document and the lessons learned after the testing, and ensuring that this exercise includes the key employees involved in the recovery process, as established in the information and communications technical procedure on disaster recovery planning (SEC.08. PROC). | The Mechanism´s Information Technology Services Section has not completely finished the replacement of the ICT infrastructure as originally planned, owing to the COVID-19 pandemic, which prevented the vendor from going to the branches in The Hague and Arusha, resulting in this process being performed remotely.<br>The Mechanism has made some progress, however, and expects the work to be completed during the second quarter of 2021. Once completed, the disaster recovery exercise will be conducted. | Considering the current pandemic situation that has delayed the replacement of the ICT infrastructure as originally planned, and thus the conduct of the disaster recovery exercise, this recommendation is considered not implemented. | | | X | |
| 29 | 2019 | A/75/5/Add.15, chap. II, para. 146 | The Board recommends that the Mechanism formalize the approval of the risk register of the projects in order to maintain a formal and updated risk register for the audiovisual preservation and access project, in accordance with the provisions of the project initiation document (R01 D05). | The risk register for the audiovisual preservation and access project is under review. | Considering that the formalization of the risk register was expected to be performed by the end of 2020, but no evidence had been provided by the time of the Board's visit in December 2020, the recommendation is considered not implemented. | | | X | |
| | **Total number of recommendations** | | | | | **8** | **12** | **9** | **–** |
| | **Percentage of total number of recommendations** | | | | | **28** | **41** | **31** | **–** |

# Chapter III

## Letter dated 24 March 2021 from the Assistant Secretary-General, Controller, addressed to the Chair of the Board of Auditors

The financial statements of the International Residual Mechanism for Criminal Tribunals for the year ended 31 December 2020 have been prepared in accordance with financial regulation 6.1 of the Financial Regulations and Rules of the United Nations.

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

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

(*Signed*) Chandramouli **Ramanathan**
Assistant Secretary-General, Controller

# Chapter IV
# Financial report for the year ended 31 December 2020

## 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 2020.

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

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

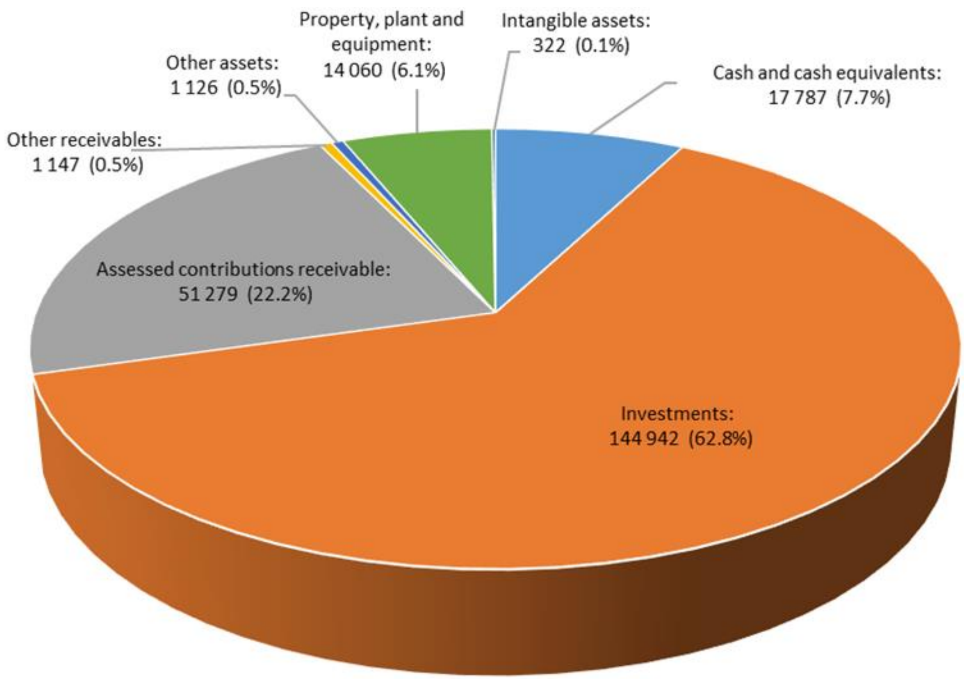
4. Owing to the coronavirus disease (COVID-19) pandemic, which began in mid-March 2020, initial delays on the judicial activities were incurred, with the postponement of proceedings. Thanks to successful measures promptly adopted to ensure business continuity, the Mechanism continued its judicial and administrative work. In 2020, two main judicial proceedings took place (the *Stanišić and Simatović* case and the *Turinabo et al.* case), as well as the commencement of the new pretrial proceedings before the Mechanism in the case of *Prosecutor v. Félicien Kabuga* following the arrest of Félicien Kabuga in France in May 2020 after 22 years of evasion.

5. Despite the limited possibility of measuring the financial impact of the pandemic on the financial statements, broad trends were identified, such as the decrease in travel expenses by 53 per cent compared with the previous year and the increase in the acquisition of goods, which doubled in 2020 compared with 2019, owing mainly to the acquisition of laptop computers to support telecommuting in the different locations of the Mechanism.

## B. Overview of assets, liabilities and liquidity

6. Assets as at 31 December 2020 totalled $230.663 million, compared with the balance as at 31 December 2019 of $224.205 million.

Figure IV.I
**Assets of the Mechanism as at 31 December 2020**
(Thousands of United States dollars)




7. As figure IV.I illustrates, the main assets of the Mechanism at 31 December 2020 were cash and cash equivalents and investments, totalling $162.729 million (representing 70.5 per cent of total assets); assessed contributions receivable from Member States of $51.279 million (22.2 per cent); property, plant and equipment of $14.060 million (6.1 per cent); and other accounts receivable of $1.147 million (0.5 per cent).

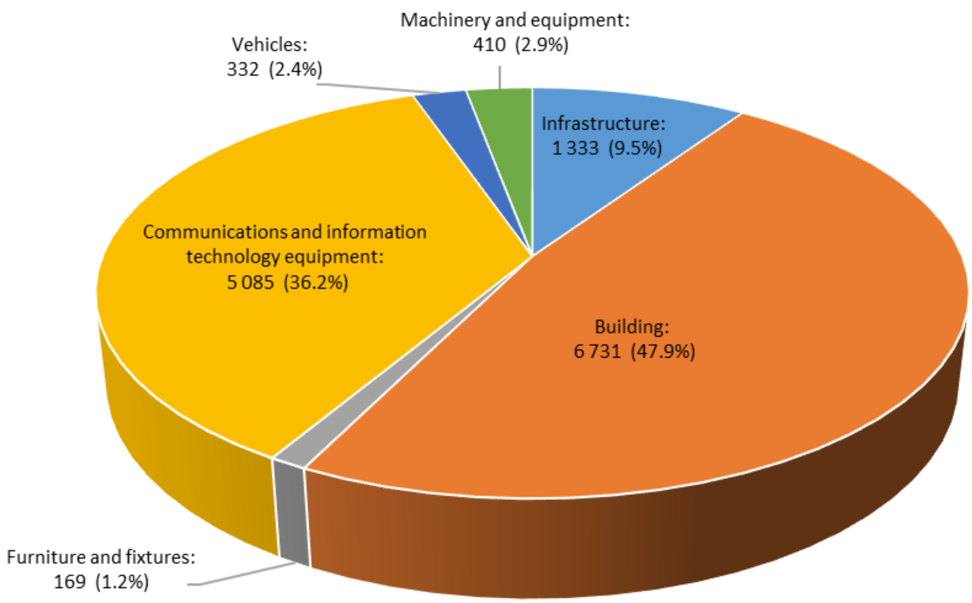
8. Cash and cash equivalents and investments of $162.729 million at 31 December 2020 were held in the United Nations main cash pool. This represents a decrease of $6.200 million compared with the balance of $168.929 million held at the end of 2019.

9. Assessed contributions receivable increased from $40.426 million to $51.279 million. This increase was due mainly to an increase in the arrears due to the Mechanism from $8.221 million at the end of 2019 to $19.696 million at the end of 2020. Out of the $51.279 million outstanding at the end of the fiscal year, $24.257 million corresponds to arrears due to the former Tribunal for the Former Yugoslavia and $7.326 million to arrears due to the former Tribunal for Rwanda.

10. The Mechanism's property, plant and equipment assets consist primarily of the building and infrastructure assets in Arusha, United Republic of Tanzania (valued at $6.731 million and $1.333 million, respectively), as shown in figure IV.II.

11. The increase in other accounts receivable is largely due to the increase in recoverable value added tax (VAT) from $1.461 million at the end of 2019 to $1.711 million at the end of 2020. The balance of recoverable VAT at the end of 2020 includes $0.896 million from the United Republic of Tanzania (2019: $0.976 million) and $0.723 million from the Netherlands (2019: $0.451 million). Allowance for doubtful receivables related to recoverable VAT due for more than one year was recognized for an amount of $0.573 million, mostly from the United Republic of Tanzania.

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




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

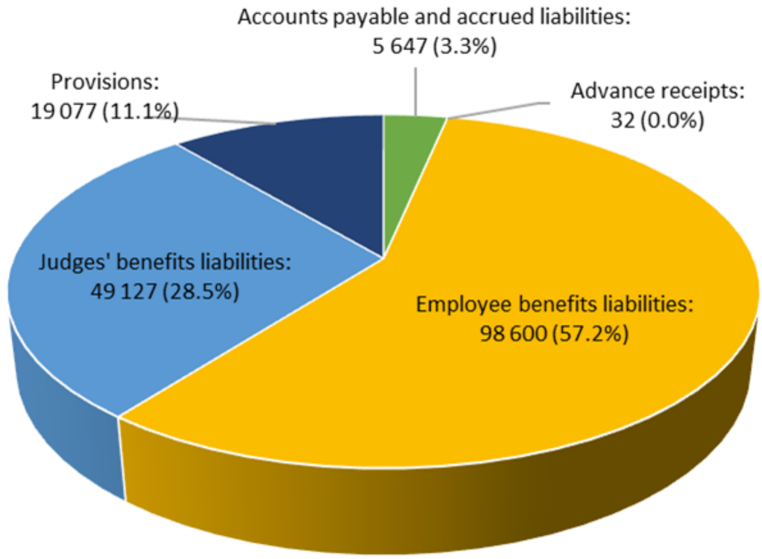
13. In 2020, additions of $2.291 million were capitalized to communications and information technology equipment, relating primarily to the scheduled upgrade of servers and network equipment at The Hague, Netherlands, and Arusha.

### Liabilities

14. Liabilities as at 31 December 2020 totalled $172.483 million (31 December 2019: $147.837 million).

15. As shown in figure IV.III, the largest liability refers to employee benefits earned by staff members and retirees in the amount of $98.600 million, representing 57.1 per cent of the Mechanism's total liabilities. The increase in these liabilities in the amount of $10.388 million, or 10.5 per cent, in 2020 was due to the net increase of $9.872 million in defined employee benefits liabilities, brought mainly by an actuarial loss of $6.533 million arising from changes in financial assumptions in the most recent actuarial valuation, conducted in 2020.

Figure IV.III
**Liabilities as at 31 December 2020**
(Thousands of United States dollars)

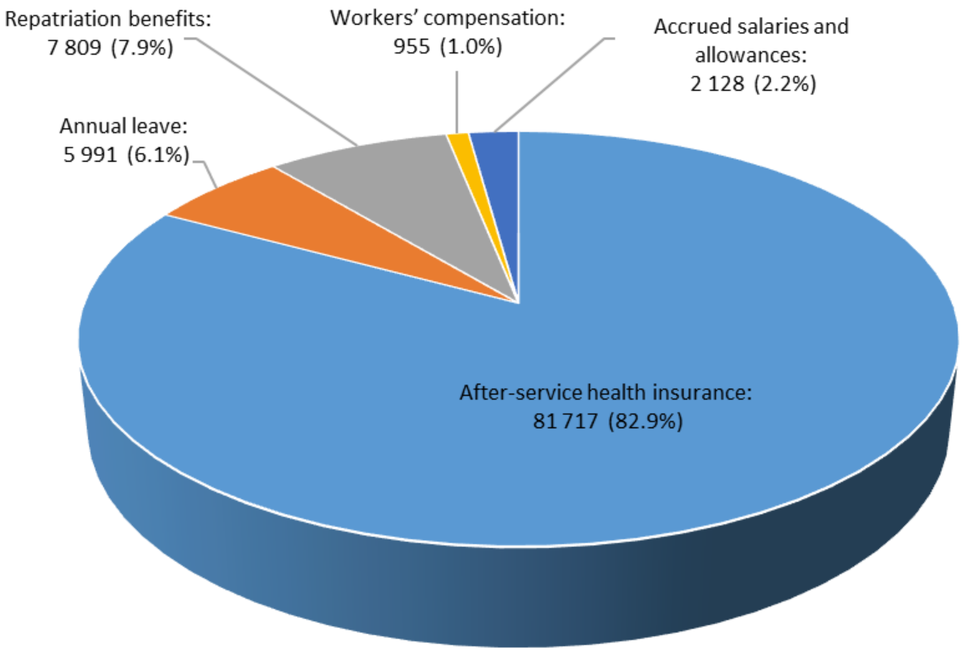



16. As illustrated in figure IV.IV, employee benefits liabilities valued by independent actuaries consisted largely of liabilities related to after-service health insurance ($81.717 million), annual leave ($5.991 million) and repatriation benefits ($7.809 million).

17. The liabilities related to judges' honorariums and allowances amounted to $49.127 million, mainly representing the judges' pension liabilities that are now held by the Mechanism as a result of the amalgamation of the two former Tribunals. Of the total amount of judges' benefits liabilities as at 31 December 2020, $24.441 million relates to liabilities for retired judges of the International Tribunal for the Former Yugoslavia, $19.995 million relates to liabilities for retired judges of the International Criminal Tribunal for Rwanda, and $1.806 million relates to liabilities for the only full-time active judge of the Mechanism.

18. Provisions amounted to $19.077 million (2019: $6.818 million), including a provision for credits to Member States in the amount of $19.065 million. The provision includes savings from prior periods, such as those from the reversal of accruals for separation-related benefits and entitlements set aside at the time of closure of the Tribunals and the cancellation of commitments, the unencumbered balance of the appropriations for 2020 and other revenue.

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




### Net assets

19. The movement in net assets during the year reflects a decrease of $18.188 million, from $76.368 million in 2019 to $58.180 million in 2020, explained mainly by the deficit for 2020 of $8.004 million and the actuarial losses on defined employee benefits liabilities, which had a negative impact of $6.533 million. As at 31 December 2020, the net assets of the Mechanism included a restricted portion of $4.743 million relating to the balance of the special account for the construction of the Arusha facility.

### Liquidity position

20. As at 31 December 2020, liquid assets totalled $180.033 million (cash and cash equivalents of $17.787 million, short-term investments of $109.047 million, and assessed contributions receivable, other accounts receivable and other assets totalling $53.199 million), whereas total current liabilities amounted to $31.627 million.

(Thousands of United States dollars)

| | *Note* | *Former ICTY* | *Former ICTR* | *IRMCT* | *31 December 2020* |
|---|---|---|---|---|---|
| **Current liabilities** | | | | | |
| Accounts payable and accrued liabilities | 12 | – | – | 5 647 | 5 647 |
| Advance receipts | 13 | – | – | 32 | 32 |
| Employee benefits liabilities | 14 | 539 | 587 | 2 860 | 3 986 |
| Judges' benefits liabilities | 15 | 1 586 | 1 293 | 6 | 2 885 |
| Provisions | 16 | 8 233 | 3 715 | 7 129 | 19 077 |
| **Total current liabilities** | | **10 358** | **5 595** | **15 674** | **31 627** |

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

21. The table below summarizes four key liquidity indicators for the financial year ended 31 December 2020, with comparatives for the year ended 31 December 2019.

| | *Year ended 31 December* | |
|---|---|---|
| *Liquidity indicator* | *2020* | *2019* |
| Ratio of liquid assets to current liabilities | 5.7:1 | 9.7:1 |
| Ratio of liquid assets less accounts receivable to current liabilities | 4.0:1 | 7.4:1 |
| Ratio of liquid assets to total assets | 0.8:1 | 0.8:1 |
| Average months of cash, cash equivalents and investments on hand | 21.5 | 22.2 |

22. The ratio of liquid assets to current liabilities is a measure of the ability of the Mechanism to pay its short-term obligations from its liquid resources. The ratio of 5.7:1 indicates that current liabilities are largely covered by liquid assets.

23. As at 31 December 2020, the Mechanism's liquid assets were about 78.1 per cent of its total assets and it held sufficient cash and cash equivalents and investments to cover its estimated average monthly expenses (less depreciation and amortization) of $7.573 million for 12 months.

## C. Overview of financial performance

### Revenue

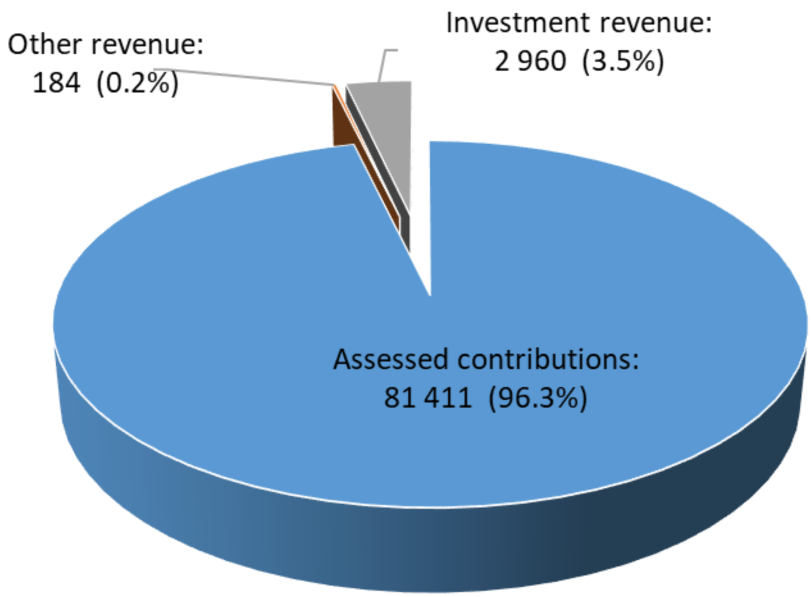
24. In 2020, revenue totalled $84.555 million (2019: $85.076 million). The main source of revenue was assessed contributions of $81.411 million assessed to Member States after deducting from the gross appropriation the savings from prior periods, the cancellation of commitments, the unencumbered balance for 2020 and other revenue, as described in the table below. This revenue has been recorded in accordance with the Financial Regulations and Rules of the United Nations and the relevant resolutions of the General Assembly.

(Thousands of United States dollars)

| | *2020* |
|---|---|
| Assessment for 2020 (resolution 74/259) | 96 925 |
| Surplus resulting from the final expenditure for the budget for the biennium 2018–2019 (resolution 75/249) | (3 267) |
| Cancellation of commitments for the biennium 2018–2019, savings from prior periods and revenue recorded as provisions in the 2020 financial statements | (8 737) |
| Unencumbered balance of appropriations for 2020 recorded as provisions in the 2020 financial statements | (3 510) |
| **Revenue from assessed contributions** | **81 411** |

25. The other sources of revenue included mainly investment revenue and other revenue of $2.960 million and $0.184 million, respectively.

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



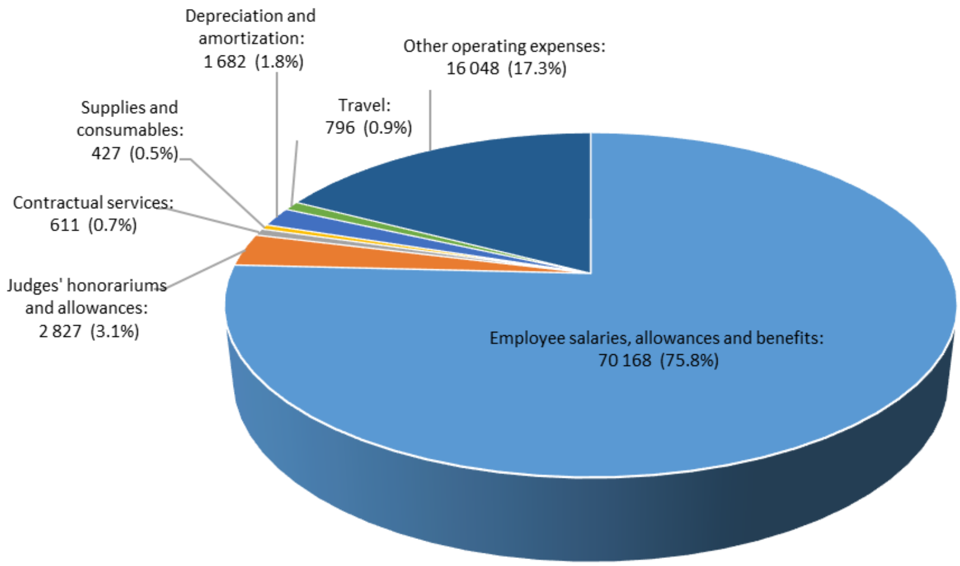

**Expenses**

26. Expenses reported in statement II are shown on a full accrual basis. This contrasts with statement V, which shows expenditure on a modified cash basis. The main difference between the two is the cost of after-service employee and judges' benefits liabilities, which are accrued as the service is delivered in statement II, but shown on a cash basis in statement V. Other key differences are the depreciation of property, plant and equipment and intangible assets, which are expenses in statement II only, and commitments of funds for goods and services that have not yet been delivered, which are shown as expenses in statement V but not in statement II.

27. For the year ended 31 December 2020, expenses totalled $92.559 million (2019: $93.262 million), with a decrease of $0.702 million from 2019. The main expense categories were employee salaries, allowances and benefits of $70.168 million, which constituted 75.8 per cent of total expenses; other operating expenses of $16.048 million (17.3 per cent); judges' honorariums and allowances of $2.827 million (3.1 per cent); depreciation and amortization of $1.682 million (1.8 per cent); and travel expenses of $0.796 million (0.9 per cent). The remaining $1.038 million (1.2 per cent) were expenses for contractual services, and supplies and consumables.

28. The main decrease was under other operating expenses, which decreased by $1.548 million, from $17.596 million in 2019 to $16.048 million in 2020. This decrease was mainly driven by the derecognition of an intangible asset that was under development of $1.81 million in 2019 and a decrease in the cost of rent for offices and premises related to reduced occupancy at the branch of the Mechanism in The Hague ($0.846 million). The decrease was offset in part by an increase in acquisition of goods of $0.710 million, owing to the purchase of laptop computers to support teleworking for staff during the COVID-19 pandemic, and an increase in fees to defence teams as a result of the *Turinabo et al*. case ($0.856 million). Other major factors in the decrease in 2020 expenses include a decrease in travel expenditures by $0.901 million owing to the pandemic and a decrease in judges' honorariums and allowances by $0.825 million.

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




### Operating results

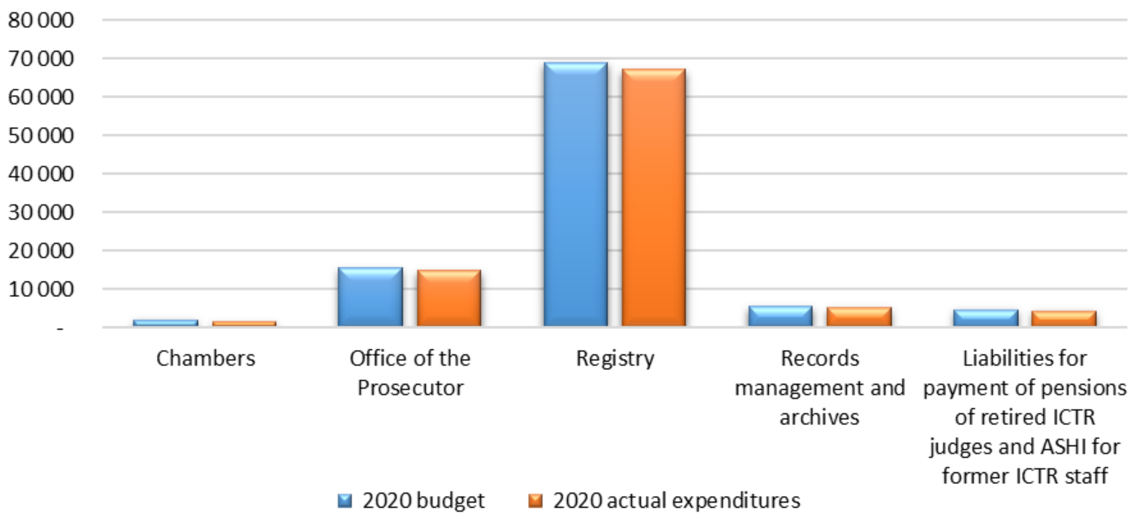
29. The deficit of revenue over expense in 2020, as measured under the International Public Sector Accounting Standards (IPSAS), was $8.004 million. This was due primarily to the establishment of a provision for credits to Member States, recorded as a reduction in revenue in the amount of $12.247 million.

## D. Budgetary performance

30. Figure IV.VII shows the relative proportion of the 2020 budget of the Mechanism for each of its programme components; the annual budget totalled $96.925 million (2019: $98.912 million), and expenditure amounted to $93.414 million (2019: $95.684 million). As shown in statement V of the financial statements, actual expenditure was less than the annual budget by 3.6 per cent. The comparative budget and expenditures of the Mechanism are presented in figure IV.VII.

Figure IV.VII
**Budget and expenditure of the organs of the International Residual Mechanism for Criminal Tribunals (annual basis)**

(Thousands of United States dollars)




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

# Chapter V

# Financial statements for the year ended 31 December 2020

## International Residual Mechanism for Criminal Tribunals

### I. Statement of financial position as at 31 December 2020

(Thousands of United States dollars)

| | *Note* | *31 December 2020* | *31 December 2019* |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 7 | 17 787 | 45 229 |
| Investments | 7 | 109 047 | 94 320 |
| Assessed contributions receivable | 7, 8 | 51 279 | 40 426 |
| Other accounts receivable | 7, 8 | 1 147 | 975 |
| Other assets | 9 | 773 | 897 |
| **Total current assets** | | **180 033** | **181 847** |
| **Non-current assets** | | | |
| Investments | 7 | 35 895 | 29 380 |
| Property, plant and equipment | 10 | 14 060 | 12 664 |
| Intangible assets | 11 | 322 | 314 |
| Other assets | 9 | 353 | – |
| **Total non-current assets** | | **50 630** | **42 358** |
| **Total assets** | | **230 663** | **224 205** |
| **Current liabilities** | | | |
| Accounts payable and accrued liabilities | 12 | 5 647 | 5 064 |
| Advance receipts | 13 | 32 | 474 |
| Employee benefits liabilities | 14 | 3 986 | 3 310 |
| Judges' benefits liabilities | 15 | 2 885 | 3 082 |
| Provisions | 16 | 19 077 | 6 818 |
| **Total current liabilities** | | **31 627** | **18 748** |
| **Non-current liabilities** | | | |
| Employee benefits liabilities | 14 | 94 614 | 84 902 |
| Judges' benefits liabilities | 15 | 46 242 | 44 187 |
| **Total non-current liabilities** | | **140 856** | **129 089** |
| **Total liabilities** | | **172 483** | **147 837** |
| **Net of total assets and total liabilities** | | **58 180** | **76 368** |
| **Net assets** | | | |
| Accumulated surpluses/(deficits) – unrestricted | 17 | 53 437 | 71 155 |
| Accumulated surpluses/(deficits) – restricted | 17 | 4 743 | 5 213 |
| **Total net assets** | | **58 180** | **76 368** |

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 2020

(Thousands of United States dollars)

| | *Note* | *31 December 2020* | *31 December 2019* |
|---|---|---|---|
| **Revenue** | | | |
| Assessed contributions | 18 | 81 411 | 80 231 |
| Other revenue | 18 | 184 | 420 |
| Investment revenue | 7 | 2 960 | 4 425 |
| **Total revenue** | | **84 555** | **85 076** |
| **Expenses** | | | |
| Employee salaries, allowances and benefits | 19 | 70 168 | 67 527 |
| Judges' honorariums and allowances | 19 | 2 827 | 3 652 |
| Contractual services | 19 | 611 | 383 |
| Supplies and consumables | 19 | 427 | 523 |
| Depreciation and amortization | 10, 11 | 1 682 | 1 884 |
| Travel | 19 | 796 | 1 697 |
| Other operating expenses | 19 | 16 048 | 17 596 |
| **Total expenses** | | **92 559** | **93 262** |
| **Surplus/(deficit) for the year** | | **(8 004)** | **(8 186)** |

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 2020

(Thousands of United States dollars)

| | *Note* | *Accumulated surpluses/ (deficits) – unrestricted* | *Accumulated surpluses/ (deficits) – restricted* | *Total* |
|---|---|---|---|---|
| **Net assets as at 1 January 2019** | | **48 921** | **5 069** | **53 990** |
| **Changes in net assets in 2019** | | | | |
| Actuarial gain/(loss) on defined benefits liabilities | | 36 506 | – | 36 506 |
| Actuarial gain/(loss) on workers' compensation liabilities | | (155) | – | (155) |
| Actuarial gain/(loss) on judges' pensions | | (5 787) | – | (5 787) |
| Surplus/(deficit) for the year | | (8 330) | 144 | (8 186) |
| **Net assets as at 31 December 2019** | | **71 155** | **5 213** | **76 368** |
| **Changes in net assets in 2020** | | | | |
| Actuarial gain/(loss) on defined benefits liabilities | 14 | (6 533) | – | (6 533) |
| Actuarial gain/(loss) on workers' compensation liabilities | 14 | (104) | – | (104) |
| Actuarial gain/(loss) on judges' pensions | 15 | (3 547) | – | (3 547) |
| Surplus/(deficit) for the year | | (7 534) | (470) | (8 004) |
| **Net assets as at 31 December 2020** | | **53 437** | **4 743** | **58 180** |

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 2020

(Thousands of United States dollars)

| | *Note* | *31 December 2020* | *31 December 2019* |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| **Surplus/(deficit) for the year** | | **(8 004)** | **(8 186)** |
| *Non-cash movements* | | | |
| Depreciation and amortization | 10, 11 | 1 682 | 1 884 |
| Actuarial gain/(loss) on defined benefits liabilities | 14 | (6 533) | 36 506 |
| Actuarial gain/(loss) on workers' compensation liabilities | 14 | (104) | (155) |
| Actuarial gain/(loss) on judges' pensions | 15 | (3 547) | (5 787) |
| Net (gain)/loss on disposal of property, plant and equipment and intangible assets | 10, 11 | (28) | 1 824 |
| Other adjustments on property, plant and equipment | 10, 11 | – | (111) |
| *Changes in assets* | | | |
| (Increase)/decrease in assessed contributions receivable | 8 | (10 853) | 8 352 |
| (Increase)/decrease in other receivables | 8 | (172) | 826 |
| (Increase)/decrease in other assets | 9 | (229) | 216 |
| *Changes in liabilities* | | | |
| Increase/(decrease) in accounts payable – other | 12 | 583 | 1 239 |
| Increase/(decrease) in advance receipts | 13 | (442) | 263 |
| Increase/(decrease) in employee benefits payable | 14 | 10 388 | (34 572) |
| Increase/(decrease) in judges' benefits liabilities | 15 | 1 858 | 4 496 |
| Increase/(decrease) in provisions | 16 | 12 259 | 6 818 |
| Increase/(decrease) in other liabilities | | – | (86) |
| Investment revenue presented as investing activities | 7 | (2 960) | (4 425) |
| **Net cash flows from/(used in) operating activities** | | **(6 102)** | **9 102** |
| **Cash flows from investing activities** | | | |
| Pro rata share of net changes in the cash pool | 7 | (21 242) | 18 125 |
| Investment revenue presented as investing activities | 7 | 2 960 | 4 425 |
| Acquisition of property, plant and equipment | 10 | (2 882) | (1 791) |
| Proceeds from disposal of property, plant and equipment | 10 | 28 | 1 |
| Acquisition of intangible assets | 11 | (204) | – |
| **Net cash flows from/(used in) investing activities** | | **(21 340)** | **20 760** |
| **Cash flows from financing activities** | | – | – |
| **Net cash flows from/(used in) financing activities** | | – | – |
| Net increase/(decrease) in cash and cash equivalents | | (27 442) | 29 862 |
| Cash and cash equivalents at beginning of year | | 45 229 | 15 367 |
| **Cash and cash equivalents at end of year** | | **17 787** | **45 229** |

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 2020

(Thousands of United States dollars)

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

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

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

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

(Thousands of United States dollars)

| Current year: | 2019 budget (appropriation)[a] Original biennium | Final biennium | Original 2019 annual | Final 2019 annual | Actual 2019 expenditure (budget basis) | 2019 difference[b] (percentage) |
|---|---|---|---|---|---|---|
| **Mechanism** | | | | | | |
| Chambers | 5 057 | 3 620 | 3 211 | 1 803 | 1 763 | (28.5) |
| Office of the Prosecutor | 31 134 | 27 389 | 17 691 | 14 108 | 13 410 | (11.8) |
| Registry | 139 409 | 136 090 | 76 766 | 73 383 | 71 156 | (11.2) |
| Records management and archives | 10 360 | 9 733 | 5 945 | 5 260 | 4 976 | (12.6) |
| Liabilities for payment of pensions of retired ICTR/ICTY judges and ASHI | 10 064 | 8 597 | 5 592 | 4 358 | 4 379 | (15.9) |
| **Total** | **196 024** | **185 429** | **109 205** | **98 912** | **95 684** | **(12.1)** |

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

[a] The original budget for the biennium 2018–2019 is the appropriation approved by the General Assembly for the biennium in its resolution 72/258 B. The final budget represents final amounts authorized for the biennium 2018–2019, after the incorporation of all changes arising from Assembly resolutions 73/277 and 74/259. The original 2019 annual budget represents the 2019 revised appropriations, plus the unencumbered balance for 2018. The final 2019 annual budget represents the original budget for 2019 and incorporates the authorized final amounts and changes for the biennium 2018–2019. The relevant element of assessed contributions is recognized as revenue at the beginning of each year in the biennium and adjusted at the end of the biennium to match the final appropriation.

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

## International Residual Mechanism for Criminal Tribunals
## Notes to the 2020 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 principal organs, as follows:

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

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

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

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

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

*Reporting entity*

4. The present financial statements relate to the International Residual Mechanism for Criminal Tribunals, a separate financial reporting entity of the United Nations. The Mechanism was established by the Security Council in its resolution 1966 (2010), with two branches, to continue the jurisdiction, rights and obligations and essential functions of the International Criminal Tribunal for Rwanda and the International Tribunal for the Former Yugoslavia:

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

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

5. Essential functions assumed by the Mechanism comprise all activities mandated by the Security Council in its resolution 1966 (2010) that are ongoing in nature – that is, activities that need to be carried out at all times, irrespective of whether the Mechanism is conducting any trials or appeals. Such activities include the protection of witnesses, the tracking of fugitives, the supervision of the enforcement of sentences, the provision of assistance to national jurisdictions and the management of the archives.

6. In accordance with Security Council resolution 1966 (2010), and pursuant to article 4 of its statute, the Mechanism consists of three organs that serve both of its branches: (a) the Chambers, which are presided over by the President; (b) the Prosecutor; and (c) the Registry. Each of the organs is headed by a full-time principal, common to both branches. The responsibilities of each organ are as follows:

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

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

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

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

### Note 2
### Basis of preparation and authorization for issue

*Basis of preparation*

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

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

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

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

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

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

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

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

*Going concern*

9. The present financial statements have been prepared on a going concern basis, and the accounting policies, as summarized in note 3, have been applied consistently in their preparation and presentation. The going concern assertion is based on resolution 1966 (2010), by which the Mechanism was mandated to operate for an initial period of four years, starting 1 July 2012, and subsequently for periods of two years following reviews by the Council of the progress of its work, including in completing its functions, unless the Council decided otherwise. Since its establishment, the progress of the work of the Mechanism has been reviewed on three occasions, in 2016, 2018 and 2020.

*Authorization for issue*

10. The 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 transmitted the financial statements as at 31 December 2020 to the Board of Auditors by 31 March 2021. In accordance with financial regulation 7.12, the reports of the Board of Auditors are to be transmitted to the General Assembly through the Advisory Committee on Administrative and Budgetary Questions, together with the audited financial statements.

*Measurement basis*

11. These financial statements are prepared using the historical-cost convention, except for financial assets recorded at fair value through surplus or deficit.

*Functional and presentation currency*

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

13. Transactions in currencies other than the functional currency (foreign currencies) are translated into United States dollars at the United Nations operational rate of exchange at the date of the transaction. The United Nations operational rates of exchange approximate the spot rates prevailing at the dates of the transactions. At year-end, monetary assets and liabilities denominated in foreign currencies are translated at the United Nations operational rates of exchange. Non-monetary foreign currency denominated items that are measured at fair value are translated at the United Nations operational rate of exchange at the date on which the fair value was determined. Non-monetary items measured at historical cost in a foreign currency are not translated at year-end.

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

*Materiality and use of judgment and estimation*

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

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

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

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

*Future accounting pronouncements*

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

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

(b) Non-exchange expenses: the aim of the project is to develop a standard or standards that provide recognition and measurement requirements applicable to providers of non-exchange transactions, except for social benefits. The IPSAS Board is expected to issue the standard by the end of 2021;

(c) Revenue: the scope of the project is to develop new standard-level requirements and guidance on revenue to amend or supersede that currently located in IPSAS 9: Revenue from exchange transactions; IPSAS 11: Construction contracts; and IPSAS 23: Revenue from non-exchange transactions (taxes and transfers). The IPSAS Board is expected to issue the standard by the end of 2021;

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

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

(f) Infrastructure assets: the objective of the project is to research and identify issues that preparers have when applying IPSAS 17: Property, plant and equipment to infrastructure assets. Informed by this research, the aim is to provide additional guidance on accounting for infrastructure assets.

*Recent and future requirements of IPSAS*

19. The IPSAS Board issued the following standards: IPSAS 41: Financial instruments, issued in August 2018 with effect from 1 January 2023; and IPSAS 42: Social benefits, issued in January 2019 with effect from 1 January 2023. 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 41 | IPSAS 41: Financial instruments substantially improves the relevance of information for financial assets and financial liabilities. It will replace IPSAS 29: Financial instruments: recognition and measurement, and improves that standard's requirements by introducing:<br>(a) Simplified classification and measurement requirements for financial assets;<br>(b) A forward-looking impairment model;<br>(c) A flexible hedge accounting model.<br>The date on which IPSAS 41 comes into effect was deferred to 1 January 2023 owing to the COVID-19 pandemic and the challenges it has created. The impact of the new standard on the financial statements will be assessed prior to that date, and the Mechanism will be ready for its implementation by the time it becomes effective. |
| IPSAS 42 | IPSAS 42: Social benefits provides guidance on accounting for social benefits expenditure. It defines social benefits as cash transfers paid to specific individuals and/or households to mitigate the effect of social risk. Specific examples include State retirement benefits, disability benefits, income support and unemployment benefits. The new standard requires an entity to recognize an expense and a liability for the next social benefit payment.<br>The date on which IPSAS 42 comes into effect was deferred to 1 January 2023 owing to the COVID-19 pandemic and the challenges it has created. Currently, there are no such social benefits applicable to the Mechanism. |

## Note 3
## Significant accounting policies

*Financial assets classification*

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

| *Classification* | *Financial assets* |
|---|---|
| Fair value through surplus or deficit | Investments in cash pools |
| Loans and receivables | Cash and cash equivalents and receivables |

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

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

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

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

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

26. Financial assets are derecognized when the rights to receive cash flows have expired or have been transferred and the Mechanism has transferred substantially all risks and rewards of the financial asset. Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

*Investments in cash pools*

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

28. The Mechanism's investments in the cash pools are included as part of cash and cash equivalents, short-term investments and long-term investments in the statement of financial position, depending on the maturity period of the investments.

*Cash and cash equivalents*

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

*Receivables from non-exchange transactions: contributions receivable*

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

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

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

(c) Receivables that are past due in excess of two years for which Member States have specifically contested the balance: 100 per cent allowance. Any contested amount outstanding for less than two years will be disclosed in the notes to the financial statements;

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

*Receivables from exchange transactions: other receivables*

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

*Other assets*

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

*Heritage assets*

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

*Property, plant and equipment*

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

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

(b) All property, plant and equipment other than real estate assets are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost comprises the purchase price, any costs directly attributable to bringing the asset to its location and condition and the initial estimate of dismantling and site restoration costs. Standard rates of 4 per cent of the cost of purchase are used in place of actual associated costs;

(c) Owing to the absence of historical cost information, buildings and infrastructure real estate assets were initially recognized at fair value using a depreciated replacement cost methodology for initial IPSAS implementation. The method involves calculating the cost per unit of measurement, for example cost per square metre, by collecting construction cost data, utilizing in-house cost data (where available) or using external cost estimators for each catalogue of real estate assets and multiplying that unit cost by the external area of the asset to obtain the gross replacement cost. Depreciation allowance deductions from the gross replacement cost to account for physical, functional and economic use of the assets have been made to determine the depreciated replacement cost of the assets;

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

35. Property, plant and equipment are depreciated over their estimated useful life using the straight-line method up to their residual value, except for land and assets under construction, which are not subject to depreciation. Given that not all components of a building have the same useful lives or the same maintenance, upgrade or replacement schedules, significant components of owned buildings are depreciated using the component approach. Depreciation begins in the month in which the Mechanism gains control over an asset in accordance with international commercial terms and no depreciation is charged in the month of retirement or disposal. Given the expected pattern of usage of property, plant and equipment, the residual value is nil unless residual value is likely to be significant. The estimated useful lives of property, plant and equipment classes are as follows:

| *Class* | *Subclass* | *Estimated useful life (years)* |
|---|---|---|
| Communications and information technology equipment | Information technology equipment | 4 |
| | Communications and audiovisual equipment | 7 |
| Vehicles | Light-wheeled vehicles | 6 |
| | Heavy-wheeled and engineering support vehicles | 12 |
| | Specialized vehicles, trailers and attachments | 6–12 |
| | Marine vessels | 10 |
| Machinery and equipment | Light engineering and construction equipment | 5 |
| | Medical equipment | 5 |
| | Security and safety equipment | 5 |
| | Mine detection and clearing equipment | 5 |
| | Accommodation and refrigeration equipment | 6 |
| | Water treatment and fuel distribution equipment | 7 |

| *Class* | *Subclass* | *Estimated useful life (years)* |
|---|---|---|
| | Transportation equipment | 7 |
| | Heavy engineering and construction equipment | 12 |
| | Printing and publishing equipment | 20 |
| Furniture and fixtures | Library reference material | 3 |
| | Office equipment | 4 |
| | Fixtures and fittings | 7 |
| | Furniture | 10 |
| Buildings | Temporary and mobile buildings | 7 |
| | Fixed buildings | 25, 40 or 50 |
| | Major exterior, roofing, interior and services/utilities components, where component approach is utilized | 20–50 |
| | Finance lease or donated right-to-use buildings | Shorter of term of arrangement or life of building |
| Infrastructure assets | Telecommunications, energy, protection, transport, waste and water management, recreation, landscaping | Up to 50 |
| Leasehold improvements | Fixtures, fittings and minor construction work | Shorter of lease term or 5 years |

36. In exceptional cases, the recorded useful lives for some assets converted for IPSAS reporting may be different from the useful lives prescribed at the asset subclass level as set out above (although they would remain within the range at asset class level), because when preparing the 2014 IPSAS opening balance, a thorough review of the remaining economic useful lives for these assets was made and the result had been entered in the master record of the asset. Although the total useful life entered in the asset master record looks beyond standard useful life, the remaining useful life when calculated from the date of capitalization remains within the asset class prescribed range.

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

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

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

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

*Intangible assets*

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

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

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

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

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

*Financial liabilities classification*

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

*Accounts payable and accrued liabilities*

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

measured at their nominal value if classified as current liabilities, or at the fair value if classified as non-current liabilities.

*Advance receipts and other liabilities*

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

*Leases*

*The Mechanism as lessee*

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

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

*The Mechanism as lessor*

50. The Mechanism often leases out assets under operating leases. Leased-out assets are reported under property, plant and equipment, and lease revenue is recognized in the statement of financial performance over the term of the lease on a straight-line basis.

*Donated rights to use*

51. Land, buildings, infrastructure assets, machinery and equipment may be granted to the Mechanism, primarily by host Governments at nil or nominal cost, through donated right-to-use arrangements. These arrangements are accounted for as operating leases or finance leases depending on whether an assessment of the agreement indicates that control over the underlying assets is transferred to the Mechanism.

52. Where a donated right-to-use arrangement is treated as an operating lease, an expense and corresponding revenue equal to the annual rental value of the asset or similar property are recognized in the Mechanism's financial statements. Where a donated right-to-use arrangement is treated as a finance lease (principally with a lease term of over 35 years for premises), the fair market value of the property is capitalized and depreciated over the shorter of the useful life of the property or the term of the arrangement. In addition, a liability for the same amount is recognized, which is progressively recognized as revenue over the lease term. Donated right-to-use land arrangements are accounted for as operating leases where the Mechanism does not have exclusive control over the land and/or title to the land is transferred under restricted deeds.

53. Where title to land is transferred to the Mechanism without restrictions, the land is accounted for as donated property, plant and equipment and recognized at fair value at the acquisition date.

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

*Employee benefits*

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

*Short-term employee benefits*

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

*Post-employment benefits*

57. Post-employment benefits comprise after-service health insurance, end-of-service repatriation benefits and a pension through the United Nations Joint Staff Pension Fund.

*Defined benefit plans*

58. The following benefits are accounted for as defined-benefit plans: after-service health insurance, repatriation benefits (post-employment benefits) and accumulated annual leave that is commuted to cash upon separation from the Mechanism (other long-term benefits). Defined-benefit plans are those where the Mechanism's obligation is to provide agreed benefits and therefore the Mechanism bears the actuarial risks. The liability for defined-benefit plans is measured at the present value of the defined-benefit obligation. Changes in the liability for defined-benefit plans, excluding actuarial gains and losses, are recognized in the statement of financial performance in the year in which they occur. The Mechanism has chosen to recognize changes in the liability for defined-benefit plans from actuarial gains and losses directly through the statement of changes in net assets. As at the end of the reporting year, the Mechanism held no plan assets as defined by IPSAS 39: Employee benefits.

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

60. After-service health insurance: worldwide coverage for medical expenses of eligible former staff members and their dependants is provided through after-service health insurance. Upon end of service, staff members and their dependants may elect to participate in a defined benefit health insurance plan of the United Nations, provided they have met certain eligibility requirements, including 10 years of participation in a United Nations health plan for those who were recruited after 1 July 2007, and 5 years for those who were recruited before that date. The after-service

health insurance liability represents the present value of the share of the Mechanism's medical insurance costs for retirees and the post-retirement benefit accrued to date by active staff. A factor in the after-service health insurance valuation to consider is contributions from all plan participants in determining the Mechanism's residual liability. Contributions from retirees are deducted from the gross liability and a portion of the contributions from active staff is also deducted to arrive at the Mechanism's residual liability in accordance with cost-sharing ratios authorized by the General Assembly.

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

62. Annual leave: the liabilities for annual leave represent unused accumulated leave days that are projected to be settled via a monetary payment to employees upon their separation from the Mechanism. The United Nations recognizes as a liability the actuarial value of the total accumulated unused leave days of all staff members, up to a maximum of 60 days (18 days for temporary staff) as at the date of the statement of financial position. The methodology applies a last-in-first-out assumption in the determination of the annual leave liabilities, whereby staff members access current period leave entitlements before they access accumulated annual leave balances relating to prior periods. Effectively, the accumulated annual leave benefit is accessed more than 12 months after the end of the reporting period in which the benefit arose and, overall, there is an increase in the level of accumulated annual leave days, pointing to the commutation of accumulated annual leave to a cash settlement at end of service as the true liability of the Organization. The accumulated annual leave benefit reflecting the outflow of economic resources from the Organization at end of service is therefore classified under the category of other long-term benefits, while noting that the portion of the accumulated annual leave benefit that is expected to be settled via monetary payment within 12 months after the reporting date is classified as a current liability. In line with IPSAS 39: Employee benefits, other long-term benefits must be valued similarly to post-employment benefits; therefore, the United Nations values its accumulated annual leave benefit liability as a defined, post-employment benefit that is actuarially valued.

*Pension plan: United Nations Joint Staff Pension Fund*

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

64. The plan exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual organizations participating in the plan. The Mechanism and the Pension Fund, in line with the other organizations participating in the Fund, are not in a position to identify the Mechanism's proportionate share of the defined benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence,

the Mechanism has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 39: Employee benefits. The Mechanism's contributions to the Fund during the financial period are recognized as expenses in the statement of financial performance.

*Termination benefits*

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

*Other long-term employee benefits*

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

67. Appendix D benefits: appendix D to the Staff Rules of the United Nations governs compensation in the event of death, injury or illness attributable to the performance of official duties on behalf of the United Nations. These liabilities are valued by actuaries.

*Provisions*

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

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

*Contingent liabilities*

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

71. Provisions and contingent liabilities are assessed continually to determine whether an outflow of resources embodying economic benefits or service potential has become more or less probable. If it becomes more probable that such an outflow will be required, a provision is recognized in the Mechanism's financial statements of the year in which the change of probability occurs. Similarly, where it becomes less

probable that such an outflow will be required, a contingent liability is disclosed in the notes to the Mechanism's financial statements.

72. An indicative threshold of $10,000 applies in recognizing provisions and/or disclosing contingent liabilities in the notes to the Mechanism's financial statements.

*Contingent assets*

73. Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the effective control of the Mechanism. Contingent assets are disclosed in the notes when it is more likely than not that economic benefits will flow to the Mechanism.

*Commitments*

74. Commitments are future expenses to be incurred by the Mechanism with respect to open contracts which the Mechanism has minimal, if any, discretion to avoid in the ordinary course of operations. Commitments include capital commitments (amount of contracts for capital expenses that are not paid or accrued by the reporting date), contracts for the supply of goods and services that are not delivered as at the end of the reporting period, non-cancellable minimum lease payments and other non-cancellable commitments.

*Non-exchange revenue*

*Assessed contributions*

75. Appropriations are financed by contributions from Member States that are assessed according to the scale of assessments determined by the General Assembly. These assessments are subject to adjustments in respect of, among other things, supplementary appropriations for which contributions have not previously been assessed, revenue attributable to Member States, contributions resulting from the assessment of new Member States and any uncommitted balance of the appropriations at the end of the budget period and expired balances of the appropriations retained from prior periods that are due to be surrendered to Member States. Appropriations for the regular budget are approved and assessed for a one-year budget period; the relevant portion of assessed contributions is recognized as revenue at the beginning of each year.

*In-kind contributions*

76. In-kind contributions of goods, above the recognition threshold of $5,000 per discrete contribution, are recognized as assets and revenue once it is probable that future economic benefits or service potential will flow to the Mechanism and the fair value of those assets can be measured reliably. Contributions in kind are initially measured at their fair value at the date of receipt determined by reference to observable market values or by independent appraisals. The Mechanism has elected not to recognize in-kind contributions of services but to disclose in-kind contributions of service above the threshold of $5,000 per discrete contribution in the notes to the financial statements.

*Exchange revenue*

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

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

*Investment revenue*

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

*Expenses*

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

81. Employee salaries include international, national and general temporary staff salaries, post adjustments and staff assessment. The allowances and benefits include other staff entitlements, such as pension and insurance subsidies and staff assignment, repatriation, hardship and other allowances.

82. Judges' honorariums and allowances consist of pensions, honorariums and other allowances.

83. Contractual services include non-employee compensation such as consultant fees and related allowances and benefits.

84. Supplies and consumables relate to the cost of inventory used and expenses for supplies and consumables.

85. Other operating expenses include acquisition of goods and intangible assets under capitalization thresholds, maintenance, utilities, contracted services, training, security services, shared services, rent, insurance, allowance for bad debt, write-off expenses, foreign exchange losses, contributions in kind, hospitality and official functions, donations and transfers of assets.

## Note 4
## Segment reporting

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

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

### Note 5
### Impact of the COVID-19 pandemic

88. The outbreak of the COVID-19 pandemic in mid-March 2020 became a global challenge and affected the global economy in an unprecedented manner. Owing to restrictions on global travel and movement resulting from the pandemic, the Mechanism incurred some initial delays in the performance of its judicial activities. The initial conduct of proceedings was postponed. However, the Mechanism adopted strategic measures to ensure business continuity, leading to the resumption of its judicial and administrative work, by mostly remotely using online tools. In 2020, judicial proceedings therefore took place in the *Mladić* case, the *Stanišić and Simatović* case and the *Turinabo et al.* case. Furthermore, after having evaded capture for 22 years, the fugitive from the International Criminal Tribunal for Rwanda, Félicien Kabuga, was arrested in France in May 2020 and transferred into the Mechanism's custody in October 2020. His initial court appearance on 11 November 2020 heralded the commencement of new pretrial proceedings before the Mechanism in the case of *Prosecutor v. Félicien Kabuga*.

89. While the impact on the way in which the Mechanism conducted its business was profound, the direct, visible and measurable impact on the financial performance for 2020 and the financial position at the end of the year was limited. Furthermore, there can be no objective, exact or systematic determination of the impact of the COVID-19 pandemic on these financial statements as accounting and reporting systems are not intended or designed to report costs, revenues and balances based on a specific underlying cause, such as a pandemic. Despite these limitations, the following broad trends can be identified and are reflected in the notes to the financial statements where applicable. Travel expenses for both staff and representatives decreased by 53 per cent, from $1.697 million in 2019 to $0.796 million in 2020, primarily as a result of travel bans and restrictions. The consumption of fuel also decreased from $0.122 million in 2019 to $0.081 million in 2020 owing to lockdowns. To support telecommuting in the four locations of the Mechanism, laptop computers were purchased, comprising most of the increase in the acquisition of goods, from $0.666 million in 2019 to $1.376 million in 2020.

### Note 6
### Comparison to budget

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

91. Approved budgets are those that permit expenses to be incurred and are approved by the General Assembly. The budget for 2020 is the budget approved by the General Assembly in its resolution 74/259. Annual budgets are funded by assessments to Member States, 50 per cent in accordance with the scale of assessments applicable to the United Nations regular budget and 50 per cent in accordance with the scale of assessments applicable to peacekeeping operations.

92. The annual budget for 2020 represents the appropriations for 2020. Actual expenditure amounts include commitments and actuals incurred in the period on a budget basis. Explanations for material differences (i.e., those greater than 10 per cent) between the final budget amounts and actual expenditure on a modified cash basis are considered in the following table.

| Budget area | Material differences greater than 10 per cent<br>Final budget versus actual expenses on budget basis |
|---|---|
| Chambers | Owing to the emerging COVID-19 pandemic, judicial proceedings were delayed and resulted in lower-than-budgeted expenditures for judges' remuneration, as well as representative travel. |
| Office of the Prosecutor | Variance of less than 10 per cent. |
| Registry | Variance of less than 10 per cent. |
| Records management and archives | Variance of less than 10 per cent. |
| Liabilities for payment of pensions of retired judges and after-service health insurance | Variance of less than 10 per cent. |

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

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

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

(Thousands of United States dollars)

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

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

94. Basis differences comprise the differences resulting from preparing the budget on a modified cash basis. In order to reconcile the budgetary results to the statement of cash flows, the modified-cash elements, such as unliquidated obligations, which are commitments against budget but do not represent a cash flow, outstanding assessed contributions and payments against prior-year obligations that do not apply

to the current year, must be eliminated. Similarly, IPSAS-specific differences, such as cash flows relating to acquisition of property, plant and equipment or intangibles, and indirect cash flows relating to changes in receivables due to movements in the allowance for doubtful receivables and accrued liabilities, are included as basis differences to be reconciled to the statement of cash flows.

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

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

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

*Status of appropriations*

98. In accordance with General Assembly resolution 74/259, gross appropriations and gross assessed contributions for the Mechanism for 2020 are as follows:

(Thousands of United States dollars)

| | *Gross appropriation* |
|---|---|
| **Mechanism** | |
| Initial appropriation for 2020 (resolution 74/259) | 96 925 |
| Less: adjustment in final appropriation for the biennium 2018–2019 | (10 293) |
| **Balance to be assessed (resolution 74/259)** | **86 632** |

## Note 7
## Financial instruments

(Thousands of United States dollars)

| *Financial instruments* | *31 December 2020* | *31 December 2019* |
|---|---|---|
| **Financial assets** | | |
| **Fair value through the surplus or deficit** | | |
| Short-term investments – main pool | 109 047 | 94 320 |
| Long-term investments – main pool | 35 895 | 29 380 |
| **Total fair value through the surplus or deficit** | **144 942** | **123 700** |
| **Loans and receivables** | | |
| Cash and cash equivalents – main pool | 17 776 | 45 213 |
| Cash and cash equivalents – other | 11 | 16 |
| **Subtotal, total cash and cash equivalents** | **17 787** | **45 229** |

| *Financial instruments* | *31 December 2020* | *31 December 2019* |
|---|---|---|
| Assessed contributions receivable | 51 279 | 40 426 |
| Other accounts receivable (note 8) | 1 147 | 975 |
| Other assets (excluding advances) | 24 | 21 |
| **Total loans and receivables** | **52 450** | **41 422** |
| **Total carrying amount of financial assets** | **215 179** | **210 351** |
| Of which relates to financial assets held in the main pool | 162 718 | 168 913 |
| **Financial liabilities at amortized cost** | | |
| Accounts payable and accrued liabilities (note 12) | 5 647 | 5 064 |
| **Total carrying amount of financial liabilities** | **5 647** | **5 064** |
| **Summary of net income from financial assets** | | |
| Net cash pool revenue | 2 959 | 4 424 |
| Other investment revenue | 1 | 1 |
| **Total** | **2 960** | **4 425** |

99. Out of $144.942 million of investments and $17.787 million of cash and cash equivalents, $62.076 million relates to the sub-account for the former International Criminal Tribunal for Rwanda and $90.988 million relates to the sub-account for the former International Tribunal for the Former Yugoslavia, which were amalgamated into the Mechanism. These amounts of cash and investments are restricted pending a decision of the General Assembly on its disposal following the closure of both Tribunals.

## Note 8
## Accounts receivable

### Assessed contributions receivable

(Thousands of United States dollars)

| | *31 December 2020* | *31 December 2019* |
|---|---|---|
| Assessed contributions | 51 375 | 40 521 |
| Allowance for doubtful receivables – assessed | (96) | (95) |
| **Total assessed contributions receivable** | **51 279** | **40 426** |

100. Out of the $51.279 million at the end of the fiscal year, $7.326 million corresponds to arrears to the former International Criminal Tribunal for Rwanda for which final assessment was issued in 2016, and $24.257 million corresponds to arrears to the former International Tribunal for the Former Yugoslavia, for which final assessment for 2017 was issued in January 2018. Payments received during 2020 for the assessed contributions for the International Criminal Tribunal for Rwanda amounted to $0.159 million, and payment received in 2020 for the former International Tribunal for the Former Yugoslavia amounted to $0.447 million. The assessed contributions receivable for the Mechanism amount to $19.696 million, of which $8.401 million corresponds to the 2020 assessment.

101. Countries subject to Article 19 of the Charter of the United Nations are considered to be those with regard to which the General Assembly has decided that failure to pay the minimum amount under that Article was due to conditions beyond their control.

Those countries are therefore permitted to vote despite their accumulated arrears (see Assembly resolutions 74/1 and 75/2). In accordance with past practice, it is considered that there are no Member States with valid multi-year payment plans.

### Other accounts receivable

(Thousands of United States dollars)

| | *31 December 2020* | *31 December 2019* |
|---|---|---|
| **Current other receivables** | | |
| Member States | 1 711 | 1 461 |
| Receivables from other United Nations entities | 9 | 1 |
| Other exchange revenue receivables | – | 1 |
| Allowance for doubtful receivables – other receivables | (573) | (488) |
| **Total other receivables (current)** | **1 147** | **975** |

102. Receivables from Member States include primarily a balance of recoverable value added tax (VAT) of $1.711 million for the Mechanism (2019: $1.461 million), including $0.896 million from the United Republic of Tanzania (2019: $0.976 million), $0.723 million from the Netherlands (2019: $0.451 million), $0.084 million from Rwanda (2019: $0.026 million) and $0.008 million from Bosnia and Herzegovina (2019: $0.007 million).

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

### Movement in the allowance for doubtful receivables

(Thousands of United States dollars)

| | *31 December 2020* | *31 December 2019* |
|---|---|---|
| Opening allowance for doubtful receivables | 588 | 842 |
| Doubtful receivables adjustment for current year | 87 | (254) |
| **Closing allowance for doubtful receivables** | **675** | **588** |

## Note 9
## Other assets

(Thousands of United States dollars)

| | *31 December 2020* | *31 December 2019* |
|---|---|---|
| Advances to staff | 503 | 732 |
| Advances to vendor | 17 | 41 |
| Advances to United Nations Development Programme and other United Nations entities | – | 53 |
| Deferred charges | 225 | 50 |
| Other | 28 | 21 |
| **Total other assets (current)** | **773** | **897** |

| | *31 December 2020* | *31 December 2019* |
|---|---|---|
| Deferred charges | 353 | – |
| **Total other assets (non-current)** | **353** | **–** |

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

105. The increase in deferred charges (current and non-current) refers mainly to multi-year information technology maintenance services from 2021 to 2025 in the amount of $0.564 million.

## Note 10
## Property, plant and equipment

106. The net book value of property, plant and equipment as at 31 December 2020 was $14.060 million (2019: $12.664 million). An impairment review was conducted and no significant impairment was identified. The Mechanism had no significant heritage assets as at the reporting date.

107. During the reporting period, the Mechanism disposed fully depreciated property and equipment, which primarily consisted of communications and information technology equipment that were rendered obsolete or were deemed to be discrepancies identified from physical verifications. The proceeds from the disposal of property, plant and equipment amounted to $0.028 million.

108. During the reporting period, additions of $2.291 million were capitalized to communications and information technology equipment, relating primarily to the scheduled upgrade of servers and network equipment at The Hague and Arusha.

### Property, plant and equipment

(Thousands of United States dollars)

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

(Thousands of United States dollars)

| *Prior-year comparative: 2019* | *Infrastructure* | *Buildings* | *Furniture and fixtures* | *Communications and information technology equipment* | *Vehicles* | *Machinery and equipment* | *Total* |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| As at 1 January 2019 | 1 572 | 8 017 | 314 | 15 023 | 1 527 | 996 | 27 449 |
| Additions | – | 137 | – | 1 654 | – | – | 1 791 |
| Disposals | – | – | – | (204) | (13) | (72) | (289) |
| Other changes | 118 | (314) | – | – | – | 307 | 111 |
| **As at 31 December 2019** | **1 690** | **7 840** | **314** | **16 473** | **1 514** | **1 231** | **29 062** |
| **Accumulated depreciation and impairment** | | | | | | | |
| As at 1 January 2019 | 124 | 670 | 206 | 12 169 | 1 209 | 630 | 15 008 |
| Depreciation and impairment | 94 | 333 | 20 | 889 | 97 | 132 | 1 565 |
| Disposals | – | – | – | (205) | (12) | (57) | (274) |
| Other changes | 45 | (24) | – | – | – | 78 | 99 |
| **As at 31 December 2019** | **263** | **979** | **226** | **12 853** | **1 294** | **783** | **16 398** |
| **Net carrying amount** | | | | | | | |
| As at 1 January 2019 | 1 448 | 7 347 | 108 | 2 854 | 318 | 366 | 12 441 |
| **As at 31 December 2019** | **1 427** | **6 861** | **88** | **3 620** | **220** | **448** | **12 664** |

## Note 11
## Intangibles

(Thousands of United States dollars)

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

(Thousands of United States dollars)

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

109. As at 31 December 2020, the Mechanism had acquired software licences for a total amount of $0.204 million relating primarily to software for archives management.

## Note 12
## Accounts payable and accrued liabilities

(Thousands of United States dollars)

| | *31 December 2020* | *31 December 2019* |
|---|---|---|
| Vendor payables (accounts payable) | 2 370 | 1 067 |
| Payables to other United Nations entities | 324 | 173 |
| Accruals for goods and services | 1 495 | 2 908 |
| Accounts payable – other | 1 458 | 916 |
| **Total accounts payable and accrued liabilities (current)** | **5 647** | **5 064** |

110. Accounts payable and accrued liabilities of $5.647 million (2019: $5.064 million) consist mainly of vendor payables of $2.370 million (2019: $1.067 million), and other accounts payable of $1.458 million (2019: $0.916 million), which includes $1.085 million (2019: $0.578 million) for detention facilities and $0.038 million (2019: $0.168 million) for defence teams' fees.

## Note 13
## Advance receipts

111. Advance receipts represent assessed contributions received in advance or overpayments received from Member States, which amounted to $0.032 million in 2020 (2019: $0.474 million).

## Note 14
## Employee benefits liabilities

(Thousands of United States dollars)

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

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

112. The liabilities arising from end-of-service/post-employment benefits and the workers' compensation programme under appendix D to the Staff Rules of the United Nations are determined by independent actuaries and are established in accordance with IPSAS 39: Employee benefits. Full actuarial valuation is undertaken every year.

113. The total employee benefits liability increased by $10.387 million in 2020, owing mainly to the net increase in defined employee benefit liabilities of $9.872 million for the Mechanism to a total of $95.517 million for 2020, which is a result of an overall actuarial loss of $6.533 million for the Mechanism. The actuarial losses are due to changes in financial assumptions and experience adjustments in the recent actuarial valuation. The remaining difference is constituted by service cost, interest obligation and appendix D workers' compensation, offset by benefits paid.

114. The increase in employee benefits liabilities accounted for as defined benefit plans in 2020 is due largely to the increase in liabilities for after-service health insurance, attributable to an actuarial loss of $4.798 million, which includes a financial loss of $6.809 million from a decrease in the equivalent discount rate from 3.60 per cent to 3.08 per cent, offset in part by a gain of $2.532 million from experience adjustments.

*Actuarial valuation – assumptions*

115. 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 2020 valuation are as follows:

**Principal actuarial assumptions**

(Percentage)

| *Assumptions* | *After-service health insurance* | *Repatriation benefits* | *Annual leave* |
|---|---|---|---|
| Discount rates: 31 December 2019 | 3.60 | 2.99 | 2.47 |
| Discount rates: 31 December 2020 | 3.08 | 2.20 | 2.25 |

116. The yield curves used in the calculation of the discount rates in respect of the United States dollar, the euro and the Swiss franc are those developed by Aon Hewitt, consistent with the decision of the Task Force on Accounting Standards to harmonize actuarial assumptions across the United Nations system.

117. The salary increase rate and the demographic assumptions used for the 2019 full valuation were retained for the 2020 full valuation exercise and are the same as those used for the latest United Nations Joint Staff Pension Fund valuation. The salary increase assumptions for staff in the Professional category were 9.27 per cent for the age of 19, grading down to 3.97 per cent for the age of 70. The salaries of staff in the General Service category were assumed to increase by 6.84 per cent for the age of 19, grading down to 3.47 per cent for the age of 70.

118. The health care cost trend rates are based on Aon Hewitt long-term assumptions for different currencies as shown below. The rates were updated for the 2020 valuation.

| | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|
| *Cost trend assumptions* | *Initial (percentage)* | *Final (percentage)* | *Grade down* | *Initial (percentage)* | *Final (percentage)* | *Grade down* |
| United States non-Medicare | 5.31 | 3.65 | 14 years | 5.44 | 3.85 | 13 years |
| United States Medicare | 5.15 | 3.65 | 14 years | 5.26 | 3.85 | 13 years |
| United States dental | 4.59 | 3.65 | 14 years | 4.66 | 3.85 | 13 years |
| Non-United States – Switzerland | 3.64 | 2.75 | 8 years | 3.76 | 2.85 | 8 years |
| Non-United States – eurozone | 3.73 | 3.25 | 6 years | 3.83 | 3.65 | 3 years |

119. The per capita claim costs for the after-service health insurance plans are updated to reflect recent claims and enrolment experience. The health-care cost trend rate assumption is revised to reflect the current short-term expectations of after-service health insurance plan cost increases and the economic environment.

120. With regard to the valuation of repatriation benefits as at 31 December 2020, inflation in travel costs was assumed to be 2.20 per cent (2019: 2.20 per cent), on the basis of the projected United States inflation rate over the next 20 years.

121. Annual leave balances were assumed to increase at the following annual rates during the staff member's projected years of service: zero to three years, 9.1 per cent; four to eight years, 1.0 per cent; and nine years and over, 0.1 per cent. The attribution method is used for annual leave actuarial valuation.

122. For defined-benefit plans, assumptions regarding future mortality are based on published statistics and mortality tables. Salary increases, retirement, withdrawal and mortality assumptions are consistent with those used by the United Nations Joint Staff Pension Fund in making its actuarial valuation.

### Movement in employee benefits liabilities accounted for as defined benefit plans

(Thousands of United States dollars)

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

(Thousands of United States dollars)

| | *After-service health insurance* | *Repatriation grant* | *Annual leave* | *Total* |
|---|---|---|---|---|
| **Net defined benefit obligation as at 1 January 2019** | **105 359** | **7 476** | **4 455** | **117 290** |
| Current service cost | 1 910 | 420 | 356 | 2 686 |
| Interest on obligation | 4 817 | 297 | 178 | 5 292 |
| **Total cost recognized in the statement of financial performance** | **6 727** | **717** | **534** | **7 978** |
| Benefits paid | (2 040) | (709) | (368) | (3 117) |
| Actuarial (gains)/losses recognized directly in the statement of changes in net assets | (36 423) | (6) | (77) | (36 506) |
| Due to changes in financial assumptions | (24 578) | 615 | 491 | (23 472) |
| Due to changes in demographic assumptions | (2) | (23) | 58 | 33 |
| Due to experience adjustment | (11 843) | (598) | (626) | (13 067) |
| **Net defined benefit liability as at 31 December 2019** | **73 623** | **7 478** | **4 544** | **85 645** |

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

*Discount rate sensitivity analysis*

124. The changes in discount rates are driven by the discount curve, which is calculated on the basis of corporate and government bonds. The bond markets vary over the reporting year, and the volatility has an impact on the discount rate assumption. Should the discount rate assumption vary by 0.5 per cent, its impact on the obligations would be as follows:

### Impact on obligations of changes in discount rate

(Thousands of United States dollars)

| | *After-service health insurance* | *Repatriation benefits* | *Annual leave* |
|---|---|---|---|
| **31 December 2020:** | | | |
| Increase of discount rate by 0.5 per cent | (7 845) | (285) | (233) |
| As a percentage of year-end liability | (10) | (4) | (4) |
| Decrease of discount rate by 0.5 per cent | 9 043 | 305 | 252 |
| As a percentage of year-end liability | 11 | 4 | 4 |
| **31 December 2019:** | | | |
| Increase of discount rate by 0.5 per cent | (7 160) | (267) | (182) |
| As a percentage of year-end liability | (10) | (4) | (4) |
| Decrease of discount rate by 0.5 per cent | 8 265 | 283 | 196 |
| As a percentage of year-end liability | 11 | 4 | 4 |

*Medical costs sensitivity analysis*

125. The principal assumption in the valuation of the after-service health insurance is the rate at which medical costs are expected to increase in the future. The sensitivity analysis examines the change in liability owing to changes in the medical cost rates while holding other assumptions, such as the discount rate, constant. Should the medical cost trend assumption vary by 0.5 per cent, it would have an impact on the measurement of the defined benefit obligations as follows:

**Effect of movements in the assumed medical costs trend rates**

(Thousands of United States dollars)

| | *Increase* | *Decrease* |
|---|---|---|
| **31 December 2020 (movement by 0.5 per cent):** | | |
| Effect on the defined benefit obligation | 8 677 | (7 618) |
| Effect on the aggregate of the current service cost and interest cost | 587 | (505) |
| **31 December 2019 (movement by 0.5 per cent):** | | |
| Effect on the defined benefit obligation | 7 964 | (6 978) |
| Effect on the aggregate of the current service cost and interest cost | 606 | (521) |

*Other defined benefit plan information*

126. Benefits paid for 2020 are estimates of what would have been paid to separating staff and/or retirees during the year on the basis of the pattern of rights acquisition under each scheme: after-service health insurance, repatriation and commutation of accrued annual leave. The estimated defined benefit payments (net of participants' contributions in these schemes) are shown in the following table.

**Estimated defined benefit payments, net of participants' contributions**

(Thousands of United States dollars)

| | *After-service health insurance* | *Repatriation benefits* | *Annual leave* | *Total* |
|---|---|---|---|---|
| 2021 | 1 155 | 752 | 543 | 2 450 |
| 2020 | 1 077 | 710 | 436 | 2 223 |

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

(Thousands of United States dollars)

| | *2020* | *2019* | *2018* | *2017* | *2016* | *2015* |
|---|---|---|---|---|---|---|
| Present value of the defined benefit obligations | 95 517 | 85 645 | 117 290 | 92 842 | 60 897 | 13 923 |

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

*Appendix D/workers' compensation costs assumptions*

128. For the appendix D workers' compensation valuation, the actuaries applied the year-end discount rate developed by Aon Hewitt applicable to the year in which the cash flow takes place. For 2020, the single equivalent discount rate obtained was 2.83 per cent.

129. The cost-of-living adjustment for 2020 as determined by Aon Hewitt is 2 per cent and is calculated using market-based inflation. In 2019, 2.20 per cent was used for the cost-of-living adjustment, which was in line with the rate used for the valuation of the United Nations Joint Staff Pension Fund as at 31 December 2019. Like defined-benefit liabilities, the Aon Hewitt yield curves were used in determining the 31 December 2020 obligation. Appendix D/workers' compensation uses mortality assumptions based on World Health Organization statistical tables.

*Appendix D/workers' compensation costs sensitivity analysis*

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

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

(Thousands of United States dollars and percentage)

| | *31 December 2020* | *31 December 2019* |
|---|---|---|
| Increase of cost-of-living adjustment by 1 per cent | 175 | 164 |
| As a percentage of year-end liability | 18 | 19 |
| Decrease of cost-of-living adjustment by 1 per cent | (139) | (130) |
| As a percentage of year-end liability | (15) | (15) |

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

(Thousands of United States dollars and percentage)

| | *Increase* | *Decrease* |
|---|---|---|
| **31 December 2020 (movement by 1 per cent):** | | |
| Effect on year-end liability | (133) | 170 |
| As a percentage of year-end liability | (14) | 18 |
| **31 December 2019 (movement by 0.5 per cent):** | | |
| Effect on year-end liability | (66) | 74 |
| As a percentage of year-end liability | (7) | 8 |

*Appendix D/workers' compensation costs funding*

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

*Accrued salaries and allowances*

132. Accrued salaries and allowances as at year-end consist of accruals for home leave ($0.646 million (2019: $0.508 million)); accruals for repatriation grant to be paid to former staff members ($1.065 million (2019: $1.064 million)); and other miscellaneous accrual for staff entitlements ($0.417 million (2019: $0.077 million)).

*United Nations Joint Staff Pension Fund*

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

134. 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.

135. The latest actuarial valuation for the Fund was completed as at 31 December 2019, and a roll-forward of the participation data as at 31 December 2019 to 31 December 2020 was used by the Fund for its 2020 financial statements.

136. The actuarial valuation as at 31 December 2019 resulted in a funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, of 144.2 per cent (139.2 per cent in the 2017 valuation). The funded ratio was 107.1 per cent (102.7 per cent in the 2017 valuation) when the current system of pension adjustments was taken into account.

137. After assessing the actuarial sufficiency of the Fund, the consulting actuary concluded that there was no requirement, as at 31 December 2019, for deficiency payments under article 26 of the Regulations of the Fund, as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the Fund. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as at the valuation date. At the time of preparation of the present report, the General Assembly had not invoked the provision of article 26.

138. Should article 26 be invoked owing to an actuarial deficiency, either during the ongoing operation or owing to the termination of the Fund pension plan, deficiency payments required from each member organization would be based upon the proportion of that member organization's contributions to the total contributions paid to the Fund during the three years preceding the valuation date. Total contributions paid to the Pension Fund during the preceding three years (2017, 2018 and 2019) amounted to $7,546.9 million, of which 0.41 per cent was contributed by the Mechanism.

139. During 2020, the Mechanism's contributions paid to the Pension Fund amounted to $11.714 million (2019: $11.419 million).

140. Membership of the Fund may be terminated by decision of the General Assembly, upon the affirmative recommendation of the Pension Board. A proportionate share of the total assets of the Fund at the date of termination shall be paid to the former member organization for the exclusive benefit of its staff who were participants in the Fund at that date, pursuant to an arrangement mutually agreed between the organization and the Fund. The amount is determined by the Pension Board on the basis of an actuarial valuation of the assets and liabilities of the Fund on the date of termination; no part of the assets which are in excess of the liabilities are included in the amount.

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

### Note 15
### Judges' honorariums and allowances liabilities

(Thousands of United States dollars)

| | *31 December 2020* | *31 December 2019* |
|---|---|---|
| Judges' pensions (defined benefit valuation) | 49 127 | 47 269 |
| Judges' relocation allowances | – | – |
| **Total** | **49 127** | **47 269** |
| Current | 2 885 | 3 082 |
| Non-current | 46 242 | 44 187 |
| **Total** | **49 127** | **47 269** |

142. For the 2020 actuarial valuations, the yield curve used in the calculation of the discount rate is that developed by Aon Hewitt issued for the United States dollars, as the judges' salaries are denominated in dollars and the payment currency of future pensions cannot be presumed. The key assumptions for the valuations of judges' pension benefits liabilities at 31 December 2020 are the discount rate of 2.44 per cent (2019: 3.16 per cent), and inflation rate of 2.00 per cent (2019: 2.20 per cent) over the next 20 years. The salary increase was assumed to be equal to the inflation rate, as pension schemes are linked to salaries.

143. The General Assembly, in its resolution 70/243, authorized the Secretary-General to establish a sub-account within the Mechanism corresponding to the requirement for the pensions of retired judges, and their surviving spouses, of the International Criminal Tribunal for Rwanda and the International Tribunal for the Former Yugoslavia.

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

(Thousands of United States dollars)

| | *2020* | *2019* |
|---|---|---|
| **Net defined benefit liability at 1 January** | **47 269** | **42 728** |
| Current service cost | – | 1 |
| Interest cost | 1 491 | 1 836 |
| **Total costs recognized in the statement of financial performance** | **1 491** | **1 837** |
| Benefits paid | (3 180) | (3 083) |
| Actuarial (gain)/losses recognized directly in the statement of changes in net assets | 3 547 | 5 787 |
| **Net recognized liability at 31 December** | **49 127** | **47 269** |

144. Owing to the amalgamation of the International Criminal Tribunal for Rwanda and the International Tribunal for the Former Yugoslavia, the Mechanism now carries judges' defined benefits liabilities for retired judges of the former Tribunals, in addition to liabilities for the President, who is the only full-time active judge of the Mechanism. The actuarial losses are mainly due to a decrease in the equivalent discount rates, which accounts for $2.822 million, and changes in demographic assumptions, with losses of $1.660 million, compensated by gains from experience adjustments of $0.935 million.

## Note 16
## Provisions

(Thousands of United States dollars)

| | *Credits to Member States* | *Litigation and claims* | *Total* |
|---|---|---|---|
| **Provisions as at 1 January 2020** | **6 818** | **–** | **6 818** |
| Amounts used | – | – | – |
| **Provisions as at 31 December 2019 (current)** | **6 818** | **–** | **6 818** |
| **Change in provisions** | | | |
| Additional provisions made | 12 247 | 12 | 12 259 |
| **Provisions as at 31 December 2020 (current)** | **19 065** | **12** | **19 077** |

145. A provision for credits to Member States has been established in the amount of $19.065 million in the financial statements, of which $3.715 million relates to the former International Criminal Tribunal for Rwanda, $8.233 million relates to the former International Tribunal for the Former Yugoslavia, and $7.117 million relates to the Mechanism. The provision includes savings from prior periods, such as those from the reversal of accruals for separation-related benefits and entitlements set aside at the time of closure of the Tribunals and the cancellation of commitments, the unencumbered balance of the appropriations for 2020 and other revenue.

(Thousands of United States dollars)

| *Credits to Member States* | *ICTR* | *ICTY* | *IRMCT* | *Total* |
|---|---|---|---|---|
| Cancellation of commitments and savings from prior periods | 29 | 2 925 | 506 | 3 460 |
| Revenue (biennium 2016–2017) | 1 122 | 1 594 | 642 | 3 358 |
| **Provisions as at 31 December 2019** | **1 151** | **4 519** | **1 148** | **6 818** |
| **Additional provisions made** | | | | |
| Cancellation of commitments and savings from prior periods | – | 46 | 1 465 | 1 511 |
| Revenue (biennium 2018–2019) | 2 564 | 3 668 | 994 | 7 226 |
| **Subtotal** | **2 564** | **3 714** | **2 459** | **8 737** |
| Unencumbered balance of the appropriations for 2020 | – | – | 3 510 | 3 510 |
| Additional provisions made | 2 564 | 3 714 | 5 969 | 12 247 |
| **Provisions as at 31 December 2020** | **3 715** | **8 233** | **7 117** | **19 065** |

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

146. In 2020, United Nations Dispute Tribunal concluded that the Mechanism was to pay compensatory claims of $0.012 million in staff claims. The payment has not been made as the decisions are appealed. As it is considered highly likely that the amount of $0.012 million will be paid, a provision for this amount has been recognized.

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

147. Net assets comprise the accumulated surpluses/deficits, which represent the residual interest in the assets of the Mechanism after all its liabilities have been deducted. The restricted balances represent the fund balance earmarked for the project to construct facilities in Arusha for the archives of the Mechanism (see General Assembly resolution 66/240 A).

148. The net assets balance decreased from $76.368 million as at 31 December 2019 to $58.180 million as at 31 December 2020.

149. The changes in net assets are due primarily to an actuarial loss of $6.533 million in employee benefits liabilities, an actuarial loss of $3.547 million on judges' benefits liabilities and an overall deficit of $8.004 million from the performance during the year.

## Note 18
## Revenue

*Assessed contributions*

150. Assessed contributions for the year of $81.411 million (2019: $80.231 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)

| | *2020* |
|---|---|
| Assessment for 2020 (resolution 74/259) | 96 925 |
| Surplus resulting from the final expenditure for the budget for the biennium 2018–2019 (resolution 75/249) | (3 267) |
| Cancellation of commitments for the biennium 2018–2019, savings from prior periods and revenue recorded as provisions in the 2020 financial statements | (8 737) |
| Unencumbered balance of the appropriations for 2020 recorded as provisions in the 2020 financial statements | (3 510) |
| **Revenue from assessed contributions** | **81 411** |

*Other revenue*

151. Other revenue includes other miscellaneous revenue of $0.184 million, consisting mainly of costs recovered for services provided to external entities.

## Note 19
## Expenses

*Employee salaries, allowances and benefits*

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

(Thousands of United States dollars)

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Salary and wages | 54 569 | 52 919 |
| Pension and insurance benefits | 14 699 | 15 661 |
| Other benefits | 900 | (1 053) |
| **Total employee salaries, allowances and benefits** | **70 168** | **67 527** |

*Judges' honorariums and allowances*

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

(Thousands of United States dollars)

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Judges' honorariums | 1 500 | 1 827 |
| Judges' pensions | 1 327 | 1 825 |
| **Judges' honorariums and allowances** | **2 827** | **3 652** |

*Contractual services*

154. 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 increase is due mainly to the increased use of individual contractors by the Office of the Prosecutor for the ongoing *Turinabo et al.* and *Kabuga* cases.

(Thousands of United States dollars)

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Consultants and individual contractors | 611 | 383 |
| **Total contractual services** | **611** | **383** |

*Supplies and consumables*

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

(Thousands of United States dollars)

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Fuel and lubricants | 81 | 122 |
| Rations | 21 | 48 |
| Spare parts | 66 | 59 |
| Consumables | 259 | 294 |
| **Total** | **427** | **523** |

*Travel*

156. Travel expenses include all staff and non-staff travel which is not considered to be an employee allowance/benefit. Staff travel is official travel necessary to carry out the activities of the Mechanism as well as for training. Representative travel is undertaken by experts and participants to meetings and study tours. Owing to the COVID-19 pandemic, a number of judicial activities were postponed, and although they eventually resumed, most were conducted remotely using online meeting tools; this resulted in a significant decrease in travel expenses for both staff and representatives.

(Thousands of United States dollars)

| | *31 December 2020* | *31 December 2019* |
|---|---|---|
| Staff travel | 643 | 1 389 |
| Representative travel | 153 | 308 |
| **Total** | **796** | **1 697** |

*Other operating expenses*

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

(Thousands of United States dollars)

| | *Note* | *31 December 2020* | *31 December 2019* |
|---|---|---|---|
| Contracted services | | 10 412 | 10 594 |
| Acquisition of goods | | 1 376 | 666 |
| Acquisition of intangible assets | | 483 | 285 |
| Rent – offices and premises | 22 | 3 075 | 3 921 |
| Rental – equipment | 22 | 97 | 160 |
| Maintenance and repair | | 249 | 176 |
| Bad debt expense | | 84 | (253) |
| Other/miscellaneous operating expenses | | 272 | 2 047 |
| **Total** | | **16 048** | **17 596** |

158. The decrease in contracted services during 2020 is primarily due to the decrease in other/miscellaneous operating expenses of $1.775 million and the decrease in facilities expenditures of $0.292 million, offset in part by an increase in legal services from defence counsels of $0.856 million. There was an increase in fees to defence teams as a result of the *Turinabo et al*. case, while there was a decrease in detention services owing to the lower number of detainees held in 2020 than in 2019.

159. The decrease in the cost of rent for offices and premises relates to reduced occupancy at the branch of the Mechanism in The Hague, where certain office spaces were returned to the landlord in 2019. Discussions have been ongoing with the host State and the building's owners on the future arrangements for the lease.

160. The increase in the acquisition of goods relates primarily to the purchase of laptop computers in order to support teleworking for staff during the COVID-19 pandemic.

161. Bad debt expenses include allowances for doubtful receivables on assessed contributions and write-off of other receivables. In 2020, an additional $0.085 million of allowance for doubtful receivables was recognized for balances of recoverable VAT.

162. Other/miscellaneous operating expenses include write-off expenses for the disposal of items of tangible and intangible assets, receivables or advances, as well as any movements in provisions if applicable. The decrease in other/miscellaneous operating expenses is related to the derecognition in 2019 of an intangible asset that was under development ($1.810 million).

163. Contracted services include companies' fees for air and ground transport, communications and information technology, facilities, security services, legal services (which include fees to defence teams and costs related to detention services), audit, training, utilities, freight and other services such as translation and verbatim reporting.

*Other operating expenses: contracted services*

(Thousands of United States dollars)

| | *31 December 2020* | *31 December 2019* |
|---|---|---|
| Transport | 22 | 14 |
| Communications and information technology | 835 | 906 |
| Facilities | 1 109 | 1 401 |
| Security services | 140 | 82 |
| Legal service defence counsel | 4 085 | 3 229 |
| Legal service detention service | 2 571 | 2 768 |
| Other legal | 35 | 78 |
| Training | 76 | 72 |
| Utilities | 534 | 553 |
| Freight | (8) | 94 |
| Administrative and audit services | 385 | 384 |
| Other | 628 | 1 013 |
| **Total** | **10 412** | **10 594** |

164. 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.

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

## Note 20
## Financial instruments and financial risk management

*Main pool*

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

167. 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.

168. As at 31 December 2020, the Mechanism participated in the main pool, which held total assets of $10,652.389 million (2019: $9,339.390 million), of which $162.716 million was due to the Mechanism (2019: $168.913 million), including $62.076 million (2019: $60.855 million) and $90.987 million (2019: $89.114 million) relating to the former International Criminal Tribunal for Rwanda and the former International Tribunal for the Former Yugoslavia, respectively. The Mechanism's share of revenue from the cash pool was $2.960 million (2019: $4.425 million).

### Summary of assets and liabilities in the main pool as at 31 December 2020

(Thousands of United States dollars)

| | *31 December 2020* | *31 December 2019* |
|---|---|---|
| **Fair value through surplus or deficit** | | |
| Short-term investments | 7 120 427 | 5 177 137 |
| Long-term investments | 2 349 880 | 1 624 405 |
| **Total fair value through surplus or deficit** | **9 470 307** | **6 801 542** |
| **Loans and receivables** | | |
| Cash and cash equivalents, main pool | 1 163 684 | 2 499 980 |
| Accrued investment income | 18 398 | 37 868 |
| **Total loans and receivables** | **1 182 082** | **2 537 848** |
| **Total carrying amount of financial assets** | **10 652 389** | **9 339 390** |
| **Main pool liabilities** | | |
| Payable to the Mechanism | 162 717 | 168 913 |
| Payable to other main pool participants | 10 489 672 | 9 170 477 |
| **Total carrying amount of financial liabilities** | **10 652 389** | **9 339 390** |
| **Main pool net assets** | **–** | **–** |

### Summary of net income and expenses of the main pool for the year ended 31 December 2020

| | *31 December 2020* | *31 December 2019* |
|---|---|---|
| Investment revenue | 113 031 | 198 552 |
| Unrealized losses | 54 145 | 14 355 |
| **Investment revenue from main pool** | **167 176** | **212 907** |
| Foreign exchange losses | 5 837 | 3 313 |
| Bank fees | (578) | (808) |
| **Operating expenses from main pool** | **5 259** | **2 505** |
| **Revenue and expenses from main pool** | **172 435** | **215 412** |

*Financial risk management*

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

170. 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.

171. 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*

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

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

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

**Investments of the cash pool by credit ratings as at 31 December 2020**
(Percentage)

| *Main pool* | *Ratings as at 31 December 2020* | | | | *Ratings as at 31 December 2019* | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Bonds (long-term ratings)** | | | | | **Bonds (long-term ratings)** | | | | |
| | **AAA** | **AA+/AA/AA-** | **A+** | **NR/WD** | | **AAA** | **AA+/AA/AA-** | **A+** | **NR** |
| S&P Global Ratings | 44.0 | 53.2 | – | 2.8 | S&P Global Ratings | 35.8 | 58.8 | – | 5.4 |
| Fitch | 61.4 | 15.5 | – | 23.1 | Fitch | 60.2 | 23.8 | – | 16.0 |
| | **Aaa** | **Aa1/Aa2/Aa3** | **A1** | | | **Aaa** | **Aa1/Aa2/Aa3** | **A1** | |
| Moody's | 61.1 | 34.9 | 0.4 | 3.6 | Moody's | 54.8 | 45.2 | – | – |
| **Commercial papers/certificates of deposit (short-term ratings)** | | | | | **Commercial papers (short-term ratings)** | | | | |
| | **A-1+/A-1** | | | | | **A-1+/A-1** | | | |
| S&P Global Ratings | 100.0 | | | | S&P | 100.00 | | | |
| | **F1+/F1** | | | **NR** | | **F1+/F1** | | | |
| Fitch | 98.0 | | | 2.0 | Fitch | 100.00 | | | |
| | **P-1** | | | | | **P-1** | | | |
| Moody's | 100.0 | | | | Moody's | 100.00 | | | |

| *Main pool* | *Ratings as at 31 December 2020* | | | *Ratings as at 31 December 2019* | | | |
|---|---|---|---|---|---|---|---|
| **Term deposits (Fitch viability ratings)** | | | | | | | |
| | **aaa** | **aa/aa-** | **a+/a/a-** | | **aaa** | **aa/aa-** | **a+/a** |
| Fitch | – | 27.5 | 72.5 | Fitch | – | 84.2 | 15.8 |

*Abbreviations*: NR, not rated; WD, rating withdrawn.

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

*Credit risk: assessed contributions*

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

**Ageing of assessed contributions receivable**

**Ageing of assessed contributions receivable for the Mechanism, the former International Criminal Tribunal for Rwanda and the former International Tribunal for the Former Yugoslavia**

(Thousands of United States dollars)

| | *31 December 2020* | | *31 December 2019* | |
|---|---|---|---|---|
| | *Gross receivable* | *Allowance* | *Gross receivable* | *Allowance* |
| Less than one year | 8 401 | – | 1 791 | – |
| One to two years | 6 137 | – | 7 578 | – |
| More than two years | 36 837 | 96 | 31 152 | 95 |
| **Total** | **51 375** | **96** | **40 521** | **95** |

**Ageing of assessed contributions receivable for the Mechanism**

(Thousands of United States dollars)

| | *31 December 2020* | | *31 December 2019* | |
|---|---|---|---|---|
| | *Gross receivable* | *Allowance* | *Gross receivable* | *Allowance* |
| Less than one year | 8 401 | – | 1 791 | – |
| One to two years | 6 137 | – | 5 250 | – |
| More than two years | 5 163 | 5 | 1 184 | 4 |
| **Total** | **19 701** | **5** | **8 225** | **4** |

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

(Thousands of United States dollars)

| | 31 December 2020 | | 31 December 2019 | |
|---|---|---|---|---|
| | Gross receivable | Allowance | Gross receivable | Allowance |
| Less than one year | – | – | – | – |
| One to two years | – | – | – | – |
| More than two years | 7 361 | 35 | 7 523 | 36 |
| **Total** | **7 361** | **35** | **7 523** | **36** |

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

(Thousands of United States dollars)

| | 31 December 2020 | | 31 December 2019 | |
|---|---|---|---|---|
| | Gross receivable | Allowance | Gross receivable | Allowance |
| Less than one year | – | – | – | – |
| One to two years | – | – | 2 328 | – |
| More than two years | 24 313 | 55 | 22 445 | 55 |
| **Total** | **24 313** | **55** | **24 773** | **55** |

*Credit risk: cash and cash equivalents*

177. The Mechanism held cash and cash equivalents of $17.787 million at 31 December 2020 (2019: $45.229 million), which is the maximum credit exposure on these assets.

*Financial risk management: liquidity risk*

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

*Financial risk management: interest rate risk*

179. The cash pool comprises the Mechanism's main exposure to interest rate risk, with fixed-rate cash and cash equivalents and investments being interest-bearing financial instruments. As at the reporting date, the cash pool had invested primarily in securities with shorter terms to maturity, with the maximum being less than four years (2019: five years). The average duration of the main pool as at 31 December 2020 was 0.72 years (2019: 0.74 years), which is considered to be an indicator of low risk.

*Cash pool interest rate risk sensitivity analysis*

180. This analysis shows how the fair value of the main pool as at the reporting date would increase or decrease should the overall yield curve shift in response to changes

in interest rates. Given that the investments are being accounted for at fair value through surplus or deficit, the change in fair value represents the increase or decrease in the surplus or deficit and net assets. The impact of a shift up or down of up to 200 basis points in the yield curve is shown (100 basis points equals 1 per cent). The basis point shifts are illustrative.

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

(Millions of United States dollars)

| | *Shift in yield curve (basis points)* | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | *-200* | *-150* | *-100* | *-50* | *0* | *+50* | *+100* | *+150* | *+200* |
| **Increase/(decrease) in fair value** | | | | | | | | | |
| Main pool total | 148.41 | 111.30 | 74.20 | 37.10 | – | (37.10) | (74.18) | (111.26) | (148.34) |

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

(Millions of United States dollars)

| | *Shift in yield curve (basis points)* | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | *-200* | *-150* | *-100* | *-50* | *0* | *+50* | *+100* | *+150* | *+200* |
| **Increase/(decrease) in fair value** | | | | | | | | | |
| Main pool total | 134.47 | 100.84 | 67.22 | 33.61 | – | (33.60) | (67.20) | (100.79) | (134.38) |

*Other market price risk*

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

*Accounting classifications and fair value hierarchy*

182. 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.

183. The levels are defined as follows:

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

184. 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.

185. 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.

186. The following fair value hierarchy presents the cash pool assets that are measured at fair value at the reporting date. There were no level 3 financial assets or any liabilities carried at fair value or any significant transfers of financial assets between fair value hierarchy classifications.

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

(Thousands of United States dollars)

| | *31 December 2020* | | | *31 December 2019* | | |
|---|---|---|---|---|---|---|
| | *Level 1* | *Level 2* | *Total* | *Level 1* | *Level 2* | *Total* |
| **Financial assets at fair value through surplus or deficit** | | | | | | |
| Bonds – corporates | 452 281 | – | 452 281 | 148 473 | – | 148 473 |
| Bonds – non-United States agencies | 931 565 | – | 931 565 | 755 027 | – | 755 027 |
| Bonds – supranational | 787 362 | – | 787 362 | 423 230 | – | 423 230 |
| Bonds – United States treasuries | 502 462 | – | 502 462 | 497 829 | – | 497 829 |
| Bonds – non-United States sovereigns | 151 035 | – | 151 035 | – | – | – |
| Main pool – commercial papers | – | 2 062 987 | 2 062 987 | – | 347 398 | 347 398 |
| Main pool – certificates of deposit | – | 2 762 615 | 2 762 615 | – | 3 419 585 | 3 419 585 |
| Main pool – term deposits | – | 1 820 000 | 1 820 000 | – | 1 210 000 | 1 210 000 |
| **Main pool total** | **2 824 705** | **6 645 602** | **9 470 307** | **1 824 559** | **4 976 983** | **6 801 542** |

## Note 21
## Related parties

### Key management personnel

187. Key management personnel are those with the ability to exercise significant influence over financial and operating decisions. For the Mechanism, such personnel are the President and the Prosecutor, at the level of Under-Secretary-General; the Registrar, at the level of Assistant Secretary-General (who together constitute the Coordination Council of the Mechanism), and the Mechanism Registry's Chief of Administration. Those individuals have the relevant authority and responsibility for planning, directing and controlling the Mechanism's activities.

### Key management personnel

(Thousands of United States dollars)

| | *31 December 2020* | *31 December 2019* |
|---|---|---|
| Monetary benefits | 1 177 | 1 228 |
| **Total remuneration for the period** | **1 177** | **1 228** |

188. As at 31 December 2020, after-service health insurance, repatriation and leave benefits for key management personnel included in employee benefits liabilities amounted to \$0.626 million (2019: \$0.654 million), as determined by actuarial valuation.

189. 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*

190. 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*

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

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

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

194. The cumulative surplus accumulated in the Tax Equalization Fund as at 31 December 2020 was $150.993 million (2019: $123.022 million), consisting of amounts payable to the United States of America at year-end of $109.317 million (2019: $70.198 million) and to other Member States of $41.676 million (2019: $52.824 million). The overall amount payable of the Fund is $200.240 million (2019: $182.595 million), which includes an estimated tax liability of $49.246 million relating to the 2020 and prior tax years (2019: $59.573 million), of which approximately $29.756 million was disbursed in January 2021 and approximately $19.490 million was expected to be settled in April 2021.

## Note 22
## Leases and commitments

*Finance leases*

195. Similar to 2019, there are no finance leases as at 31 December 2020.

*Operating leases*

196. The Mechanism enters into operating leases for the use of premises and equipment. Existing lease arrangements for the branch of the Mechanism in The

Hague refer to the main building in The Hague and the field office in Sarajevo. The building in The Hague is owned by the host State and is acknowledged by both sides to be technically and functionally outdated. The host State is planning the renovation process while ensuring the continuity of the judicial activities. While a new lease agreement is under discussion, the previous lease agreement has been extended to 30 June 2021. The Arusha branch of the Mechanism has lease arrangements in Arusha and the field office in Kigali. Lease arrangements have remaining contract periods up to 12 months, with possibilities for extension.

197. The total operating lease payments recognized in expenditure for 2020 were $3.075 million for premises and $0.097 million for equipment. Future minimum lease payments under non-cancellable arrangements are set out in the following table.

**Obligations for operating leases: minimum lease payments**

(Thousands of United States dollars)

| | *31 December 2020* | *31 December 2019* |
|---|---|---|
| Due in less than one year | 1 795 | 3 149 |
| Due in one to five years | – | – |
| **Total minimum operating lease obligations** | **1 795** | **3 149** |

198. The Mechanism may lease out assets to other parties through operating leases. As at 31 December 2020, no leasing out arrangements had been entered into by the Mechanism.

199. As at 31 December 2020, the total of future minimum sublease payments expected to be received under subleases was $0.017 million.

200. 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*

201. 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 2020* | *31 December 2019* |
|---|---|---|
| Property, plant and equipment | 825 | 1 096 |
| Goods and services | 7 182 | 6 689 |
| **Total** | **8 007** | **7 785** |

202. The commitments for good and services include defence fees totalling $2.022 million and court reporting services totalling $1.174 million.

203. The commitments for property, plant and equipment are mainly related to the purchase of audiovisual, communications and information technology equipment in the amount of $0.714 million.

### Note 23
### Contingent liabilities and contingent assets

204. In the normal course of operations, the Mechanism is subject to claims which can be categorized as corporate and commercial; administrative law; and other, such as guarantees. At the reporting date, there were no contingent liabilities where the probability of economic outflow is more than remote.

205. In accordance with IPSAS 19, the Mechanism discloses contingent assets where an event gives rise to a probable inflow of economic benefits or service potential to the Mechanism and there is sufficient information to assess the probability of that inflow. At the reporting date, there were no contingent assets.

### Note 24
### Statements of financial position and financial performance as at 31 December 2020 by subentities

206. The sub-accounts established for the former Tribunals upon amalgamation into the Mechanism primarily hold employee and judges' benefits liabilities, any assessed contributions receivable outstanding from prior assessments to Member States and cash and investment balances in the cash pool. After settlement of all other assets and liabilities, these sub-accounts will carry the defined benefit liabilities for retired staff and judges, for which the obligations are measured at each year-end by actuarial valuation.

## I. Statement of financial position as at 31 December 2020

(Thousands of United States dollars)

| | *Note* | *Former ICTY* | *Former ICTR* | *IRMCT* | *31 December 2020* |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| **Current assets** | | | | | |
| Cash and cash equivalents | 7 | 9 942 | 6 783 | 1 062 | 17 787 |
| Investments | 7 | 60 975 | 41 600 | 6 472 | 109 047 |
| Assessed contributions receivable | 7, 8 | 24 257 | 7 326 | 19 696 | 51 279 |
| Other accounts receivable | 7, 8 | – | – | 1 147 | 1 147 |
| Other assets | 9 | 12 | (1) | 762 | 773 |
| **Total current assets** | | **95 186** | **55 708** | **29 139** | **180 033** |
| **Non-current assets** | | | | | |
| Investments | 7 | 20 071 | 13 693 | 2 131 | 35 895 |
| Property, plant and equipment | 10 | – | – | 14 060 | 14 060 |
| Intangible assets | 11 | – | – | 322 | 322 |
| Other assets | 9 | – | – | 353 | 353 |
| **Total non-current assets** | | **20 071** | **13 693** | **16 866** | **50 630** |
| **Total assets** | | **115 257** | **69 401** | **46 005** | **230 663** |
| **Current liabilities** | | | | | |
| Accounts payable and accrued liabilities | 12 | – | – | 5 647 | 5 647 |
| Advance receipts | 13 | – | – | 32 | 32 |
| Employee benefits liabilities | 14 | 539 | 587 | 2 860 | 3 986 |
| Judges’ benefits liabilities | 15 | 1 586 | 1 293 | 6 | 2 885 |
| Provisions | 16 | 8 233 | 3 715 | 7 129 | 19 077 |
| **Total current liabilities** | | **10 358** | **5 595** | **15 674** | **31 627** |
| **Non-current liabilities** | | | | | |
| Employee benefits liabilities | 14 | 20 320 | 25 282 | 49 012 | 94 614 |
| Judges’ benefits liabilities | 15 | 24 441 | 19 995 | 1 806 | 46 242 |
| **Total non-current liabilities** | | **44 761** | **45 277** | **50 818** | **140 856** |
| **Total liabilities** | | **55 119** | **50 872** | **66 492** | **172 483** |
| **Net of total assets and total liabilities** | | **60 138** | **18 529** | **(20 487)** | **58 180** |
| **Net assets** | | | | | |
| Accumulated surpluses/(deficits) – unrestricted | 17 | 60 138 | 18 529 | (25 230) | 53 437 |
| Accumulated surpluses/(deficits) – restricted | 17 | – | – | 4 743 | 4 743 |
| **Total net assets** | | **60 138** | **18 529** | **(20 487)** | **58 180** |

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

## II. Statement of financial performance for the year ended 31 December 2020

(Thousands of United States dollars)

| | *Note* | *Former ICTY* | *Former ICTR* | *IRMCT* | *31 December 2020* |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| Assessed contributions | 18 | (3 713) | (2 564) | 87 688 | 81 411 |
| Other revenue | 18 | 39 | 31 | 114 | 184 |
| Investment revenue | 7 | 1 504 | 1 027 | 429 | 2 960 |
| **Total revenue** | | **(2 170)** | **(1 506)** | **88 231** | **84 555** |
| **Expenses** | | | | | |
| Employee salaries, allowances and benefits | 19 | 159 | 232 | 69 777 | 70 168 |
| Judges' honorariums and allowances | 19 | (975) | (658) | 4 460 | 2 827 |
| Contractual services | 19 | – | – | 611 | 611 |
| Supplies and consumables | 19 | – | – | 427 | 427 |
| Depreciation and amortization | 10, 11 | – | – | 1 682 | 1 682 |
| Travel | 19 | – | – | 796 | 796 |
| Other operating expenses | 19 | (3) | (1) | 16 052 | 16 048 |
| **Total expenses** | | **(819)** | **(427)** | **93 805** | **92 559** |
| **Surplus/(deficit) for the year** | | **(1 351)** | **(1 079)** | **(5 574)** | **(8 004)** |

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

### Note 25
### Events after the reporting date

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

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