United Nations

Report of the United Nations Board of Auditors on the financial statements of the United Nations Convention to Combat Desertification

for the year ended 31 December 2022

Note

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

Contents

Chapter I

Report of the Board of Auditors on the Financial Statements: Audit Opinion

Opinion

We have audited the financial statements of the United Nations Convention to Combat Desertification (UNCCD) which comprise the statement of financial position (statement I) as at 31 December 2022 and the statement of financial performance (statement II), statement of changes in net assets (statement III), cash flow statement (statement IV) and the statement of comparison of budget and actual amounts (statement V) for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of UNCCD as at 31 December 2022, and its financial performance and cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS).

Basis for Opinion

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

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

The UNCCD Executive Secretary is responsible for the other information. The other information comprises the financial report for the year ended 31 December 2022 included in chapter IV, but does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

(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 UNCCD's internal control.

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

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

(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 weaknesses in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

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

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

Hou Kai
Auditor General of the People's Republic of China
Chair of the Board of Auditors

Pierre **Moscovici**
First President of the French Cour des comptes
(Lead Auditor)

Jorge **Bermúdez**
Comptroller General of the Republic of Chile

26 July 2023

Chapter II

Long-form report of the Board of Auditors

Summary

The United Nations Convention to Combat Desertification (UNCCD) was established in 1994 and is the binding international agreement linking environment and development to sustainable land management. The Board of Auditors (Board) conducted the audit of the financial statements and reviewed the operations of UNCCD for the year ended 31 December 2022. The audit was carried out on site, in Bonn (Germany), from 5 to 16 December 2022 and 3 to 21 April 2023.

Audit opinion

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

Overall conclusion

On 31 December 2022, UNCCD fund balances and reserves amounted to $21.5 million (in 2021: $17.0 million). In 2022, UNCCD recognized a deficit of $3.2 million (surplus in 2021: $11.2 million).

The 2022 financial statements were presented for audit on 31 March 2023. The Board noted a difference of $0.7 million regarding receivables from voluntary contributions between the trial balance and the financial statements.

UNCCD reviewed these differences and revised its financial statements for the year ended 31 December 2022.

Key findings

Finance

UNCCD’s investments are managed by the United Nations Headquarters. The notes to the financial statements include schedules summarizing the assets, liabilities, performance and risk analysis of the main cash pools from a global perspective. However, they do not accurately present the financial performance, position and risks of UNCCD itself.

Risk management

Identification of UNCCD’s most critical risks could benefit from a more strategic approach, considering the full scope of the Convention.

Regarding the way UNCCD manages risks, recent progress has been made but the existing framework should be completed to better reflect the whole cycle of risk management. One of the prominent critical risks to handle at strategic level concerns the organization of the COP, and relate in particular to the implementation of the host country agreement and private sponsoring. The examination of a number of case studies shows room for improvement also in the area of cybersecurity as well as in the management of sensitive partnerships.

Targeted improvements could be achieved in 2023 in the Organization-wide risk management framework, notably by better defining risk management roles, upgrading the risk management tools and improving awareness and training. Specific risk frameworks should be updated and implemented more effectively, notably on the prevention of fraud and misconduct.

Complementary approaches in the medium to long term would make it possible to get all the benefits expected from a more mature risk management,

including by better articulating risk management with the wider accountability framework in order to promote a simpler and streamlined operational system, and considering to better define the appetite for risk of the Organization.

Other managerial issues

The Board looked at various other managerial issues and concluded notably that:

- outstanding indicative contributions by Parties can affect the operational activities of the Secretariat;
- the reallocation of unutilized voluntary contributions from private partners should be improved;
- updating job descriptions within the Secretariat would bring several benefits, including in terms of internal control and business continuity;
- the management of access rights in the Umoja IT system would benefit from a simplification of the architecture, which is not under the mandate of UNCCD, and an enhancement of the controls.

Recommendations

The Board has made nine new recommendations based on its audit. Details of how they can be implemented are provided throughout the report, notably in paragraphs immediately following the formulation of each recommendation. The Board recommends that UNCCD:

Finance

(a) specify the information related to its assets and financial performance on investments in the notes to its financial statements;

Risk Management

(b) broaden the identification and assessment of critical risks in order to cover the full scope of the Convention and better involve senior management and the legislative bodies in this endeavour;

(c) identify, ahead of the upcoming COP, the most critical risks at stake, including related to the host country agreement and to the sponsoring of the Conference, in order to anticipate and mitigate them;

(d) update its risk management policy, with a view to ensure a more effective and efficient process, focusing as a priority on critical risks of strategic importance;

(e) ensure that all staff are made aware of the risks associated with cybersecurity, through regular, mandatory trainings;

(f) assign the responsibility of Chief Risk Officer to an existing senior executive;

(g) review the quality of the corporate "risk register" and finalize a risk treatment plan;

(h) update and supplement its policies on conduct and discipline and the prevention of fraud and corruption, and ensure their effective implementation;

Other managerial issues

(i) update the job descriptions for each position, starting with the most essential ones.

Previous recommendations

Out of 19 outstanding recommendations, seven have been fully implemented (representing 37 per cent of the outstanding recommendations, compared to 61 per cent in 2021). This implementation rate of previous recommendations appears particularly low.

Key facts

$19.84 million	Revenue
$23.02 million	Expenses
$3.18 million	Deficit for the year
$57.64 million	Assets
$36.17 million	Liabilities
$21.47 million	Fund balance and reserves
€8.22 million	Core budget
82	Staff

A. Mandate, scope and methodology

1. The United Nations Convention to Combat Desertification (UNCCD) was established in 1994 and is the binding international agreement linking environment and development to sustainable land management. Currently, the Convention has 197 parties. The work of UNCCD is facilitated by its Secretariat located in Bonn, Germany. Established under the Convention as an operational arm, the Global Mechanism provides advisory services and works together with developing countries, the private sector, and donors to mobilize substantial resources for the implementation of UNCCD.

2. The Board of Auditors (Board) has audited the financial statements of UNCCD and reviewed its operations for the year ended 31 December 2022 in accordance with General Assembly resolution 74 (I) of 1946. The audit was conducted in conformity with article VII of the Financial Regulations and Rules of the United Nations and the annex thereto and in accordance with the International Standards on Auditing (ISAs) as well as the International Standards of Supreme Audit Institutions (ISSAIs). These standards require that the Board complies with ethical requirements, plans and performs the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

3. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements presented fairly the financial position of UNCCD as at 31 December 2022 and the results of its operations and cash flows for the financial year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS). This included an assessment as to whether the expenditures recorded in the financial statements had been incurred for the purposes approved by the governing bodies and whether revenue and expenditures had been properly classified and recorded in accordance with the Financial Regulations and Rules of the United Nations and IPSAS. The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

4. In addition to auditing the accounts and financial transactions, the Board carried out reviews of the UNCCD operations under United Nations financial regulation 7.5. This enables the Board to make observations with respect to the efficiency of the financial procedures, the accounting system, internal financial controls and, in general, the administration and management of UNCCD operations. The Board also followed up on its previous recommendations.

5. The interim audit was carried out on site from 5 to 16 December 2022 and the final audit was conducted on site from 3 to 21 April 2023. The examination of UNCCD included a review of the internal controls and accounting systems and procedures only to the extent considered necessary for the effective performance of our examination.

6. The findings and observations shall not be regarded as representing a comprehensive statement of all the weaknesses which may exist in the financial and management systems at UNCCD, or as identifying all improvements which could be made to the systems and procedures.

7. The Board’s observations and conclusions were discussed with the UNCCD Secretariat whose views are appropriately reflected in the report.

B. Follow-up of previous recommendations and findings

1. Previous recommendations

8. As of 31 December 2022, there were 19 outstanding recommendations of the Board of Auditors concerning UNCCD: eleven from the audit report of the financial year 2021 and eight from previous exercises.

9. The implementation rate of previous recommendations is particularly low. Only seven recommendations have been implemented in 2022 (representing 37 per cent of the outstanding recommendations, compared to 61 per cent in 2021), while six are still under implementation (31 per cent), three are not implemented yet (16 per cent) and three are overtaken by events (16 per cent). Details of the status of implementation of these recommendations are presented in the annex 1 to this report.

10. In previous reports, the Board had already expressed its concern at the low rate of implementation of its recommendations, and made specific recommendations[1] to improve the situation. These recommendations have not been implemented yet.

2. Finance

2.1. Financial overview

Revenue and expenses

11. Revenue from indicative and voluntary contributions represented almost 100 per cent of this total, amounting to $19.8 million in 2022, with a significant decrease compared to 2021 ($29.8 million), mainly due to the fluctuant nature of voluntary contributions (while indicative contributions are fairly stable). Only $0.1 million are related to other revenue such as interest revenue and gain on investments ($0.6 million in 2021).

12. UNCCD's total expenses for 2022 amounted to $23.0 million, with a substantial increased compared to 2021 ($18.6 million). This increase is predominantly due to travel expenses, that reach their usual level ($2.6 million; in 2021 travelling was still limited due to the pandemic), higher staff costs (increase of $1.0 million) and other expenses including supplies equipment and furniture ($0.4 million).

13. Table II.1 below presents an overview covering a three-year period from 2020 to 2022. The table shows changes and trends in revenue and expenses, and also in the balance sheet categories.

[1] See Report of the United Nations Board of Auditors on the financial statements of the United Nations Convention to Combat Desertification for the year ended 31 December 2021, paras. 124. *The Board recommends that UNCCD establish an implementation plan for the Board's recommendations that is underpinned with staff resources.* and 125. *Furthermore, the Board recommends that UNCCD continuously monitor progress against the implementation plan.*

Table II.1
Overview covering the years 2020-2022
(Millions of United States dollars)

	2022	*2021*	*2020*	*Increase/(decrease) 2021 to 2022*	*Increase/(decrease) 2020 to 2021*
Revenue	19.8	29.8	19.2	(33.6)	55.2
Expenses	23.0	18.6	15.6	23.7	19.2
Surplus/Deficit	(3.2)	11.2	3.6	(128.6)	211.1
Assets	57.6	52.7	39.8	9.4	32.5
Liabilities	36.2	35.7	34.5	1.4	3.5
Fund balance and reserves	21.5	17.0	5.2	26.5	226.8
Personnel expenses	13.0	12.0	10.2	8.3	17.6

Source: Board of Auditors' calculations based on the UNCCD financial statements for 2022, 2021, and 2020.

Assets and liabilities

14. In 2022, the amount for total assets further increased by $4.9 million, reaching $57.6 million at year-end. Major changes in the 2022 assets stemmed from increases in investments by $5.3 million.

15. Table II.2 presents key financial ratios. They indicate that UNCCD's current liquidity has deteriorated significantly as at 31 December 2022 compared to previous years. This deterioration in liquidity was mainly due to the decline of voluntary contributions receivable but also of increase of advance receipts without impact on liquidity as long-term investments were given priority.

Table II.2
Ratio analysis

Ratio	*31 Dec 2022*	*31 Dec 2021*	*31 Dec 2020*	*31 Dec 2019*
Assets-to-liabilities ratio[a] Total assets: total liabilities	1.59	1.48	1.15	1.06
Current ratio[b] Current assets : current liabilities	3.86	12.20	10.59	9.38
Quick ratio[c] (Cash + short-term investments + accounts receivable): current liabilities	3.79	12.09	10.48	9.25
Cash ratio[d] (Cash + short-term investments): current liabilities	2.96	8.01	7.01	6.32

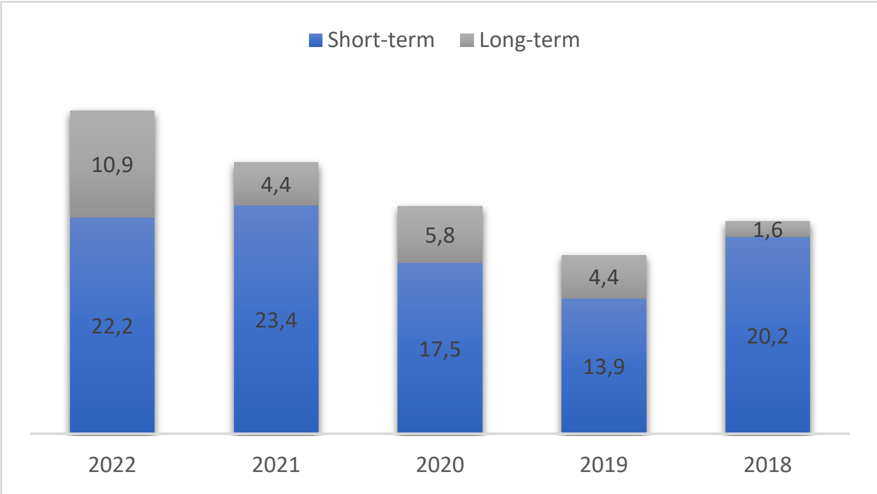
Source: Board of Auditors' calculations based on the UNCCD financial statements for 2022, 2021, 2020, and 2019.

[a]A high ratio is a good indicator of solvency.
[b]A high ratio indicates an entity's ability to pay off its current liabilities.
[c]The quick ratio is more conservative than the current ratio because it excludes inventory and other current assets, which are more difficult to turn into cash. A higher ratio means a more liquid current position.
[d]The cash ratio is an indicator of an entity's liquidity. It serves to measure the amount of cash, cash equivalents or invested funds available in current assets to cover current liabilities.

16. The overall solvency (ratio of total assets to total liabilities) at year-end 2022 has increased to 1.59. According to the current ratio, the quick ratio (ratio of cash, short term investments and accounts receivable to current liabilities) and the cash ratio (ratio of cash and short-term investments to current liabilities), UNCCD's liquidity deteriorated

significantly. This deterioration in liquidity was mainly due to the decline of voluntary contributions receivable but also of increase of advance receipts.

Figure II.I
Development of investments during the years 2018-2022
(Millions of United States dollars)



Source: UNCCD financial statements for 2022, 2021, 2020, 2019, and 2018.

Net assets by fund

Table II.3
Net assets/(liabilities) by fund
(Millions of United States dollars)

	Net assets/ (liabilities) *as at 31 Dec 2022*	***Employee benefit liabilities*** *as at 31 Dec 2022*	***Revenue*** *in 2022*	*thereof indicative contributions revenue*	*thereof voluntary contributions revenue*
Trust fund for Convention events organized by the UNCCD Secretariat (BMA)	**0.70**	0.00	0.53	-	*0.53*
Trust fund for voluntary financing of the UNCCD Global Mechanism (GMZ)	**13.51**	0.00	0.25	-	*0.25*
Trust fund for the participation of representatives of state parties in the session of the UNCCD Conference (UVA)	**0.11**	-	0.00	-	-
Trust fund for voluntary financing of activities under the UNCCD (UWA)	**26.89**	0.00	8.55	-	*8.46*
Trust fund for the core budget of the UNCCD (UXA)	**(11.38)**	16.34	9.15	*8.60*	*0.54*
Special account for UNCCD programme support cost (ZQA)	**(9.93)**	10.07	2.11	-	-
UNCCD cost recovery under home country agreement (ZHC)	**1.58**	-	1.35	-	*1.35*
Eliminations	**-**	-	(2.10)	-	-
Total	**21.47**	26.40	19.84	*8.60*	*11.12*

Source: UNCCD financial statements for 2022; statement of financial position by fund and statement of financial performance by fund.

17. The “Trust fund for the core budget of the UNCCD” (UXA) and the “Special account for UNCCD programme support cost” (ZQA) bear a large portion of the employee benefit liabilities. These funds present high net liabilities as only after-service health insurance liabilities related to extrabudgetary activities are part funded as at 31 December 2022.

18. On the other hand, UNCCD funds, which are primarily composed of voluntary contributions, show high net assets. IPSAS 23 stipulates that revenue from voluntary contributions, including multi-year agreements, is regularly recognized upon signing of donor agreements.

2.2. Adjustments during the financial audit

19. Some transactions were incorrectly reflected in the draft financial statements and have been consequently adjusted by the UNCCD Secretariat at the Board’s request:

- UNCCD had not recorded an accrued liability related to COP 15 ($0.4 million). Indeed, UNCCD has not yet submitted to the Host Country the statement of accounts detailing the expenditure of COP 15. The Host Country Agreement provides, among other things, that the Secretariat reimburse the Government of

the Host Country for any unused balance;
- UNCCD had not recorded 2021's adjustments regarding receivables from voluntary contributions. A difference of $0.7 million was noted between the trial balance and the financial statements;
- $0.2 million of investment assets were presented as accrued interest.

20. Furthermore, the Board has issued various comments on UNCCD's financial reporting for the year ended 31 December 2022 and, in particular, on the notes to the financial statements.

21. UNCCD reviewed the differences and subsequently revised its financial statements for the year ended 31 December 2022.

2.3. Financial disclosure on investments

22. UNCCD's investments are managed by UN Headquarters. Each year UNCCD books its investment amounts on the basis of information shared by Investments and Accounting Unit at UN headquarters.

23. The accounting standard on the presentation of financial statements (IPSAS 1) recommends that "Notes shall, as far as practicable, be presented in a systematic manner. Each item on the face of the statement of financial position, statement of financial performance, statement of changes in net assets/equity and cash flow statement shall be cross-referenced to any related information in the notes" (§128). In addition, it allows to add notes on "information about items that do not qualify for recognition in those statements" and other explanatory notes (§21-f). IPSAS 30 "Financial instrument disclosure" states that "An entity shall provide sufficient information to permit reconciliation to the line items presented in the statement of financial position." (§9) and "An entity shall disclose information that enables users of its financial statements to evaluate the significance of financial instruments for its financial position and performance." (§10).

24. The notes to the financial statements reflect in several tables the summary of assets and liabilities of the main cash pool managed by the UN Treasury Unit, their annual performance and their interest rate risk sensitivity analysis, but from a global point of view. Table 6 of the notes to the financial statements show information about the main cash pool. While tables 21 and 12 of the notes show only information about UNCCD financial instruments. Furthermore, amounts related to the main pool do not correspond to the sub-totals of the assets and cash flow statement of financial position of UNCCD, which is misleading.

25. Five tables on investments in the UNCDD UNCCD draft financial statements notes disclose details on the UN Cash pools activity.

26. This quantitative information is clearly mentioned as "Main cash pool" but could be confusing for the reader of the notes, as they do not represent the financial position, performance and risks of sole UNCCD.

27. The United Nations Secretariat has confirmed the possibility to provide tables with only UNCCD portion of the pool alongside with the total amounts.

28. **The Board recommends that UNCCD Secretariat specify the information related to its** assets **and financial performance on investments in the notes to its financial statements.**

29. The UNCCD Secretariat accepted the recommendation subject to the United Nations Secretariat's ability to single out the relevant data.

3. Risk Management

30. The Board has already expressed its opinion on several occasions on specific elements concerning necessary improvements in risk management. In particular, it

noted, inter alia: the lack of a continuous fraud prevention and management mechanism (Report on the 2017 accounts); the need to implement risk management within a defined framework (2019); and the inclusion of the prevention of conflicts of interest in the risk register (2020). On this last point, in spite of the absence of formalized risk management framework, the Secretariat has shown awareness to risks and useful preventive measures have been successfully implemented. However, without a formalized and monitored corporate framework, the risk of a conflict of interest could persist.

31. The UNCCD Secretariat, being better aware of the risks at stake (3.1) and the way they have so far been managed (3.2), should be in a position to modernize its risk management framework in 2023 by adopting short-term measures tailored to its capabilities and the specificities of the Convention (3.3), with the aim of progressively improving accountability and performance (3.4).

3.1. Risk universe

32. Identification of UNCCD's most critical risks could benefit from a more strategic approach, considering the full scope of the Convention (a) and better describing the risk universe (b).

a) Identifying risks at the strategic level of the Convention

33. The notion of risk is an integral part of UNCCD's framework. The 1994 United Nations Convention to Combat Desertification refers to risk on several occasions, for example in Article 18: "*The Parties shall make full use of appropriate information systems and centers at the national, sub regional, regional and international levels for the* dissemination *of information on available technologies, their sources, the risks they pose to the environment and the general conditions under which they can be acquired*". As another example, an evaluation report on the Changwon Initiative adopted in 2011 by Conference of the Parties (COP) 10 stated that there is a "*risk of loss of momentum. Countries have set targets, but now need to develop and finance transformative projects. Need to build commitment, further raise awareness of Land Degradation Neutrality and continue to raise capacity*."

34. The UNCCD Secretariat proposed a first risk management policy in 2006 limited to the IT sector, followed by a broader risk management policy in 2018, but the implementation of the latter is still in its early stages, exposing the Secretariat and the Convention more broadly, to various vulnerabilities.

35. The risk management framework of the Secretariat cannot be limited to its perimeter alone, *but* should contribute to risk control throughout the Convention. The Secretariat supports a range of bodies established by the COP, either in the original treaty or by subsequent decision, created to meet the objectives of the Convention:

- COP as a governing body as well as its Bureau (Article 22 of the Convention);
- Subsidiary bodies of the COP: Committee on Science and Technology and Committee for the Review of the Implementation of the Convention;
- Global Mechanism.

36. Bodies related to UNCCD Secretariat, such as the Global Mechanism, also have room for improvement when it comes to risk management. It may be noted that the 2019 Internal *Auditor's* report on the Global Mechanism included a recommendation. that UNCCD should obtain legal advice to ensure that any risks arising from resource mobilization activities for the Land Degradation Neutrality Fund are adequately addressed.

37. Although risk management is a prerogative pertaining to the COP and its subsidiary bodies, we consider that the Secretariat should be able to manage risks covering Secretariat itself, but also the range of linked bodies, mentioned above – in accordance with article 23 of the Convention: "The functions of the Permanent

Secretariat are: (a) to arrange for and service meetings of the Conference of the Parties and its subsidiary bodies established under the Convention; [...] (b) to provide the Secretariat with the services of the Secretariat [...] (e) to enter into such administrative and contractual arrangements as may be required for its functions."

Managing risks to achieve strategic objectives

38. The risk management policy only makes sense if it contributes to the achievement of strategic objectives, as far as the Executive Secretary is concerned. Risk management needs to be adapted to each hierarchical level, two key initial steps being the definition of a risk management framework (policy, etc.) and the assessment of the most critical risks faced by the Organization.

39. UNCCD major strategic documents have to be a starting point to identify risks in achieving objectives, within the Secretariat and its linked bodies. Among these strategic documents, the following play a key role: the Convention itself; the Strategic Framework 2018-2030 of the UNCCD, adopted at COP 13, which sets out five major strategic objectives and underline activities carried out by the Convention bodies; the multi-year workplan for the Convention institutions (2022-2025) as per decision 1/COP.15. Down to a more operative level, the workplans and work programmes follow a results-based management (RBM) approach as per the report on the performance of the Convention institutions and subsidiary bodies (2020-2021) - ICCD/CRIC(20)/3. At the operational level, specific attention should also be paid to the "flagship initiatives", as the G20 initiative or the International Drought Resilience Alliance (IDRA), which are on the one hand major objectives, associated with significant voluntary contributions and on the other hand factors of visibility for the concrete action of the Convention.

40. The Evaluation Office of the Secretariat has launched an update of both its risk management policy and register, to be completed by the end of 2023 for the whole scope of bodies.

41. It is an essential prerequisite that the risk identification, which is the first step in risk management, covers the whole of the above-mentioned scope. The relaunch of risk management foreseen at the end of 2023 is an opportunity to widen this scope beyond the administrative perimeter limited to the action of the Secretariat's management.

42. **The Board recommends that the UNCCD Secretariat broaden the identification** and **assessment of critical risks in order to cover the full scope of the Convention and better involve senior management and the legislative bodies in this endeavour.**

43. The UNCCD Secretariat accepted the recommendation.

Risks of very diverse nature and scope

44. Carrying out activities in an efficient and secure environment is a priority, especially for an entity whose operations are more than half funded through voluntary contributions.

45. It is important to be aware of the different types of risks that the Convention may encounter.

46. A first categorization of risks is based on their origin: are they endogenous or exogenous? The former result from the very functioning of the above-mentioned bodies, both at the operational and programmatic levels. The latter are more difficult to identify as they depend on the environment in which the Convention operates.

47. A second classification is related to the likelihood of recurrence: very occasional or frequent? A recurring risk must be managed over time, with an adaptation of the associated mechanisms. For example, this could be the prevention of fraud and corruption in operations. A risk whose occurrence is exceptional can nevertheless have a critical impact on the organization - Covid-19 is a perfect example. In this case,

business continuity and recovery protocols must be in place to facilitate crisis management.

48. Next, risks can be distinguished as strategic or operational. A strategic risk must be known and managed at the highest level if its potential impact is high (e.g. cyber-attacks, financial risk, etc.). The management of an operational risk can be delegated to the administrative services or to project managers.

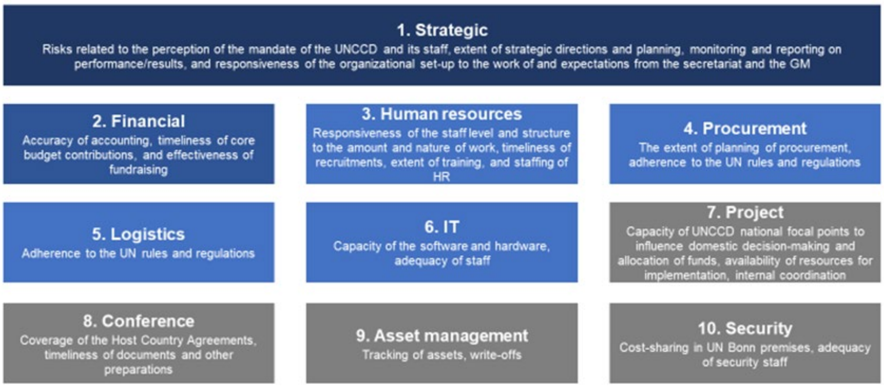
49. Finally, the Organization must be able to prepare for emerging risks, such as informational attacks, which requires a form of organized monitoring within the Secretariat and recalls that risk management must be a continuous process, fully integrated into the major decision-making mechanisms. In this context, the initiative taken by the Evaluation Office to liaise with other risk managers within UN entities (e.g. UNFCCC) and other Organizations could be extended over time in the framework of a fairly flexible community of good practices or monitoring and alert.

b) Better describing the UNCCD risk universe

50. UNCCD's risk management rests upon ten key risk areas that have been identified in the latest version of the risk register. Established in 2007 and last updated in 2018, UNCCD's risk register identifies the following key risk areas, listed in an internal note on enterprise risk management within UNCCD.

51. These key areas of risk appear to cover the whole scope of the Executive Secretariat's activities, including support to subsidiary bodies and organization of the Conference of the Parties.

Figure II.II
Key risk areas identified in UNCCD Secretariat's risk register



Source: Board of Auditors, based on UNCCD Secretariat's 2007 risk register updated in 2018.

52. The list of key risk areas identified in this risk universe has not been modified since 2007, and the Secretariat itself acknowledges that topics listed within the above areas might be less relevant than they used to be when the document was established, and could be reviewed in the future.

53. As for the risk assessment part of the risk register, it has only been partially updated in 2018. Owing to latest developments – including creation of G20 initiative in 2021 and latest flagships initiative supported by the Global Mechanism, the risk register should be reviewed to ensure that it is still in line with the Convention's stakes and covers the whole scope of activities related to the Secretariat and its bodies.

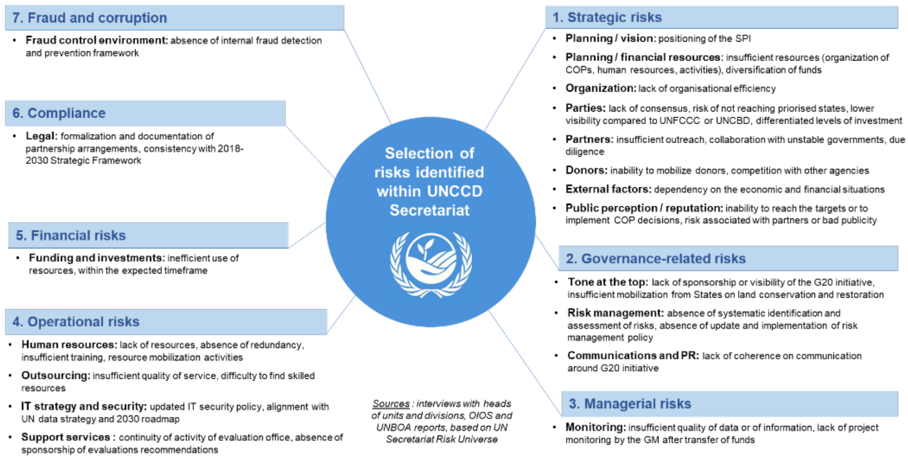
Tailoring the United Nations Secretariat guidance to UNCCD

54. The Department of Management Strategy, Policy and Compliance (DMSPC) of the UN Secretariat has issued guidance enterprise risk management and Internal Control Framework of the UN Secretariat, which details a risk description of all risks considered as relevant to the organization. That risk universe should be tailored and adapted to the organizational unit considered.

55. The following risks would specifically need to be considered in the description of the UNCCD Secretariat's risk universe, when some of them were not mentioned in the previous risk register:

- Reputational risks, when UNCCD's public perception is at stake: UNCCD's perception by the public and by donors heavily relies on its communication strategy, but also on partners it is associated with – be it private donors or public personalities advocating for UNCCD's activities. Similarly, any incident affecting the organization of the COP or the Secretariat's activities could have an impact on UNCCD's reputation;
- Financial risks, covering funding of UNCCD's core activities and organization of the COP, accounting and reporting – among others;
- Operational risks, including support services such as procurement, human resources or IT security;
- Fraud and corruption.

Figure II.III
Possible description of the UNCCD Secretariat's risk universe



Source: Board of Auditors, April 2023.

3.2. The way UNCCD manages risks

56. Regarding the way UNCCD manages risks, a first major category of risks concerns the organization of the COP, and relate in particular to the implementation of the host country agreement and to private sponsoring (a). Recent progress has been made in terms of risk management in UNCCD but the existing framework should be completed to reflect the entire cycle of risk management (b). The examination of a number of case studies shows room for improvement in the area of cybersecurity as well as in the management of sensitive partnerships (c).

a) Critical risks associated to the organization of the COP

57. A look back at the organization of the COP15 of May 2022 highlights several difficulties, related notably to the implementation of the host country agreement and to sponsoring initiatives.

Implementation of the COP15 host country agreement

58. One of the core and inherently risky activities carried out by the Secretariat is the organisation of international negotiations between the Parties to the Convention to combat desertification, including the Conference of the Parties (COP). The latest version of the draft risk register updated in 2018 identifies "Conference" as a major risk area, including on risks related to COP support activities, decision-making bodies, as well as the associated legal support. In the

case of the COP, the organisational and financial arrangements are defined by the host country agreement, which includes clauses on premises, staff, equipment and service providers.

59. The organisation of COP 15 of May 2022, which was still affected by the uncertainties deriving from the global Covid-19 pandemic, revealed potential risks. The review of the provisions of the COP15 host country agreement and of the related accounting operations points to several issues:

- The host country agreement was signed on 6 May 2022 – i.e. only three days before the start of the COP, held from 9 to 20 May 2022.
- Although the payment of the contribution of the host country, as per the host-country agreement, should have been effective on 20 May 2022, it was only recognised in the accounts on 19 September 2022, i.e. four months later.
- As a result, the Secretariat had to commit funds on its own although the financial provisions applicable do not provide for such advance payment by UNCCD. Expenditures prior to the payment received amounted to $0.7 million (at year-end, total expenses amounted to $1.2 million). These difficulties question the “principle of anticipation” stating that the Secretariat should not incur expenditure without actual payment of funds by the host country.
- No deadline is specified in the agreement for the transmission of the final summary of expenditures to the host country, nor for the effective reimbursement of the unused amount.

Private sponsoring of the COP

60. Risks associated to private sponsors of the COP need to be properly managed in order to safeguard the reputation of the Secretariat. Proper mechanisms have to be put in place to prevent such risks.

61. The selection of a sponsor is in the hands of the host country, and there is so far no mechanism to ensure a vetting process by the COP or UNCCD Secretariat on this aspect. Even if the very nature of the negotiation process remains informal and encroaching on a Member States’ prerogatives in a codified way could prove counterproductive, the UNCCD Secretariat has the responsibility of anticipating such risk and implementing, including preventively, appropriate measures to mitigate it.

62. **The Board recommends that the UNCCD Secretariat identify, ahead of the upcoming COP, the most critical risks at stake, including related to the host country agreement and to the sponsoring of the Conference, in order to anticipate and mitigate them.**

63. The UNCCD Secretariat accepted the recommendation.

b) Upgrading the existing enterprise risk management framework

64. The United Nations Secretariat has made risk management a cornerstone of its governance and accountability mechanisms, within a framework that should guide UNCCD. The 2018 policy nevertheless needs to be updated. The formalization of risk management in the UN Secretariat started over 15 years ago. The current policy dates back to 2011, proposing a conceptual framework that has remained stable. The policy has been translated into operational terms through a specific guide on risk management, which is updated as practices in this area evolve.

65. There is an institutional linkage between the United Nations and UNCCD, which is based on an inter-office memorandum dated 1998 between the General Secretariat and the Executive Secretariat, The General Assembly regularly decides on

the continuation of the related administrative arrangements, most recently in its resolution 77/266 in December 2022, "[*The General Assembly] reaffirms the continuation, for a further five-year period, of the current institutional linkage and related administrative arrangements with the United Nations Secretariat, to be reviewed by both the General Assembly and the Conference of the Parties no later than 31 December 2026*" as does the COP (decision 35/COP.15). In this way:

- the Executive Secretary (USG) is accountable to the Secretary General on administrative and financial matters;
- financial and common services arrangements shall be governed by the Financial Regulations and Rules of the United Nations, and shall also be consistent with the Financial rules adopted by the Conference of the Parties (Decision 2/COP.I);
- the Executive Secretary administers the staff of the UNCCD Secretariat in accordance with United Nations Staff Regulations and Rules and such special rules which may be established by the Executive Secretary in agreement with the Secretary-General.

66. A consequence of these arrangements in the area of risk management is that any policy defined by the Executive Secretary should be compatible with the United Nations rules, regulations and policies; and, in the absence of an internal normative framework at the level of UNCCD, the United Nations Secretariat's framework is applicable. The UNCCD's risk management framework should therefore be compatible with that of the United Nations, which remains applicable in the absence of an alternative internal policy.

67. The Secretariat has tried to implement risk management in the past, but without taking all the necessary steps to fully implement the policy defined. The UNCCD risk management framework, if defined, needs to be adapted to the limited size and to the specific features of this Secretariat. The first internal policy document on risk management dates back to 2006. It is a "*risk assessment policy*" limited to the IT domain, a sector where risk management and business continuity are very generally integrated to procedures.

68. It was not until 2018 that a "risk management policy" was formalized. We welcome the transposition of the directives from Headquarters, but regret that the process has not been translated into operational terms. This document states that "risk management requires continuous implementation of all staff, at all levels of the UNCCD Secretariat and Global Mechanism".

69. This policy suffers from several shortcomings, that should lead to a revision of the document in the very short term. The first relates to its very purpose, which is incomplete: "identifying*, assessing and reporting on risks*". What is proposed only covers a part of the risk management cycle, omitting the "mitigation" component, and would not allow to achieve the desired benefits of risk management.

70. **The Board recommends that the UNCCD Secretariat update its risk** management **policy, with a view to ensure a more effective and efficient process, focusing as a** priority **on critical risks of strategic importance.**

71. The Board considers that this risk management policy should be in line with UN Secretariat's one, noting that the size of the UNCCD Secretariat may require adjustments.

72. The UNCCD Secretariat accepted the recommendation and stated that work was already underway within the Evaluation Office. This could result in a new policy being proposed to the Executive Secretary for signature by the end of 2023. This document could remain in draft form while it is being tested and refined during the year.

c) Case studies: lessons learned from previous incidents

73. Through the analysis of a couple of case studies, some lessons learned can be drawn at the Secretariat's level, in order to identify possible actions to strengthen the future risk management framework within UNCCD and demonstrate the added value of risk management.

Case 1: cybersecurity incident late 2022 leading to a scam aimed at donors

74. Like any entity, UNCCD is subject to cybersecurity risks, be it a cyberattack or a data leak.

75. Such risk recently occurred, as the account of a senior manager was hacked. While the user only realised that his account had been compromised at the end of January 2023, the first fraudulent use of the account dated back to November 2022. The compromised email address was used to send money transfer requests to donors. At least one country was victim of this scam, on which a national legal investigation is ongoing.

76. Internally, appropriate actions were taken. An incident manager was appointed within the Secretariat team to monitor and document progress on the resolution of the incident. Upon knowledge of the incident, UNCCD IT team moved quickly to disable the compromised account and remove privileges attached to it, but needed assistance to assess the extent of the damage. For further measures, UNCCD requested the assistance of teams from the United Nations International Computing Centre (UNICC), with whom UNCCD has a Memorandum of Understanding.

77. UNICC was in charge of investigating the incident, and of implementing post-incident remediation actions on multiple areas with high security risks, identified as such by UNICC team. Upon the UNCCD Secretariat's request, UNICC operations specialists carried out security assessments of IT systems. Among post-incident remediation measures, UNICC assisted UNCCD in strengthening existing controls with the deployment of a software that detects IT security threats on all servers and workstations. In addition, the final report by the incident manager mentions two pending training actions, in conjunction with UNICC: a training session for all UNCCD staff and consultants on the fundamentals of IT security, and another specific one for UNCCD IT team to update their knowledge in terms of cybersecurity. The Board is not aware of any mandatory training on this aspect for staff members. UNCCD and UNICC are also considering long term cooperation on IT support - including cybersecurity.

78. This incident shows the need for constant vigilance against the risk of cyberattacks to which UNCCD remains vulnerable. In addition, this type of attack also poses a reputational risk to the Secretariat, hence the necessary involvement of the Chief of Communications, External Relations and Partnerships, to implement mitigation measures vis-à-vis all stakeholders potentially affected by an incident.

79. Cybersecurity risks should be included in the upcoming version of UNCCD risk register, and appropriate mitigation measures identified.

80. **The Board recommends that the UNCCD Secretariat ensure that all staff are made** aware **of the risks associated with cybersecurity, through regular, mandatory trainings.**

81. The UNCCD Secretariat accepted the recommendations.

Case 2: partnerships with the private sector

82. The Capacity Building Marketplace (CBM) appears as a key instrument to implement UNCCD's strategy and support capacity building in land degradation neutrality related topics. As it involves private sector partners, including heavyweights of the agro-industry, it bears inherent risks.

83. In order to implement the Convention's objective, UNCCD has a key role in promoting and sharing knowledge pertaining to desertification, land degradation and drought. In that sense, the CBM addresses the Parties' concerns about lack of capacity

to effectively implement the convention, while contributing to UNCCD's global authority on scientific and traditional knowledge on desertification, land degradation and drought related topics.

84. The CBM "provides a public space where science, technology, and human capital resources are brought together in one location to work toward implementing the Convention". In an effort to connect capacity-related needs and solutions related to the Convention, the CBM enables stakeholders, individuals and organizations to network, offer knowledge, funding and job opportunities. As such, multiple job offers are displayed on the CBM on UNCCD's key work areas.

85. Presenting job offers from partners on UNCCD's website constitutes a major reputational risk. As of April 2023, the CBM displays more than 500 job offers worldwide from UNCCD's partners, such as UN agencies, civil society organizations or private companies. For instance, UNDP, FAO, the Asian Development Bank, Action against Hunger, Greenpeace or University of Cambridge are among those partners.

86. The disclaimers for such job offer need to be reinforced. All job offers featured on the CBM display a brief presentation of the employer organization, using very similar terminology to that featured on the two enterprises' corporate websites.

87. At the bottom of the CBM webpage, there is only the following brief disclaimer: "This section includes links and references to third-party websites. Their inclusion in no way implies the UNCCD Secretariat's endorsement, recommendation or support of the contents they offer, or of the entities promoting the same. Read full disclaimer here."

88. The terms of use of the website state that: "Materials on this Site are those of the various UNCCD Secretariat staff members, consultants and advisers to the same Secretariat who prepared the work and do not necessarily represent the views of the UNCCD Secretariat or its Member States".

89. This use of corporate wording and graphic charter can nevertheless mislead a user in believing that UNCCD (through the Secretariat) endorses the Enterprises' corporate communication. Management has taken steps to correct this situation.

90. The particular case of two enterprises have been audited to illustrate the risks at stake. These two leading international agrochemical companies ("Enterprises X and Y") appear as UNCCD's partners on the CBM. Between 2018 and 2022, five vacancies or job offers by Enterprise Y, and one by Enterprise X, have been displayed on the CBM, accessible through UNCCD's website. An under-executed contribution of Enterprise Y, dating back to 2014, presents a residual balance as at end of 2022. A memorandum of understanding was signed to define the terms of cooperation to reverse land degradation and desertification. Articles in the MoU provide for the involvement of Enterprise Y in a "Soil Academy", but also for its active involvement in UNCCD's processes: "Enterprise Y will help facilitate a network of agriculture industry associations and other agri-business organizations and solicit business inputs into relevant UNCCD processes"; "Enterprise Y will advise and collaborate with the Secretariat on technical matters, particularly related to capacity building of key stakeholders"; the Secretariat is also expected to "inform and consult with Enterprise Y on issues that may impact the business sector".

91. Enterprise Y did not undergo a proper due diligence process within the Secretariat prior to signature of the MoU – management stating that there was no dedicated standard operating procedure (SOP) at the time. This company, as well as Enterprise X, are members of the UN Global Compact and should be considered as important partners for UNCCD, with accreditation for the COP. As an additional layer of risk mitigation, any kind of agreement with the private sector should undergo a multidimensional screening: legal, reputational, financial, scientific, before being signed.

92. Although partnerships are a critical area for UNCCD, both in terms of fundraising and of capacity building, they are also linked to UNCCD's public image and reputation. The lack of risk management and of obvious delineation between UNCCD statements

and partner companies could undermine the credibility of the strategic objectives and the scientific consensus supported by the Convention in civil society.

93. The Secretariat has prepared a SOP on due diligence and risk assessment process, that has yet to be approved by the Executive Secretary and implemented. Partnerships with private sector should also be formally included and assessed in the future risk register of UNCCD, and mitigation measures (due diligences, etc.) monitored.

3.3. Short-term actions with immediate benefits

94. Targeted improvements could be achieved in 2023 in the Organization-wide risk management framework, notably by better defining risk management roles, upgrading the risk management tools and improving awareness and training (a). Other specific risk frameworks should be updated and implemented more effectively, notably on the prevention of fraud and misconduct (b).

a. Targeting a couple of key horizontal improvements

95. Targeted improvements could be achieved in 2023 in the Organization-wide risk management framework, notably by better defining risk management roles, upgrading the risk management tools and improving awareness and training.

Better defining risk management roles

96. As a first step, the risk management framework would benefit from more clearly defined roles within the Secretariat. Two major functions need to be clarified:

- firstly, a “Chief Risk Officer” function has not yet been identified and embedded in the system. Such function should be assigned to an existing staff member who is part of the entity’s top management, with a close link to strategic planning. Integrating and properly resourcing this risk management function should be a priority. As Chief Risk Officer, they would be in charge of overseeing the drafting, quality check and implementation of all risk management frameworks.
- secondly, the function of “risk owner”, correctly defined in the 2018 internal policy as "The person accountable for monitoring the evolution of a risk and for putting in place the appropriate mitigation actions", needs to be reinforced. Implicitly, this responsibility is included in that of the main department/unit managers. It could be made explicit at the occasion of the review of the risk management procedure.

97. **The Board recommends that the UNCCD Secretariat assign the** responsibility **of Chief Risk Officer to an existing senior executive.**

98. The UNCCD Secretariat accepted the recommendation.

99. Risk management is a process that must permeate the entire organization, at all levels of management and across the entire spectrum of activities.

100. The policy documents of the Secretariat provide for the existence of a dedicated committee to manage risks and support the Executive Secretary in the exercise of his responsibility. The Executive Secretariat's Risk Management Policy stipulates the existence of an *ad hoc* committee for risk management: the “Risk Management Task Force”. This task force has already met in early 2023, demonstrating the Secretariat's desire to revitalize the process.

101. However, two improvements need to be made to this framework:

- firstly, it should explicitly be a committee and not a task force. The second definition could be interpreted as a group dedicated to responding on a one-off basis to an incident that has occurred, but which is not intended to last. Risk management is an ongoing process that requires the establishment of a permanent structure. The task force should therefore only be a temporary instrument to launch the process;

- secondly, while this committee is undoubtedly the essential structure for managing risks, its composition and operating procedures are not explicitly defined. In order to avoid making the management framework unnecessarily cumbersome, this committee could be composed of the members already participating in the management meeting under the aegis of the chief risk officer or of the Executive Secretary or his deputy.

Upgrading the risk management tools

102. The risk register should not remain at the inventory level but allow for decision making on the mitigation of the most critical risks.

103. This document was proposed following the adoption of the 2018 policy and followed on from an older document that had remained unused since 2007.

104. A first weakness is linked to the fact that the risk register was not adopted by the Executive Secretary after prior analysis by an ad hoc committee, and has no normative effect nor was it taken into account in the definition of the strategic objectives.

105. Secondly, the risk register is conceived as a very comprehensive catalogue. The policy defines it as "*a risk management tool that serves as a record of all risks* identified *by the organization*". As it stands, it is too cumbersome to be used in practice and requires constant updates. The recent effort made by the Secretariat to extend the risk analysis to a broader scope should not be undermined. However, the identification and assessment of risks should allow for a more operational tool, focussing on the most critical ones in terms of likelihood and impact to allow a prioritization of additional mitigation measures required, on top of the already existing ones, in order to lower the criticality down to an acceptable residual level. On the other hand, the risk register makes it possible to determine that other risks of lesser importance do not require specific action, as long as they remain under an acceptable level of criticality.

106. The Secretariat has started to make some progress on specific risks. This is for example, the case for the G20 Initiative, for which an initial risk analysis was conducted, which would however require a review in committee. As another illustration, the resurgence of a Covid-19 pandemic is considered to have a medium impact (3 on a scale of 5) and a low probability of occurrence (1 out of 5); based on the experience of the recent pandemic and the risk rating matrix of the UN Secretariat, the impact of such risk could however be considered as higher, hence justifying some anticipatory measures.

107. **The Board recommends that the UNCCD Secretariat review the quality of the** corporate **"risk register" and finalize a risk treatment plan.**

108. The Board considers that this review should involve all relevant stakeholders and ensure that:

(a) Risk identification guarantees that no major issue is unintentionally left aside;
(b) A proper assessment is made of the criticality of the risks;
(c) Clear priorities are set, given the accepted level of risk tolerance;
(d) Appropriate mitigation measures are designed;
(e) Implementation of these measures and their impact on the level of residual risk are closely monitored.

109. The UNCCD Secretariat accepted the recommendation.

Improving awareness and training

110. The implementation of a risk management policy must be accompanied by the necessary acculturation, training and ownership in order to raise awareness

111. Under the guidance of the Chief Risk Officer, the implementation of a risk management approach within the Secretariat requires the involvement of each unit manager, who will also be risk owners in the context of their operational activities. In

this respect, managers are involved in updating of the Secretariat's risk register. They are responsible for identifying and assessing the risks within their area of activity, as well as for monitoring the risks identified over time and implementing corrective measures where necessary.

112. The extent to which all the designated players take ownership of the process depends on their level of acculturation to risk management. One of the difficulties encountered by UNCCD is the lack of awareness of the subject among teams (as the audit team has observed during individual interviews), as well as the lack of time devoted to the issue internally.

113. Information and communication are essential within the risk management process cycle. This stage relies mainly on the implementation of appropriate training programs, aimed at instilling a risk culture internally and increasing the risk management skills of employees. In addition to the Chief Risk Officer, who is the cornerstone of the system, unit managers should also attend risk management awareness sessions.

114. The follow-up of training and the implementation of actions to be taken by each individual in the area of risk management could be mentioned in the annual evaluation, especially for the risk officer. Indeed, the risk officer's functions must be endorsed by the agent, because of their role as facilitator, which is essential for the implementation of an effective and sustainable risk management approach.

115. During the initial risk management relaunch period in 2023, basic and rapid trainings could be provided during dedicated workshops of staff retreat. The objective is that the culture of risk management spreads amongst management, illustrating the concrete operational benefits of a more mature system.

116. Finally, raising awareness on risk management also requires regular communication of measures and decisions taken by risk committees.

b. Upgrading and implementing more effectively specific risk frameworks, notably on the prevention of fraud and misconduct

117. Other specific risk frameworks should be updated and implemented more effectively, notably on the prevention of fraud and misconduct.

118. Risk management should indeed allow to incorporate specific mechanisms to deal with particular risks, which were either already part of a previous distinctive management system (generally the IT world) or were identified as unacceptable risks requiring particular control mechanisms defined by internal rules (sexual harassment, exploitation and abuse, etc.). These specific mechanisms should therefore be fully functional, while at the same time being reflected in the risk register proposed to the Executive Secretary so that it is as comprehensive as possible. By way of illustration, we suggest to deal with the cases of conduct and discipline and fraud and corruption.

Conduct and discipline: a framework that is not formalized yet

119. Under the Convention and the *institutional linkage* with the UN Secretariat, "*the* Executive *Secretary administers the staff of the UNCCD Secretariat in accordance with the United Nations Staff Regulations and Rules and such special rules as may be established by the Executive Secretary in agreement with the Secretary-General*".

120. UN Staff Regulation 1.2 states that "*Staff members have a duty to report any violation of the rules and regulations of the Organization to the officials who are responsible for taking appropriate action and cooperating with duly authorized audits and investigations. Staff members shall not suffer retaliation for fulfilling these obligations*" and "*Any form of discrimination or harassment, including sexual or gender-based harassment, as well as abuse in any form in the workplace or in connection with work, is prohibited*". Management of related disciplinary actions is based on Personnel Rules 10.1 and following.

121. According to the 2019 ST/SGB/2019/8, the Executive Secretary is responsible for incident management in this area: "*The head of an entity is the head of a department or office, including a field office, the head of a special political or peacekeeping mission, the head of a regional commission, a resident or regional coordinator, or the head of any other* unit *responsible for programmed activities to which the Secretary-General has directly delegated functions*."

122. This includes establishing an appropriate mechanism for the prevention, reporting and handling of misconduct and discipline (Ibid, §3.3 - Obligations of heads of entities). In particular, Executive Secretary should designate a "conduct and discipline focal point" to handle these matters. However, no formal designation has been made, which does not allow the mechanism to be put in place to prevent and deal with this risk, to the detriment of the staff and potentially the Organization.

123. Concerning the more specific question of sexual harassment, it should be recalled that it is reckoned as a sensitive risk in the UN. In this respect, the use of a code of conduct at COP 15 is a good initiative. It is the code put in place by the United Nations for any event it organizes. However, it has not been demonstrated that all participants received and signed this code of conduct.

124. This code states that "The UN system or other entity responsible for a UN system event commits to implementing the Code of Conduct. However, in the case of locally recruited staff, under the responsibility of the organizing country by virtue of the host nation country agreement, no verification was made, any more than for the delegates, on the fact that these obligations had been fulfilled.

125. However, occasional cases of misconduct were verbally raised within the Secretariat, without there being, according to the agents concerned, any reason to pursue the procedure further.

126. As a corollary and internal measure, staff members, especially newcomers, could be asked to complete the online awareness training offered by the UN Academy: "*United to Respect: Preventing Sexual Harassment and Other Prohibited Conduct*".

Fraud and corruption: a risk that must be given special attention

127. Under the financial rules of the Convention, "*In so far as not specifically provided by the present* rules*, the Financial Regulations and Rules of the United Nations shall apply*." These are the ones that apply here.

128. The prevention of fraud and corruption is in this framework the subject of a specific policy within the United Nations: "*Anti-Fraud and Anti-Corruption Framework of the United Nations Secretariat*" which must be applied or transposed by the Executive Secretariat.

129. During the production of the financial statements for the last five years, no cases of fraud were identified by management. However, the non-occurrence of an incident does not mean that the risk does not exist. The Board had already issued a comment on this topic in 2017.

130. As stated in a Joint Inspection Unit thematic report: "*Fraud is a menace that deserves serious attention and immediate action by both the United Nations system organizations and the legislative/governing bodies. The impact of fraud in the United Nations* system *can be significant. In addition to substantial monetary losses, fraud has damaging effects on an organization's reputation, placing at risk the ability to implement programmes effectively, establish partnerships and receive contributions. Effective fraud prevention, detection and response mechanisms, therefore, play a key role in safeguarding organizations' interests against these negative impacts.*"

131. The Anti-Fraud and Anti-Corruption policy states that:

- systematic fraud risk assessments should be undertaken in accordance with the Secretariat's enterprise risk management and internal control policy and methodology;

- to ensure that the risk of fraud and corruption is effectively mitigated, the Secretariat implements a communications campaign to raise awareness about fraudulent acts and their prevention;
- all staff members are expected to complete the mandatory online anti -fraud training when it is available.

132. These measures are still not in place within the Secretariat, which will be necessary, as for conduct and discipline, in order to have a comprehensive risk management framework.

133. Therefore, a focal point within the Secretariat should therefore be designated to ensure the implementation of the relevant actions. Due to the nature of these actions (training, link with internal control for recruitment or control of suppliers and partners, administrative processes during COPs), the ideal position appears be that of chief of administrative services. This position will support his plan to implement a Statement on Internal Control as recommended previously by the Board.

134. **The Board recommends that the UNCCD Secretariat update and supplement its policies on conduct and discipline and the prevention of fraud and corruption, and ensure their effective implementation.**

135. The Board considers that the implementation of these policies will have to be accompanied by the designation of officers in charge and the providing of specific trainings.

136. The UNCCD Secretariat accepted the recommendation.

3.4. The benefits of a more mature risk management in the longer run

137. Complementary approaches in the medium to long term would make it possible to get all the benefits expected from a more mature risk management, including by better articulating risk management with the wider accountability framework in order to promote a simple and streamlined operational system (a) and considering to better define the appetite for risk of the Organization (b).

a) Better articulating with the wider accountability framework in order to promote a simpler and streamlined operational system

138. The UNCCD Secretariat could benefit more from initiatives related to risk management spread within the UN system, including regarding the three “lines of defence” model. This model, promoted in the context UN System Chief Executive Board for Coordination, can indeed be helpful to the UNCCD Secretariat. For a small organization, it may be difficult to have a second “line of defence” that is totally delineated from the first: the same agents implement both lines and the cost of setting up an autonomous entity (recruitment) to carry out the second line may be greater than the expected benefits. Therefore, and as a streamlined answer, the formalization of a set of procedures as well as the definition of job descriptions would make it possible to organize the first “line of defence”. The Executive Secretariat could notably include measures for managing significant risks in the set of standard operating procedures that are currently being developed.

139. A Chief Risk Officer and the head of administrative services would thus be able to exercise the role of the second line, by implementing ad hoc control actions (review of the risk register, including internal control measures, prior to the audit committees, biannual review of IT rights, etc.).

140. Eventually, the Secretariat could try to go further, and use a mature risk management system in connection with results-based management. The identification of risks and the analysis produced in the context of enterprise risk management could inform the Secretariat's and COP’s decision-making in terms of strategic planning, budgeting and resource allocation. The risk reports could usefully be transmitted to the

Secretariat's management team upstream of the preparation of the program planning and budget. The link between enterprise risk management and result-based management is thus intended to promote decision-making informed by the analysis of risks and controls in place, whether in the allocation of resources or in the evaluation of performance and results.

141. Within the Secretariat, results-based management exists, but it is still not very much influenced by the risk culture. The planning and execution of the work of the Secretariat and the Global Mechanism are based on four-year work plans, which are in turn broken down into costed two-year work programs. The Secretariat's work plans and programs are prepared on the basis of results-based management. At the end of each biennium, the Secretariat and the GM draw up a report on the implementation of the work plans and programs, detailing inter-alia the progress made towards achieving the objectives and results, measured by the indicators defined in the results framework.

142. In relation to the strategic objectives of the Convention, the notion of risk, which is well represented in the report on the performance of the Convention's institutions and subsidiary bodies (2020-2021), focuses more on the risks of natural disasters than on the risks related to the conduct of the Secretariat's operations. Indeed, the notion of risk does not seem to be reflected in section IV dedicated to the results achieved by the Secretariat's program, broken down by unit of the organizational chart.

b) Considering to better define the appetite for risk of the Organization

143. Progress in order to better define the appetite for risk of the Organization could be considered at a later stage, when risk management becomes more mature.

144. The concept of “risk appetite” is key to unlocking risk management. The “risk appetite” defines the overall risk that an organization is ready to bear in pursuing its missions, whereas the “risk tolerance” concept is commonly used at a more granular and operational level, for a given risk. Risk appetite deals with the willingness of the organization to take on risk, while risk tolerance, drilling down from the overall risk appetite categories, deals with the concrete ability to do so at the operational level. The definition of a risk appetite, usually expressed by a “risk appetite statement”, may facilitate alignment with stakeholders, allowing risks to be prioritized (certain risks deserving more attention than others) and legitimizing actions even if they imply that a residual risk remains. The United Nations Development Programme’s risk appetite statement can be an example of this.

145. The definition of the appetite for risk should be considered at a later stage, when risk management becomes more mature and well-integrated into the functioning of the Secretariat and the GM. Another major prerequisite being the strengthening of internal control. The UNCCD Secretariat has already started working in this direction, following a recommendation by the Board in 2021.

146. Where this appetite is null (“zero-tolerance policies”) can develop, notably regarding fraud, corruption and misconduct, as analysed earlier, with the appropriate means to mitigate the most critical risks.

4. Other managerial issues

147. The Board looked at various other managerial issues and concluded notably that: outstanding indicative contributions by Parties can affect the operational activities of the Secretariat (4.1); the reallocation of unutilized voluntary contributions from private partners should be improved (4.2); updating some job descriptions within the Secretariat would bring several benefits, including in terms of internal control and business continuity (4.3); and the management of access rights in the Umoja ERP system would benefit from a simplification of the architecture, which is not under the mandate of UNCCD, and an enhancement of the controls (4.4).

4.1. Outstanding contributions

148. Outstanding indicative contributions by Parties can affect the operational activities of the Secretariat.

149. UNCCD Secretariat's core budget largely relies on indicative contributions from the Parties. These contributions amounted to $ 8.6 million in 2022[2] and accounted for 43 percent of total income that year.

150. The collection of these indicative contributions appears challenging. As of 31 December 2022, out of the total budgeted contributions, $ 1.1 million remained to be collected from the Parties[3], representing 14 percent of the total amount of 2022 indicative contributions.

151. Although these contributions from the Parties are voluntary and indicative by nature, they represent the central source of funding of UNCCD core budget activities, including core staff functions within the Secretariat. As such, any "arrear" of payment affects the Secretariat's ability to conduct operational activities as decided by the COP, and thus constitutes a risk for the Secretariat, and in turn for the Convention.

152. Collecting the funds pledged remains challenging. The list of indicative contributions is regularly updated and published on UNCCD website[4]. A number of Parties register cumulative "arrears" for several years. In December 2022, the Secretariat sent notifications to all Parties regarding indicative contributions for 2023, as well as "arrears" for 2008-2022. In addition, oral discussions were held at the margin of official meetings.

153. The COP also authorized the UNCCD Secretariat to enter into arrangements with Parties whose "agreed outstanding indicative contributions" have remained unpaid for two or more years. The objective is to mutually agree on a "schedule of payments" to clear the "arrears" within six years, depending on the financial circumstances of the Party concerned, and pay future contributions by the due date[5]. However, as of 31 December 2022, no Party had contacted the Secretariat to define such rescheduling of pending outstanding contributions[6]. On the other hand, some Parties made payments for future years in advance.

4.2. Residual voluntary contributions from private partners

154. The reallocation of unutilized voluntary contributions from private partners should be improved.

155. As part of its private sector strategy, UNCCD is seeking to leverage private sector expertise, innovation, solutions and funding to achieve SDG15 and more specifically target 15.3[7]. In this respect, UNCCD's private sector strategy mainly aims at:

- facilitating investments and technology for sustainable production as catalysts for a transition to sustainable land use, and
- promoting the expansion of value chains for sustainable consumption for

[2] ICCD/COP(15)/23/Add.1, Decision 10/COP.15, Programme and budget for the triennium 2022-2024.
[3] United Nations Convention to Combat Desertification, Status of Contributions to the Core Budget for the years 2002-2022 as at 31 December 2022.
[4] https://www.unccd.int/resources/other/status-contributions-core-budget
[5] Decision 9/COP.9, paragraph 13, decision 10/COP.12, paragraph 26, and decision 10/COP.13, paragraph 26, paragraph 30, decision 10/COP.14
[6] ICCD/COP(15)/7, UNCCD, Conference of the Parties, Fifteenth session, Financial performance for the Convention trust funds, Note by the Secretariat, 25 February 2022
[7] By 2030, combat desertification, restore degraded land and soil, including land affected by desertification, drought and floods, and strive to achieve a land degradation-neutral world.

healthy lands and people[8].

156. In 2014, UNCCD and a world leading plant science company ("Company X") signed a memorandum of understanding (MoU) on cooperation to reverse land degradation and desertification. They agreed to work together in order to develop a *"community and business friendly decision-making environment to prevent and reverse land degradation and desertification", as well as "build a network of business and business representative bodies for regular engagement with the UNCCD ensuring technical, political and business inputs on sustainable land management to the Convention and its Parties […]".* Areas of cooperation and activities provided by the MoU cover business sector inputs for UNCCD processes, network development and establishment of a soil leadership academy on technology access and capacity building for decision makers and on-ground implementers.

157. As part of this cooperation, a voluntary contribution of EUR 800,000 was scheduled. A letter of agreement signed in July 2014 details the terms of cooperation on the development and implementation of the related project, and highlights that Company X will make a voluntary contribution of EUR 800,000 in two payments in 2014 and in 2015, specifically for the activities related to the project. While the letter remained in force until 31 December 2015, the MoU was valid until 31 December 2020.

158. As of March 2023, funds from the EUR 800,000 grant had only been partially spent. 73 percent of the initial budget have been spent and the fund balance amounted to EUR 126,000. This outstanding balance, which was kept in the books for several years after the closure of the project, could have been used elsewhere, to achieve other objectives of the Convention, provided no legal or administrative obstacle was preventing it.

159. Drawing lessons from this case, UNCCD should put in place a process to reallocate unutilized voluntary contributions from private partners. The initial agreement, where feasible, could for instance include a clause on fund balance at project end date, specifying the possibility to reallocate the potential fund balance.

4.3. Job descriptions

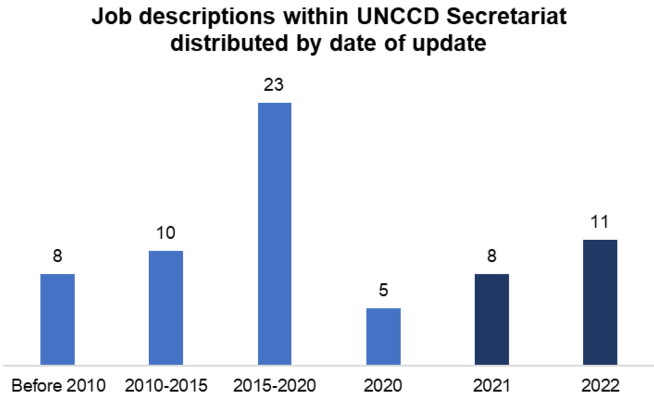
160. Updating some job descriptions within the Secretariat would bring several benefits, including in terms of internal control and business continuity.

161. The organisation of the Secretariat, made up of 82 staff members in 2022[9], involves risks inherent to small structures. Due to its limited size, the internal organisation of the Secretariat can be affected by any change in activity or staffing levels, which may have an impact on the quality of service or even business continuity.

162. Updating job descriptions would facilitate onboarding of new staff, contribute to business continuity and strengthen internal control. The obsolescence of job descriptions makes it all the more difficult for a new agent to take over activities, even on a temporary basis, at a given position. Out of 65 job descriptions provided by the Secretariat, 63 percent (41 job descriptions) were last updated prior to 2020, and only 29 percent (19 job descriptions) were updated in the last two years. Especially, job descriptions of long-standing incumbents have not been updated for a long time, sometimes more than a decade.

[8] United Nations Convention to Combat Desertification, UNCCD Private Sector Strategy, Executive Summary.
[9] Including the staff of the Global Mechanism.

Figure II.IV
Job descriptions within UNCCD Secretariat distributed by date of update



Source: Board of Auditors, based on job descriptions provided by UNCCD Secretariat.

163. Some outdated job descriptions do not reflect the completeness of the tasks carried out. In this respect, the job description of the Evaluation Office's programme management officer has not changed since 2009, although the scope of activities covered has significantly evolved: coordination of the Evaluation office is not even mentioned on the said description.

164. The issues of business continuity and redundancy may arise in the event of vacancy or prolonged absence from a critical position.

165. The example of the procurement unit within the administrative services illustrates organizational difficulties encountered by the Secretariat, combining both difficulties due to the lack of redundancy and to an outdated job description. The procurement associate was on an extended sick leave for six months, between end of July 2022 and end of January 2023. The head of administrative services has acted as interim procurement officer in the meantime, which represented a significant additional workload to him and led to delays in the procurement process.

166. The Board has previously acknowledged internal organisational difficulties within the Secretariat, especially the difficulty regarding the implementation of previous recommendations due to human resources constraints[10].

167. Up-to-date job descriptions would help to adequately capture the completeness of the operational activities of the Secretariat, allow a better visibility on the tasks covered by each position and facilitate onboarding of new agents or replacements in case of absence.

168. An accurate set of job descriptions is also a capstone of an adequate internal control framework. As the Secretariat is moving ahead to improve risk management the applicable policy states[11] that: "*The management of risks and internal controls in accordance with the principles as defined by this framework is the responsibility of all the UN managers and staff members. All staff members, in accordance with their specific role and function, must embed risk management in operational decision making, identifying, managing and monitoring risks with regard to day-today operations within their respective areas of responsibility*".

169. **The** Board **recommends that the UNCCD Secretariat update the job descriptions for each position, starting with the most essential ones.**

10 Report of the United Nations Board of Auditors on the financial statements of the United Nations Convention to Combat Desertification for the year ended 31 December 2021: the Board recommends that the Secretariat "establish an implementation plan for the Board's recommendations that is underpinned with staff resources."
[11] Enterprise Risk Management and Internal Control Policy, May 2011.

170. The UNCCD Secretariat accepted the recommendation and agreed to progressively review and update the outdated job descriptions.

4.4. Access rights to Umoja

171. The management of access rights in the Umoja IT system would benefit from a simplification of the architecture and an enhancement of the controls.

Correcting anomalies on access rights

172. According to the procedures of the United Nations Secretariat[12], the security liaison officer can authorize employees to access Umoja, modify access following a change in scope or function or terminate access rights to the system. Only the system administrator is authorized to modify the architecture of roles and authorizations in Umoja.

Umoja is a single, global solution that is enabling efficient and transparent management of the United Nation's financial, human and physical resources and improving programmatic delivery. As a catalyst for business transformation, Umoja is improving financial and administrative operations, and programme delivery with the potential to improve the efficiency and the overall effectiveness of the Organization.

173. However, all UNCCD staff with a role in Umoja system have access to transaction code "PFCG - Maintenance role", which allows the administration of authorizations with the ability to create a role and being assigned very critical transactions. The "PFCG - Maintenance role" transaction should be restricted exclusively to the Umoja team which administers the system, and no other user should access it to avoid any malicious action and fraud (example: creating fictitious invoices and paying them on own bank account).

174. There is another risk, not yet materialized, in the existence of a fictitious company "999999 - Fiktive Gesellschaft Fremde" integrated into the Umoja roles and authorizations of UNCCD employees. The existence of this company in the system and its identification in the roles exposes UNCCD to risks on the integrity of operational and financial data and even fraud.

175. Such anomalies should be corrected without delay.

Simplifying the architecture of access rights

176. In the system, the architecture of the roles adopted seems very complex. There are 25,761 roles to potentially operate up to 125,096 transactions. For a small organization such as UNCCD, the architecture of roles in Umoja is totally inappropriate and even carries risks of fraud or access to data that does not fall within the UNCCD's organizational scope.

177. While the process of requesting the creation of an authorization is governed by a formalized procedure and which involves a business process in Umoja, the addition of roles to Umoja user files is in principle based on a process between the staff, the supervisor and the security liaison officer.

[12] Circular ST/SGB/2004/15* published by the Secretariat on 29 November 2004 concerning the use of computer resources and data. Section 3 of the appendix to this circular stipulates that "*Authorized users are encouraged to make maximum use of ICT resource and ICT data, to the extent of their authorization to do so and with a view to performing their duties as effectively and efficiency as possible*". The transposition of this rule for the Umoja application is defined in the website Umoja | iSeek (un.org).

178. In the UNCCD IT system, only the security liaison officer has the required authorizations to add or modify roles from user files with the support of the "functional approver". The process of adding roles is based on a copy-paste logic in relation to other users previously created in the system and that there is therefore no file job description for employees by job that defines the roles and permissions necessary for employees to safely perform tasks in Umoja.

179. There are 86 UNCCD users accessing a total of 192 roles containing 545 authorization objects in Umoja which allow an average of 230 transactions. 14 users access up to 1,483 transactions. A simplification of the content of the roles which are based on the use of transactions is therefore essential to reduce the risks.

180. Access rights to Umoja should be simplified and adapted to the size of UNCCD by reducing the number of transactions contained in the roles. This simplification should also take into account user access to critical transactions that allow launching and accessing budget, financial or HR reports in Umoja, which could be confidential

Enhancing the supervision on access rights

181. Although the Umoja system has a Segregation of Duties (SOD) conflict report that is available to SLOs and has a developed reporting on risky combinations of user roles and access, the security liaison officer does not use it and was not informed until our intervention in December 2022 of the existence of this reporting which could enable it to lead the compensatory controls of Umoja rights and authorizations.

182. Due to its size, the UNCCD Secretariat is not able to strictly respect the segregation of duties in Umoja; therefore, the head of liaison should launch at least twice a year the risk analysis available in the system in order to quantitatively and qualitatively review the users to define compensating controls to reduce access risks.

183. Ten UNCCD users access risky role intersections. A total of 39 role association situations displaying either high or medium levels of risk that should be dealt with either by removing the problematic roles – which may be difficult due to the size of the Secretariat – or by implementing ex-post supervision controls or updating the delegations of authority.

184. Setting up an ex-post supervision control on authorizations and deploying qualitative controls would help comply with the best practices of general IT controls and limit the risks at stake.

185. Overall, the Board considers that the UNCCD Secretariat would benefit from a review of Umoja relevant internal processes and rules to mitigate risks related to access rights. To this end, the Secretariat would aim to design, in liaison with the Umoja system administrator, an access right architecture and user role and access policy. These architecture and policy should be commensurate to UNCCD’s size and specific features.

C. Transmissions of information by management

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

186. UNCCD reported that there were no write-offs of cash, receivables and assets during 2022. UNCCD also did not make any ex gratia payments.

2. Cases of fraud and presumptive fraud

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

188. During the audit, the Board makes enquiries of Management regarding their oversight responsibility of assessing the risks of material fraud and the processes in place for identifying and responding to the risks of fraud, including any specific risks that Management has identified or that has been brought to their attention. The Board also inquired whether Management has any knowledge of any actual, suspected or alleged fraud.

189. UNCCD further reported that there was no case of fraud and presumptive fraud for the financial year ended 31 December 2022.

D. Acknowledgement

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

Hou Kai
Auditor General of the People's Republic of China
Chair of the Board of Auditors

Pierre **Moscovici**
President of the French Court des comptes
(Lead Auditor)

Jorge **Bermúdez**
Comptroller General of the Republic of Chile

26 July 2023

Annex
Status of implementation of recommendations up to the financial year ended 31 December 2021

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	ICCD/COP(14)/10 chap. II, para. 86	The Board recommends that UNCCD establish a systematic fraud risk assessment in line with the enterprise risk management.	UNCCD has launched a new process of developing its risk management	A policy has been written but not enforced. This year, the Board will propose a new and comprehensive set of recommendations on risk management				X
2	2018	ICCD/COP(14)/9 chap. II, para. 40	The Board recommends that, in consultation with United Nations Treasury, UNCCD assess the possibilities of investment approaches within the cash pool for the reserves set aside for the after-service health insurance liabilities.	The mentioned possibilities have been discussed with UNFCCC, UNHQ Treasury and EY Advisory. Waiting for the proposal from EY.	Discussions to develop an investment proposal have not been finalized, but steps have been taken. The recommendation remains under implementation.		X		
3	2018	ICCD/COP(14)/9 chap. II, para. 55	The Board recommends that UNCCD assess, in consultation with United Nations Headquarters, whether it is beneficial to conclude agreements with the organizations of incoming and leaving UNCCD staff to gain legal assurance on the employee benefit liabilities incurred for those staff members.	UNCCD is in ongoing discussions on this matter with the United Nations Secretariat. No conclusion has been reached.	After initial discussions between UNCCD and UN HQ in 2020, no additional action has been carried out. As a consequence, the recommendation must be considered as not implemented		X		
4	2019	ICCD/COP(15)/8 chap. II, para. 61	The Board recommends that UNCCD, in coordination with the United Nations Secretariat, review how UNCCD could ensure segregation of duties with regard to procurement activities up to $50,000.	This recommendation will be implemented in the coming weeks with the new UNCCD Procurement Officer.	The impossibility to effectively organize segregation of duties shall be overcome in second quarter 2023 with the recruitment of a procurement officer and the definition of ad hoc procedures. Until then, the recommendation remains under implementation.		X		
5	2019	ICCD/COP(15)/8	The Board recommends that UNCCD liaise with United Nations Treasury to specify the	UNCCD initiated discussions with United Nations Treasury	The recommendation remains		X		

						Status after Verification			
No.	Audit Report Year	Report Reference	Board's Recommendation	Management/Administration's Response	Board's Assessment	Implemented	Under Implementation	Not Implemented	Overtaken by events
		chap. II, para. 70	responsibilities between UNCCD and United Nations Treasury and explore options to formalize this arrangement.	regarding the recommendation in the course of 2021.	under implementation. The Board proposes to UNCCD to write down UNCCD's understanding of UNCCD's and United Nations Treasury's respective responsibilities to implement this recommendation and get further clarity.				
6	2019	ICCD/COP(15)/8 chap. II, para. 86	The Board recommends that UNCCD manage its risks through an up-to-date enterprise risk management framework.	UNCCD has launched a new process of developing its risk management	The Board will propose a new and comprehensive set of recommendations on risk management.				X
7	2020	ICCD/COP(15)/9 chap. II, para. 69	The Board recommends that UNCCD integrate the risk of conflict of interest of their staff members into the risk register.	UNCCD has launched a new process of developing its risk management	This year, the Board will propose a new and comprehensive set of recommendations on risk management. In the end, the risk of conflict of interest will have to be managed, even if it does not appear as a strategic risk for the Executive Secretary's risk register				X
8	2020	ICCD/COP(15)/9 chap. II, para. 116	The Board recommends that UNCCD implement comprehensive guidelines for the CiC documentation and file management. The guidelines should determine what kind of essential information shall be documented to the extent required.	UNCCD intranet human resources site is rebuilt to provide easy access to related policies, guidance and templates and also a comprehensive standard operating procedure for CiC has been drafted.	The Board takes note positively of the steps taken to implement this recommendation, which will however stay under implementation while the SOP has not been officially endorsed by senior management.		X		
9	2021	ICCD/COP(16)/4 chap. II, para. 49	The Board recommends that UNCCD reassess the recognition threshold of $5,000 based on an analysis of the potential impact of a change on PPE presented in its financial statements;	UNCCD has decided to maintain the current threshold of $5,000 based on internal analysis.	The Board shares the conclusions of UNCCD's analysis The recommendation has therefore been implemented.	X			
10	2021	ICCD/COP(16)/4 chap. II, para. 52	The Board recommends that UNCCD amend its annual closing procedures to include the required assessment as to	As per the analysis, no assets impaired during the reporting	The recommendation has been 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
			whether there is an indication that an asset may be impaired;	period.					
11	2021	ICCD/COP(16)/4 chap. II, para. 53	The Board recommends that UNCCD amend the description of the accounting policy that governs the annual impairment review in the annual financial statements;	It was included in the Financial Statements for 2021.	The recommendation has been implemented.	X			
12	2021	ICCD/COP(16)/9 chap. II, para. 125	The Board recommends that UNCCD follow-up on proper authorization and approval of overtime as well as on completed and appropriate claim forms	UNCCD has been continuously monitoring the overtime payment and approving the overtime in case of any emergency/ unavoidable situation. In 2022, there was a small decrease of overtime payment compared to 2021.	The recommendation has been implemented.	X			
13	2021	ICCD/COP(16)/8 chap. II, para. 106	The Board recommends that UNCCD set up a systematic recording and institutionalized control of overtime as well as periodical reporting checks, in particular to detect the need of accumulated and/or constantly recurring overtime.	As above	The recommendation has been implemented.	X			
14	2021	ICCD/COP(16)/8 chap. II, para. 107	The Board also recommends that UNCCD should define a "critical" limit of overtime in advance.	The UNCCD uses overtime only as the last solution for covering tasks that cannot be otherwise done. It is always ad-hoc and kept to minimum.	The Board concludes that UNCCD doesn't define a "critical" limit of overtime in advance. As a consequence, the recommendation must be considered as not implemented			X	
15	2021	ICCD/COP(16)/8 chap. II, para. 108	The Board further recommends that UNCCD assess whether an intradepartmental substitution scheme might contribute to relieving staff members from constant overtime work.	Such scheme is already used for COP and CRIC meetings, and the management team has considered it a potential solution for avoiding overtime.	The recommendation has been implemented.	X			
16	2021	ICCD/COP(16)/8	The Board recommends that UNCCD	The UNCCD tested in 2020 the	The recommendation has been	X			

No.	Audit Report Year	Report Reference	Board's Recommendation	Management/Administration's Response	Board's Assessment	Status after Verification mplemented	Under mplementation	Not mplemented	Overtaken by events
		chap. II, para. 109	should consider to seek for an interdepartmental solution where intradepartmental substitution or temporary assignment is not feasible.	establishment of "surge capacity" – identifying staff that could step in to support others' task in busy periods – but there was not much interest in that among staff. Currently we are trying to use matrix management approach, giving staff the opportunity to work for different units and receive related recognition in ePAS.	implemented.				
17	2021	ICCD/COP(16)/9 chap. II, para. 115	The Board recommends that UNCCD reconsider a SIC based on the SIC signed by the Secretary-General in 2021.	Initial discussion held with UNBOA and at the Operational Group meeting of UNCCD. The preliminary work on SIC is expected to be included in the 2022 FS after further discussion with UNBOA.	The recommendation is under implementation and a formal SIC may be presented by ES for financial statements 2023.		X		
18	2021	ICCD/COP(16)/9 chap. II, para. 124	The Board recommends that UNCCD establish an implementation plan for the Board's recommendations that is underpinned with staff resources.	Check/update concerning of the implementation of the Board recommendations will be carried out and also added to the OG or MM agenda every six months.	The Board takes note of comments from the administration. However, no implementation plan has been organized before the first quarter 2023, a situation that shall evolve positively before the end of the year			X	
19	2021	ICCD/COP(16)/9 chap. II, para. 125	Furthermore, the Board recommends that UNCCD continuously monitor progress against the implementation plan.	As above	This recommendation needs the previous one to be implemented as a precondition.			X	
	Total			**19**		**7**	**6**	**3**	**3**
	Percentage			**100**		**37**	**31**	**16**	**16**

Chapter III

Certification of the financial statements

The financial statements of the United Nations Convention to Combat Desertification (UNCCD) for the financial year ended 31 December 2022 have been prepared in accordance with financial rule 106.1 of the Financial Regulations and Rules of the United Nations. This is the eighth time that the financial statements have been prepared under the International Public Sector Accounting Standards (IPSAS).

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

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

I certify that the appended financial statements of the United Nations Convention to Combat Desertification, numbered I to V are correct.

(*Signed*) Ibrahim **Thiaw**
Executive Secretary

31 March 2023

Chapter IV

Financial report for the year ended 31 December 2022

A. Introduction

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

2. Note 1 to the financial statements provides information on the governance of the UNCCD.

3. UNCCD receives services from United Nations Headquarters (UNHQ), New York; United Nations Office at Geneva (UNOG); United Nations Framework Convention on Climate Change (UNFCCC); United Nations Development Programme (UNDP); and United Nations Common Services in Bonn.

4. UNHQ provides treasury services including the report of cash and its equivalent, investment, posting interest income, gain and losses, revaluation and forward the notes on financial risk and instruments.

5. UNOG provides Human Resources Services such as Medical Services, Legal and Policy Advisory Services, and contract, entitlements, benefits and time administration. Financial Services include applied deposits/cash applications, vendor payments, medical/life insurance, payroll processing, banking/vendor investigations, and disbursements. It also provides limited Information and Communication Technology services including Umoja user access provisioning, Umoja role mapping and Remote Access Services.

6. UNCCD has an agreement with UNFCCC on procurement services.

7. UNCCD has an arrangement with the UNDP on a Service Clearing Account, whereby UNDP disburses funds to implementing partners, vendors, and consultants. Furthermore, UNDP provides administrative, procurement and financial services for the Regional Liaison Office in Africa.

8. UN Common Services is responsible for the operation and maintenance of UN premises including security in Bonn, Germany. It is also responsible for mail and franking, telephone reception services, meeting rooms and equipment for conference servicing. UNCCD receives these services and reimburses the costs based on the actual services provided.

9. The financial statements of the UNCCD are prepared and submitted to the Conference of Parties (COP) in accordance with the UN financial regulations and rules. The financial statements include all the operations under the direct authority of the Executive Secretary including the core budget, the Global Mechanism and the extra-budgetary financed activities. The 2022 financial statements are prepared based upon International Public Sector Accounting Standards (IPSAS) in accordance with the decision of the United Nations General Assembly, provide increased information on actual assets and liabilities enabling in improved internal control and enhanced management of UNCCD's total resources. The statements include additional information on revenue and expenses to senior management to support decision-making and enhance strategic planning. The financial statements are prepared under IPSAS using full accrual-based accounting. UNCCD's budget is prepared on a modified cash basis of accounting in accordance with its financial regulations. Note that under IPSAS:

- Revenue from voluntary contributions is recognized when the contract with the donor becomes binding (i.e. at the time of signature of both parties, rather than when cash is received).
- In the case of contributions that impose conditions requiring return of funds not utilized in accordance with the terms of the agreement, revenue is not recognized until UNCCD delivers the services specified in the agreement with the donor.
- Expenses are recognized when services or goods are received or delivered rather than when a commitment is recognized.
- The annual changes in employee defined benefit obligations (other than those caused by adjustments in actuarial assumptions) are now recognized as expenses rather than in fund balance.
- The value of fixed assets such as vehicles and communications information technology equipment acquired has been capitalized rather than expensed. Included in expenses for 2022 is the depreciation on a vehicle and communications information technology equipment.

B. Overview of financial statements for the year ended 31 December 2022

10. Financial statements I, II, III, IV and V show the financial results of the activities of UNCCD and its financial position as at 31 December 2022. The notes to the financial statements explain UNCCD's accounting and financial reporting policies and provide additional information on the individual amounts contained in the statements.

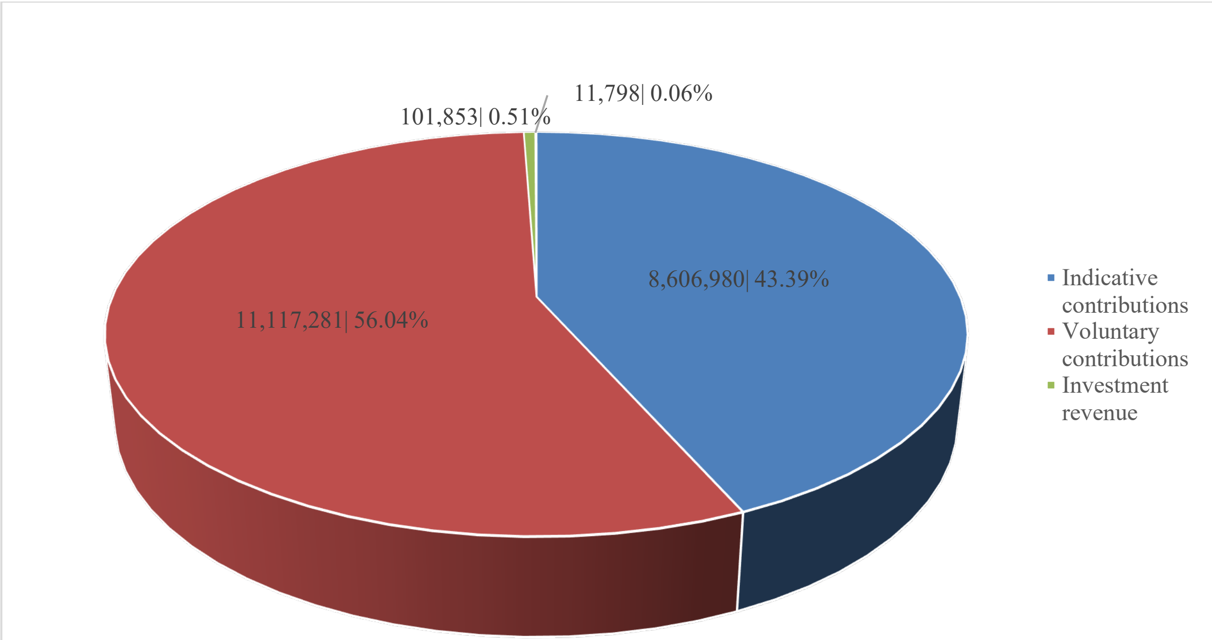
Financial performance

Revenue

11. Revenue in 2022 totalled USD 19.84 million (see Note 17: Revenue), as presented below in figure I.

Figure IV.I Total Revenue as at 31 December 2022

(In United States dollars)



12. The principal sources of revenue were:

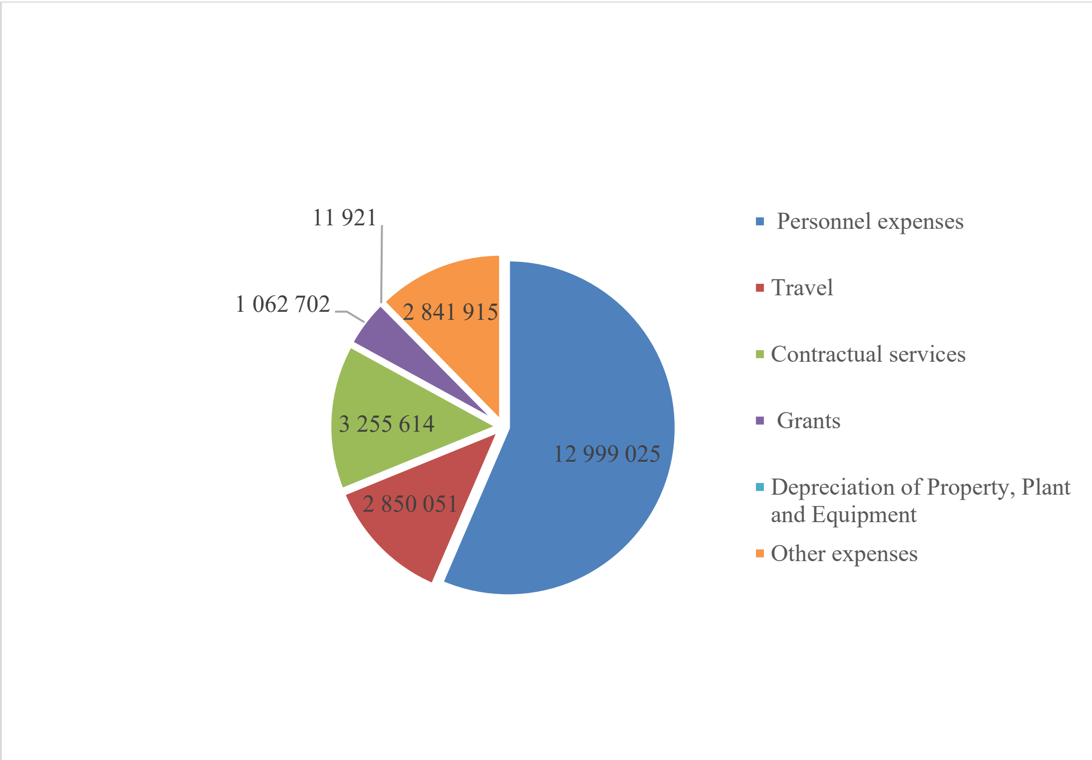
- Indicative contributions from signatories of the Convention. Indicative contributions for 2022 totalled USD 8.61 million from Member States, or 43.39 per cent of total revenue (2021: USD 9.30 million or 31.20 per cent).
- Voluntary contributions from donors totalled USD 11.12 million, or 56. 04 per cent (2021: USD 20.46 million or 68.61 per cent), comprising (i) contributions of USD 0.25 million for the Global Mechanisms and USD 10.87 million for Secretariat respectively.
- Investment revenue, which represented 0.51 per cent of total revenue, increased to USD 0.10 million from USD 0.01 million reported in 2021.
- The remaining revenue is the other revenue in the amount of USD 0.01 million or 0.06 per cent.

Expenses

13. Expenses in 2022 totalled USD 23.02 million as shown below in figure II.

Figure IV.II Total Expenses as at 31 December 2022

(In United States dollars)



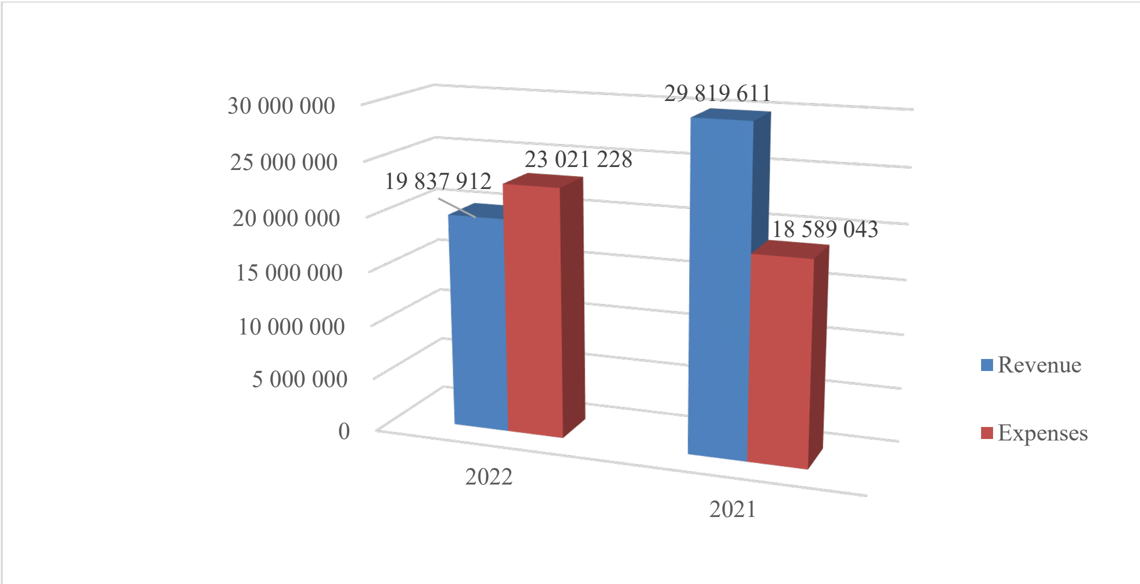
14. An increase of USD 4.43 million in total expenses was reported from the total expense amount of USD 18.59 million reported in 2021. The main increases in 2022 were in Personnel expenses, Travel and Other expenses including Loss on foreign exchange and Supplies, equipment and furniture. However, there were decreases in expenses such as Grants and Change in provision for doubtful debts.

15. The main expenses categories are Personnel expenses for USD 13.00 million or 56.47 per cent (2021: USD 11.98 million), Travel in the amount of USD 2.85 million or 12.38 per cent (2021: USD 0.22 million), Contractual services (non-employee compensation including consulting services individual fee, consultancy travel fee) for USD 3.26 million or 14.14 per cent (2021: USD 2.91 million), and Grant for USD 1.06 million, or 4.62 per cent (2021: USD 1.08 million). Depreciation of Property, Plant and Equipment in the amount of USD 0.01 million, or 0.05 per cent (2021: USD 0.02 million), and Other expenses of USD 2.84 million or 12.34 per cent (2021: USD 2.37 million), including Operating expenses of USD 1.21 million, Change in provision for doubtful receivables in the amount of (USD 0.11 million), Loss on foreign exchange in the amount of USD 1.54 million and Supplies, equipment and furniture of USD 0.20 million make up the remaining total expenses.

16. Total Personnel expenses for USD 13.00 million or 56.47 per cent, which include (i) salary and wages of USD 7.11 million; (ii) pension and insurance of USD 2.27 million; (iii) interest and current service costs related to defined benefit obligations (After-Service Health Insurance, annual leave, and repatriation grant/travel) in the amount of USD 1.86 million; and (iv) other benefits of USD 1.76 million.

Figure IV.III Movement in revenue and expenses

(In United States dollars)



17. There was a decrease of USD 9.98 million in total revenue compared with the revenue reported in 2021, as shown in figure III above. The decrease in revenue was mainly due to the fact that the voluntary contribution with the highest amount in 2022 was treated as deferred revenue instead of revenue as it contained IPSAS conditions. There was also an increase of USD 4.43 million in total expenses compared with the expenses reported in 2021. The sources of significant increase were USD 1.02 million for Personnel expenses, USD 2.63 million for Travel, USD 0.34 million for Contractual services and USD 0.47 million for Other expenses including supplies, equipment and furniture of USD 0.18 million, and Loss on foreign exchange of USD 1.03 million. There was also decrease in grant of USD 0.02 million, and Allowance for doubtful debts for voluntary contributions of USD 0.74 million.

Operating results

18. The net deficit in revenue over expense in 2022 is reported at USD 3.18 million, compared with the surplus of USD 11.23 million in 2021.

Financial position

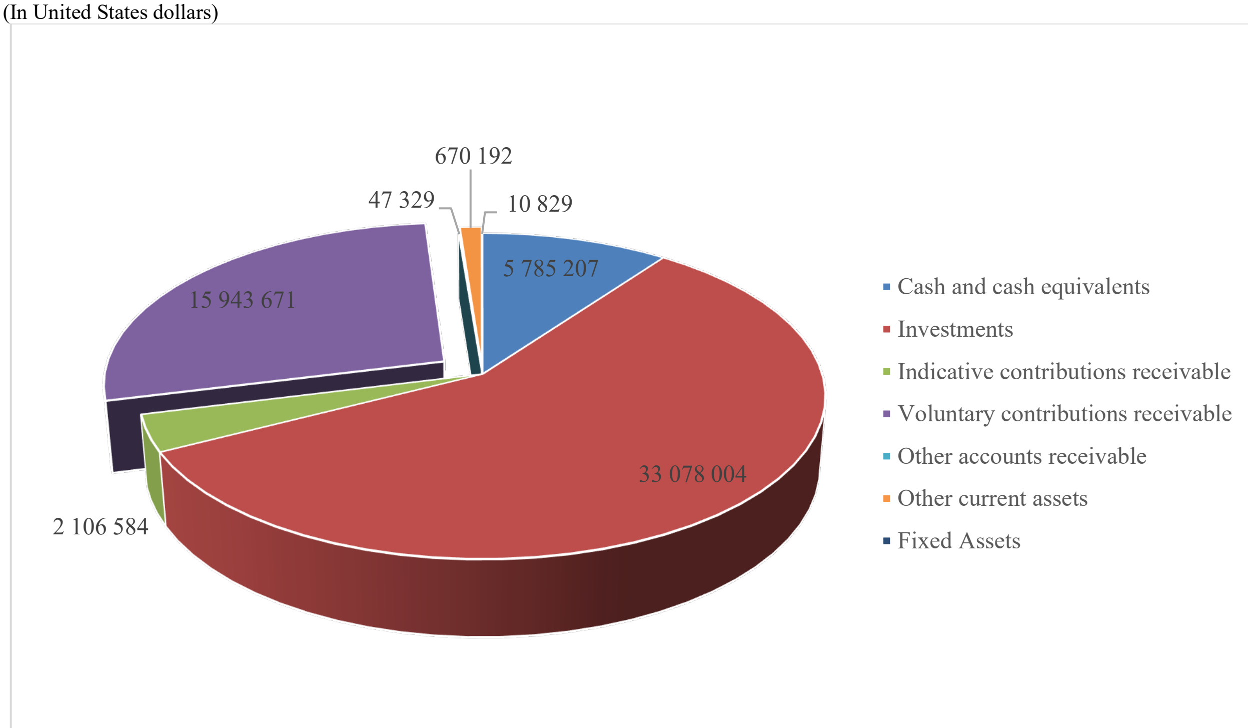
Assets

19. UNCCD reports an increase in total assets of USD 4.95 million as at 31 December 2022 from the balance of USD 52.69 million reported as at 31 December 2021, to the current USD 57.64 million. The major components of UNCCD's assets are as follows:

Summary of Assets at 31 December (in United States dollars)	2022	2021	Difference
Cash and cash equivalents	5 785 207	3 422 297	2 362 910
Investments	33 078 004	27 740 214	5 337 790
Sub total assets held in cash pool	38 863 211	31 162 511	7 700 700
Indicative contributions receivable	4 532 175	5 502 760	(970 585)
Less provision for doubtful receivables	(2 425 591)	(2 045 466)	(380 125)
Net indicative contributions receivable	2 106 584	3 457 294	(1 350 710)
Voluntary contributions receivable	15 943 671	18 317 500	(2 373 829)
Allowance for doubtful debts	-	(488 895)	488 895
Discounting	-	(200 659)	200 659
Net voluntary contributions receivable	15 943 671	17 627 946	(1 684 275)
Other accounts receivable	47 329	54 496	(7 167)
Other current assets	670 192	365 624	304 568
Fixed assets	10 829	22 751	(11 992)
Total Assets	**57 641 816**	**52 690 622**	**4 951 194**

Figure IV.IV Total assets as at 31 December 2022

(In United States dollars)



20. As shown above in figure IV, UNCCD's assets largely comprised investments of USD 33.08 million, or 57.39 per cent (2021: USD 27.74 million), voluntary contributions receivable from donors of USD 15.94 million, or 27.66 per cent (2021: USD 17.63 million), indicative contributions receivable from signatories to the Convention in the amount of USD 2.11 million, or 3.65 per cent (2021: USD 3.46 million) and cash and cash equivalents totalling USD 5.79 million, or 10.04 per cent (2021: USD 3.42 million). The remainder comprised other accounts receivable of USD 0.05 million (2021: USD 0.05 million), other current assets of USD 0.67 million (2021: USD 0.37 million), and fixed assets of USD 0.01 million (2021: USD 0.02 million).

21. **Cash, cash equivalents and investments**: Cash, cash equivalents and investments are USD 38.86 million held in the UN Treasury Cash Pools (2021: USD 31.16 million). This represents an increase of USD 7.70 million over the balance held at the end of 2021. Changes in cash are shown in statement IV.

22. **Accounts** receivable: Accounts receivable from indicative contributions are recognized net of a provision of 50% for all amounts overdue for three years and 100% for all amounts overdue for four or more years. Voluntary contributions receivable based on the signed agreement/letter of intent in the net amount of USD 15.94 million of which USD 4.80 million represents receivable due for the Global Mechanism. Other accounts receivable includes value added tax balances in the amount of USD 0.05 million.

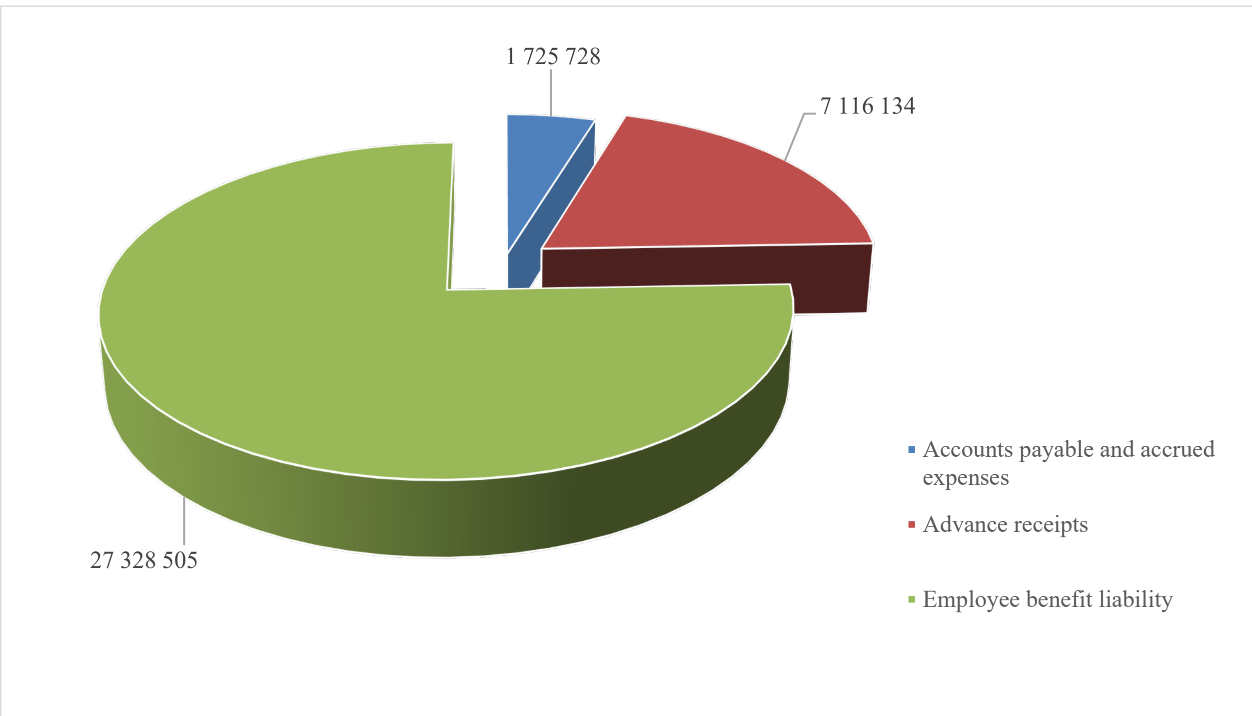
Liabilities

23. Liabilities as at 31 December 2022 totalled USD 36. 17 million (2021: USD 35.67 million) as follows:

Summary of liabilities at 31 December (in United States dollars)	2022	2021	Difference
Accounts payable and accruals	1 725 728	640 987	1 084 741
Advance receipts	7 116 134	1 848 308	5 267 826
Employee benefit liabilities	27 328 505	33 183 800	(5 855 295)
Other liabilities	-	-	-
Total Liabilities	**36 170 367**	**35 673 095**	**497 272**

Figure IV.V Total Liabilities as at 31 December 2022

(In United States dollars)



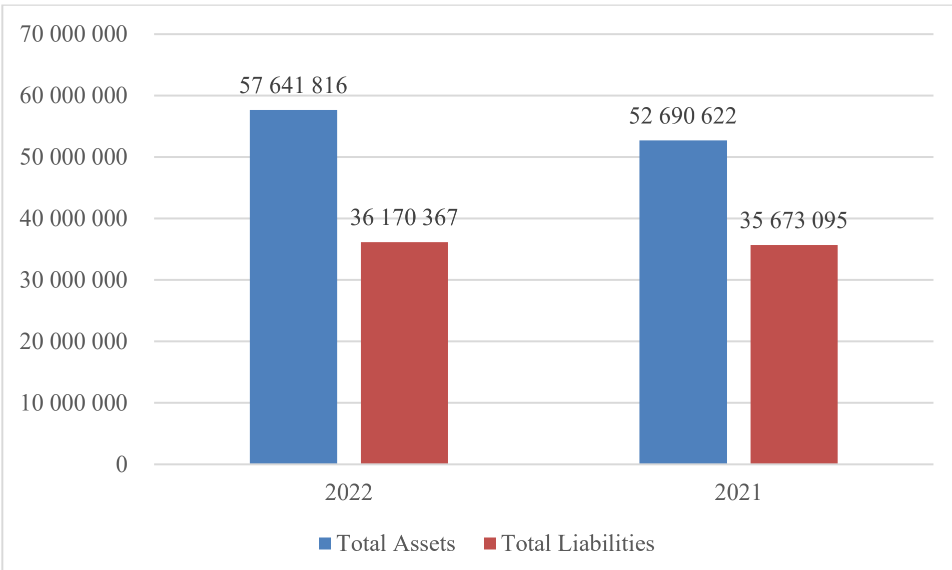
24. The most significant liability is the employee benefits (see figure V) earned by staff members and retirees but not paid at the reporting date, primarily the liability for ASHI. These liabilities total USD 27.33 million, or 75.55 per cent (2021: USD 33.18 million, represent 93.73 per cent) of UNCCD's total liabilities, and are explained in detail in Note 14 to the financial statements. The decrease of ASHI liability in 2022 in the amount of USD 5.42 million is mainly due to the increase in the discount rate, partially offset by the effect of changes in the healthcare trend rates. The repatriation grant has decreased by USD 0.25 and annual leave liability has decreased in the amount of USD 0.15 million due to the discount rate effects.

25. Advance receipt covers indicative contributions received in advance of the start of the

year to which they are related totalling USD 0.15 million (2021: USD 0.32 million). Also included are voluntary contributions, provided by donors totalling USD 6.96 million (2021: USD 1.53 million), that contain conditions requiring the performance of specified services or the return of unused funds to the donor in accordance with the terms of the agreement. In addition, Accounts payable and accrued liabilities stood at USD 1.73 million (2021: USD 0.64 million); this amount relates primarily to payables to vendors in the amount of USD 1.06 million, accruals for goods and services of USD 0.66 million, and the remaining balance from the Government of the Bolivarian Republic of Venezuela in the amount of USD 0.005 million (2021: USD 0.005 million).

Figure IV.VI Movement in assets and liabilities as at 31 December 2022

(In United States dollars)



26. Figure VI shows an increase of assets held for USD 4.95 million, from USD 52.69 million reported in 2021 to USD 57.64 million reported for 2022, and an increase in liabilities of USD 0.50 million, from USD 35.67 million reported for 2021 to USD 36.17 million reported for 2022.

Net assets

27. The movement in net assets during the year reflects increase of USD 4.45 million from USD 17.01 million in 2021 to USD 21.47 million in 2022 due to the operating deficits of USD 3.18 million and actuarial and other adjustments recognized in net assets of USD 7.64 million. Net assets include the operating reserves which remained at USD 2.0 million.

C. Financial Report on the impact of the Covid-19 pandemic

28. The outbreak of the COVID-19 pandemic in mid-March 2020 became a global challenge and impacted the global economy in an unprecedent manner. However, the UNCCD continued to focus on the effective implementation of its programmatic activities. The UNCCD quickly adjusted to these unprecedent circumstances and there was a robust response from supporting partners/donors in addressing the pandemic during this period.

The following are various financial considerations of COVID-19 on the 2022 financial year.

29. The COVID-19 pandemic manifested itself in a variety of ways in the activities of UNCCD during 2022. While the impact on the way UNCCD conducted its business was profound, the direct, visible and measurable impact on the financial performance for 2022 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, certain broad trends can be identified and are reflected in the financial statements where applicable.

30. Until mid-March 2022, staff members were mainly working from home. Meetings and workshops were organized in a hybrid manner. At the end of March 2022, the UN Campus Bonn has moved forward into a “living with COVID” plan and adopted the Business under the “New Normal” approach. Staff members have returned to the office a minimum of three days a week starting April 2022. As of 4 July 2022, staff members have returned to the office fully.

31. In May 2022, the 15th session of the Conference of the Parties was held physically in Côte d'Ivoire successfully, taking consideration of the various COVID measures.

32. There is no additional material impact to the allowance for indicative contributions receivable as a direct result of the pandemic. Member States were pro-active in paying the outstanding contributions. As a result, procedures followed for updating allowance for assessed contributions balances were based on historical patterns of payments or providing for Member States balances subject to Article 19 of the Charter of United Nations.

Core budget

33. At 15th session of the Conference of the Parties, by its Decision 10 of ICCD/COP(15)/23/Add.1, approved a core budget for the triennium 2022–2024 amounting to EUR 24.7 million of which EUR 8.2 million was programmed for 2022. In addition, the Conference of the Parties approved 1) a contingency budget amounting to EUR 2,104,660 for conference servicing, to be added to the programme budget for the triennium 2022–2024 in the event that the General Assembly decides not to provide resources for these activities in the United Nations regular budget; and 2) on an exceptional basis, to use the remainder of the amount previously allocated from the reserves of the Trust Fund for the Core Budget of the UNCCD for a) set aside funds for after-service health insurance; b) support the Intergovernmental Working Group on Drought and c) provide partial funding for the financial needs assessment to be conducted by the Global Mechanism and submitted to the sixteenth session of the COP. It should be noted that the General Assembly approved a provision for conference servicing for 2022**.**

34. The core budget continues to be prepared on a modified cash basis in accordance with the UN Financial Regulations. The overall budgetary results for the 2022 financial period in euros are summarized in Statements V. The differences between the net results on the IPSAS (full accrual) basis and those in accordance with the adopted budget are explained in Note 4: Budget Comparison and Reconciliation.

35. Valued in US dollars at the average USD 1 = EUR 0.94933 at the rate of exchange set by the United Nations and using the modified cash method of accounting, total Core budgetary revenue for 2022 amounted to EUR 8.8 million (USD 9.3 million). Expenses under the regular budget during 2022 amounted to EUR 8.7 million (USD 9.2 million). Expenses resulted in a net surplus fund of EUR 0.06 million (USD 0.04 million) when compared to the 2022 revenue. The slight surplus in 2022 is attributed to savings mainly due to the meetings and workshops help in hybrid manner. The meetings of the Bureaux of the

COP, the Committee on Science and Technology (CST) and the Committee for the Review of the Implementation of the Convention (CRIC) were held in person and hybrid. Meetings of the Science–Policy Interface (SPI) under STI, and meetings in the Regional Implementation Annexes, involving the Regional Liaison Offices under the External Relations, Policy and Advocacy programme, were also held in person or hybrid. The fifteenth session of the COP was held in person in Abidjan, Côte d'Ivoire in May 2022.

Statement on Internal Control

Purpose of the system of internal control

36. Internal control is designed to reduce, manage, and mitigate to an acceptable level, the risk of failure to achieve the Organization's aims, objectives and related policies. Therefore, it can provide reasonable but not absolute assurance of effectiveness. It is based on an ongoing process designed to identify the key risks, evaluate the nature and extent of those risks and manage them efficiently and effectively.

37. Internal control is a process through which the Secretary General, senior management and other personnel provide reasonable assurance to Governing Bodies regarding the achievement of the following:

a) effectiveness and efficiency of operations;

b) safeguarding of assets;

c) reliability of financial reporting; and

d) compliance with applicable regulations and rules.

38. Thus, on an operational level, UNCCD's internal control system is not solely a policy or procedure that is performed at certain points in time but, rather, operated continually at all levels within the Organization through internal control processes to ensure the above objectives.

Capacity to handle risk

39. UNCCD initiated the deployment of a conceptual framework of internal control that includes a risk management system. UNCCD's approach to risk management is an integral and systematic process that is identifying, mitigating, monitoring and communicating top risks to the Organization. A new Enterprise Risk Management (ERM) Policy has been developed to enable the Organization to better integrate risk management into significant activities and functions, thereby enhancing the decision-making process. UNCCD has nominated a focal point for risk management.

Risk and internal control framework

40. The Organization's risk and internal control framework includes:

- the identification of risks classified according to areas of activities, relevance, impact and probability of occurrence; and
- the establishment of a risk management review composed of Heads of Units whose mandate is to implement mitigation actions to address major risks, build up an integrated risk-management framework, strengthen a risk management culture, and regularly re-evaluate risks and the Organization's tolerance levels in light of the evolving environment.

41. The documentation of risks and mitigation to be undertaken are summarized in risk registers. Furthermore, the Executive Secretary is committed to a continuous improvement program to strengthen the system of internal controls across the Organization.

Review of effectiveness

42. The review of the effectiveness of the system of internal controls is mainly informed by the Focal Point and Heads of Units. The Office of Internal Audit Services (OIOS) of whose reports on internal audits, and the External Auditor, who provides reports on both the compliance of the accounts with the financial regulations and on the performance of selected areas of UNCCD. These include independent and objective information on compliance and program effectiveness, together with recommendations for improvement. The selected staff of UNCCD will also submit the United Nations Financial Disclosure Programme and observations and decisions of the Conference of the Parties. The Executive Secretary of the UNCCD has also issued the delegation of authority to the Heads of Units as well as Certifying and Approving Officers depending on the responsibility of tasks and nature of transactions.

Chapter V

Financial statements for the year ended 31 December 2022

STATEMENT I

United Nations Convention to Combat Desertification

Statement of Financial Position as at 31 December 2022

(In United States Dollars)	*Note*	*31 December 2022*	*31 December 2021*
Assets			
Current Assets			
Cash and cash equivalents	6	5 785 207	3 422 297
Investments	6	22 221 815	23 366 878
Indicative contributions receivable	7	2 106 584	3 457 294
Voluntary contributions receivable	8	5 430 245	10 120 267
Other accounts receivable	9	47 329	54 496
Other current assets	10	670 192	365 624
Total current Assets		**36 261 372**	**40 786 856**
Non-Current Assets			
Investments	6	10 856 189	4 373 336
Voluntary contributions receivable	8	10 513 426	7 507 679
Fixed Assets	11	10 829	22 751
Total Non-Current Assets		**21 380 444**	**11 903 766**
Total Assets		**57 641 816**	**52 690 622**
Liabilities			
Current liabilities			
Accounts payable and accrued expenses	12	1 725 728	640 987
Advance receipts	13	7 116 134	1 848 308
Employee benefit liability	14	924 505	854 800
Other current liabilities	15	-	-
Total Current Liabilities		**9 766 367**	**3 344 095**
Non-Current Liabilities			
Employee benefit liability	14	26 404 000	32 329 000
Total Non-Current Liabilities		**26 404 000**	**32 329 000**
Total Liabilities		**36 170 367**	**35 673 095**
Net Assets		**21 471 449**	**17 017 527**
Net Assets/Equity			
Accumulated surpluses/(deficits)		24 160 885	27 344 201
Actuarial gain (loss) recognized in net assets	16	(4 641 691)	(12 278 929)
Operating reserves	16	1 952 255	1 952 255
Total Fund Balances and Reserves		**21 471 449**	**17 017 527**

The accompanying notes form an integral part of these financial statements

STATEMENT II

United Nations Convention to Combat Desertification

Statement of Financial Performance for the period 1 January to 31 December 2022

(in United States dollars)	*Note*	*2022*	*2021*
REVENUE			
Indicative contributions	17	8 606 980	9 303 987
Voluntary contributions	17	11 117 281	20 459 391
Investment revenue	18	101 853	10 743
Other revenue	19	11 798	45 490
TOTAL REVENUE		**19 837 912**	**29 819 611**
EXPENSES			
Personnel expenses	20	12 999 025	11 983 032
Travel	20	2 850 051	221 226
Contractual services	20	3 255 614	2 910 715
Grants	20	1 062 702	1 083 466
Depreciation of Property, Plant and Equipment	11	11 921	21 499
Other expenses	20	2 841 915	2 369 105
TOTAL EXPENSES		**23 021 228**	**18 589 043**
SURPLUS/DEFICIT FOR THE PERIOD		**(3 183 316)**	**11 230 568**

The accompanying notes form an integral part of these financial statements

STATEMENT III

United Nations Convention to Combat Desertification

Statement of Changes in Net Assets for the year ended 31 December 2022

(United States Dollars)	Note	Accumulated Surplus – General Fund	Reserves	Total
Net Assets 31 December 2020		**3 292 478**	**1 952 255**	**5 244 733**
Actuarial gains / (loss) on employee benefit liabilities		592 000		592 000
Other adjustments		(49 774)		(49 774)
Surplus/ (deficit) for the year	Statement II	11 230 568		11 230 568
Total changes in net assets	16	11 772 794	-	11 772 794
Net Assets at 31 December 2021	Statement I	**15 065 272**	**1 952 255**	**17 017 527**
Actuarial gains / (loss) on employee benefit liabilities		7 720 000		7 720 000
Other adjustments		(82 762)		(82 762)
Surplus/ (deficit) for the year	Statement II	(3 183 316)		(3 183 316)
Total changes in net assets	16	4 453 922	-	4 453 922
Net Assets at 31 December 2022	Statement I	**19 519 194**	**1 952 255**	**21 471 449**

The accompanying notes form an integral part of these financial statements

STATEMENT IV

United Nations Convention to Combat Desertification

Statement of Cash Flows for the period 1 January to 31 December 2022

(in United States dollars)	*Note*	*2022*	*2021*
Cash flows from operating activities			
Surplus (deficit) for the period		(3 183 316)	11 230 568
Actuarial and other non-cash adjustments to net assets	16	7 637 239	542 225
Depreciation and amortization	20	11 921	21 499
(Increase)/decrease in receivables	7, 8, 9	3 042 152	(7 832 797)
(Increase)/decrease in other current assets	10	(304 568)	(41 747)
Increase/(decrease) in advance receipts	13	5 267 826	453 651
Increase/(decrease) in accounts payable	12	1 084 741	(122 676)
Increase/(decrease) in other current liabilities	15	-	(6 586)
Increase/(decrease) in employee benefit liabilities	14	(5 855 295)	831 829
Net cash flows from operating activities		**7 700 700**	**5 075 966**
Cash flows from investing activities			
(Increase) decrease in short-term investments	6, 21	1 145 063	(5 899 556)
(Increase) decrease in long-term investments	6, 21	(6 482 853)	1 391 221
Net cash flows from investing activities		**(5 337 790)**	**(4 508 335)**
Net increase (decrease) in cash and cash equivalents		**2 362 910**	**567 631**
Cash and cash equivalents at beginning of year	6, 21	**3 422 297**	**2 854 666**
Cash and cash equivalents at end of year	6, 2 1	**5 785 207**	**3 422 297**

The accompanying notes form an integral part of these financial statements

STATEMENT V

United Nations Convention to Combat Desertification
Statement of Budget to Actual Comparison - Core Budget
for the period 1 January to 31 December 2022
(in euros)*

Core budget of the Secretariat	*Original budget 2022*	*Final Budget 2022*	*Actual 2022*	*Actual 2022*
Programmes	*EUR*	*EUR*	*EUR*	*USD*
I. Secretariat programmes				
A. Executive Office	716 024	716 024	873 730	920 365
B. Governing Bodies and Legal Affairs	426 808	426 808	459 213	483 723
C. Communications	561 295	561 295	712 946	750 999
D. External Relations, Policy and Advocacy	1 091 937	1 091 937	1 240 992	1 307 230
E. Science, Technology and Innovation	1 602 685	1 602 685	1 632 950	1 720 108
F. Administrative services	1 024 110	1 024 110	1 173 947	1 236 606
II. Global Mechanism				
G. Global Mechanism	1 847 452	1 847 452	1 647 820	1 735 771
Subtotal (A-G)	7 270 311	7 270 311	7 741 598	8 154 802
Programme support costs	945 141	945 141	1 006 408	1 071 452
Working capital reserve	0	0	0	0
TOTAL Core Budget of the Secretariat	8 215 452	8 215 452	8 748 006	9 226 254
Contribution from the host Government	511 292	511 292	511 292	528 740
Indicative contributions	7 582 749	7 582 749	8 170 864	8 606 980
Unspent balances or contributions from prior financial periods (up to)	121 411	121 411	121 411	127 891
TOTAL income	8 215 452	8 215 452	8 803 567	9 263 611
International Working Group on Drought	929 204	929 204	137 618	144 963
Programme support costs	120 796	120 797	17 890	18 845
Financial needs assessment to be conducted by GM	132 743	132 743	0	0
Programme support costs	17 257	17 257	0	0
Contingency budget for conference servicing in the event that the General Assembly decides not to provide resources for these activities in the United Nations regular budget	2 104 660	2 104 660	0	0
Total other budgets approved by the Conference of the Parties	3 304 660	3 304 661	155 508	163 808

* At the average monthly exchange rate of the United Nations for the period 2022 with 1 USD = EUR 0.94933, with the exception of the contribution from the host government.

The accompanying notes form an integral part of these financial statements.

UNITED NATIONS CONVENTION TO COMBAT DESERTIFICATION

Notes to the financial statements

Note 1: The Reporting Entity

1. The permanent secretariat of the United Nations Convention to Combat Desertification (UNCCD) was established in December 1996. The Strategy is to forge global partnerships to reverse and prevent desertification and land degradation. These partnerships are also meant to mitigate the effects of drought in affected areas. Coupled with the vision is a Strategy mission: To provide a global framework to support the development and implementation of national and regional policies that are to contribute to the reduction of poverty. The Parties adopted the new strategic framework of the Convention for 2018–2030. The new strategy outlines five long-term objectives for the implementation of the UNCCD and directly contributes to the achievement of many SDGs, most notably SDG 15 concerning life on land and its target 15.3 on land degradation neutrality.

2. UNCCD is governed by the following constituent bodies:

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

The Bureau of the COP

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

The President declares the opening and closing of the session, presides at the meetings of the session, ensures the observance of the present rules, and has complete control of the proceedings and over the maintenance of order thereat. The President, if temporarily absent from a meeting or any part thereof, shall designate a Vice-President to act as President. The Bureau of the COP has an important role in the UNCCD process also outside the sessions, as it directs various aspects concerning the follow-up of the COP and the preparations of the next one. The COP Bureau is also often assigned by the COP to supervise specific, particularly demanding or sensitive tasks or processes that are carried out between the COP sessions.

The Committee for the Review of the Implementation of the Convention (CRIC) was established by decision 1/COP.5, as a subsidiary body to the COP to assist in it regularly reviewing the implementation of the Convention. Parties at COP 13 adopted new Terms of Reference of the CRIC (decision 13/COP.13). According to its Terms of Reference, the CRIC shall assist the COP in reviewing the implementation of the Convention under the authority and guidance of the COP and as an integral part of the Performance Review and Assessment of Implementation (PRAIS).

The Committee on Science and Technology (CST). In line with Article 24 of the UNCCD, the Committee on Science and Technology (CST) is established as a subsidiary body of the Conference of the Parties (COP) to provide it with information and advice on scientific and technological matters relating to combating desertification and mitigating the effects of drought. The CST meets in conjunction with the ordinary sessions of the COP. It is meant to be multidisciplinary, open to the participation of all Parties, and composed of government representatives competent in the relevant fields of expertise. The CST Bureau is composed of the Chairperson and four Vice-Chairpersons, among them a Rapporteur. The members of the Bureau are appointed with due regard to geographical representation and following the principle of rotation among the regional groups recognized by the practices of the United Nations.

3. The UNCCD is financed by indicative contributions paid by Parties to the Convention, and voluntary contributions from Parties to the Convention and other donors.

4. The permanent secretariat of the UNCCD is located in Bonn, Germany. Other offices are in New York, Rabat, Santiago de Chile and Istanbul.

5. The Organization enjoys privileges and immunities as granted under the 1947 Convention on Privileges and immunities of the United Nations and the 1996 Headquarters agreement with the Federal Government of Germany, notably being exempt from most forms of direct and indirect taxation.

Note 2: Basis of Preparation

Basis of preparation

6. The financial statements of the UNCCD have been prepared on the accrual basis of accounting in accordance with the International Public Sector Accounting Standards (IPSAS) using the historic cost convention. The statements are prepared on a going concern basis, and the accounting policies have been applied consistently in their preparation and presentation. In accordance with the requirements of IPSAS, the financial statements, which present fairly the assets, liabilities, revenue and expenses of the Organization, consist of 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 indicated in (a) to (e) above and, where relevant, comparative information for narrative and descriptive information presented in the notes to these financial statements

7. This is the ninth set of financial statements to be prepared in accordance with IPSAS. The adoption of IPSAS required changes to be made to the accounting policies previously followed by UNCCD, including the preparation of a single set of financial statements covering both Core budget and extra-budgetary activities, which are presented throughout

in United States dollars (USD). In accordance with IPSAS, the 2022 financial statements are presented on an annual basis covering the period 1 January 2022 to 31 December 2022.

8. The Cash Flow Statement is prepared using the indirect method.

Going concern

9. The going concern assertion is based upon approval by the Conference of Parties of the 2022-2024 Programme and budget, the historical trend of collection of indicative and voluntary contributions over the past years and that the Conference of Parties has not made any decision to cease the operations of the Organization.

10. At the fifteenth session of the Conference of Parties (COP 15) held in May 2022, the COP approved the programme budget (core budget) for 2023 amounting to EUR 8.2 million by its decision ICCD/COP(15)/23/Add.1.

Functional and Presentation Currency

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

Foreign Currency Translation

12. Transactions in currencies other than USD are translated into USD at the prevailing United Nations Operational Rates of Exchange (UNORE). Assets and liabilities in currencies other than USD are translated into USD at the UNORE year-end closing rate. The exchange rate for Euro and Swiss Francs (CHF) at 31 December 2022 are 0.939 and 0.923 respectively. Resulting gains or losses are accounted for in the Statement of Financial Performance.

Materiality and use of judgment and estimates

13. Materiality is central to the preparation and presentation of the Organization'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.

14. 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.

15. 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; selection of useful lives and the depreciation/amortization methods for property, plant and equipment/intangible assets; impairment of assets; classification of financial instruments; valuation of inventory; inflation and discount rates used in the calculation of the present value of provisions and classification of contingent assets/liabilities.

Future accounting pronouncements

16. The progress and impact of the following significant future IPSAS Board accounting pronouncements on the Organization's financial statements continue to be monitored. In November 2020, the IPSAS Board deferred effective dates of new standards and amendments to existing standards to 1 January 2023. This affects IPSAS 41, Financial Instruments; IPSAS 42, Social Benefits; Long-term Interests in Associates and Joint Ventures (Amendments to IPSAS 36) and Prepayment Features with Negative Compensation (Amendments to IPSAS 41); Collective and Individual Services (Amendments to IPSAS 19); and Improvements to IPSAS, 2019. Also, improvements to IPSAS 2021 will be effective 1 January 2023 apart from amendments to IPSAS 29 which became effective on 1 January 2022. The new IPSAS 43, Leases, has the effective date 1 January 2025. Furthermore, the IPSAS Board expects to issue new IPSAS on “Revenue and Transfer Expenses” in early 2023 and analyse further specific issues about “Retirement Benefit Plans” in 2023.

Note 3: Significant Accounting Policies

Assets

Financial assets classification

17. The classification of financial assets depends primarily on the purpose for which the financial assets are acquired. The Organization classifies its financial assets in one of the categories shown below 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

18. Financial assets are initially measured at fair value. Subsequent measurement of all financial assets is at fair value except for accounts receivable, which are measured at amortized cost using the effective interest method.

19. Financial assets are recognized when UNCCD becomes a party to the contractual provisions of the instrument until the rights to receive cash flows from those assets have expired or have been transferred and the UNCCD has transferred substantially all the risks and rewards of ownership.

20. Gains or losses arising from changes in the fair value of financial instruments are included within the statement of financial performance in the period in which they arise.

Investment in cash pools

21. The main cash pool comprises participating entity shares of cash and term deposits, short-term and long-term investments and accrual of investment revenue, all of which are managed by the UN Investment Accounting & Treasury. UNCCD’s share of the cash pool is disclosed in the notes to the financial statements and on the Statement of Financial Position. Detailed information on the holdings of the main cash pool may be obtained in the Financial Statements of the United Nations (Vol. I).

Cash and Cash Equivalents

22. Cash and cash equivalents are held at fair value and comprise cash on hand, cash at banks, money market and short-term deposits with a maturity of three months or less. Investment revenue is recognized as it accrues taking into account the effective yield.

Accounts receivable

23. Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. UNCCD's receivables comprise indicative contributions receivable from member countries, voluntary contributions receivable and other accounts receivable recognized on the Statement of Financial Position.

24. Contributions receivables represent uncollected revenue from indicative and voluntary contributions committed to the Organization by Member States, non-member States and other donors on the basis of enforceable agreements.

25. Other accounts receivable includes Value Added Tax (VAT) reimbursable under the headquarters agreement with the host government.

26. Receivables are stated at amortized cost taking into account a provision for impairment and an adjustment to reflect the time value of money based on the interest rate generally applicable to securities of similar maturity and currency. A provision is established equal to 50% of indicative contributions receivable outstanding for more than 36 months and 100% of receivables outstanding for more than 48 months. A provision is established for all other receivables equal to 50% of the amount outstanding for more than 24 months and 100% for receivables outstanding for more than 36 months.

Other assets

27. 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. Receivables from other United Nations reporting entities are also included in this category.

Property, Plant and Equipment

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

29. **Property, Plant and** Equipment are depreciated over their estimated useful lives using the straight-line method. The estimated useful life for equipment classes are as follows:

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

30. Impairment assessments are conducted during annual physical verification procedures and when events or changes in circumstance indicate that carrying amounts may not be recoverable.

Liabilities

Financial liabilities: classification

31. Financial liabilities are classified as 'other financial liabilities'. They include accounts payable, transfers payable, unspent funds held for future refunds and other liabilities such as balances payable to other United Nations system reporting entities and donors.

32. 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 Organization re-evaluates the 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 expenses

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

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

Advance receipts and deferred revenue

35. Advance receipts and deferred revenue consist of payments received in advance relating to non-exchange as well as exchange transactions, liabilities for conditional funding arrangements and other deferred revenue.

36. UNCCD recognizes a liability in cases where conditions are attached to voluntary contributions. Conditions are imposed by donors on the use of contributions and include both an obligation to use the donation in a specified manner and an obligation to return any amount not expended in accordance with performance specified by the donation. The amount recognised as a liability is the best estimate of the amount that would be required to settle the obligation at the reporting date. As UNCCD satisfies the conditions on voluntary contributions through performance in the specified manner, the carrying amount of the liability is reduced and an amount of revenue equal to that reduction is recognised.

Other Liabilities

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

Employee Benefits

38. UNCCD provides the following employee benefits:

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

Defined-benefit plans

39. The following benefits are accounted for as defined-benefit plans: after-service health insurance, repatriation benefits and accumulated annual leave that is commuted to cash upon separation from the Organization. Defined-benefit plans are those where the Organization's obligation is to provide agreed benefits and therefore the Organization bears the actuarial risks.

40. The liability for defined-benefit plans is measured at the present value of the defined-benefit obligation at the reporting date. An independent actuary using the projected unit credit method calculates the defined benefit obligations. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-grade corporate bonds with maturity dates approximating those of the individual plans. Changes in the liability for defined-benefit plans, excluding actuarial gains and losses, are recognized in the statement of financial performance in the period in which they occur. Actuarial gains and losses are recognised in the statement of changes in net assets in the period in which they occur.

Pension plan: United Nations Joint Staff Pension Fund

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

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

Termination benefits

43. Termination benefits are recognized as an expense only when the Organization 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.

Provisions

44. 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 Organization 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 amount of the provision is the best estimate of the expenditures expected to be 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 required to settle the obligation.

Contingent liabilities

45. Contingent liabilities, where their existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events that are not wholly within the control of UNCCD or where the value cannot be reliably estimated, are disclosed in the notes to the financial statements.

46. 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 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 financial statements.

Contingent assets

47. Contingent assets are 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 Organization. Contingent assets are disclosed in the notes when it is more likely than not that economic benefits will flow to the Organization.

Leases

48. Leases of property, plant and equipment where the Organization has substantially all 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 the 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 on the basis of the effective interest rate method.

49. Leases where all of the risks and rewards of ownership are not substantially transferred to the Organization 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.

Revenue

Non-exchange revenue

Indicative contributions

50. Indicative contributions to the Core Budget are recognised at the beginning of the year to which the assessment relates. The revenue amount is determined based on the approved budgets and the scale of assessment approved by the United Nations General Assembly as adopted by the Conference of the Parties.

Voluntary contributions

51. Voluntary contributions are recognised when the agreement with the donor becomes binding. Revenue is recognised immediately if no condition is attached. If conditions are attached, including a requirement that funds not utilized in accordance with the agreement must be returned to the contributing entity, revenue is recognised only upon satisfying the conditions. Until such conditions are met a liability (deferred revenue) is recognised.

52. Voluntary contributions such as pledges and other promised donations which are not supported by binding agreements are considered contingent assets and are recognised as revenue when received and disclosed in the notes to the financial statements if receipt is considered probable. Unused funds returned to the donors are netted against voluntary contributions.

53. Multi-year voluntary conditional contributions due in future financial periods are recognized as receivables on the signing of the agreement along with a liability (deferred revenue) until the conditions are met.

54. Goods in kind are recognised at their fair value, measured as of the date the donated assets are acquired. Services in kind including the use of space provided are not recognized.

55. UNCCD charges projects financed by voluntary contributions with the cost of providing programme support services. The charge is recognized as revenue in the funds performing the service and expenses in the funds receiving support services and reflected in the statement of financial performance by fund. In the consolidated Statement of Financial Performance (Statement II) both programme support revenue and expenses are eliminated since they represent inter-fund charges and revenue. The income from Repatriation Grant and ASHI for voluntary contributions are also eliminated with the corresponding expenses recorded by Payroll.

Exchange revenue

56. Exchange transactions are those in which the Organization 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:

- Revenue from sales of goods is recognized when the sale occurs, and risks and rewards have been transferred;
- Revenue from commissions and fees for services rendered is recognized when the service is performed.

57. An indirect cost recovery called a 'programme support cost' is charged to extrabudgetary' activities to ensure that the additional costs of supporting activities financed from extrabudgetary contributions are not borne by the Core Budget. The programme support cost is eliminated for the purposes of financial statement preparation. The funding for the programme support cost charge agreed upon with the donor is included as part of voluntary contributions.

Investment revenue and gains / losses on investments

58. Investment revenue includes the Organization's share of net cash pool revenue. The net cash pool revenue includes any gains and losses on the sale of investments, which are calculated as the difference between the sale 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 average daily balances.

59. Gains / losses on investments include unrealized market gains and losses on securities, which are distributed proportionately to all participants on the basis of year-end balances.

Expenses

60. 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.

61. Expenses arising from the purchase of goods and services are recognized when the services or goods have been received and accepted by UNCCD. Services are considered received on the date when the service is certified as rendered. For some service contracts, this process may occur in stages. Balances of unliquidated obligations recognized as expenses in the Core Budget on the Statement of Budget to Actual Comparison related to services or goods not received and accepted by UNCCD at the reporting date are not recognized as expenses on the Statement of Financial Performance.

62. Savings resulting from the cancellation of expenses accrued in prior period and from instances where actual costs incurred are lower than the amount accrued in a prior period are recognized as a reduction of expenses in the current period on the Statement of Financial Performance.

Personnel expenses

63. Personnel expenses include staff salaries, post adjustment and staff assessment as well as other staff entitlements, such as pension and insurance subsidies and staff assignment, repatriation, hardship and other allowances.

Travel

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

Contractual services

65. Contractual services include the cost of contracting with individual experts and consultants, related insurances and travel, as well as IT services, production and printing of information materials, and translation and interpretation services.

Grants

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

Operating and other direct cost

67. Operating and other direct costs include maintenance, utilities, contracted services, training, security services, shared services, rent, and insurance.

Changes in accounting policy

68. **No changes in accounting policy during the reporting period. However, the actuarial valuations are carried out based on the harmonization of assumption as recommended by IPSAS Task Force.**

Note 4: Budget Comparison and Reconciliation

69. UNCCD's budget is prepared on a modified cash accounting basis and the financial statements are prepared on a full accrual basis in accordance with IPSAS. The COP approves the biennial Core budget of the secretariat and the Global Mechanism in Euros. For presentation in the financial statements, the budget is divided into annual amounts for

presentation in the financial statement. Unexpended balances at the end of the first year of the triennium are carried forward and added to the annual budget estimate for the second year of the triennium. Over-expenditure at the end of the first year of the triennium will reduce the available fundings for the remaining years of the triennium.

70. The COP has delegated authority to the Executive Secretary to make transfers between each of the main appropriations lines in Statement V up to an aggregate limit of 20% of the total estimated expenses for those appropriation lines subject to a further limitation of up to minus 25% of each appropriation line.

71. Statement V compares the final budget to actual revenue and expenses amounts calculated on the same basis as the corresponding approved budget. Comparison of budget and actual amounts are presented in euro, with the corresponding amounts of actuals presented in United States dollars. The comparison is only made in respect of budgets adopted by the COP.

72. The actual amounts presented on a comparable basis to the budget are not prepared on a comparable basis to the Statement of Financial Performance, as the accounts are maintained in United States dollars. A reconciliation of the revenue and expenses on the budgetary basis as on the Statement V to the amounts is presented on the Statement II. As required by IPSAS-24 the differences have been categorized as follows:

Presentation differences are differences in the format and classification schemes in the Statement of Financial Performance which includes both revenue and expenses and the Statement of Comparison of Budget and Actual Amounts which includes only revenue.

Basis differences capture the differences resulting from preparing the budget on a modified cash basis. In order to reconcile the budgetary results to the net results on an IPSAS basis the non-cash elements such as un-liquidated obligations, payments against prior year obligations and outstanding indicative contributions are included as basis differences.

Entity differences represent funds other than Core budget that are reported in the Statement of Financial Performance.

73. The reconciliation between the actual amounts presented in statement V, and the actual amounts presented on the Statement of Financial Performance for the financial year 2022 is as follows:

Reconciliation of net results on budgetary and IPSAS basis

(United States Dollars)

Actual net result on the Statement of budgets to actual comparison	
Core Budget (UXA) Revenue	9 263 611
Statement V-A Core Budget (UXA) expense on budgetary basis	9 226 254
Expense for other budgets approved by the COP	163 808
Core Budget (UXA) Expense	9 390 062
Core Budget (UXA) Actual net result on budgetary basis	(126 451)
Basis differences	
Adjustments to revenue	
Investment revenue	12 704
Unspent balances or contributions from prior financial periods (up to)	(127 891)
Miscellaneous revenue not included in budget	(115 187)
Capitalization of equipment & intangible Assets	3 938
Change in provision for doubtful debts	380 125
Loss on Foreign Exchange	1 137 967
Other adjustments to expenditure	(2 889 105)
Post employment benefit interest and current service cost	(1 271 000)
	(2 638 075)
Sub-total basis differences	(2 753 262)
Full accrual based net result for Core Budget	(2 879 713)
Entity differences on IPSAS Basis	
Global Mechanism (GMZ)	(2 156 470)
Participation in UNCCD COP Sessions (UVA)	(84 069)
Convention events organized by Secretariat (BMA)	(323 529)
Programme support costs (ZQA)	(563 321)
Cost Recovery under home country agreement (ZHC)	132 156
Voluntary Financing of activities (UWA)	2 691 630
Sub-total entity differences	(303 603)
Actual net result on the Statement of Financial Performance	**(3 183 316)**

Note 5: Budget to Actual variance analysis

74. Explanations of material differences between the original budget and final budget, and final budget and the actual amounts are presented in the statement V from the Executive Secretary accompanying these statements. The statement V does not include many adjustments in revenue and expenses included in the reconciliation, such as: investment revenue and gain, as well as the expenses of depreciation, allowance for doubtful debts, loss on foreign exchange, and service costs and interest costs for ASHI, repatriation grant and annul leave.

Note 6: Cash, Cash Equivalents and Investments

(United States Dollars)

	31 December 2022	*31 December 2021*
Cash and cash equivalents	5 785 207	3 422 297
Short-term investments	22 221 815	23 366 878
Total current cash and short-term investments	28 007 022	26 789 175
Long-term investments	10 856 189	4 373 336
Total cash, cash equivalents and investments	**38 863 211**	**31 162 511**

75. UNCCD cash forms part of the cash pools that are maintained and managed by the UN Treasury. The cash pools comprise UNCCD's participating share of cash and term deposits, short term and long-term investments and accrual of investment income all of which are managed in the pool. For further information, refer to Note 22: Financial instruments: Cash Pool.

76. The total cash and investments above include USD 31,275,380 (2021: USD 29,718,149) that are subject to general stipulations in the agreements which did not meet the requirements to be conditions under IPSAS 23. Historically, UNCCD has had positive experiences with regard to receiving the payment tranches from donors in accordance with the agreements and has never been in breach of stipulations that would prompt donors to demand refunds or reimbursements.

Note 7: Indicative Contributions: receivables from non-exchange transaction

Indicative Contributions due from Parties to the Convention

(United States dollars)

	31 December 2022	*31 December 2021*
Gross receivable from member states	5 221 516	5 542 509
Accumulated revaluation	(689 341)	(39 749)
Less allowance for doubtful receivables	(2 425 591)	(2 045 466)
Total indicative contributions receivable	**2 106 584**	**3 457 294**

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

COP. As the budget is denominated in EUR, indicative contributions receivable are also denominated in EUR.

Note 8: Voluntary Contributions: receivables from non-exchange transactions

Voluntary contribution receivable as at 31 December 2021

(United States dollars)

	Current	*Non-current*	*Total 31 December 2021*
Voluntary contributions	10 609 162	7 708 338	18 317 500
Allowance for doubtful receivables and discounting	488 895	200 659	689 554
Total voluntary contributions receivable	**10 120 267**	**7 507 679**	**17 627 946**

Voluntary contribution receivable as at 31 December 2022

(United States dollars)

	Current	*Non-current*	*Total 31 December 2022*
Voluntary contributions	5 430 245	10 513 426	15 943 671
Total voluntary contributions receivable	**5 430 245**	**10 513 426**	**15 943 671**

78. Voluntary contributions receivable of USD 15,943,671 (2021: USD 17,627,946) includes for both Secretariat and Global Mechanism as per the signed agreements. The voluntary contribution receivables from 2022 have been classified and presented in the Financial Position as current assets USD 5,430,245 and non-current assets USD 10,513,426 based on the due date.

79. The Gross voluntary contribution receivables above include USD 15,488,179 (2021: USD 18,248,952) that are subject to general stipulations in the agreements which did not meet the requirements to be conditions under IPSAS 23. Historically, UNCCD has had positive experiences with regard to receiving the payment tranches from donors in accordance with the agreements and has never been in breach of stipulations that would prompt donors to demand refunds or reimbursements.

Note 9: Other accounts receivable

(United States dollars)

	2022	*2021*
VAT	47 329	13 433
Investment income receivable	-	28 823
Staff	-	12 240
Total other accounts receivable	**47 329**	**54 496**

80. Value Added Tax (VAT) for USD 47,329 has been invoiced for taxes reimbursable under the headquarters agreement with the host government.

81. Starting from 2022, the investment accruals were no longer classified as other current assets but as cash and cash equivalents as recommended by the UNBOA.

Note 10: Other current assets

(United States dollars)

	2022	*2021*
Education grant advance	243 156	308 951
UNDP Remittances net of charges	391 139	43 792
Travel advance	26 801	11 439
Salary advance	7 987	761
Other	1 109	681
Total other current assets	**670 192**	**365 624**

82. Internationally recruited staff members received advance for education grants. The education grant liability of USD 243,156 related to 16 staff members paid in 2022 but not claimed at the reporting date.

83. UNDP remittance of net charges related to the fund balance between the amount transferred minus the expenses reported at 31 December 2022. The balance amount of USD 391,139 will be used to cover the payments to implementing partners, consultants, and vendors in 2023.

Note 11: Fixed Assets

(United States dollars)

	Vehicles	*Communications Information Technology Equipment*	*Total*
Cost as at 31 December 2021	**109 882**	**91 432**	**201 314**
Additions	0	0	0
Impairment	0	0	0
Disposals	0	0	0
Cost as at 31 December 2022	**109 882**	**91 432**	**201 314**
Accumulated depreciation as at 31 December 2021	**95 115**	**83 448**	**178 563**
Depreciation	3 938	7 984	11 922
Impairment	0	0	0
Disposals	0	0	0
Accumulated depreciation as at 31 December 2022	**99 053**	**91 432**	**190 485**
Net carrying amount			
31 December 2021	14 767	7 984	22 751
Net carrying amount 31 December 2022	**10 829**	**0**	**10 829**

84. In 2015, the Organization acquired a new vehicle above the capitalization threshold of USD 5,000. The vehicle has been capitalized as an asset and is being depreciated over a period of ten years (see note 3).

85. In 2017, the Organization acquired additional communications and information technology equipment at a cost equals the capitalization threshold of USD 5,000 or above. The equipment has been capitalized as an asset and is being depreciated over a period of five years (see note 3).

Note 12: Accounts payables and accrued expenses

(United States dollars)

	2022	*2021*
Vendor payables	1 055 703	294 243
Unexpended balance of contribution from the Government of the Bolivarian Republic of Venezuela	5 135	5 135
Accruals for goods and services	664 567	341 609
Unapplied deposits	323	-
Total payables and accrued expenses	**1 725 728**	**640 987**

86. Payables to vendors relate to amounts due for goods received and services rendered payment had not been completed. Following are the details of USD 1,725,728 for 2022.

	2022
Vendors/suppliers	432 656
Consultants/individual contractors	44 057
Donors	549 210
United Nations	23 611
Staff	11 627
Accruals	664 567
Total payables and accrued expenses	**1 725 728**

87. The unexpended balance of contribution from the Government of the Bolivarian Republic of Venezuela remained at USD 5,135 for 2022, same as for 2021. The UNCCD continues to communicate with the Government of the Bolivarian Republic of Venezuela for the treatment of this balance.

88. Accruals are liabilities for goods and services that have been received or provided to UNCCD during the year and which have not been invoiced by suppliers.

Note 13: Advance receipts and deferred revenue

(United States dollars)

	2022	*2021*
Deferred revenue from conditional voluntary contributions	6 961 481	1 526 749
Indicative contributions received in advance	154 653	321 559
Total advance receipts	**7 116 134**	**1 848 308**

89. Deferred revenue for the voluntary contributions has increased to USD 6,961,481 mainly due to the conditional agreement between the UNCCD and Saudi Arabia for the project Global Land Initiative (G20) in the amount of USD 7,000,000 received in 2022.

Note 14: Employee Benefit liability

(United States dollars)

	2022	*2021*
Current liabilities		
Repatriation grant and travel	225 000	200 000
After service health insurance	208 000	171 000
Accumulated annual leave	117 000	112 000
USA Tax reimbursement	1 769	18 123
Home leave	175 305	159 518
Other	197 431	194 159
Subtotal current liabilities	**924 505**	**854 800**
Non-current liabilities		
Repatriation grant and travel	1 100 000	1 409 000
After service health insurance	24 609 000	30 073 000
Accumulated annual leave	695 000	847 000
Subtotal non-current liabilities	**26 404 000**	**32 329 000**
Total employee benefits liabilities	**27 328 505**	**33 183 800**

90. The ASHI liability decreased from USD 30.24 million to USD 24.82 million mainly due to the increase in the discount rate, partially offset by the effect of changes in the healthcare trend rates. The repatriation grant has increased in 2022 to the amount of USD 1.33 million and the annual leave liability has also increased in 2022 to the amount of USD 0.81 million due to the increase of the discount rate.

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

Education grant: Internationally recruited staff members are eligible for partial reimbursement of the amounts paid for the education of dependent children up to maximum allowances established by the International Civil Service Commission (ICSC). The liability relates to the amount earned but not claimed at the reporting date. Staff members received advances for education grants. The advances exceeded the respective liability. Hence, the liability against the staff members was offset from the advances and shown under "other current assets".

Home leave: Non-locally recruited UNCCD staffs are entitled to reimbursement for the costs of travel to their home country in the second year after their initial appointment and thereafter, every second year. The liability recorded has been calculated proportionately reflecting the number of months of home leave entitlement earned by officials since their last entitlement at the reporting date.

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

Post-employment benefits

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

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

After Service Health Insurance (ASHI): Staff members (and their spouses, dependent children and survivors) retiring from service at the age of 55 or later are eligible for ASHI coverage if they have contributory health insurance coverage prior to retirement for at least five years of service for staff hired before 1 July 2007 and ten years of service for staff hired after 1 July 2007. Staff hired before 1 July 2007 who retire with less than ten years but more than 5 years of covered receive unsubsidized coverage until enrolled for 10 years at which time the coverage is subsidized. UNCCD's liability for ASHI is calculated as the residual liability after deducting contributions from retirees and a portion of the contribution from active staff. For 2022, the gross liability was calculated by the actuary as USD 24,817,000 net of contributions from plan participants (USD 30,244,000 at 31 December 2021.).

After-service health insurance for retired staff members and their survivors and dependents of UNCCD is provided by the United Nations Staff Mutual Insurance Society against Sickness and Accident (UNSMIS) established under article 6.2 of the United Nations Staff Regulation. UNSMIS is governed by its General Assembly approves amendments to the Statutes. An Executive Committee consisting of three members appointed by the Director-General of the United Nations Office at Geneva, three members appointed by the Co-ordinating Council of the United Nations at Geneva in consultation with corresponding bodies of the specialized agencies affiliated to the UNSMIS and one member appointed by the other six members, is responsible for approving the UNSMIS accounts and management report.

In accordance with Article 11 of the Statute, persons insured by UNSMIS shall pay monthly contributions, the amount of which shall be fixed by its Internal Rules. The UNCCD, or other UNSMIS affiliated organizations, shall contribute to the UNSMIS funds through the payment of a subsidy, the proportion of which in relation to staff member contributions shall be fixed by the Director-General of the United Nations Office at Geneva. The ASHI liability calculation also includes staff members who contribute to other United Nations insurance plans and accrue eligibility for after-service health insurance.

Defined benefit obligations: An actuarial valuation at 31 December 2022 has been utilized to determine the UNCCD's estimated liability and expenses recognized on the Statement of Financial Performance for repatriation grants and travel, accumulated leave and after-service health insurance at the reporting date.

The results as at 31 December 2022 presented in this report for defined benefit obligations are based on a full valuation. Financial assumptions such as discount rates, salary increases, inflation rates and health-care cost trends have been updated since the actuarial valuation carried out in 2021 to determine UNCCD's estimated liability for defined benefit obligations at the reporting date. Demographic assumptions including probability of marriage at retirement will be updated in the actuarial study to be conducted.

92. Each year, the UNCCD reviews and selects assumptions and methods that will be used by the actuaries in the valuation to determine the expenses and contribution requirements for the UNCCD's after-service medical care plans and separation benefit plans. The discount rate is determined by calculating the expected benefit payments for each future year attributable to past service as of the valuation date and then discounting these benefit payments using spot rates for high quality corporate bonds. A single equivalent discount rate was then determined that resulted in the same past service obligation. The resulting single discount rate was rounded to the nearest 1/2 basis point.

Assumptions used to determine the value of employee benefit liabilities

Assumption	*After-service health insurance*	*Repatriation grant*	*Accumulated annual leave*
Discount rate (31 December 2021)	0.46%	2.58%	2.68%
Discount rate (31 December 2022)	2.32%	5.08%	5.11%
Travel inflation (31 December 2021)	–	2.0%	–
Travel inflation (31 December 2022)	–	2.5%	–
Salary increase rate	Based upon age and calculated separately for Professional and General Service staff		

93. The following assumptions were utilized by the actuary in determining the maturity profile of the defined benefit obligations at 31 December 2022:

- ASHI scheme: full eligibility is achieved once the staff member’s period of service reaches 10 years in duration (5 years if hired before 01.07.2007) and once he/she reaches 55 years old. The projected duration of the ASHI liability is 22 years.
- Repatriation benefits: historically, for disclosure purposes it has been assumed that full eligibility is achieved from the time when the staff member’s period of service reaches 12 years. The projected duration of the repatriation grant liability is 8 years;
- Annual leave: historically, for disclosure purpose sit has been assumed that full eligibility is achieved from the time when the staff member has accumulated 60 days of leave, i.e. once the maximum of benefits has been accumulated. The projected duration of the annual leave liability is 8 years.

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

Sensitivity of defined benefit obligations

(United States dollars)

	2022		*2021*	
	Increase	*Decrease*	*Increase*	*Decrease*
0.5 percentage point movement in the assumed medical costs trend rate				
Effect on the defined benefit obligation	3 463	(2 945)	3 632	(3 099)
Effect on the aggregate of the current service cost and interest cost	327	(270)	372	(307)

	2022		*2021*	
	Increase	*Decrease*	*Increase*	*Decrease*
0.5 percentage point movement in the assumed discount rate				
Effect on the ASHI defined-benefit obligation	(2 519)	2 818	(3 205)	3 812
Effect on the Repatriation Grant defined-benefit obligation	(43)	44	(52)	51
Effect on the Annual Lease defined-benefit obligation	(28)	29	(33)	35

Reconciliation of opening to closing defined benefit liability and expense in 2022

(Thousands of United States dollars)

	ASHI	*Repatriation Grant & Travel*	*Annual Leave*
Net defined benefit liability as at 1 January	**30 244**	**1 609**	**959**
Current service cost	1 936	116	100
Interest cost	137	40	24
Total costs recognized in the statement of financial performance			
Benefits paid (net of participant contribution)	(172)	(204)	(115)
Liability (gain)/loss due to actuarial assumptions and experience recognized in net assets	(7 328)	(236)	(156)
Net defined benefit liability as at 31 December	**24 817**	**1 325**	**812**

Reconciliation of opening to closing defined benefit liability and expense in 2021

(Thousands of United States dollars)

	ASHI	*Repatriation Grant & Travel*	*Annual Leave*
Net defined benefit liability as at 1 January	**29 499**	**1 686**	**799**
Current service cost	1 488	125	71
Interest cost	62	33	17
Total costs recognized in the statement of financial performance			
Benefits paid (net of participant contribution)	(132)	(169)	(74)
Liability (gain)/loss due to actuarial assumptions and experience recognized in net assets	(671)	(67)	146
Net defined benefit liability as at 31 December	**30 246**	**1 608**	**959**

95. Under IPSAS-39 the liabilities for ASHI, repatriation grant and travel and accumulated annual leave are considered unfunded and, therefore, no fair value of plan assets has been recognized and the entire liabilities are recognized as liabilities of UNCCD.

96. Effective 01 January 2017, a monthly accrual has been implemented to start funding after-service health insurance liabilities relating to extra-budgetary activities. For this purpose, an accrual rate of 6% is applied on the sum of gross salary and post adjustment.

97. As of 31 December 2022, UNCCD accrued USD 241,366 for repatriation grant and travel and USD 403,749 for ASHI from all funds except core budget and programme support costs. These amounts were collected in the fund for employee benefits and will be used to (partially) fund future payments for ASHI and repatriation grants relating to the funds participating in the accrual.

98. Beginning in 2014 with the adoption of IPSAS, interest cost and current service cost related to the defined benefit obligation for ASHI liability, repatriation grant and travel, death benefits and accumulated leave have been recognized on the statement of financial performance as a component of staff costs. Actuarial gains or losses for the ASHI defined benefits plan results from changes in actuarial assumptions or experience adjustments including experience adjustments are directly recognized in the consolidated statement of changes in net assets. Actuarial adjustments for other long-term benefits including repatriation grants, death benefits and accumulated leave are recognized directly in the Statement of Financial Performance. The balance of each provision is reviewed annually and adjusted to reflect actual experience.

Historical present value of liability for defined-benefit obligations

(Thousands of United States dollars)

	31 December 2022	*31 December 2021*	*31 December 2020*
After Service Health Insurance	24 817	30 244	29 499
Repatriation Grant and Travel	1 325	1 609	1 686
Annual Leave	812	959	799
Total	**26 954**	**32 812**	**31 894**

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

United Nations Joint Staff Pension Fund

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

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

102. The Fund's Regulations state that the Pension Board shall have an actuarial valuation made of the Fund at least once every three years by the Consulting Actuary. The practice of the Pension Board has been to carry out an actuarial valuation every two years using the Open Group Aggregate Method. The primary purpose of the actuarial valuation is to determine whether the current and estimated future assets of the Fund will be sufficient to meet its liabilities.

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

104. The latest actuarial valuation for the Fund was completed as of 31 December 2021, and a roll forward of the participation data as of 31 December 2021 to 31 December 2022 will be used by the Fund for its 2022 financial statements.

105. The actuarial valuation as of 31 December 2021 resulted in a funded ratio of actuarial assets to actuarial liabilities of 117.0% (107.1% in the 2019 valuation). The funded ratio was 158.2% (144.4 % in the 2019 valuation) when the current system of pension adjustments was not taken into account.

106. After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as of 31 December 2021, for deficiency payments under Article 26 of the Regulations of the Fund as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the plan. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as of the valuation date. At the time of this report, the General Assembly has not invoked the provision of Article 26.

107. Should Article 26 be invoked due to an actuarial deficiency, either during the ongoing operation or due to the termination of the Fund, deficiency payments required from each member organization would be based upon the proportion of that member organization's contributions to the total contributions paid to the Fund during the three years preceding the valuation date. Total contributions paid to the Fund during the preceding three years (2019, 2020 and 2021) amounted to USD 8,505.27 million, of which 0.055% was contributed by the UNCCD.

108. During 2022, contributions paid to the Fund amounted to USD 1.87 million (2021 USD 1.65 million). Expected contributions due in 2023 are approximately USD 2.11 million.

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

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

Note 15: Other current liabilities

Other current liabilities

(United States dollars)

	2022	*2021*
Repatriation grant held in trust	-	-
Total	**-**	**-**

111. There are no claims arising from legal actions that are likely to result in a significant liability to UNCCD.

Note 16: Net assets

Reconciliation of opening and closing net assets

(United States dollars)

	Total
Net assets as at 31 December 2021	**17 017 527**
Changes in net assets	
Actuarial gains / (losses) on employee benefit liabilities	7 720 000
Other adjustments to net assets	(82 762)
Surplus / (deficit) for the year	(3 183 316)
Total changes in net assets	4 453 922
Net assets as at 31 December 2022	**21 471 449**

Net assets as at 31 December 2021

(United States dollars)

	Total
Accumulated surplus/ (deficit)	27 344 201
Actuarial gains / (losses) on employee benefit liabilities and other adjustments to net assets	(12 278 929)
Reserves	1 952 255
Total net assets	**17 017 527**

Net assets as at 31 December 2022

(United States dollars)

	Total
Accumulated surplus/ (deficit) - up to 2021	27 344 201
Surplus / (deficit) for 2022	(3 183 316)
Sub-total	24 160 885
Actuarial gains / (losses) on employee benefit liabilities and other adjustments to net assets - up to 2021	(12 278 929)
Actuarial gains / (losses) on employee benefit liabilities and other adjustments to net assets for 2022	7 720 000
Sub-total	(4 558 929)
Other adjustments to net assets	(82 762)
Reserves	1 952 255
Total net assets	**21 471 449**

Accumulated surplus

112. The accumulated surplus includes the accumulated surplus of the General Fund and related funds, general trust funds, and after-service employee benefit funds.

Reserves

113. A working capital reserve has been established for the Core Budget as part of the adoption of the budget by the COP along with operating reserves established for the Trust Fund for Voluntary Financing, Trust Fund for participation of State Parties in the Conference and Special Account for Programme Support. The total reserves at the reporting date totalled USD 2.0 million (USD 2.0 million as at 31 December 2021).

Note 17: Revenue from non-exchange transactions

Indicative contributions

(United States dollars)

	2022	*2021*
Indicative contributions approved by the Conference of the parties	8 606 980	9 303 987
Amount reported in Statement II: Indicative contributions	**8 606 980**	**9 303 987**

114. The above amount of USD 8,606,980 includes the contributions from the following top ten countries which represents 67.47 per cent of total amounts.

(United States dollars)

	Amount	Percent
United States of America	1 845 997	21.45
People's Republic of China	1 007 327	11.70
Japan	718 596	8.35
Germany	511 006	5.94
United Kingdom of Great Britain and Northern Ireland	383 212	4.45
France	371 464	4.32
Italy	277 487	3.22
Brazil	247 363	2.87
Canada	229 407	2.67
European Union	215 175	2.50
Total top ten	**5 807 034**	**67.47**

Voluntary contributions

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

116. Net voluntary contributions amount includes the COP15 balance accrual of USD 362 725 as recommended by the UNBOA.

(In United States dollars)

	2022	*2021*
Voluntary contributions	11 480 006	20 459 391
Refunds – COP15 balance accrual	(362 725)	-
Net voluntary contributions	**11 117 281**	**20 459 391**

117. The UNCCD receives in-kind contributions from the government of the Federal Republic of Germany of the right to use land, office space and other facilities in its operations. The Organization has not received title to these properties which remain with the government. The facilities are provided to UNCCD without charge. The agreement under which the facilities are provided may be cancelled by the UNCCD or by the government with twelve months' notice but, in such case, would remain in force for whatever additional period is required for UNCCD to cease its activities in the Federal Republic of Germany in an orderly manner. UNCCD does not recognize the value of in-kind contributions of services including the financial value of the donated right to use the facilities provided by the Federal Republic of Germany on the financial statements. The government of Côte d'Ivoire hosted the fifteenth session of the COP and provided the conference venue and other facilities in addition to the host government contribution.

118. Until now UNCCD had no evidence of non-receipt of voluntary contributions from donors. Therefore, no provision was made on voluntary contributions in 2022. UNCCD will however continue to analyze the voluntary contribution receivables and will make necessary provisions in the financial statements of 2023 if required.

Note 18: Investment revenue

Investment revenue

(United States dollars)

	2022	*2021*
Investment revenue (recorded by UNHQ Treasury New York)	101 853	10 743
Total investment revenue	**101 853**	**10 743**

119. There was an increase in investment revenue from 2021 in the amount of USD 10,743 to 2022 in the amount of USD 101,853 due to the higher amount of voluntary contributions received in cash during 2022 and the overall higher interest rates.

Note 19: Other revenue

Gain on Investments

(United States dollars)

	2022	*2021*
Gain on investments	0	45 490
Total gain on investments	**0**	**45 490**

Note 20: Expenses

Personnel expenses

(United States dollars)

	2022	*2021*
Salary and wages	7 109 169	6 718 598
Pension and insurance benefits	2 271 565	2 043 070
Interest, service costs and net benefits paid	1 862 000	1 420 000
Other benefits	1 756 291	1 801 364
Total personnel expenses	**12 999 025**	**11 983 032**

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

Travel

(United States dollars)

	2022	*2021*
Travel	2 850 051	221 226
Total travel	**2 850 051**	**221 226**

121. Travel covers the cost of airfare and other transport cost, daily support allowances and terminal allowances. Travel costs increased from USD 221,226 in 2021 to USD 2,850,051 in 2022 mainly due to the organization of the fifteenth session of the COP in Côte d'Ivoire. In addition, most workshops and meetings were held in person in 2022.

Grants

(United States dollars)

	2022	*2021*
Outright grants	1 005 815	483 273
Transfers to implementing agencies	56 887	600 193
Total grants	**1 062 702**	**1 083 466**

122. Grant amounts of USD 1,062,702 include outright grants and transfers to the implementing agencies, partners and other entities to carry out the mandates contained in the Convention. There was a slight decrease in 2022 compared to 2021.

Contractual services

(United States dollars)

	2022	*2021*
Consultancy services – individual and institutional	2 515 433	2 673 686
ICT services	408 578	40 662
Translation and interpretation services	169 361	77 063
Information services – production and printing	103 148	115 748
Other	59 094	3 556
Total contractual services	**3 255 614**	**2 910 715**

123. Non-employee compensation and allowances (contractual services) cover the cost of contracting with individual experts and consultants, insurances and travel expenses of the consultants, ICT services, production and printing of information materials, and translation and interpretation services.

Depreciation of property, plant and equipment

(United States dollars)

	2022	*2021*
Depreciation of property, plant and equipment	11 921	21 499
Total depreciation of property, plant and equipment	**11 921**	**21 499**

124. Depreciation of property, plant and equipment has been a slight decrease in 2022 compared to 2021.

Other Expenses:

125. Other Expenses include operating and other direct costs; supplies, commodities and materials; Equipment, vehicle and furniture; loss on investments; loss on foreign exchange and change in provision for doubtful debts, as explained below.

	2022	2021
Operating and other direct costs	1 210 035	1 216 697
Supplies commodities and materials	128 801	3 653
Equipment vehicles and furniture	71 489	12 035
Change in provision for doubtful debts - indicative contributions receivable	380 125	140 598
Allowance for doubtful debts - voluntary contributions receivable	(488 895)	488 895
Loss on foreign exchange	1 540 360	507 227
Total	**2 841 915**	**2 369 105**

Operating and other direct costs

(United States dollars)

	2022	*2021*
Joint activities	650 931	639 340
Contracted services	42 755	308 190
Communications utilities	38 455	39 001
Rental	166 534	167 019
Shared services	89 929	23 166
Hospitality and official functions	11 959	3 723
Bank charges and UNDP services	42 759	6 207
Shipping	15 980	1 893
Training	150 733	28 158
Total operating and other direct costs	**1 210 035**	**1 216 697**

126. Operating and other direct costs include maintenance, utilities, contracted services, training, security services, shared services, rent, and insurance, as per details above. There is a slight decrease of USD 0.06 million in operating and other direct costs comparing with the expenses of 2021. The main decrease was in contracted services of USD 0.27 million. There were also increases in training of USD 0.12 million and in shared services of USD 0.07 million.

Equipment, vehicles and furniture

(United States dollars)

	2022	*2021*
Equipment, vehicles and furniture	71 489	12 035
Total equipment, vehicles and furniture	**71 489**	**12 034**

127. Equipment, vehicles and furniture have increased from USD 12,034 in 2021 to USD 71,489 in 2022. This was mainly due to procurement of computer and other communication equipment made in 2022.

Supplies, commodities and materials

(United States dollars)

	2022	*2021*
Supplies, commodities and materials	128 801	3 653
Total supplies, commodities and materials	**128 801**	**3 653**

128. Supplies, commodities and materials has increased from USD 3,653 in 2021 to USD 128,801 in 2022. This was mainly due to procurement of public information supply for the fifteenth session of the COP in Côte d'Ivoire and G20.

Loss on foreign exchange

(United States dollars)

	2022	*2021*
Loss on foreign exchange	1 540 360	507 227
Total loss on foreign exchange	**1 540 360**	**507 227**

129. There was an increase of USD 1.03 million in loss on foreign exchange comparing with the expenses of 2021. Loss on foreign exchange represents the realized loss on transactions occurring in currencies other than US dollars, realized and unrealized loss resulting from revaluation of monetary assets.

Change in provision for doubtful receivables

(United States dollars)

	2022	*2021*
Indicative contributions	380 125	140 598
Voluntary contributions receivable	(488 895)	488 895
Total change in provision for doubtful receivables	**(108 770)**	**629 494**

130. There was an increase of USD 0.24 million in change in provision for doubtful receivables for indicative contributions comparing with the expenses of 2021. The amount in change in provision for doubtful receivables for voluntary contributions represents the reversal of the 2021 amount.

Note 21: Financial instruments and financial risk management

Summary of financial instruments

(United States dollars)

	Note	*31 December 2022*	*31 December 2021*
Financial assets			
Fair value through the surplus or deficit			
Short-term investments: Cash pool	6	22 221 815	23 366 878
Total short-term investments		**22 221 815**	**23 366 878**
Long-term investments: Cash pool	6	10 856 189	4 373 336
Total long-term investments		**10 856 189**	**4 373 336**
Total fair value through the surplus or deficit investments		**33 078 004**	**27 740 214**
Cash and cash equivalents			
Cash and cash equivalents: Cash pool	6	5 785 207	3 422 297
Total cash and cash equivalents		**5 785 207**	**3 422 297**
Loans and receivables			
Indicative contributions receivables	7	2 106 584	3 457 294
Voluntary contributions receivables	8	15 943 671	17 627 946
Other receivables	9	47 329	54 496
Other assets (excluding advances and deferred charges)		-	-
Total of cash and cash equivalents, receivables from exchange and non-exchange transactions and loans		**18 097 584**	**21 139 736**
Total carrying amount of financial assets		**56 960 795**	**52 302 247**
Of which relates to financial assets held in main pool		38 863 211	31 162 511
Financial liabilities at amortized cost			
Accounts payable and accrued expenses	12	1 725 728	640 987
Other liabilities		-	-
Total carrying amount of financial liabilities		**1 725 728**	**640 987**
Summary of net revenue from financial assets			
Net cash pool revenue		37 137 483	30 521 524
Other investment revenue		-	-
Total net revenue from financial assets		**37 137 483**	**30 521 524**

Summary of financial instruments

(United States dollars)

	2022	2021
Cash and cash equivalents at fair value through surplus and deficit	5 785 207	3 422 297
Short-term investments at fair value through surplus and deficit	22 221 815	23 366 878
Long-term investments	10 856 189	4 373 336
Accounts Receivable at amortized cost	18 097 584	21 139 736
Accounts Payable at amortized cost	(1 725 728)	(640 987)
Total net financial instruments	**55 235 067**	**51 661 260**

131. As at 31 December 2022, the cash pools and the total assets for $11,873.8 million (2021: $11,799.7 million), of which $38.9 million was due to the Organization (2021: $31.2 million), and its share of revenue from cash pools was $0.102 million (2021: $0.011 million).

Summary of assets and liabilities of the main pool of the United Nations as at 31 December 2022 compared to 2021

(Thousands of United States dollars)

	Main pool 2022	*Main pool 2021*
Fair value through the surplus or deficit		
Short-term investments	6 789 427	8 839 722
Long-term investments	3 316 889	1 654 439
Total fair value through the surplus or deficit investments	**10 106 316**	**10 494 161**
Loans and receivables		
Cash and cash equivalents	1 707 288	1 294 660
Accrued investment revenue	60 265	10 903
Total loans and receivables	**1 767 553**	**1 305 563**
Total carrying amount of financial assets	**11 873 869**	**11 799 724**
Cash pool liabilities		
Payable to UNCCD	38 863	31 191
Payable to other cash pool participants	11 835 006	11 768 533
Total liabilities	**11 873 869**	**11 799 724**
Net assets	–	–

Financial risk management

Overview

132. The Organization has exposure to the following financial risks:

a) Credit risk;

b) Liquidity risk;

c) Market risk

133. The present note and note 22: "Financial instruments: Cash pool" present information on the Organization's exposure to those risks, the objectives, policies and processes for measuring and managing risk, and the management of capital.

Risk management framework

134. The Organization's risk management practices are in accordance with its Financial Regulations and Rules and Investment Management Guidelines. The Organization defines the capital that it manages as the aggregate of its net assets, which comprises accumulated fund balances and reserves. Its objectives are to safeguard its ability to continue as a going concern, to fund its asset base and to accomplish its objectives. The Organization's capital is managed in the light of global economic conditions, the risk characteristics of the underlying assets and the Organization's current and future working capital requirements.

Financial risk management: credit risk

135. Credit risk is to the risk of financial loss resulting from a counterparty to a financial instrument failing to meet on its contractual obligations. Credit risk arises from cash and cash equivalents, investments, deposits and forward currency contracts with financial institutions, as well as credit exposure to outstanding receivables. The carrying value of financial assets is to the maximum exposure to credit risk.

136. The investment management function is centralized at the United Nations Treasury. Other areas are not permitted, in normal circumstances, to engage in investing. An area may receive exceptional approval when conditions warrant investing locally under specified parameters that comply with the Investment Management Guidelines.

Credit risk: contributions receivable and other receivables

137. A large portion of the contributions receivable is due from sovereign Governments and supranational agencies, including other United Nations entities that do not have significant credit risk. The maximum exposure to credit risk of financial assets equals their carrying amount. As at the reporting date, the Organization held no collateral as security for receivables.

Credit risk: allowance for doubtful receivables

138. The Organization evaluates the allowance for doubtful receivables at each reporting date. An allowance is established when there is objective evidence that the Organization will not collect the full amount due. Management-approved write-offs under the Financial Regulations and Rules or reversals of previously impaired receivables are recognized directly in the statement of financial performance. The movement in the allowances account during the year is shown below.

Movement in the allowance for doubtful receivables

(United States dollars)

	Total allowance for doubtful receivables
Opening balance	2 045 466
Net movement 2022	380 125
As at 31 December 2022 – indicative contribution receivable	**2 425 591**
Opening balance	488 895
Net movement 2022	(488 895)
As at 31 December 2022 – Voluntary contribution receivable	**0**
Total as at 31 December 2022	**2 425 591**

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

140. The ageing and associated allowance of indicative contributions receivable is as shown below.

Ageing of indicative contributions

(United States dollars)

	31 December 2022		*31 December 2021*	
	Gross receivable	*Allowance*	*Gross receivable*	*Allowance*
Less than one year	1 050 470	0	2 035 542	0
One to two years	1 008 696	0	750 735	0
Two to three years	520 627	0	531 512	0
Three to four years	432 265	216 132	358 510	179 255
More than four years	2 209 458	2 209 459	1 866 211	1 866 211
Revaluation	(689 341)		(39 750)	
Total	**4 532 175**	**2 425 591**	**5 502 760**	**2 045 466**

141. The ageing and associated allowance of receivables other than assessed contributions is as shown below.

Ageing of voluntary contribution receivables

(United States dollars)

	31 December 2022		*31 December 2021*
	Gross receivable	*Total*	*Total*
Neither past due nor impaired	-	-	12 835 733
Less than one year	5 262 312	5 262 312	1 764 878
One to two years	7 112 196	7 112 196	2 929 008
Two to three years	1 948 561	1 948 561	98 327
More than three years	1 652 273	1 652 273	-
Total	**15 975 342**	**15 975 342**	**17 627 946**

Credit risk: cash and cash equivalents

142. At the year end, the Organization had cash and cash equivalents of USD 5.59 million (2021: USD 3.42 million), which is the maximum credit exposure on those assets. See Note 22: Financial instruments: Cash Pool.

Financial risk management: liquidity risk

143. Liquidity risk is the risk that the Organization might not have adequate funds to meet its obligations as they fall due. The Organization's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Organization's reputation.

144. The Financial Regulations and Rules of the United Nations require that expenses be incurred after the receipt of funds from donors, thereby considerably reducing the liquidity risk with regard to contributions, which are a largely stable annual cash flow. Exceptions to incurring expenses before the receipt of funds are permitted only if specified risk management criteria are adhered to with regard to amounts receivable.

145. The Organization performs cash flow forecasting and monitors rolling forecasts of liquidity requirements to ensure that there is sufficient cash to meet operational needs. Investments are made with due consideration to the cash requirements for operating purposes based on cash flow forecasting. The Organization maintains a large portion of its investments in cash equivalents and short-term investments sufficient to cover its commitments as and when they fall due.

Liquidity risk: financial liabilities

146. The exposure to liquidity risk is based on the notion that the entity may encounter difficulty in meeting its obligations associated with financial liabilities. This is highly unlikely owing to the cash and cash equivalents, receivables and investments available to the entity and internal policies and procedures put in place to ensure that there are appropriate resources to meet its financial obligations.

Financial risk management: market risk

147. Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and prices of investment securities, will affect the Organization's revenue or the value of its financial assets and liabilities. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the Organization's fiscal position.

Market risk: interest rate risk

148. Interest rate risk is the risk of variability in financial instruments' fair values or future cash flows due to a change in interest rates. In general, as an interest rate rises, the price of a fixed-rate security falls, and vice versa. Interest rate risk is commonly measured by the fixed-rate security's duration, with duration being a number expressed in years. The longer the duration, the greater the interest rate risk. The main exposure to interest rate risks relates to the cash pools and is considered in note 22: Financial instruments: cash pools.

Market risk: currency risk

149. Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate owing to changes in foreign exchange rates. The Organization has transactions, assets and liabilities in currencies other than in its functional currency and is exposed to currency risk arising from fluctuations in exchange rates.

150. The Organization's financial assets and liabilities are primarily denominated in euros and United States dollars. Non-United States dollar financial assets primarily relate to indicative and voluntary contributions receivables. The Organization participates in the United Nations cash pool and does not maintain own bank accounts. The most significant exposure to currency risk relates to indicative contributions receivable and voluntary contribution receivable. As at the reporting date, the non-United States dollar denominated balances in those financial assets were primarily euros and Canadian dollars.

Currency risk: sensitivity analysis

151. A strengthening or weakening of the euro and Canadian dollar United Nations operational rates of exchange as at the reporting date would have affected the measurement of assets and liabilities denominated in a foreign currency. This analysis is based on foreign currency exchange rate variances considered to be reasonably possible at the reporting date. The analysis assumes that all other variables, in particular interest rates, remain constant.

Currency exposure as at 31 December 2022

(In United States dollars)

	EUR	CAD	Other	USD	**Total**
Indicative contributions receivable	2 795 925	-	-	-	**2 795 925**
Voluntary contributions receivable	9 461 701	1 745 454	-	4 768 187	**15 975 342**
Other accounts receivable	40 681	-	-	5 247	**45 928**
Other Current Assets	8 656	-	-	812 301	**820 957**
Accounts payable and accrued expenses	(179 636)	-	(6)	(1 546 245)	**(1 725 887)**
Advance receipts	(1 547 029)	-	-	(5,684,550)	**(7 231 579)**
Total	10 580 298	1 745 454	(6)	(1 645 060)	**10 680 686**

Currency exposure sensitivity analysis

USD / foreign currency exchange rate as at 31 December 2022	1.065	0.737
Effect of a 10 per cent increase of the exchange rate	1 058 030	174 545
Effect of a 10 per cent decrease of the exchange rate	(1 058 030)	(174 545)

Other market price risk

152. The Organization is not exposed to other significant market price risk as it has limited exposure to price-related risk with respect to expected purchases of certain commodities used in normal operations. Therefore, change in those prices can only alter cash flows by an immaterial amount.

Accounting classifications and fair value

153. The carrying value of fair value through surplus or deficit investments is fair value. For cash and cash equivalents, receivables and accounts payable, carrying value is a fair approximation of fair value.

Fair value hierarchy

154. The table below analyses financial instruments carried at fair value, by the fair value hierarchy levels. The levels are defined as:

a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

b) 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);

c) Level 3: inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

155. The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date and is determined by the independent custodian based on valuation of securities sourced from third parties. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring

market transactions on an arm's length basis. The quoted market price used for financial assets held by the cash pools is the current bid price.

156. 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.

157. There were no level 3 financial assets or any liabilities carried at fair value or any transfers of financial assets between fair value hierarchy classifications. The fair value hierarchy for the cash pools is disclosed in note 23: Financial instruments: cash pools.

Note 22: Financial instruments: Cash Pool

158. In addition to directly held cash and cash equivalents and investments, the United Nations Convention to Combat Desertification ("UNCCD") participates in the United Nations Treasury cash pool. The main pool comprises operational bank account balances in a number of currencies and investments in United States dollars.

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

160. As at 31 December 2022, the cash pools and the total assets for $11,873.8 million (2021: $11,799.7 million), of which $38.9 million was due to the Organization (2021: $31.2 million), and its share of revenue from cash pools was $0.102 million (2021: $0.011 million).

Summary of assets and liabilities of the main pool of the United Nations as at 31 December 2022

(Thousands of United States dollars)

	Main pool
Fair value through the surplus or deficit	
Short-term investments	6 789 427
Long-term investments	3 316 889
Total fair value through the surplus or deficit investments	**10 106 316**
Loans and receivables	
Cash and cash equivalents	1 707 288
Accrued investment revenue	60 265
Total loans and receivables	**1 767 553**
Total carrying amount of financial assets	**11 873 869**
Cash pool liabilities	
Payable to UNCCD	38 863
Payable to other cash pool participants	11 835 006
Total liabilities	**11 873 869**
Net assets	–

Summary of revenue and expenses of the main pool for the year ended 31 December 2022

(Thousands of United States dollars)

	Main pool
Investment revenue	178 646
Unrealized gains / (losses)	(137 034)
Investment revenue from main pool	**41 612**
Foreign exchange gains / (losses)	(7 670)
Bank fees	(772)
Operating gains (losses) from main pool	**(8 442)**
Revenue and expenses from main pool	**33 170**

Summary of assets and liabilities of the main pool of the United Nations as at 31 December 2021

(Thousands of United States dollars)

	Main pool
Fair value through the surplus or deficit	
Short-term investments	8 839 722
Long-term investments	1 654 439
Total fair value through the surplus or deficit investments	**10 494 161**
Loans and receivables	
Cash and cash equivalents	1 294 660
Accrued investment revenue	10 903
Total loans and receivables	**1 305 563**
Total carrying amount of financial assets	**11 799 724**
Cash pool liabilities	
Payable to UNCCD	31 191
Payable to other cash pool participants	11 768 533
Total liabilities	**11 799 724**
Net assets	**–**

Summary of revenue and expenses of the main pool of the United Nations for the year ended 31 December 2021

(Thousands of United States dollars)

	Main pool
Investment revenue	46 322
Unrealized gains / (losses)	(37 495)
Investment revenue from main pool	**8 827**
Foreign exchange gains / (losses)	(1 626)
Bank fees	(1 805)
Operating gains (losses) from main pool	**(3 431)**
Revenue and expenses from main pool	**5 396**

Financial risk management

161. The United Nations Treasury is responsible for investment and risk management for the cash pools, including conducting investment activities in accordance with the Guidelines.

162. 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.

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

Financial risk management: credit risk

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

165. 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.

166. The credit ratings used for the cash pools are those determined by major credit-rating agencies; Standard & Poor’s and Moody’s and Fitch are used to rate bonds, certificates of deposit and discounted instruments, and the Fitch viability rating is used to rate bank term deposits. At year-end, the credit ratings were as shown below.

Investments of the cash pool of United Nations by credit ratings as at 31 December 2022

Main pool	*Ratings as at 31 December 2022*					*Ratings as at 31 December 2021*			
Bonds (Long term ratings)					**Bonds (Long term ratings)**				
	AAA/ AAAu	**AA+u/AA+/AA**		**NA**		**AAA/ AAAu**	**AA+u/AA+/AA**	**A-1/ A-1+**	**NA**
S&P	33.8%	65.9%		0.3%	S&P	47.8%	48.1%	0.4%	3.7%
	AAA	**AA+/AA/AA-**	**A+**	**NA/NR**		**AAA**	**AA+/AA/AA-**		**NA/NR**
Fitch	61.9%	22.5%	0.2%	15.4%	Fitch	61.3%	15.7%		23.0%
	Aaa	**Aa1/Aa2/Aa3**		**NA**		**Aaa**	**Aa1/Aa2/Aa3**	**A1**	**NA**
Moody's	66.7%	30.9%		2.4%	Moody's	61.1%	34.9%	0.4%	3.6%
Commercial papers/ Certificates of Deposit (Short term ratings)					**Commercial papers/ Certificates of Deposit (Short term ratings)**				
	A-1+/A-1					**A-1+/A-1**			
S&P	100.0%				S&P	100.0%			
	F1+/F1			**NR**		**F1+/F1**			**NR**
Fitch	97.7%			2.3%	Fitch	96.7%			3.3%
	P-1/P2					**P-1/P2**			
Moody's	100.0%				Moody's	100.0%			
Term deposits/demand deposit account (Fitch viability ratings)					**Term deposits/demand deposit account (Fitch viability ratings)**				
	aa/aa-	**a+/a/a-**				**aa/aa-**	**a+/a/a-**		
Fitch	35.9%	64.1%			Fitch	34.1%	65.9%		

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

Financial risk management: liquidity risk

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

Financial risk management: interest rate risk

169. The cash pools comprise the Organization's main exposure to interest rate risk with fixed-rate cash and cash equivalents and investments being interest-bearing financial instruments. As at the reporting date, the cash pools had invested primarily in securities with shorter terms to maturity, with the maximum being less than five years (2021: three years). The average duration of the main pool on 31 December 2022 was 0.77 years (2021: 0.49 years), which is considered to be an indicator of low risk.

Cash pools interest rate risk sensitivity analysis

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

Main pool interest rate risk sensitivity analysis as at 31 December 2022

Shift in yield curve (basis points)	*-200*	*-150*	*-100*	*-50*	*0*	*+50*	*+100*	*+150*	*+200*
Increase/(decrease) in fair value (Millions of United States dollars)**:**									
Main pool total	168.98	126.73	84.48	42.24	0	(42.23)	(84.46)	(126.69)	(168.91)

Main pool interest rate risk sensitivity analysis as at 31 December 2021

Shift in yield curve (basis points)	*-200*	*-150*	*-100*	*-50*	*0*	*+50*	*+100*	*+150*	*+200*
Increase/(decrease) in fair value (Millions of United States dollars)**:**									
Main pool total	113.63	85.22	56.81	28.40	0	(28.40)	(56.80)	(85.19)	(113.58)

Other market price risk

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

Accounting classifications and fair value hierarchy

172. All investments are reported at fair value through surplus and deficit. Cash and cash equivalents carried at nominal value are deemed to be an approximation of fair value.

173. The levels are defined as:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liabilities that are not based on observable market data (that is, unobservable inputs).

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

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

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

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

(Thousands of United States dollars)

	31 December 2022			*31 December 2021*		
	Level 1	*Level 2*	*Total*	*Level 1*	*Level 2*	*Total*
Financial assets at fair value through surplus or deficit						
Bonds – corporate	65 200	–	65 200	29 997	–	29 997
Bonds – non-United States agencies	1 974 662	–	1 974 662	1 595 405	–	1 595 405
Bonds – supranational	789 587	–	789 587	812 539	–	812 539
Bonds – United States treasuries	1 348 056	–	1 348 056	197 390	–	197 390
Bonds – non-United States sovereigns	96 713	–	96 713	90 163	–	90 163
Main pool – commercial papers	–	1 747 461	1 747 461	–	3 033 880	3 033 880
Main pool – certificates of deposit	–	2 654 637	2 654 637	–	2 824 787	2 824 787
Main pool – term deposits	–	1 430 000	1 430 000	–	1 910 000	1 910 000
Total	**4 274 218**	**5 832 098**	**10 106 316**	**2 725 494**	**7 768 667**	**10 494 161**

Note 23: Related Parties

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

178. The below table does not include the remuneration of the four joiners during 2022 in the amount of USD 634,665, and the salary, final settlements and repatriation grants for the four staff left during and prior to 2022 in the amount of USD 483,113.

Key management remuneration

(United States dollars)

	Number of Individuals (full time equivalents)	*Aggregate Remuneration*	*After-service health insurance, repatriation, and annual leave liability*
Senior Management (2022)	8	1 705 660	683 000
Senior Management (2021)	9	1 951 111	831 000

179. The aggregate remuneration paid to key management personnel includes gross salaries, post adjustment, entitlements, assignments and other grant, rental subsidy, personal effects shipment costs, income tax reimbursement, employer contributions to pension plan and current health insurance contributions. Key management personnel are also qualified for post-employment benefits which are payable only upon separation. In addition to the aggregate remuneration, the post-employment benefits for the key management personnel as at 31 December 2022 in the amount of USD 683,000 provided by the actuary.

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

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

182. Except otherwise noted in these statements for revenue from non-exchange transactions including contributions in kind, all transactions made with 3rd parties occur within a normal supplier or client/recipient relationship or at arm's length terms and conditions.

183. The charges paid to the United Nations (UN Office at Geneva – UNOG) for services related to security, payroll, treasury and other services are considered to be provided on a normal supplier basis. The United Nations Secretariat also provides support services on a normal supplier basis such as translation and editing of documents related to the meetings of the Conference of Parties to the Organization. In addition, the United Nations Volunteers (UNV) is responsible for the management of the building occupied by UNCCD in Bonn, Germany. UNV charges UNCCD for the costs of space occupancy and security services on a normal supplier basis.

184. The authority to establish funds is vested in the Secretary General of the United Nations with the approval of the Conference of the Parties. All such funds must be consistent with the objectives of the UN Convention to Combat Desertification. The termination of any existing fund by the Conference of the Parties and the distribution of any remaining fund balance is subject to consultation with the Secretary General of the United Nations.

185. The Organization reimburses the United Nations for the cost of all services provided at such rates as may from time to time be agreed upon for that purpose by both organizations.

Note 24: Leases and commitments and contingencies

186. UNCCD has operating leases for photocopiers, water coolers, data and telecommunications equipment and outsourced computer services. The leases for

photocopiers provide for the payment of costs per copy made above a maximum monthly amount, the leases for the water coolers for water supplies and for computer services provide for special services charged on an as needed basis. These additional charges are considered contingent rents and are not included in the minimum lease payments disclosed below.

187. The minimum lease payments under non-cancellable property in 2022 are USD 22,110 compared to 2021 in the amount of USD 25,412 and has no outstanding leases qualifying as finance leases at the reporting date. Lease payments recognised as expenses in the period are USD 22,110 (2021: USD 25,412).

188. Other commitments relate to the acquisition of goods and services contracted for, but not delivered, as at 31 December 2022 amount to USD 476,713 (2021: USD 282,003).

Contingent liabilities

189. No contingent liabilities during the reporting period.

Contingent assets

190. No contingent assets during the reporting period.

Note 25: Events after the reporting date

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

Note 26: Fund Accounting

192. The UNCCD is a single purpose entity established by the Parties to the Convention and the United Nations. The UNCCD has one major mandate to assist the signatories of the Convention to improve the living conditions for people in drylands, to maintain and restore land and soil productivity, and to mitigate the impact of land degradation and protect our land so we can provide food, water, shelter and economic opportunity to all people. To provide additional information for use to senior management and Parties to the Convention supplemental disclosures are prepared on a fund accounting basis, showing at the end of the period the consolidated position of all UNCCD funds. Fund balances represent the accumulated residual of revenue and expenses.

193. The following separate funds have been established:

- Trust fund for the Core Budget of UNCCD financed from indicative contributions (or general-purpose contributions from donors) supports the core functions of the secretariat.
- Trust fund for Participation of Representatives of eligible State Parties affected by Desertification and/or Drought in the sessions of the Conference of the Parties and its Subsidiary Bodies.
- Special Fund for the voluntary financing of activities under the UNCCD (United Nations Convention to Combat Desertification) enabling a donor or a recipient government to make voluntary contributions supports mandated activities for which provisions are not made under the Core budget.
- Trust fund for Convention Events organized by the UNCCD Secretariat.

- Special account for Programme Support Costs financed from charges made to the projects financed from voluntary contributions used to manage the overhead charges payable on all trust funds to cover costs relating to administrative services.
- Special account for UNCCD Cost Recovery under the Host Country Agreement used to finance costs associated with the hosting of the Conference of the Parties under the host country agreement. Balances in this account are refunded to the host country.
- Trust Fund for voluntary financing of Global Mechanism

194. Transactions occurring between funds are accounted for at cost and eliminated on consolidation.

UNITED NATIONS CONVENTION TO COMBAT DESERTIFICATION
Statement I : Statement of Financial Position by Fund
as at 31 December 2022

	TRUST FUND FOR CONVENTION EVENTS ORGANIZED BY THE UNCCD SECRETARIAT (BMA)		TRUST FUND FOR VOLUNTARY FINANCING OF THE UNCCD GLOBAL MECHANISM (GMZ)		TRUST FUND FOR PARTICIPATION OF REPRESENTATIVES OF STATE PARTIES IN THE SESSION OF THE UNCCD CONFERENCE(UVA)		TRUST FUND FOR VOLUNTARY FINANCING OF ACTIVITIES UNDER THE UNCCD (UWA)		TRUST FUND FOR THE CORE BUDGET OF THE UNCCD (UXA)		SPECIAL ACCOUNT FOR UNCCD PROGRAMME SUPPORT COST (ZQA)		SPECIAL ACCOUNT FOR UNCCD COST RECOVERY UNDER HCA (ZHC)		TOTAL	
	31 December 2022	*31 December 2021*	*31 December 2022*	*31 December 2021*	*31 December 2022*	*31 December 2021*	*31 December 2022*	*31 December 2021*	*31 December 2022*	*31 December 2021*	*31 December 2022*	*31 December 2021*	*31 December 2022*	*31 December 2021*	*31 December 2022*	*31 December 2021*
Assets																
Current Assets																
Cash and cash equivalents	105 826	111 720	1 340 367	693 249	18 469	16 444	3 441 943	1 952 330	469 183	437 836	51 860	33 750	357 559	176 968	5 785 207	3 422 297
Investments	406 493	762 806	5 148 544	4 733 387	70 944	112 282	13 220 999	13 330 185	1 802 198	2 989 469	199 201	230 438	1 373 436	1 208 311	22 221 815	23 366 878
Indicative contributions receivable									2 106 584	3 457 294					2 106 584	3 457 294
Voluntary contributions receivable				6 998 552			5 430 245	3 121 715							5 430 245	10 120 267
Other accounts receivable	75	11 183	(219)	6 660	-	138	11 850	16 629	20 235	16 511	9 781	347	5 607	3 028	47 329	54 496
Other current assets	-	333	567	41 043	(14 300)	(36)	79 630	54 303	573 422	213 575	35 010	56 424	(4 137)	(18)	670 192	365 624
Total current Assets	512 394	886 042	6 489 259	12 472 891	75 113	128 828	22 184 667	18 475 162	4 971 622	7 114 685	295 852	320 959	1 732 465	1 388 289	36 261 372	40 786 856
Non-Current Assets																
Investments	198 587	142 766	2 515 256	885 899	34 659	21 015	6 458 954	2 494 872	880 441	559 508	97 317	43 129	670 975	226 147	10 856 189	4 373 336
Voluntary contributions receivable			4 795 826	2 663 590			5 717 600	4 844 089							10 513 426	7 507 679
Fixed Assets								7 984	10 829	14 767					10 829	22 751
Total Non-Current Assets	**198 587**	**142 766**	**7 311 082**	**3 549 489**	**34 659**	**21 015**	**12 176 554**	**7 346 945**	**891 270**	**574 275**	**97 317**	**43 129**	**670 975**	**226 147**	**21 380 444**	**11 903 766**
Total Assets	**710 981**	**1 028 808**	**13 800 341**	**16 022 380**	**109 772**	**149 843**	**34 361 221**	**25 822 107**	**5 862 892**	**7 688 960**	**393 169**	**364 088**	**2 403 440**	**1 614 436**	**57 641 816**	**52 690 622**
Liabilities																
Current liabilities																
Accounts payable and accrued expenses	3 157		261 569	12 397	(99)		495 642	421 478	123 740	153 480	13 596	9 213	828 123	44 419	1 725 728	640 987
Advance receipts			22 574	22 574			6 938 907	1 504 175	154 653	321 559					7 116 134	1 848 308
Employee benefit liability	5 484	2 939	9 505	12 245			34 915	8 327	628 263	617 972	246 338	213 317			924 505	854 800
Other current liabilities															-	-
Total Current Liabilities	**8 641**	**2 939**	**293 648**	**47 216**	**(99)**		**7 469 464**	**1 933 980**	**906 656**	**1 093 011**	**259 934**	**222 530**	**828 123**	**44 419**	**9 766 367**	**3 344 095**
Non-Current Liabilities																
Employee benefit liability									16 338 000	19 695 000	10 066 000	12 634 000			26 404 000	32 329 000
Total Non-Current Liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**16 338 000**	**19 695 000**	**10 066 000**	**12 634 000**	**-**	**-**	**26 404 000**	**32 329 000**
Total Liabilities	**8 641**	**2 939**	**293 648**	**47 216**	**(99)**	**-**	**7 469 464**	**1 933 980**	**17 244 656**	**20 788 011**	**10 325 934**	**12 856 530**	**828 123**	**44 419**	**36 170 367**	**35 673 095**
Net Assets	**702 340**	**1 025 869**	**13 506 693**	**15 975 164**	**109 871**	**149 843**	**26 891 757**	**23 888 127**	**(11 381 764)**	**(13 099 051)**	**(9 932 765)**	**(12 492 442)**	**1 575 317**	**1 570 017**	**21 471 449**	**17 017 527**
Accumulated surpluses/(deficits)	(266 424)	57 105	12 982 002	15 138 472	65 774	149 843	25 305 606	22 613 976	(10 620 035)	(7 740 322)	(5 008 211)	(4 444 890)	1 702 173	1 570 017	24 160 885	27 344 201
Actuarial gain (loss) recognized in net assets	968 764	968 764	524 691	836 692			902 321	673 080	(1 715 747)	(6 312 747)	(5 321 720)	(8 444 718)			(4 641 691)	(12 278 929)
Operating reserves					44 097		683 830	601 071	954 018	954 018	397 166	397 166	(126 856)		1 952 255	1 952 255
Total Fund Balances and Reserves	**702 340**	**1 025 869**	**13 506 693**	**15 975 164**	**109 871**	**149 843**	**26 891 757**	**23 888 127**	**(11 381 764)**	**(13 099 051)**	**(9 932 765)**	**(12 492 442)**	**1 575 317**	**1 570 017**	**21 471 449**	**17 017 527**

STATEMENT II

UNITED NATIONS CONVENTION TO COMBAT DESERTIFICATION

Statement of Financial Performance for the period 1 January to 31 December 2022 by fund

(in United States dollars)	TRUST FUND FOR CONVENTION EVENTS ORGANIZED BY THE UNCCD SECRETARIAT (BMA)		TRUST FUND FOR VOLUNTARY FINANCING OF THE UNCCD GLOBAL MECHANISM (GMZ)		TRUST FUND FOR PARTICIPATION OF REPRESENTATIVES OF STATE PARTIES IN THE SESSION OF THE UNCCD CONFERENCE (UVA)		TRUST FUND FOR VOLUNTARY FINANCING OF ACTIVITIES UNDER THE UNCCD (UWA)		TRUST FUND FOR THE CORE BUDGET OF THE UNCCD (UXA)		SPECIAL ACCOUNT FOR UNCCD PROGRAMME SUPPORT COST (ZQA)		SPECIAL ACCOUNT FOR UNCCD COST RECOVERY UNDER HCA (ZHC)		ELIMINATIONS		TOTAL	
	2022	***2021***	***2022***	***2021***	***2022***	***2021***	***2022***	***2021***	***2022***	***2021***	***2022***	***2021***	***2022***	***2021***	***2022***	***2021***	***2022***	***2021***
REVENUE																		
Indicative contributions									8 606 980	9 303 987							8 606 980	9 303 987
Voluntary contributions	528 740	594 526	248 712	5 914 296			8 463 051	13 356 043	528 740	594 526			1 348 038				11 117 281	20 459 391
Interest Revenue	(286)	57	1 355	5 017	1 895	289	86 146	3 048	12 704	1 500	(817)	(954)	856	1 786			101 853	10 743
Other revenue				(1 871)		2 172		104 192		(58 712)	11 798			(291)			11 798	45 490
Programme support revenue											2 103 308	1 990 884			(2 103 308)	(1 990 884)	-	-
TOTAL REVENUE	**528 454**	**594 583**	**250 067**	**5 917 442**	**1 895**	**2 461**	**8 549 197**	**13 463 283**	**9 148 424**	**9 841 301**	**2 114 289**	**1 989 930**	**1 348 894**	**1 495**	**(2 103 308)**	**(1 990 884)**	**19 837 912**	**29 819 611**
EXPENSES																		
Personnel expenses	376 006	331 429	628 902	766 013			1 792 241	995 723	7 569 825	7 621 033	2 615 333	2 268 834	16 718				12 999 025	11 983 032
Travel	372 010	835	250 455	37 593	57 674	11 468	801 450	8 481	406 781	127 233	(33 285)		994 966	35 616			2 850 051	221 226
Contractual services		32 367	682 426	277 987	15 882		1 901 332	1 744 415	538 638	852 043	36 007		81 329	3 903			3 255 614	2 910 715
Grants			398 955	151 633	10 504		653 243	836 254		95 579							1 062 702	1 083 466
Amortization/depreciation							7 983	17 198	3 938	4 301							11 921	21 499
Other expenses	3 359	54,930	309 809	876 560	(9 179) -	(984)	(82 857)	(25 230)	2 437 503	1 459 378	59 555 -	(727)	123 725	5 178	-	-	2 841 915	2 369 105
Programme support costs	100 608	58 492	135 990	70 076	11 083	1 496	784 175	488 828	1 071 452	1 152 095				219 897	(2 103 308)	(1 990 884)	-	-
TOTAL EXPENSES	**851 983**	**478 053**	**2 406 537**	**2 179 862**	**85 964**	**11 980**	**5 857 567**	**4 065 669**	**12 028 137**	**11 311 662**	**2 677 610**	**2 268 107**	**1 216 738**	**264 594**	**(2 103 308)**	**(1 990 884)**	**23 021 228**	**18 589 043**
SURPLUS/DEFICIT FOR THE PERIOD	**(323 529)**	**116 530**	**(2 156 470)**	**3 737 580**	**(84 069)**	**(9 519)**	**2 691 630**	**9 397 614**	**(2 879 713)**	**(1 470 361)**	**(563 321)**	**(278 177)**	**132 156**	**(263 099)**	**-**	**-**	**(3 183 316)**	**11 230 568**

ACRONYMS

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