



Meeting of States Parties

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Report of the External Auditors for the financial year 2003, with financial statements of the International Tribunal for the Law of the Sea as of 31 December 2003

Introductory note

1. PricewaterhouseCoopers (hereinafter “the Auditor”) audited the financial statements of the Tribunal for the financial year 2003 in April 2004 and submitted its report on 4 June 2004.
2. It is noted from the report that the Auditor was of the view that the financial statements presented fairly, in all material aspects, the financial position of the Tribunal, in conformity with generally accepted accounting principles and the Financial Regulations of the United Nations, which had been applied *mutatis mutandis*. The Auditor further stated that the Tribunal’s operational procedures were also in accordance with its Rules and Staff Rules as well as the Financial Regulations and Staff Rules of the United Nations, as applied *mutatis mutandis*.
3. In accordance with financial regulation 12.8 (SPLOS/36), the Tribunal examined the Auditor’s report on the financial statements at its eighteenth session and decided to forward it to the Meeting of States Parties.

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A. Scope of the examination

1. We have audited the accompanying annual financial statements of the International Tribunal for the Law of the Sea, Hamburg (hereinafter also referred to as “the Tribunal” or “ITLOS”) consisting of the statement of income and expenditures for the period from 1 January to 31 December 2003 (exhibit I), the statement of assets, liabilities, the Working Capital Fund and excess of income over expenditures as of 31 December 2003 (exhibit II), the notes to the financial statements for the period from 1 January to 31 December 2003 (exhibit III) and the financial report of the Registrar for the period from 1 January to 31 December 2003 (exhibit IV), hereinafter referred to together as the “annual financial statements”. Within the scope we have additionally audited certain aspects of operating procedures for the year ended 31 December 2003 as directed by the President of the International Tribunal for the Law of the Sea in his letter of 8 April 2004. The preparation of the annual financial statements is the responsibility of the Registrar of the Tribunal. Our responsibility is to express an opinion on these annual financial statements and the following aspects of the operational procedures:

1. Expenditures incurred have been appropriately authorized by the party designated for that purpose in the Rules of the Tribunal and the Financial Regulations of the United Nations;
 2. Staff and persons being paid by the Tribunal have been recruited or engaged in the manner provided in the Rules of the Tribunal or the Financial Regulations of the United Nations;
 3. Goods and services have been procured in accordance with the procedures provided for in the Financial Regulations of the United Nations; and
 4. Goods and services which have been procured are necessary or not excessive, having regard to circumstances and the functions of the Tribunal.
2. The annual financial statements of the Tribunal for 2003 have been prepared in accordance with generally accepted accounting principles and the Financial Regulations and Rules of the United Nations, which were applied *mutatis mutandis*.
3. We conducted our audit in accordance with German audit regulations and generally accepted standards for the audit of the financial statements promulgated by the *Institut der Wirtschaftsprüfer in Deutschland (IDW)*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the annual financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the annual financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis of our opinion.
4. Reference is made to the General Terms of Engagement for “*Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften*” dated 1 January 2002 and our special conditions dated 1 January 2001 (exhibit VII), in regard to the assignment and our responsibilities, including those to third parties.

B. Budget

5. The Meeting of States Parties, at its twelfth meeting (16 to 26 April 2002), approved and appropriated an amount of \$7,798,300 United States dollars as the budget for the period from 1 January to 31 December 2003 as set out in document SPLOS/90.

6. With a view to providing the Tribunal with the necessary financial means to consider cases in 2003, in particular those requiring expeditious proceedings, the Meeting also approved an amount of \$987,900 in 2003 as contingency funds of the Tribunal, which shall only be used in the event of cases submitted to the Tribunal.

7. The Meeting of States Parties, at its thirteenth meeting (9 to 13 June 2003), by its decision of 12 June 2003 (SPLOS/98), decided that the Tribunal shall deduct from the contributions of States Parties for 2004 the amount in the staff assessment fund as of 31 December 2002 pro rata to their contributions thereto for each financial year concerned. Accordingly the funds included in the assessment special account at 31 December 2002 in the amount of \$2,365,865 have been transferred in 2003 to the new reporting line "Surrender of withholdings from staff assessments". The amount of staff assessment accumulated in the financial year 2003 (\$614,374) shall be used to reimburse officials and members of the Tribunal for national taxes paid in respect of remuneration paid by the Tribunal in 2003 and 2004 and accordingly have been included by the Tribunal in the assessment special account. Thereafter the amounts remaining in the staff assessment fund shall be deducted from contributions of States Parties for 2005-2006.

8. In accordance with the decision made at the twelfth Meeting of States Parties on 25 April 2002, the Tribunal has surrendered in 2003 the savings from the budgets of the Tribunal for 1998, 1999 and 2000 in the total amount of \$2,633,220 to the States Parties. A deduction of the amount of such savings was made from the assessed contributions of the States Parties for 2003. The savings from the 2001 budget of the Tribunal amounting to \$833,269 and included under "Liabilities" at 31 December 2003 shall be surrendered to the States Parties in 2004.

9. The statement of income and expenditure for the period from 1 January to 31 December 2003 shows an excess of income over expenditure of \$141,776 (see exhibit I). Included in this amount are \$58,902: other net income from different sources like interest income (\$16,341), gains from currency transactions (\$12,244), savings from the release of provisions for unliquidated obligations prior years (\$40,720) and German social security payments recovered from staff (\$35,543), which was partly offset through miscellaneous expenses (\$45,946).

10. From the approved budget for the period 2003 amounting to \$7,798,300, an amount totalling \$7,715,426 was spent against approved budget lines, resulting into savings of \$82,874 (see exhibit V). Significant overexpenditures have been noted in the budget lines "Established posts" (\$561,349), "Common staff costs" (\$123,609), "Maintenance of premises" (\$118,062) and "Special allowances for judges" (\$24,315). These overexpenditures were, however, offset through savings in the "Contingency fund" (\$541,996) and the optimal use of resources in other budget lines.

11. The overexpenditure in total staff costs and maintenance of the premises resulted mainly from the unfavourable development of the United States dollar vis-

à-vis the euro since the related expenditures under these budget lines are primarily incurred in euros and therefore need to be translated into United States dollars at the prevailing United Nations operational rates of exchange when entered into the accounts.

12. The budget for the year 2003 was prepared and approved in April 2002. Expenditures for staff costs and maintenance of the premises mainly denominated in euros have been translated into United States dollars in April 2002 at an average euro to dollar exchange rate of 0,8636. Expenditures actually incurred in 2003 increased by some 30 per cent, primarily as a result of exchange rate fluctuations, as the average euro to dollar exchange rate applied in 2003 increased from 0,836 in 2002 to 1,1876 in 2003.

13. This development could not be foreseen by the Tribunal, when preparing the 2003 budget and as the budgetary estimates did not appropriately reflect the weakening United States dollar, the Meeting of States Parties, at its thirteenth meeting, authorized the Registrar, in the event that the Tribunal would not be able to meet the approved expenditures for 2003, to incur such expenditures to the extent that the shortfall in appropriations results from unforeseeable increases and/or from exchange rate fluctuations. The Meeting further authorized the Registrar to finance such overexpenditures by transfers between appropriation sections as far as possible and, if necessary, by using the savings from the financial period 2002.

14. Eliminating the impacts from changes in the applied exchange rates, the Tribunal has achieved the approved budgets in all material respects and therefore was authorized to finance the overexpenditures in the budget lines “Established posts”, “Common staff costs” and “Maintenance of premises” by transfers of savings from other budget lines.

15. Budget estimates included in the contingency funds are mainly based on the number of cases submitted to the Tribunal during the year. As only one of two anticipated cases emerged during 2003 and the meeting time for the judges of the Tribunal in Hamburg was shorter than provided for in the budget, savings of \$541,996 in the contingency funds could be realized in 2003. However, due to the dollar rate movements described before, the relative costs escalated and there would not have been adequate budget in the event that a second case would have been submitted to the Tribunal in 2003.

16. Savings in judges remuneration resulted mainly from the death of one judge in March 2003 and, additionally, fewer costs manifested from the contingency provision.

17. Equipment purchased during the year was lower than planned due to a scale down of original purchases planned. The Tribunal has mainly invested in information technology (IT) over the past years, and now spends on new items only on a rotational basis.

C. Audit opinion

We have audited the annual financial statements consisting of the statement of income and expenditures (exhibit I), the statement of assets, liabilities, Working Capital Fund and excess of income over expenditures (exhibit II), the notes to the financial statements (exhibit III) and the financial report of the Registrar (exhibit

IV), hereinafter referred to together as the “annual financial statements”, together with the bookkeeping system of the International Tribunal for the Law of the Sea, Hamburg, for the business year from 1 January to 31 December 2003. The maintenance of the books and records and the preparation of the annual financial statements in accordance with generally accepted accounting principles and with the Financial Regulations of the United Nations which were applied mutatis mutandis are the responsibility of Tribunal’s Registrar. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system.

We conducted our audit of the annual financial statements in accordance with section 317 of the German Commercial Code and the German generally accepted standards for the audit of the financial statements promulgated by the *Institut der Wirtschaftsprüfer* (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with principles of proper accounting are detected with reasonable assurance. Knowledge of the operational activities and the economic and legal environment of the Tribunal and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the financial report of the Registrar are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Registrar, as well as evaluating the overall presentation of the annual financial statements and the financial report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, the annual financial statements give a true and fair view of the net assets, financial position and results of operations of the Tribunal in accordance with principles of proper accounting and with the Financial Regulations and Rules of the United Nations which were applied mutatis mutandis. Additionally, the operational procedures of the International Tribunal for the Law of the Sea as detailed in exhibit VI were in accordance with the Rules and Staff Rules of the International Tribunal for the Law of the Sea and the Financial Regulations and Rules of the United Nations applied mutatis mutandis.

Hamburg, 16 May 2004

PricewaterhouseCoopers
GmbH
Wirtschaftsprüfungsgesellschaft

(Signed) (W. Schöppich)
Wirtschaftsprüfer

(Signed) (K. V. Rother)
Wirtschaftsprüfer

Exhibit I**Statement of income and expenditures for the period from
1 January to 31 December 2003**

(In United States dollars)

Statement 1

	<i>2003</i>	<i>2002</i>
Assessed contributions	7 798 300	7 807 500
Other Income		
Interest income (net)	16 341	67 057
Savings on cancellation of prior period obligations	40 720	101 066
Gains/losses (-) on exchange	12 244	-88 146
Miscellaneous income/expense (-)	-10 403	86 976
Total Income	7 857 202	7 974 453
Expenditure		
Total expenditure and obligations (Exhibit V)	-7 715 426	-7 016 029
Excess of income over expenditure	141 776	958 424

Exhibit II**Statement of assets, liabilities, Working Capital Fund and excess of income over expenditures as at 31 December 2003**

(In United States dollars)

Statement 2

	2003	2002
Assets		
Cash and term deposits	5 082 954	7 573 989
Accounts receivable		
Contributions receivable from States Parties	1 708 091	1 621 500
Tax reimbursement due	268 181	155 944
Accounts receivable — other	50 708	182 732
Total assets	7 109 934	9 534 165
Liabilities		
Contributions received in advance	629 652	625 569
Surrender of savings prior years to States Parties	833 269	2 633 220
Surrender of withholdings from staff assessments	2 356 865	0
Obligations — current period	425 339	973 410
Unliquidated obligations — prior periods	0	0
Korea fund	235	3 408
Assessment special account	614 374	2 356 865
Total liabilities	4 859 734	6 592 472
Working Capital Fund	1 150 000	1 150 000
Prior period Gains-Reserve	958 424	833 269
Excess of income over expenditure	141 776	958 424
Total reserves and Fund balances	2 250 200	2 941 693
Total liabilities, reserves and Fund balances	7 109 934	9 534 165

Exhibit III

Notes to the financial statements for the period from 1 January to 31 December 2003

Note 1. Statement of the objectives and activities of the Tribunal

The International Tribunal for the Law of the Sea (ITLOS) is an international judicial body established by the United Nations Convention on the Law of the Sea to adjudicate disputes arising out of the interpretation and application of the Convention. It began its activities in 1996. The Tribunal is open to States Parties to the Convention and, in certain cases, to entities other than States Parties (such as international organizations and natural or legal persons). The jurisdiction of the Tribunal comprises all disputes submitted to it in accordance with the Convention. It also extends to all matters specifically provided for in any other agreement, which confers jurisdiction of the Tribunal. The Tribunal is composed of 21 independent members elected by the States Parties to the Convention.

Note 2. Summary of significant accounting policies

The fourth Meeting of the States Parties to the United Nations Convention on the Law of the Sea decided that pending the adoption of the Tribunal's Financial Regulations, the Financial Regulations of the United Nations would apply *mutatis mutandis* to the Tribunal. The thirteenth Meeting of States Parties in 2003 adopted the Financial Regulations of the Tribunal and decided that they should become effective on 1 January 2004 and apply to the financial period 2005-2006 and subsequent financial periods (SPLOS/100). With regard to the financial period 2003, the Tribunal's accounts were therefore maintained unchanged to the prior period in accordance with the Financial Regulations and Rules of the United Nations with such modifications as required by the nature and scope of work of the Tribunal.

The form of presentation of the accounts, comprising two statements and one annex (exhibit V) for the financial period ending 31 December 2003, is in line with the formats proposed for use by the agencies of the United Nations system.

Accounting period

The current accounting period which is subject to this report is from 1 January to 31 December 2003.

Currency of accounts

The accounting unit is the United States dollar. The United Nations operational rates of exchange are the basis for establishing the equivalent in United States dollars of other currencies.

Translation of currencies

Differences between the valuation of the currencies when entered into the accounts and when actual transactions are completed are calculated and detailed in these notes as gains and losses on exchange transactions.

Periodically, assets and liabilities in currencies other than the United States dollar are revalued for accounting purposes at the prevailing United Nations

operational rates of exchange. Any variance due to fluctuation of those rates is accounted for as income or loss in the statement of income and expenditure.

Income

Income consists of assessed contributions from the States Parties. All other income received by the Tribunal is classified as miscellaneous income and is included as general resources (see note 4).

Expenditure

All expenditure of the Tribunal is recorded against allocated lines of budgetary appropriation. In accordance with the decision taken by the thirteenth Meeting of States Parties (SPLOS/99), the Tribunal was able to finance any overexpenditure by transfers between appropriation sections (see note 5).

Expenditures of the Tribunal are accounted for on an accrual basis, except for those relating to staff entitlements, which are accounted for on the basis of cash disbursements. No provision is made for staff entitlements due to repatriation, accumulated annual leave and compensatory time liability (see note 3).

Assets

All funds received are deposited into the Tribunal's bank accounts, including those under special account arrangements (see note 6), and reflected as cash holdings. Non-expendable equipment (especially computer hardware and software) is not included in the assets but is charged against the current appropriations when acquired.

Liabilities

The liabilities of the Tribunal at 31 December 2003 include contributions received in advance from States Parties for the budget period 2004 (\$629,652 United States dollars), obligations from the surrender of savings for 2001 (\$833,269) and withholdings from staff assessments (\$2,356,865), obligations from goods and services procured in 2003 (\$425,339) and a special account maintained for staff assessment withholdings (\$614,374).

In June 2003, the thirteenth Meeting of States Parties decided that the Tribunal should surrender the amount in the staff assessment fund as of 31 December 2002 (\$2,356,865) and deduct this amount from the contributions of the States Parties for 2004 pro rata to their contributions thereto for each financial year concerned (SPLOS/98). The obligation from this decision has been disclosed in the reporting line "Surrender of withholdings from staff assessment" in the statement 2 (exhibit II). The Tribunal shall also surrender the savings amounting to \$833,269 from the 2001 budget to the States Parties in 2004.

The amount of staff assessment accumulated from the gross remuneration of staff in accordance with applicable scale of the United Nations in the financial year 2003 (\$614,374) shall be used to reimburse officials and members of the Tribunal in 2003 and 2004 and therefore is reported in the assessment special account.

In accordance with the decision of the Meeting of States Parties at its twelfth meeting (SPLOS/87), savings from the budgets of the Tribunal for 1998, 1999 and

2000 (\$2,633,220) have been surrendered to the States Parties in 2003 by deducting the savings from the assessed contributions for 2003 (see note 4).

Working Capital Fund

The Working Capital Fund has been built up to the level envisaged in the decision of the eleventh Meeting of States Parties (SPLOS/70, para. 3) and as a consequence of the approved transfer of savings and appropriations in previous years currently stands at \$1,150,000.

Note 3. Contingent liability

The net contingent liability for staff benefits at 31 December 2003 established at \$345,075 consists of the following (in thousands of United States dollars):

Accumulated annual leave	170 826
Compensatory time liability	4 723
Entitlements due to repatriation	169 526
	345 075

In accordance with the Financial Regulations and Rules of the United Nations, there is no provision in the accounts for contingent liability. The expenditures will be charged against the budget appropriations of the periods when actual payments are made. In accordance with the Staff Regulations and Rules of the Tribunal the contingent liability reflected above is based on net remuneration.

Note 4. Income

The Tribunal's income in the financial period 2003 totalled \$7,857,202. Income resulted from contributions of 145 States Parties (including the European Community) totalling \$7,798,300. This included an amount of \$2,633,220 from savings in the 1998, 1999 and 2000 budgets of the Tribunal. In accordance with the decision of the twelfth Meeting of States Parties, this amount was surrendered to the States Parties in 2003 by deducting the savings from the assessed contributions of States Parties for 2003.

Income included savings due to the cancellation of prior period obligations in the amount of \$40,720, net interest income of \$16,341 and German social security payments recovered from staff in the amount of \$35,543, which were netted with miscellaneous expenses of \$45,946. Results from fluctuations in exchange rates amounted to a net gain of \$12,244.

Of the total income for 2003 from contributions of the States Parties, an amount of \$557,109 was outstanding at the end of that financial period. With regard to the previous budgets of the Tribunal, amounts of \$66,077 for 1996/97, \$39,124 for 1998, \$147,590 for 1999, \$98,785 for 2000, \$297,281 for 2001 and \$502,125 for 2002 were still outstanding. The balance of unpaid contributions with respect to the overall budgets of the Tribunal (1996/97 to 2003) therefore amounts to \$1,708,091. No allowances for doubtful accounts receivable for the overdue balances have yet been considered in the statement of assets, liabilities and working capital at 31 December 2003, as the risks associated with these overdue balances are partly

offset by the Tribunal's liability for the surrender of savings and withholdings to the States Parties and further efforts undertaken by the Tribunal to collect the outstanding receivables from the States Parties.

Note 5. Expenditures

The budget for 2003 was approved by the Meeting of States Parties in April 2002 (SPLOS/90). Budget estimates were based on the United States dollar/euro exchange rate of 1.158 in March 2002. By the end of the financial year, the exchange rate between the United States dollar and the euro had changed to 0.842. This presents a decrease of some 30 per cent in the value of the United States dollar against the euro. As such a sharp decline of the United States dollar could not be anticipated by the Tribunal when preparing the budget estimates for 2003, the weakening of the United States dollar led to unforeseeable overexpenditures in certain budget lines.

The Tribunal's expenditures for the financial period 2003 totalled \$7,715,426. There was an overexpenditure in the amount of \$647,359 in the budget section "staff costs". This was primarily due to: exchange rate fluctuations between the United States dollar and the euro; increase in the standard costs for staff and common staff costs applied within the United Nations common system; and increases in the daily subsistence allowance rate for Hamburg as determined by the International Civil Service Commission. The "operating expenditures", where expenses are mostly incurred in euros, was also overspent by \$33,835 due to the weakening of the United States dollar vis-à-vis the euro.

In respect of the overexpenditure, the thirteenth Meeting of States Parties decided that, in the event that the Tribunal was unable to meet approved expenditures for 2003 from appropriations made with respect to the budget lines "Established posts" and "Common staff costs", the Meeting of States Parties authorized the Registrar to incur expenditures to the extent that the shortfall in appropriations results from unforeseeable increases in daily subsistence allowance (DSA), salary costs and common costs as applied within the United Nations common system. The States Parties also decided that, in the event the Tribunal is unable to meet approved expenditures for 2003 from appropriations made in the budget line "Maintenance of premises", the Meeting of States Parties authorized the Registrar to incur expenditures to the extent that the shortfall in appropriations results from exchange rate fluctuations (SPLOS/99).

The Meeting of States Parties further authorized the Tribunal to finance the overexpenditures referred to above by transfers between appropriation sections. In accordance with that decision the overexpenditures have been financed by transfers from savings in the sections "Remuneration of Judges" (\$184,261) and the "Contingency funds" (judges and staff costs) (\$541,996).

Note 6. Assets

Contributions receivable from States Parties as at 31 December 2003 amount to a total of \$1,708,091, of which \$1,150,982 were overdue by more than one year (see note 4).

As at 31 December 2003, cash totalled \$5,082,954. Included in this amount is a special account for staff assessments of \$2,971,239. Staff assessment is a form of

internal taxation on the salaries of officials employed by the organizations of the United Nations system. It is used to reimburse staff members whose salaries are subject to national income tax. These amounts included in the total cash balance are not expendable resources of the Tribunal. The thirteenth Meeting of States Parties decided that the Tribunal should deduct from the contributions of States Parties for 2004 the amount in the staff assessment fund as of 31 December 2002 (\$2,356,865) pro rata to their contributions to the budgets of the Tribunal for each financial year concerned (SPLOS/98).

According to the same decision, the amount of staff assessment additionally accumulated in 2003 (\$614,374) shall be used to reimburse officials and members of the Tribunal for national taxes levied on their income from the Tribunal in 2003 and 2004. Thereafter the amount remaining in the staff assessment fund shall be deducted from the contributions of States Parties for 2005-2006.

The aggregate of accounts receivable, advances and deposits as at 31 December 2003 totalled \$7,109,934.

Exhibit IV

Financial report for the financial period from 1 January to 31 December 2003

Introduction

1. The Registrar of the Tribunal for the Law of the Sea submits herewith the financial report for the financial period from 1 January to 31 December 2003. This is the seventh financial period and the seventh financial report of the International Tribunal for the Law of the Sea (ITLOS).

2. The financial report includes the statement of income and expenditures (Statement 1), the statement of assets, Liabilities (Statement 2), the Notes to the Financial Statements, and Annex I (exhibit V). Of these, Statements 1 and 2 are presented to facilitate review by States Parties to the Convention on the Law of the Sea. They are in line with the formats agreed for the harmonization of the accounts of agencies and organizations in the United Nations common system. The Financial Report provides the financial results of ITLOS activities in 2003. Highlights are summarized in the following paragraphs:

Income

3. ITLOS income in the Financial Period 2003 totalled assessed contributions of USD 7,798,300. Income resulted from contributions of 145 States Parties (including the European Community) at the end of 2003. Of the total income from contributions for 2003 an amount of USD 557,109 was outstanding as at 31 December 2003. The balance of unpaid contributions with respect to the overall budget of the Tribunal (1996 to 2003) amounted to USD 1,708,091 on that date. In addition to the above there was other net income in the total amount of USD 58,902 from different sources like interest income, German social security payments recovered and the cancellation of prior period obligations and exchange differences.

Expenditures

4. The expenditures of the Tribunal for the Financial Period 2003 totalled USD 7,715,426. Due to the exchange rate fluctuations and increase in staff costs, there was an overexpenditure in sections "Staff costs" and "Operating expenditures". As a result of savings in "Contingency" and optimal use of resources in other budget lines, the approved budget for the period amounting to USD 7,798,300 was not overspent.

Special Accounts

5. A special account was maintained for staff assessment withholdings from 1996 to 2003. In addition, a separate special account was also maintained for savings from the budgets of the Tribunal in previous years. The staff assessment accumulated in the account as at 31 December 2002 and the savings from the 2001 budget, after the approved transfer to Working Capital Fund, will be deducted from the assessed contributions of the States Parties for 2004.

Institutional arrangements

6. The financial records of the Tribunal were maintained in the network version of the Sun computerized accounting system, which was fully implemented in 2002.

(Signed) Philippe Gautier
Registrar

Exhibit V

Expenditure report 2003

(In United States dollars)

<i>Objects of expenditure</i>	<i>Approved budget 2003</i>	<i>Disbursements</i>	<i>Balance</i>	<i>Total expenditure/approved budget (Percentage)</i>
1. Recurrent expenditure	6 710 400	7 190 822	-480 422	107.2
2. Remuneration of judges	1 896 000	1 711 739	184 261	90.3
3. Annual allowances	1 295 100	1 205 466	89 634	93.1
4. Special allowances	310 100	334 415	-24 315	107.8
5. Travel of judges to meetings	125 000	105 335	19 665	84.3
6. Judges' pension scheme	165 800	66 523	99 277	40.1
7. Staff costs	3 301 300	3 948 659	-647 359	119.6
8. Established posts	2 249 700	2 811 049	-561 349	125.0
9. Common staff costs	771 600	895 209	-123 609	116.0
10. Overtime	35 000	43 459	-8 459	124.2
11. Temporary assistance for meetings	100 000	97 315	2 685	97.3
12. General temporary assistance	110 000	72 246	37 754	65.7
13. Training	35 000	29 381	5 619	83.9
14. Representation allowance	7 600	7 600	0	100.0
15. Official travel	90 700	88 159	2 541	97.2
16. Hospitality	7 100	4 070	3 030	57.3
17. Operating expenditures	1 232 700	1 266 535	-33 835	102.7
18. Maintenance of premises (including facility management and contractual services)	815 000	933 062	-118 062	114.5
19. Rental and maintenance of equipment	200 000	182 116	17 884	91.1
20. Communications	115 000	69 649	45 351	60.6
21. Miscellaneous services and charges (including bank charges)	20 000	23 353	-3 353	116.8
22. Supplies and materials	65 000	44 855	20 145	69.0
23. Special services (external audit)	17 700	13 500	4 200	76.3
24. Library and related costs	175 000	164 060	10 940	93.7
25. Library procurement of books and publications	120 000	113 398	6 602	94.5
26. External printing and binding	55 000	50 662	4 338	92.1
27. Non-recurring expenditure	100 000	78 126	21 874	78.1
28. Furniture and equipment	100 000	78 126	21 874	78.1
29. Purchase of equipment	100 000	78 126	21 874	78.1
30. Contingency fund	987 900	445 904	541 996	45.1
31. Judges	808 600	325 228	483 372	40.2
32. Special allowances	633 300	280 052	353 248	44.2
33. Compensation to judges ad hoc	40 300	34 350	5 950	85.2
34. Travel of judges to meetings	135 000	10 826	124 174	8.0
35. Staff costs	179 300	120 676	58 624	67.3
36. Temporary assistance for meetings	179 300	120 676	58 624	67.3
37. Miscellaneous	0	574	-574	
38. Total	7 798 300	7 715 426	82 874	98.9

Exhibit VI

Audit procedures and results of the additional audit scope

As directed by the President of the Tribunal and set out in his letter dated 8 April 2004, we have audited the following aspects of operational procedures in addition to our audit of the financial statements as of 31 December 2003:

1. Whether expenditures incurred have been appropriately authorized by the party designated for that purpose in the Rules of the Tribunal and the Financial Regulations of the United Nations;
2. Whether staff and persons being paid by the Tribunal have been recruited or engaged in the manner provided in the Rules of the Tribunal or the Financial Regulations of the United Nations;
3. Whether goods and services have been procured in accordance with the procedures provided for in the Financial Regulations of the United Nations;
4. Whether goods and services which have been procured are necessary or not excessive, having regard to circumstances and the functions of the Tribunal.

As part of our audit of the financial statements the following additional procedures have been performed by us:

(a) Authorization of expenditures

As instructed, we have reviewed the procedures for the authorization of expenditures as outlined in the Financial Regulations of the United Nations and have tested on a sample basis if these procedures have been strictly followed by the Tribunal in all material respects.

As a result of the work done, no significant matter came to our attention. In our opinion the procedures for the authorization of expenditures were carried out in accordance with the Financial Regulations of the United Nations.

(b) Procedures for recruiting/engaging staff

We have reviewed the procedures for recruiting/engaging staff are in line with the Staff Regulations of the Tribunal and United Nations staff rules and selected for testing the recruitment procedures for one out of two new employees engaged in 2002.

As a result of the work done, no breaches came to our attention. The Tribunal has carried out the procedures for recruiting staff in accordance with the Rules of the Tribunal and the Financial Regulations and staff rules of the United Nations.

(c) Procedures for procurement of goods and services

We have reviewed if the procedures followed by the Tribunal in the order process were in line with the Financial Regulations of the United Nations (i.e. include request of bids or tenders, fair analysis of tenders, written contracts etc.) and tested on a sample basis, that these procedures have been followed in all material respects by the Tribunal.

As a result of the work done, no matters came to our attention. In our opinion the procedures for procurement of goods and services were carried out in accordance with the Financial Regulations of the United Nations.

(d) Examined whether goods and services procured are necessary or not excessive, having regard to circumstances and the functions of the Tribunal

We have examined, if (1) the expenditures reported for the fiscal year have been properly included in the statement of income and expenditure and have been charged to the appropriate budget line and (2) the goods and services procured were necessary or not excessive with regard to circumstances and the functions of the Tribunal.

As a result of the above described procedures and excluding the impacts from exchange rate fluctuations in 2003, we noted minor overexpenditures within single budget lines. The overexpenditures were not excessively high, could be reasonably explained and were compensated by savings under compatible budget lines. The equipment acquired during the financial period 2003 is duly listed in the inventory and is being used as required by the circumstances and the functions of the Tribunal.

Special conditions

Governing the raising of the limit of liability defined in the General Terms of Engagement for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften, as amended 1 January 2001

Instead of the lower liability limit for single cases defined in section 9 (2) of the enclosed General Terms of Engagement, a uniform limit of €10 million euros shall apply.

Where the client is of the opinion that the engagement involves a risk significantly in excess of €10 million, we are prepared to raise the limit on our liability to a reasonable amount in exchange for an adequate increase in our fees, provided that insurance cover can be obtained.

The above shall not apply where a higher or lower limit on liability for professional services is prescribed by law, e.g. for a statutory audit.

Where a loss is due to several causes, we shall be liable only if our negligence or the negligence of our staff has contributed to the loss, and only for the proportion of the loss corresponding to the extent of such contribution, subject to the agreed limit on our liability; this provision shall apply in particular to all engagements to be performed jointly with other members of the profession.

In addition to section 7 (1) of the General Terms of Engagement, we point out that a limitation of our liability agreed with our client will also apply to any third party who is affected by the engagement.

Exclusive place of jurisdiction for any action or other legal proceedings arising out of or in connection with this engagement shall be the court competent for the office in charge for this engagement.
