



# **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 2017**

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## Chapter I

### Report of the Board of Auditors on the financial statements: Audit Opinion

#### Opinion

We have audited the financial statements of the United Nations Convention to Combat Desertification (UNCCD) which comprise the statement of financial position (statement I) as at 31 December 2017 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 2017, and its financial performance and cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS).

#### *Basis for Opinion*

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

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

The UNCCD Executive Secretary is responsible for the other information. The other information comprises the financial report for the year ended 31 December 2017 included in Chapter IV, but does not include the financial statements and our auditor's report thereon.

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

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

#### *Responsibilities of the Executive Secretary and Those Charged with Governance for the Financial Statements*

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

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

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

***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of UNCCD's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on UNCCD's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause UNCCD to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

***Report on other legal and regulatory requirements***

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

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

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

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

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

24 July 2018

## Chapter II

### Long Form Report of the Board of Auditors

#### Summary

The United Nations Convention to Combat Desertification (UNCCD) was established in 1994 and is the binding international agreement linking environment and development to sustainable land management. The Board of Auditors (Board) audited the financial statements and reviewed the operations of UNCCD for the year ended 31 December 2017. The audit was carried out at UNCCD's headquarters in Bonn, Germany.

#### *Audit opinion*

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

#### *Overall conclusion*

During the period under review, UNCCD prepared its fourth IPSAS based financial statements. The Board found certain areas for improvement including the mapping of general ledger accounts to the financial statements, funding of long term employee benefits, and managing donor agreements and agreements with partners.

#### *Key findings*

##### *(a) Indicative contributions outstanding*

The Board noted that UNCCD received indicative contributions from Parties which are the equivalent of assessed contributions received for the United Nations. For 2016-2017, UNCCD only reached 93.8 per cent of those expected for the biennium; 18 parties have been in arrears at least since 2007, some for more than a decade amounting to outstanding contributions of \$ 1.6 million. UNCCD reminds the Parties of outstanding contributions in several ways. While the Board appreciates the steps taken, the Board found that no voluntary payment plans were in place.

##### *(b) Mapping general ledger accounts to the financial statements*

While UNCCD fully operates its bookkeeping in the Umoja enterprise resource planning system, it used Excel to map the general ledger accounts extracted from Umoja to the financial statements. Some other United Nations entities use software tools that incorporate a standardized and coherent mapping of general ledger accounts to line items. These tools consolidate financial data from general ledger accounts and produce financial statements. This standardized approach permits a largely automated preparation of the financial statements.

##### *(c) Funding of long term employee benefits, e. g. after-service health insurance*

The Board noted that UNCCD is setting aside funding for remaining long term employee benefits, e. g. for after-service health insurance liabilities, following an inter-office-memorandum from the Controller of the United Nations Headquarter. The inter-office-memorandum was not addressed to UNCCD. The accounts, however, were directly affected by a central posting of \$ 0.2 million in 2017 to fund the after-service health insurance liabilities. The Board found that no agreement with United Nations Headquarters regarding the funding has been established so far. The Conference of Parties as the governing body of UNCCD had not decided on the changed treatment to fund after-service health insurance liabilities.

**(d) Donor agreements**

The Board found that UNCCD established a donor agreements website tool to manage its voluntary contribution. While the Board appreciates this initiative since a common platform will ensure better monitoring, additional functionalities would be helpful such as automatic alerts when deadlines are to be reached and the possibility to analyse whether thematic areas are over- or underfunded.

**(e) Agreements with partners**

The Board noted some weaknesses in managing agreements with partners. For example, UNCCD did not use a standardized template and the structure and main conditions varied from one contract to another. In individual cases, project descriptions or budget estimations were outdated. Also UNCCD did not use a comprehensive monitoring system to monitor the agreements.

**(f) Implementation of anti-fraud and anti-corruption measures**

While UNCCD has undertaken various efforts to implement an anti-fraud culture, the Board found that no systematic fraud risk assessment existed. UNCCD had not implemented the measures listed in the anti-fraud and anti-corruption framework to a full extent.

**Main recommendations**

The Board recommends that UNCCD:

- (a) Increase its efforts to collect outstanding indicative contributions, for instance by meeting individually with party representatives to establish a dialogue on payment plans.**
- (b) Assess whether it could benefit from an IT system that permits the automated preparation of the financial statements using standardized mapping and building on Umoja.**
- (c) Review its funding policy for after-service health insurance liabilities and propose its funding policy to the Conference of Parties.**
- (d) Enter into an agreement on the after-service health insurance fund with United Nations Headquarters to have a legal basis for its contributions to it.**
- (e) Explore and implement other functionalities in the website tool such as automatic alerts to improve the management of donor agreements.**
- (f) Establish a clear process for managing agreements or projects by implementing a selection process, drafting standard conditions, establishing a monitoring system and defining clear responsibilities and accountability.**
- (g) Establish a systematic fraud risk assessment in line with the enterprise risk management.**

**Key facts**

<b>\$24.55 million</b>	Revenue
<b>\$22.21 million</b>	Expenses
<b>\$2.34 million</b>	Surplus for the year
<b>\$31.23 million</b>	Assets
<b>\$22.62 million</b>	Liabilities
<b>\$8.61 million</b>	Fund balance and reserves
<b>76</b>	Staff

## **A. Mandate, scope and methodology**

1. The Board of Auditors (Board) audited the financial statements of the United Nations Convention to Combat Desertification (UNCCD) and reviewed its operations for the year ended 31 December 2017 in accordance with General Assembly resolution 74 (I) of 1946. The audit was conducted in conformity with Article VII of the Financial Regulations and Rules of the United Nations and the annex thereto and in accordance with the International Standards on Auditing (ISAs). These standards require that the Board comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

2. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements presented fairly the financial position of UNCCD as at 31 December 2017 and the results of its operations and cash flows for the financial year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS). This included an assessment as to whether the expenditures recorded in the financial statements had been incurred for the purposes approved by the governing bodies and whether revenue and expenditures had been properly classified and recorded in accordance with the Financial Regulations and Rules of the United Nations and IPSAS. The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

3. In addition to auditing the accounts and financial transactions, the Board carried out reviews of the UNCCD operations under United Nations financial regulation 7.5. This enables the Board to make observations with respect to the efficiency of the financial procedures, the accounting system, internal financial controls and, in general, the administration and management of UNCCD operations. The Board also followed up on its previous recommendations. In 2017, the Board has taken up the implementation of anti-fraud and anti-corruption measures, and safety and security (cf. paras 82-88 and 64-71) as cross-cutting audit topics.

4. The audit was carried out from 9 April to 4 May 2018. The examination of UNCCD included a review of the internal controls and accounting systems and procedures only to the extent considered necessary for the effective performance of our examination.

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

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

## **B. Findings and recommendations**

### **1. Previous recommendations**

7. The Board noted that out of the 13 open recommendations up to the year ended 31 December 2016, 10 (77 per cent) had been implemented, and three (23 per cent) were under implementation. Details of the status of implementation of these recommendations are indicated in **Annex I** to this report.

8. Previous recommendations that are under implementation and require adequate attention of UNCCD pertain to its Business Continuity and Disaster Recovery Plan (refer Annex I No. 4), to the classifications, sub-classifications and the format of the financial statements (refer Annex I No. 9) and to its arrangement for administrative support and an update on delegation of authority (refer Annex No. 7). The Board welcomes the steps taken by UNCCD to discuss with the Secretariat the institutional linkage. The Board noted that with the use of Umoja, the linkage became even stronger: For instance, staff members received approving and certifying authority in Umoja although the Controller had not delegated the respective authorities. UNCCD should use the proposed United

Nations reform with its aim to provide more transparency and clear accountabilities to review the functioning of the institutional linkage, the delegated authorities and associated accountabilities and make proposals for modification.

**2. Financial overview**

9. Total revenue for the period under review was \$ 24.55 million (2016: \$19.11 million) against total expenses of \$22.21 million (2016: \$ 16.36 million), resulting in a surplus of \$ 2.34 million (2016: surplus of \$ 2.75 million). The final budget for 2017 was EUR 8.2 million (\$ 9.7 million).

10. The Board noted that, in 2017, voluntary and indicative contributions amounting to \$ 23.93 million were considerably higher than in the previous years with \$ 18.64 million in 2016 and \$ 21.6 million in 2015. The increase of the total revenue is mainly due to the increase of voluntary contributions of more than \$ 5 million whereas the amount of the indicative contributions is almost unchanged with a slight decrease of some \$ 200,000.

11. As at 31 December 2017, assets and liabilities amounted to \$31.23 million (2016: \$34.32 million) and \$22.62 million (2016: \$27.7 million) respectively.

12. Key financial ratios are presented in the table below and indicate that UNCCD was in a generally sound financial position as at 31 December 2017:

**Table: Ratio Analysis**

<i>Ratio</i>	<i>31 December 2017</i>	<i>31 December 2016</i>	<i>31 December 2015</i>	<i>31 December 2014</i>
<b>Total assets : total liabilities ratio<sup>a</sup></b>	1.38	1.24	1.17	0.96
Total assets : total liabilities				
<b>Current ratio<sup>b</sup></b>	3.75	2.19	2.83	3.92
Current assets : current liabilities				
<b>Quick ratio<sup>c</sup></b>				
(Cash + short-term investments + accounts receivable): current liabilities	3.70	2.14	2.64	3.88
<b>Cash ratio<sup>d</sup></b>				
(Cash + short-term investments) : current liabilities	2.56	1.27	2.00	3.49

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

<sup>a</sup>A high ratio is a good indicator of solvency.

<sup>b</sup>A high ratio indicates an entity's ability to pay off its current liabilities.

<sup>c</sup>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.

<sup>d</sup>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.

13. The Board recognized a further slight increase of UNCCD solvency for the current financial period 2017 compared to prior years. The ability of UNCCD to pay off its current liabilities and its liquid current position recovered and reached almost the ratio of the financial period 2014. This is mainly due to the decrease of the balance position "advanced receipts and deferred revenue" mainly representing conditional voluntary contributions by some \$6 million. However, the Board is of the opinion that the ability of UNCCD to pay off current liabilities and its liquidity should be monitored continuously.

14. Under assets, other accounts receivable decreased by almost \$3.9 million from \$10.5 million to \$6.6 million. The decrease resulted mainly from a decrease of some \$2.5 million in Global Mechanism receivables and some \$1.4 million in voluntary contributions receivable. Under liabilities, UNCCD recognized advance receipts for conditional voluntary contributions reflecting conditional voluntary contributions as mentioned in the paragraph above.

*Misstatements identified by the Board that have been corrected*

15. The Board identified minor misstatements in the financial statements and the notes thereto which it communicated to UNCCD. UNCCD shared the Board's opinion that these cases were misstated and made corresponding corrections. These concern relates to the following issues:

16. Mapping and notes disclosures: The Board noted that the mapping was still not accurate, and a few disclosures were not in line with accounting standards or best practice. For example, the Board identified that fixed assets were disclosed not in line with the policy of UNCCD on fixed assets. Furthermore, definitions and terms were again not used consistently. In respect to wording and format of the current financial statements the Board acknowledges the efforts of UNCCD. However, the Board still sees room for improvement of the presentation, for instance with supplementary explanations on long term employee benefits such as on after-service health insurance (refer para. 42-51), and on positions with significant changes (e. g. added/deleted/changed positions).

17. Accounts payable from Venezuela Fund: In December 2015, UNCCD informed the Government of the Bolivarian Republic of Venezuela of the implementation of the "Demonstration on Rehabilitation on Lands and Drought Mitigation under the Venezuela Fund" project. The unspent funds amounting to \$860,681 were offered to be either allocated to other activities or to be returned. In the Board's report of 2016 the Board had encouraged UNCCD to pursue its efforts to seek a solution for the unutilized balance. In 2017, the Government of the Bolivarian Republic of Venezuela adopted the proposal to settle indicative contributions outstanding from these unspent funds. Those indicative contributions amounted to \$303,939. UNCCD included the remaining balance of \$556,742 in accounts payable as at 31 December 2017. The remaining balance will be used to fund other projects in consultation with the donor. The Board found that the applied recognition of the unutilized balance of the Venezuela Fund did neither comply with accounting standards nor with best practice. UNCCD has made corrections accordingly.

*Indicative contributions outstanding*

18. Within the programme and budget for the biennium 2016-2017, approved indicative contributions totaled EUR 7,419,907 for 2016, and EUR 7,545,591 for 2017. The Board noted that received indicative contributions reached only 93.8 per cent (EUR 14,042,550) for the fiscal period; thus, EUR 922,948 remained uncollected as at 31 December 2017.

19. In detail, 18 parties have been in arrears at least since 2007. Some of these parties have not paid or - in rare cases - not fully paid since 2002 (2), 2003 (1), 2004 (2) or 2006 (2). Amongst the latter one party has not paid its indicative contributions in full since then as it considers its contributions as voluntary, while one party has not paid any contribution since its accession to the Convention.

20. UNCCD secretariat reminds the parties of outstanding contributions at each session of the Conference of the Parties, through the notification of contributions for each year, and through reminder letters. Outstanding contributions are also shown on the UNCCD website. Furthermore, the Conference of the Parties requested the Executive Secretary to engage with parties in arrears to enter into voluntary payment plans.

21. At the 2017 Conference of the Parties, the parties recognized the need to increase the level of working capital reserve and authorized the Executive Secretary to draw on available cash resources from the core budget, including unspent balances, contributions from previous financial periods and miscellaneous income to increase the working capital reserve to 12 per cent for the biennium 2018–2019. However, this increase from currently 10 per cent does not fully meet the Executive Secretary's initial proposal to raise the working capital reserve to 22 per cent. 22 per cent would have represented the largest single indicative contribution and would have been a further step towards the UNCCD to function in case of outstanding payments.

22. The Board found that no voluntary payment plans were in place as requested although the topic was raised at several conferences. The parties did not decide on sanctions or penalties against Parties in arrears. However, UNCCD secretariat reported about good experiences made in the past when meeting individually with party representatives on the occasion of official sessions, workshops, or other events to establish a dialogue on a plan of action.

23. Even though the amount of uncollected indicative contributions would have been covered by the working capital reserve in case the core budget had been fully spent, the working capital reserve would have been insufficient to cover any delays in payment of indicative contributions in the following biennium 2018-2019.

24. The Board appreciates the steps taken. In order to avoid shortfalls, individual meetings could be scheduled regularly at formal sessions of UNCCD bodies.

25. **The Board recommends that UNCCD increase its efforts to collect outstanding indicative contributions, for instance by meeting individually with party representatives to establish a dialogue on payment plans.**

26. UNCCD agreed on the recommendation.

### 3. Accounting and financial reporting

#### *Mapping general ledger accounts to the financial statements*

27. UNCCD fully operates its bookkeeping in the Umoja enterprise resource planning system. The Board found, however, that UNCCD used excel worksheets that map the general ledger accounts extracted from Umoja to the financial statements, thus serving as a reporting tool for the preparation of its financial statements.

28. As the Board had found several technical and format related weaknesses in the financial statements as at 31 December 2016 (Annex I no. 8 and 9), it had recommended that UNCCD review its mapping of general ledger accounts and choose a structure that is consistent and presents information in a reliable and relevant manner. In addition, the Board recommended that UNCCD explain classifications and sub-classifications in more detail and streamline the format and layout of the financial statements. To the extent possible UNCCD should use the United Nations template for financial statements. UNCCD agreed with the recommendations on the presentation of financial statements and the general ledger accounts' to the extent that information is under the control of the secretariat.

29. Some other United Nations entities, such as United Nations Headquarters, use the excel-integrated 'Business Planning and Consolidation' (BPC) tool as an Umoja extension. This incorporates a standardized and coherent mapping of general ledger accounts to line items for all entities. BPC consolidates financial data from general ledger accounts and produces financial statements and fulfils the sole function of a reporting tool. This standardized approach permits a largely automated preparation of the financial statements, and enables the entity's administration to complete the financial statements before the submission date as determined in financial rule 106.1 (b). It also results in a more comparable presentation of financial statements. Using one single reporting system for all entities ensures better comparability and overview across the United Nations.

30. **The Board recommends that UNCCD assess whether it could benefit from an IT system that permits the automated preparation of the financial statements using the standardized mapping and building on Umoja.**

31. UNCCD agreed on the recommendation. UNCCD stated that it intended to liaise with the United Nations Office Geneva and United Nations Headquarters to determine the possibilities of using BPC.

*Manual adjustments outside of Umoja*

32. The Board found that UNCCD manually included journal entries in the excel worksheets for the financial statements, in addition to the data extracted from Umoja. These manual entries comprised transfers between general ledger accounts, adjustments of the employee benefit liabilities according to the actuary report with corresponding entries in the personnel expenses and the net assets, adjustments of payables accrued in the past and other adjustments.

33. All in all, these manual adjustments increased expenses by \$187,445 and decreased liabilities by \$2,164,684 thus resulting in a decrease of current year net assets of \$2,352,129. UNCCD staff has sought support from the United Nations Office at Geneva and United Nations Headquarters since it failed to enter the data into Umoja properly. However, a considerable number of entries had to be included manually.

34. The Board is of the opinion that UNCCD should avoid manual entries in the excel worksheets and should rather use regular journals in Umoja as the only enterprise resource planning system to be used. The Board identifies the process of preparation of the financial statements outside of Umoja as cumbersome and prone to error. The Board holds that UNCCD should make use of the facilities provided in Umoja to the largest extent possible.

35. **The Board recommends that UNCCD eliminate manual postings outside Umoja.**

36. UNCCD agreed on the recommendation. UNCCD will follow up with United Nations Office at Geneva and United Nations Headquarters on posting all transactions in Umoja.

*Further professionalize the financial function staff*

37. The Board found that UNCCD's Administrative Services has to perform accounting and financial reporting since IPSAS and Umoja were implemented with only one professional staff member. This administrative and finance officer is assisted by two general service staff member for accounting and finance. The finance section was not enlarged by one professional staff member until May 2017. This officer is mainly assigned to the donor reporting, grant management and reconciliation of various ledger accounts.

38. During the previous audit of the 2016 financial statements the Board noted that the finance section was not fully enabled to provide the requested data out of Umoja. For instance, staff sought support by an external body to provide the audit team with the general ledger data out of the accounting system at the start of the audit. Errors in mapping and setting-up financial statements occurred (Annex I no. 8 and 9). During the current audit of the 2017 financial statements some improvement was achieved. The Board found that UNCCD does not entirely use the capabilities of Umoja. For example, UNCCD did not use the donor reporting section to the full extent. Donor reporting was done outside Umoja by using manual adjusted excel worksheets. UNCCD stated that its staff was not fully familiar with all capabilities Umoja offers.

39. Even though UNCCD increased the quality in the 2017 financial statements on the basis of the previous recommendations, the Board holds that accounting and financial reporting could be enhanced. Furthermore, the specific design, the complexity and the on-going development of accrual accounting under IPSAS require continuous learning. Umoja is also under development; a new extension will be launched in 2018. The Board is of the opinion that UNCCD will benefit from enabling staff to exhaust the functionality of the systems in use to the widest extent.

40. **The Board recommends that UNCCD continue to further professionalize its finance section, e.g. through continuous training of its finance staff in particular on IPSAS and Umoja.**

41. UNCCD agreed on the recommendation and stated that it would encourage staff to participate in Umoja related trainings, e.g. those conducted by other United Nations entities.

**4. Funding of long term employee benefits**

42. Pursuant to regulation 3.12 of the Financial Regulations and Rules of the United Nations and to safeguard the future financial health, a United Nations Interoffice Memorandum (IOM) to the heads of departments / offices dated 29 November 2016 stressed the need to systematically set aside funds for after-service health insurance liabilities for staff paid from voluntary contributions. The funding requirement was estimated to be as high as 9 per cent of gross salaries plus post-adjustment for all categories of staff funded from voluntary contributions. To mitigate the impact of the new funding policy on ongoing projects and programme delivery, a margin of three per cent was to be applied as at 1 January 2017.

43. Although UNCCD was not addressed specifically in the IOM, the UNCCD accounts were affected by the IOM in Umoja. The Board noted that no disclosure was made in the notes to the financial statements; however, UNCCD corrected this during the audit. This leads to conclude that UNCCD was to follow the IOM by United Nations Headquarters. In April 2017, the Conference of Parties decided that UNCCD would continue to budget the costs of after-service health insurance using the “pay-as-you-go” practice for the biennium 2018 to 2019 (ICCD/COP 13/7). The Conference of Parties expressed its wish to request UNCCD to continue monitoring developments within the United Nations system and report to the Conference of Parties at its fourteenth session.

44. The Board is of the opinion that UNCCD requires prudent financial management and a strong commitment to financial sustainability in the long term, as UNCCD nearly realizes two thirds of its revenue through voluntary contributions. Therefore, its ability to set aside funds for past commitments will remain limited in the future. In this light, funding future liabilities for after-service health insurance is essential.

45. The Board found that no agreement with United Nations Headquarters regarding the funding has been established so far. UNCCD stated that it did not know when the after-service health insurance fund will be able to cover the after-service health insurance liabilities. The Conference of Parties as the governing body of UNCCD had not decided on the changed treatment to fund after-service health insurance liabilities. Yet, the Conference of Parties is responsible for accepting contributions that give rise to liabilities (FRR Rule 103.4 (b)).

46. The Board welcomes that UNCCD is setting aside funding for remaining long term employee benefits, e.g. for after-service health insurance liabilities. Currently the legal background is unclear and the contributions to this fund have to be paid in addition to the payments on a ‘pay-as-you-go’ basis.

47. UNCCD receives indicative contributions which are the equivalent of assessed contributions received for the United Nations. The underlying decision for the after-service health insurance funding only refers to voluntary contributions. The Board found that UNCCD accrues after-service health insurance for voluntary and indicative contributions. UNCCD stated that it had not informed United Nations Office at Geneva (UNOG) of the funds where a deduction should not be carried out (i.e. those funds financed by indicative contributions). Hence, the accrual was also made for indicative contributions.

48. Since UNCCD is institutionally linked, the Conference of Parties might decide to fund also the employee liabilities resulting from core budgets. Given the Conference of Parties’ responsibility for accepting contributions that give rise to liabilities and the wish to monitor developments within the United Nations system, a funding policy should be approved by the Conference of Parties. In this context, UNCCD should consider the duration of the accumulation phase, and whether it uses the long-term investment for pro rata funding.

**49. The Board recommends that UNCCD review its funding policy for after-service health insurance liabilities and propose its funding policy to the Conference of Parties.**

50. **The Board further recommends that UNCCD enter into an agreement with United Nations Headquarters on the after-service health insurance fund to have a legal basis for its contributions to it.**

51. UNCCD agreed to the recommendation in principle and promised to review the necessity of the funding and seek to enter into an agreement with United Nations Headquarters. It pledges to make a Conference of Parties decision on the after-service health insurance funding.

## 5. Donor agreements

52. UNCCD relies on voluntary contributions to fulfil its mandate. Therefore UNCCD had donor agreements in which the counterparts agreed to transfer funds to support certain activities.

53. The Board noted that not all donor agreements in the sample selected by the Board contained basic standard clauses such as the purpose, time frame, terms of payments including a payment schedule, consequences of delays in project implementation, refund or use of residual funds. The Board considers it important that donor agreements contain such basic information. For example, IPSAS 23 requires such information to determine the time of revenue recognition. Although the donor will decide on the content of the agreements, UNCCD should seek to negotiate such basic conditions to provide for clarity.

54. UNCCD stated that most agreements included such information. However, a few donors preferred for example pledges and letters of intent.

55. The agreements were managed by individuals and the responsibility was divided between the project manager, the administrative services and the legal office. UNCCD was in the process of uploading the agreements and relevant reports to a sharepoint site. The Board appreciates this initiative. A common platform will ensure that agreements can be better monitored and that monitoring does not depend on one staff member. The Board is of the opinion that the following additional functionalities would be helpful:

- Automatic alerts when a deadline is to be reached.
- Recording relevant documents of one donor agreement together (financial reports, narrative reports, agreements and amendments, important communication etc.).
- Possibility to evaluate whether a significant number of agreements will expire, whether thematic areas are over- or underfunded.
- If feasible, the possibility to exchange documents such as narrative reports and financial reports with the donor, which would facilitate monitoring.

56. The Board noted that agreements of the Global Mechanism and the agreements of the Secretariat were to be documented separately. For a full picture of the activities of UNCCD, all agreements need to be taken into account.

57. **The Board recommends that UNCCD explore and implement other functionalities in the website tool sharepoint such as automatic alerts to improve the management of donor agreements.**

58. UNCCD agrees with the recommendation.

## 6. Agreements with partners

59. UNCCD regularly contributed funds to support and implement activities or projects. The Board noted that UNCCD did not use a standardized template and the structure and main conditions varied. For example, not all agreements included an audit clause or rules governing unused funds. In addition to that, the Board noted the following weaknesses in individual cases: The project to be implemented was not described in detail or the description attached to the agreement was outdated. The agreement did neither show how the budget was calculated nor were the funds allocated to specific activities. The agreement did not request the preparation of a project completion report or

financial report. Agreements did not include a mechanism to measure the success such as indicators and outputs. Although funds were used to procure goods, it was not clear whether and if so which procurement principles would be applicable.

60. UNCCD had not documented how the contracting parties had been selected and assessed as being financially sound. Some of the activities had the character of services which could be procured. For instance, the production of a research paper could probably have been done by various institutions. In addition to that, funding the activities was not planned systematically, but seemed to be done on a case-by-case basis on resource availability. UNCCD stated that responsibilities for such memoranda were divided between the project manager, the administrative services and the legal office. The relevant documents were mainly managed by the project manager who also filed related communication and changes to the initial project proposal. UNCCD did not use a comprehensive monitoring system.

61. UNCCD seems to have established a good relationship with partners. A recent evaluation, conducted by UNCCD Evaluation Office, also confirmed that partners were in general satisfied with UNCCD. The Board is of the opinion that, in order to maintain the good relationships, some aspects of managing such contracts should be improved. Management by individual staff members bears the risk that changes in staffing will affect the agreement and that knowledge will be lost. A monitoring system can help clarify the responsibilities for the different tasks and facilitate supervision. The functionalities of Umoja should be used to the largest possible extent. The Board holds that UNCCD needs to address following aspects: (a) selection of partners; (b) design and content of agreements; (c) monitoring; and (d) distribution of responsibility and accountability.

**62. The Board recommends that UNCCD establish a clear process for managing agreements or projects by implementing a selection process, drafting standard conditions, establishing a monitoring system and defining clear responsibilities and accountability.**

63. UNCCD accepted the recommendation.

## 7. Safety and Security Services

64. The United Nations has taken measures to ensure the safety and security of its staff, premises and assets. The Board has taken up Security and Safety Services as a cross-cutting audit theme for 2017.

65. UNCCD shares the premises of United Nations Campus Bonn together with 18 other United Nations entities. Security and Safety Services are provided for all of these entities by United Nations Volunteers (UNV) programme. The annual budget for these services amounts to \$2,524,200, of which \$2,138,200 had been outsourced to a private security company. The expenses for these services are shared by all entities using the United Nations Campus Bonn according to an apportionment formula dependent on the number of staff members of each entity and office space used.

66. Roles and responsibilities of actors within the United Nations Security Management System are governed by the Security Policy Manual (manual). The manual stipulates that the “executive heads appoint a Senior Security Manager and/or a Security Focal Point at their Headquarter to be responsible for coordinating the organization’s response to safety and security matters and providing the Executive Head and all relevant actors with advice, guidance and technical assistance.”

67. UNCCD does not have a Senior Security Manager. However, a focal point for security is in place, which is the Executive Secretary. On her behalf, the Chief of Administrative Services sits on the Security Management Team at its quarterly meetings with all agencies. According to annex E. No. 7 of the manual, he/she must “ensure that all personnel of their organizations and their recognized dependents are aware of security training requirements, and facilitate the provision of security training and briefings”.

68. The Board noted that UNCCD did not track the attendance of staff members in security trainings. In October 2017, UNCCD reminded all staff members of mandatory training courses covering a wide range of topics such as safety and security, ethics, and gender. In addition, staff members were provided with further information on the human resources portal and the INSPIRA platform.

69. The Board acknowledges the efforts taken to remind staff members of their duty to attend mandatory training courses. However, since UNCCD has not tracked the attendance of staff members, it does not know how many staff members have completed their mandatory security training. The Board considers it important that as many staff members as possible have completed mandatory security trainings.

70. **The Board recommends that UNCCD start tracking the attendance of staff members in mandatory United Nations trainings on safety and security, and take appropriate action in case of a low attendance rate.**

71. UNCCD agreed to the recommendation. It responded that it will take action to track attendance to mandatory security trainings and ensure wider participation.

## 8. Advance purchase policy of official travel

72. The administrative instruction “official travel” (ST/AI/2013/3) stipulates that in accordance with staff rule 7.8, all travel arrangements for individuals travelling on behalf of the United Nations, including advance booking and purchase of tickets, should be finalized 16 calendar days in advance of commencing official travel (advance purchase policy). To meet this requirement, staff members shall submit the travel request 21 days prior to commencing the official trip. During the additional five days, the travel is certified and approved. The administrative instruction states that programme managers are required to provide justification on all official travel arrangements that could not be finalized 16 calendar days in advance of the commencement of travel.

73. The Board noted that UNCCD met the advance purchase policy in 71.1 per cent of all cases in 2017. The average finalization time was 22.7 days, thus exceeding the target by 6.7 days on average. The compliance report shows that the average approval time was well below the target on the average; the non-compliance was due to exceeding the time frame of 16 days for advance booking and purchase of tickets.

74. The Board found 177 cases of non-compliance in 2017. In 44 of these cases, i.e. 25 per cent, no justification was provided in Umoja as to why the travel arrangements could not be finalized in time.

75. Since then, Umoja provides a list of standardized reasons for indicating a justification. However, this list contains the position “Other (provide details)” that permits to insert (or omit) a meaningful text.

76. UNCCD stated that as of the last update to the Umoja travel module, any travel request less than 21 days in advance must contain a written justification. The certifying officer must agree with the justification by ticking a box.

77. While the Board welcomes this adaption of Umoja, UNCCD should ensure that details are provided so that reasons for justification are transparent.

78. Adherence to the advance purchase policy is intended to ensure best prices. The Board is aware that this assumption might be based on outdated information. However, an evaluation has not been conducted that would justify the deviation from the advance purchase policy. We suggest that UNCCD review the advance purchase policy, e.g. by analysing what time window for the advance purchase would yield the highest probability of savings and inform the Secretariat about the results in order to provide a basis for a possible enhancement of the policy.

79. **The Board recommends that UNCCD ensure justification for non-adherence to the advance purchase policy is provided for cases of non-compliance without exception.**

80. **The Board recommends that, in coordination with United Nations Headquarters, UNCCD review the advance purchase policy and evaluate how best prices for official travels can be achieved.**

81. UNCCD agrees with the recommendations.

## 9. **Implementation of anti-fraud and anti-corruption measures**

82. The Under-Secretary-General of Management issued the “Anti-Fraud and Anti-Corruption Framework of the United Nations Secretariat” (Framework), ST/IC/2016/25, on 9 September 2016. In order to promote a culture of integrity, the Framework informs about how the Secretariat should prevent, detect and respond to acts of fraud and corruption (ibid. para. 9 et seqq.) and also sets responsibilities with regard to its implementation (ibid. para. 8). The Board has determined the implementation of the Framework as a cross-cutting audit theme for 2017.

83. The Board found that UNCCD has not fully implemented all requirements set within the Framework. For instance, UNCCD did neither provide a systematic fraud risk assessment nor establish local investigative procedures, including a mechanism for reporting all complaints.

84. UNCCD stated that it complies with the main requirements set by the Framework such as Standards of Conduct or Fraud and Corruption Awareness Programme. In this regard UNCCD conducted the leadership dialogue on fraud awareness and prevention and standards of conduct at the United Nations.

85. The Board acknowledges the various efforts UNCCD has taken to implement an anti-fraud culture. The Board sees room for improvement to fully implement the measures listed in the anti-fraud and anti-corruption framework.

86. **The Board recommends that UNCCD establish a systematic fraud risk assessment in line with the enterprise risk management.**

87. **The Board also recommends that UNCCD expedite the operationalization of an appropriate mechanism for reporting all complaints, including those pertaining to suspected fraud and corruption.**

88. UNCCD agreed with the recommendation.

## C. **Disclosures by Management**

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

89. UNCCD reported that there were no write-offs of cash, receivables, and assets during 2017. UNCCD also did not make any ex-gratia payment.

### *Cases of fraud and presumptive fraud*

90. 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.

91. 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.

92. UNCCD further reported that there was no case of fraud and presumptive fraud for the financial year ended 31 December 2017.

**D. Acknowledgement**

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

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

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

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

24 July 2018

## Annex I

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

No.	Audit report year	Paragraph reference	Recommendations of the Board	UNCCD response	Board's assessment	Status after verification			
						Implemented	Under implementation	Overtaken by events	Not implemented
1.	2012 /2013	30	Expedite efforts to collect the outstanding assessed contributions and seek to increase fundraising through improved advocacy work, demonstrating more clearly the “impact chain” of projects and continuous coordination of fundraising activities with the Global Mechanism.	The secretariat continues to make every effort to remind Parties of their outstanding contributions, including information on the website, at meetings of the Conference of the Parties Bureau, reminder letters, and at sessions of the Conference of the Parties.	The Board holds that efforts are made. Therefore, this recommendation is implemented.	X			
2.	2014	13	Strengthen its internal mechanism to ensure that all information in respect of accrued expenses that is necessary to make provisions as per IPSAS is available so as to improve the preparation, presentation and accuracy of its financial statements.	The secretariat has reviewed all expenses, un-liquidated obligations, receivables and advances to ensure that those expenses/provisions related to 2017 were accrued and included in 2017 Financial Statements. It would also be noted that many items converted from IMIS to Umoja were reviewed and cleared in 2017 and in our opinion 2017 Financial Statements showed considerable improvements in terms of quality, and presentation.	UNCCD secretariat has further improved since the first set of financial statements for 2014 under IPSAS was released. Therefore, the Board considers the recommendation implemented as it referred mainly to IPSAS introduction.  With regards to current developments, the Board has given a recommendation in para. 30.	X			
3.	2014	22	UNCCD put in place a formally structured process for assessing, monitoring and mitigating enterprise risks.	The secretariat will hold its first risk assessment workshop since 2007 in February 2018. The aim is to update the risk register 2007 and to formulize risk procedures.	UNCCD secretariat has set up a risk management policy as at 9 April 2018 which elaborates the rationale for risk management, the responsibilities and accountabilities for managing risks as well as the way in which risk management will	X			

No.	Audit report year	Paragraph reference	Recommendations of the Board	UNCCD response	Board's assessment	Status after verification			
						Implemented	Under implementation	Overtaken by events	Not implemented
					be monitored and reported as an integral part of the governance structure of the UNCCD secretariat.				
4.	2015	20	UNCCD develop its Business Continuity and Disaster Recovery Plan at the earliest, and test periodically and update it as necessary.	UNCCD stated that it would implement it in 2017. The terms of reference of the senior IT consultant who will be assisting secretariat to develop a recovery plan will be finalized soon for posting on the website.	UNCCD has drafted a Business Continuity and Disaster Recovery Plan. However, it still needs elaboration. The business processes of strategic importance have to be identified. For each critical resource/service the required recovery scheme must be specified and implemented. The Board considers this recommendation under implementation.		X		
5.	2016	25	The Board recommends that UNCCD initiate the update of the financial rules of the Conference of the Parties to reflect the implementation of IPSAS.	UNCCD Secretariat presented a recommendation to update the financial rules at the Conference of Parties 13. The Conference of Parties adopted the suggestion in its decision 10/COP.13	The Conference of Parties approved the amendment to the financial rules of the Conference, its subsidiary bodies and the Convention secretariat. Paragraph 21 was replaced with "The United Nations shall provide the Parties with an audited statement of accounts for each year of the financial period".	X			
6.	2016	26	UNCCD establish a process that allows for the annual presentation of the audited financial statements as well as of the Board's report to those charged with governance and not every other year, as it is UNCCD's current practice.	The Conference of Parties President of China has advised the Conference of Parties Bureau accordingly, and an agenda item has been recommended for a Board representative to make a presentation at the Bureau's next meeting in February 2019. Following this proposal, the UNCCD secretariat has agreed to invite a	The German Board member presented the Board's report to the members of the Bureau in April 2018. It is agreed that this procedure will continue for the following financial statements. The Board appreciates the steps taken so far.	X			

No.	Audit report year	Paragraph reference	Recommendations of the Board	UNCCD response	Board's assessment	Status after verification		
						Implemented	Under implementation	Overtaken by events
				Board's representative to present its report to the Budget Contact Group at the Conference of Parties and annually at the Bureau meeting.				
7.	2016	32	UNCCD liaise with the United Nations Secretariat to review the arrangement for administrative support and update the delegations as appropriate.	UNCCD secretariat has followed up its discussions with United Nations New York and most recently had a follow up on 17 January 2018 with the Department of Management, Office of Central Support Services in Berlin, Germany.	UNCCD has focused on the procurement delegation. The Board considers it important that UNCCD also follow up with the Department of Management with regards to the arrangement. The recommendation remains under implementation.		X	
8.	2016	37	To avoid misinterpretation in the 2017 financial statements, UNCCD review its mapping of general ledger accounts and choose a structure that is consistent and presents information in a reliable and relevant manner.	While preparing 2017 Financial Statements, the secretariat has reviewed general ledger accounts/commitment items in detail and ensures that mapping is consistent with previous year. The accuracy of information included in 2017 Financial Statements has also verified with Trial Balance, general ledger account and mapping to ensure reliability and relevance of the data.	Overall, the Board considers the recommendation to be implemented and acknowledges UNCCD's efforts. It highlights that UNCCD could benefit from an IT system that permits the automated preparation of the financial statements using the standardized mapping and building on Umoja (cf. para. 30).	X		
9.	2016	42	UNCCD explain classifications and sub-classifications in more detail and streamline the format and layout of the financial statements. To the extent possible it should use the United Nations template for financial statements.	Taking into the consideration of the secretariat's nature of business, its budgets and number of transactions, UNCCD secretariat explained the classification and sub-classification to the extent possible using UN template. If a specific classification and sub-classification to be elaborated further, UNCCD secretariat would be happy to do so if the request is	Even though the secretariat has improved with classifications and sub-classifications and the format, the Board still is of the opinion that UNCCD could do better.		X	

No.	Audit report year	Paragraph reference	Recommendations of the Board	UNCCD response	Board's assessment	Status after verification			
						Implemented	Under implementation	Overtaken by events	Not implemented
				made by Board with samples of such details.					
10.	2016	48	UNCCD establish principles / guidelines for its continuing temporary requirements that in particular support the decision as to whether temporary staff or consultants / individual contractors are appropriate to fulfil the needs and that UNCCD elaborate the conditions and suitability for monthly payment compared to lump sums for consultants and individual contractors.	The secretariat uses the established administrative guidelines for the management of 1) temporary appointments and 2) consultants and individual contractors. Since last year, the secretariat uses these guidelines to ensure that the appropriate mechanism is applied in specific cases. For example, two long-term consultancies will now be two temporary appointments going forward.	The secretariat has improved the process to ensure that consultancy requests comply with the instructions. The recommendation is implemented.	X			
11.	2016	52	UNCCD develop an ICT strategy and document it accordingly.	UNCCD secretariat started this process with first seeking an individual consultant in July 2017. As this process failed, the secretariat turned to hiring a company through UNFCCC's framework agreement for IT services. A company was identified in December 2017 to start work.	UNCCD has developed a strategy and drafted its documentation. Although a schedule is lacking that determines how and when the target landscape will be accomplished, the Board considers this recommendation to be implemented.	X			
12.	2016	60	UNCCD update the agreement for procurement services with UNFCCC in particular with regard to Umoja, the processing of the financial proposals, and recalculate the administrative fee.	The secretariat has a Procurement Assistant, increasing capacity of the UNCCD in conducting in-house procurement actions. Nevertheless, the secretariat benefits from its continued collaboration with UNFCCC in this regards, as it has greater capacity and expertise to deal with complex cases. The secretariat would wish to maintain this agreement, but will now pursue	While the agreement remains unchanged, the Board takes into account the ongoing discussions. Negotiations on renewing the agreement bear the risk of worsened conditions for UNCCD. The Board considers the recommendation to be implemented.	X			

No.	Audit report year	Paragraph reference	Recommendations of the Board	UNCCD response	Board's assessment	Status after verification			
						Implemented	Under implementation	Overtaken by events	Not implemented
				establishing itself with a buyer role in Umoja, so that purchase orders over \$10,000 can be approved without the assistance of UNFCCC.					
13.	2016	66	UNCCD designate the focal point on disability and accessibility formally and inform staff members accordingly.	The Executive Secretary appointed the current Head of Administrative Services as the focal point. An announcement was made to all staff on 11 November 2017.	The measures taken are adequate.	X			
<b>Total</b>						<b>10</b>	<b>3</b>	<b>0</b>	<b>0</b>
<b>Percentage</b>						<b>77</b>	<b>23</b>	<b>0</b>	<b>0</b>

## Chapter III

### Certification of the financial statements

The financial statements of the United Nations Convention to Combat Desertification for the financial year ended 31 December 2017 have been prepared in accordance with financial rule 106.1. This is the fourth 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) Monique **Barbut**  
Executive Secretary

31 March 2018

## Chapter IV

### Financial report on the 2017 accounts

#### Introduction

1. The financial statements of the United Nations Convention to Combat Desertification (UNCCD) are prepared and submitted to the Conference of Parties in accordance with the Financial Rules. The financial statements include all of the operations under the direct authority of the Executive Secretary including the core budget, the Global Mechanism and extra-budgetary financed activities.

2. The 2017 financial statements are for the fourth time prepared based upon the International Public Sector Accounting Standards (IPSAS) in accordance with the decision of the United Nations General Assembly, provide increased information on actual assets and liabilities enabling in improved internal control and enhanced management of UNCCD's total resources. The statements include additional information on revenue and expenses to senior management to support decision-making and enhance strategic planning.

3. The financial statements are prepared under IPSAS using full accrual-based accounting. UNCCD's Budget is prepared on a modified cash basis of accounting in accordance with its Financial Regulations. Under IPSAS:

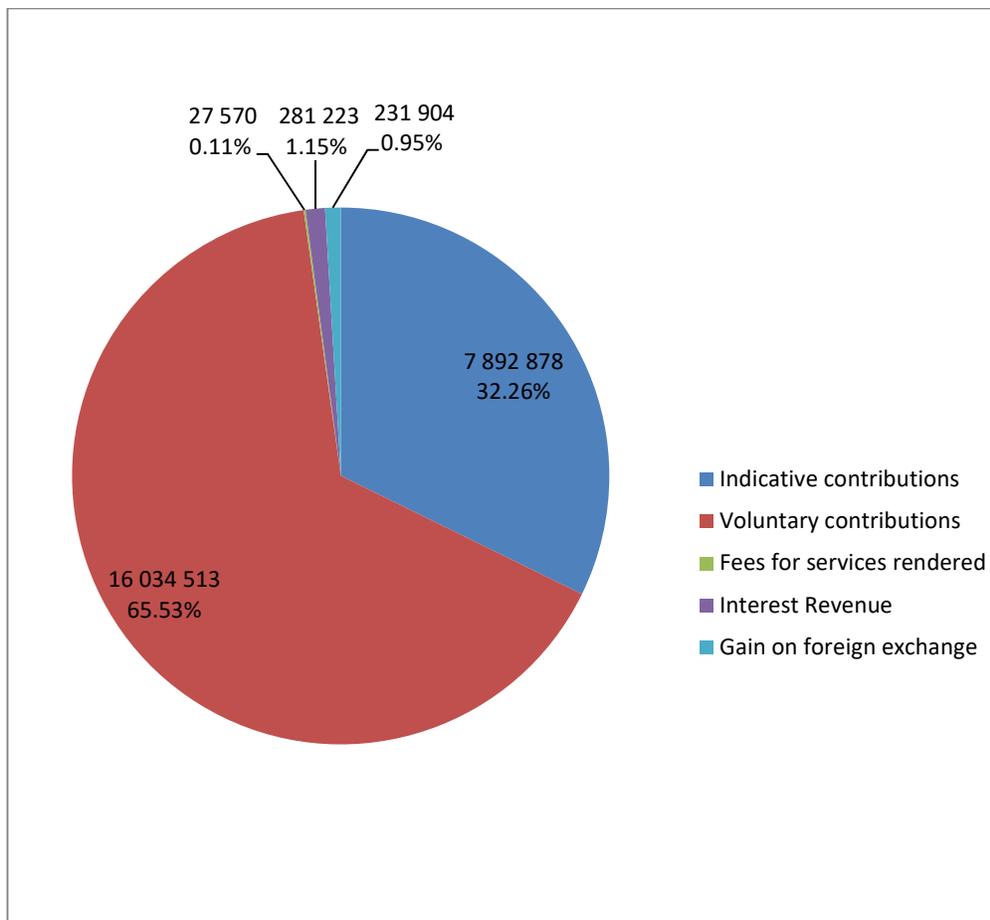
- Revenue from voluntary contributions to technical cooperation is recognized when the contract with the donor becomes binding (i.e. at the time of signature of both parties, rather than when cash is received.
- In the case of contributions that impose conditions requiring return of funds not utilized in accordance with the terms of the agreement, revenue is not recognized until UNCCD delivers the services specified in the agreement with the donor.
- Expenses are recognized when services or goods are received or delivered rather than when a commitment is recognized.
- The annual changes in employee defined benefit obligations (other than those caused by adjustments in actuarial assumptions) are now recognized as expenses rather than in fund balance.
- The value of fixed assets such as vehicles and IT equipment acquired has been capitalized rather than expensed. Included in expenses for 2017 is the depreciation on a vehicle, and communications information technology equipment.

## 2017 Financial Highlights (in USD)

### Total revenue:

4. Revenue in 2017 totalled USD 24.47 million excluding other revenue of USD 0.08 million referred in Note 13, paragraph 112, as follows:

### Revenue (IPSAS BASIS) 2017

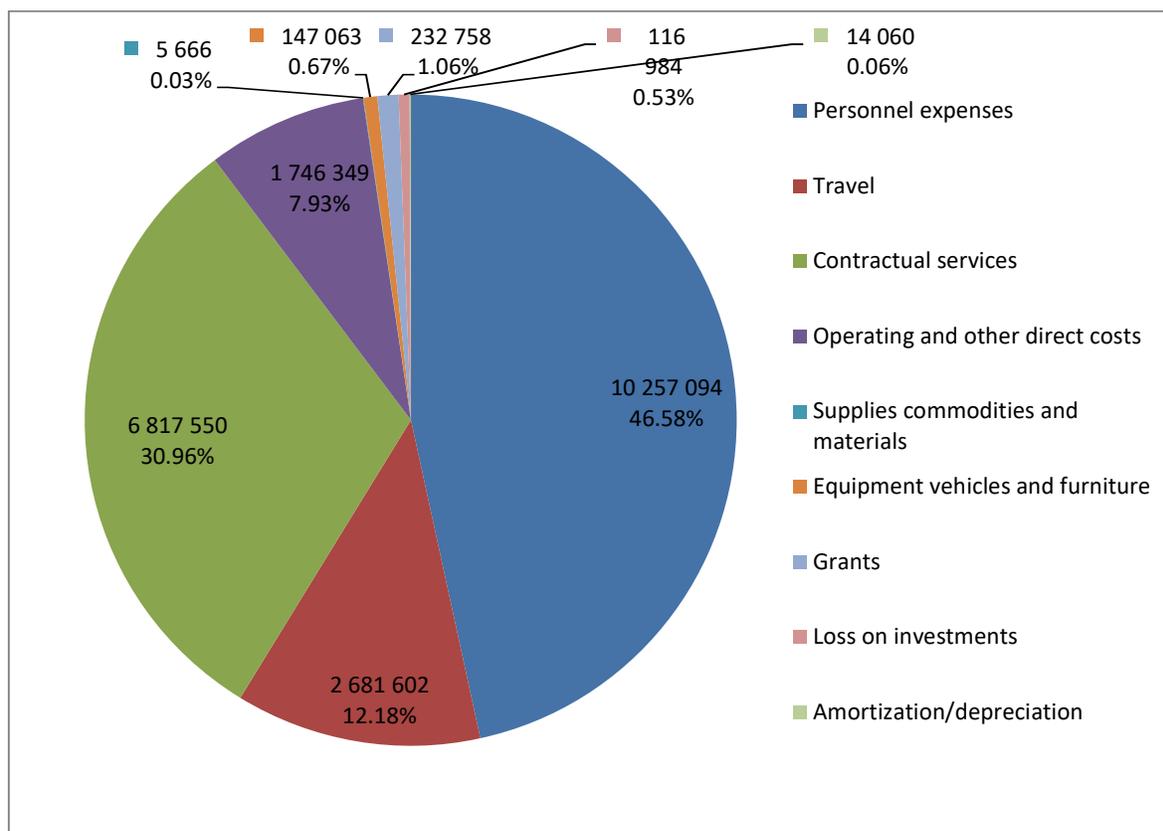


5. The principal sources of revenue were:

- The indicative contributions from signatories of the Convention. The indicative contributions for 2017 totalled USD 7.89 million.
- Voluntary contributions from donors totalled USD 16.04 million.
- The remaining revenue includes fees for services rendered, interest revenue, and gain on foreign exchange in the amount of USD 0.54 million.

6. **Total expenses:** Expenses in 2017 totalled USD 22.02 million excluding change in provision for doubtful debts in the amount of USD 0.19 million.

### Expenses (IPSAS BASIS) 2017



7. The main expenses categories are personnel expenses for USD 10.26 million or 46.58%, which include interest and current service costs related to defined benefit obligations (After-Service Health Insurance [ASHI]), annual leave, and repatriation grant/travel) in the amount of USD 0.8 million; contractual services (non-employee compensation including consulting services individual fee, consultancy travel fee) for USD 6.82 million or 30.96%; travel for USD 2.68 million or 12.18%, and Operating and other direct costs in the amount of USD 1.75 million or 7.93%.

8. **Operating result:** The net surplus of expenses revenue over expenses in 2017, as measured under IPSAS, is USD 2.34 million.

9. **Assets:** Assets as of 31 December 2017 totalled USD 31.23 million compared to the balance at 31 December 2016 of USD 34.32 million. The major components of UNCCD's assets are as follows:

<b>Summary of assets at 31 December (in United States dollars)</b>	<b>2017</b>	<b>2016</b>	<b>Difference</b>
Cash and cash equivalents	1 800 774	6 091 696	(4 290 922)
Investments	21 001 663	15 918 229	5 083 434
Sub total assets held in cash pool	22 802 437	22 009 925	792 512
Indicative contributions receivable	3 120 449	2 661 448	459 001
Less provision for doubtful debts	(1 784 270)	(1 590 747)	( 193 523)
Net indicative contributions receivable	1 336 179	1 070 701	265 478
Other accounts receivable	6 604 150	10 483 489	(3 879 339)
Other current assets	377 398	717 453	( 340 055)
Fixed assets	110 922	38 990	71 932
<b>Total Assets</b>	<b>31 231 086</b>	<b>34 320 558</b>	<b>(3 089 472)</b>

10. The major assets at 31 December 2017 are cash, cash equivalents and investments totalling USD 22.8 million representing 73.02 % of the total assets; receipts from voluntary contributions including the Global Mechanism totalling USD 6.6 million or 21.15% of total assets; and indicative contributions from signatories to the convention receivable of USD 1.3 million, or 4.28%. The remaining assets consist of other current assets (primarily staff advances) and fixed assets.

11. **Cash, cash equivalents and investments:** Cash, cash equivalents and investments USD 22.8 million held in the UN Treasury Cash Pools. This represents an increase of USD 0.8 million over the balance held at the end of 2016. Changes in Cash are shown in statement IV.

12. **Accounts receivable:** Under IPSAS, accounts receivable from indicative contributions are recognized net of a provision of 50% for all amounts receivable for three years and 100% for all amounts receivable for four or more years. Other accounts receivables include voluntary contributions receivable based on the signed agreement/letter of intent in the amount of USD 6.6 million of which USD 3.0 million represents receivable due for the Global Mechanism, and investment revenue receivable in the amount of USD 0.07 million reported by UNHQ New York. Value Added Tax balances in the amount of USD 0.08 million are also included in other accounts receivables.

13. **Liabilities:** Liabilities as of 31 December 2017 totalled USD 22.6 million (USD 27.7 million as at 31 December 2016) as follows:

<b>Summary of liabilities at 31 December (in United States dollars)</b>	<b>2017</b>	<b>2016</b>	<b>Difference</b>
Accounts payable and accruals	1 878 815	2 116 895	( 238 080)
Advance receipts	4 629 682	10 579 659	(5 949 977)
Employee benefit liabilities	16 101 913	14 995 098	1 106 815
Other liabilities	7 569	4 323	3 246
<b>Total Liabilities</b>	<b>22 617 979</b>	<b>27 695 975</b>	<b>(5 077 996)</b>

14. The most significant liability is the employee benefits earned by staff members and retirees but not paid at the reporting date, primarily the liability for ASHI. These liabilities total USD 16.1 million, represent 71.19% of UNCCD's total liabilities and are explained in detail in note 11 to the financial statements.

15. Another significant liability advance receipts covers indicative contributions received in advance of the start of the year to which they are related totalling USD 0.15 million. Also included are voluntary contributions, provided by donors totalling USD 4.48 million, of which USD 3.2 million relates to the Global Mechanism that contain conditions requiring the performance specified services or the return of unused funds to the donor in accordance with the terms of the agreement. The balance represents the portion of the contribution at 31 December 2017 that has not been recognized as revenue since it has not been earned by UNCCD by performing the services covered by the agreement including the remaining balance from the Government of the Bolivarian Republic of Venezuela in the amount of USD 0.56 million.

16. **Net assets:** The movement in net assets during the year reflects increase of USD 1.99 million from USD 6.62 million in 2016 to USD 8.61 million in 2017 due to the operating surplus of USD 2.34 million and actuarial adjustment related to employee benefits of USD (0.06) million. Net assets include the operating reserves which remained at USD 1.9 million.

### Core budget

17. The Conference of the Parties approved a Core budget for the 2016–2017 financial period amounting to EUR 16.2 million of which EUR 8.2 million was programmed for 2017. In addition, the Conference of the Parties approved a budget of EUR 300,000 to facilitate the consideration of the post-2018 strategic priorities for the Convention, and EUR 120,000 for supporting the work of the Science-Policy Interface.

18. The core budget continues to be prepared on a modified cash basis in accordance with the UN Financial Regulations. The overall budgetary results for the 2017 financial period in euros are summarized in Statements V. The differences between the net results on the IPSAS (full accrual) basis and those in accordance with the adopted budget are explained in note 16.

19. Valued in US dollars at the average USD 1 = EUR 0.89679 at the rate of exchange set by the United Nations and using the modified cash method of accounting, total Core budgetary revenue for 2017 amounted to EUR 7.7 million (USD 8.6 million). Expenses under the regular budget during 2017 amounted to EUR 8.8 million (USD 9.8 million) resulting in a net deficit of EUR 0.6 million (USD 0.7 million). However, expenses resulted in a net surplus fund of EUR 0.77 million (USD 0.85 million) when compared to the biennium budget. The surplus in the biennium is primarily due to savings accrued from vacant posts, which were filled in late 2016 and early 2017, as well as savings achieved under funding for consultancies, training and contributions to joint administrative costs.

## Chapter V

### Financial statements for the year ended 31 December 2017

#### STATEMENT I

##### United Nations Convention to Combat Desertification

##### Statement of Financial Position as at 31 December 2017

<i>(In United States dollars)</i>	<i>Note</i>	<i>31 December 2017</i>	<i>31 December 2016</i>
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	5	1 800 774	6 091 696
Short-term investments	5	15 968 126	10 724 685
Indicative contributions receivable	6	1 336 179	1 070 701
Other accounts receivable	6	6 604 150	10 483 489
Other current assets	7	377 398	717 453
<b>Total current Assets</b>		<b>26 086 627</b>	<b>29 088 024</b>
<b>Non-Current Assets</b>			
Intangible assets		-	-
Fixed Assets	8	110 922	38 990
Long-term investments	5	5 033 537	5 193 544
<b>Total Non-Current Assets</b>		<b>5 144 459</b>	<b>5 232 534</b>
<b>Total Assets</b>		<b>31 231 086</b>	<b>34 320 558</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued expenses	9	1 878 815	2 116 895
Advance receipts	10	4 629 682	10 579 659
Employee benefit liability	11	431 913	567 098
Other current liabilities	12	7 569	4 323
<b>Total Current Liabilities</b>		<b>6 947 979</b>	<b>13 267 975</b>
<b>Non-Current Liabilities</b>			
Employee benefit liability	11	15 670 000	14 428 000
<b>Total Non-Current Liabilities</b>		<b>15 670 000</b>	<b>14 428 000</b>
<b>Total Liabilities</b>		<b>22 617 979</b>	<b>27 695 975</b>
<b>Net Assets</b>		<b>8 613 107</b>	<b>6 624 583</b>
<b>Net Assets/Equity</b>			
Accumulated surpluses/(deficits)		6 960 918	4 621 511
Actuarial gain (loss) recognized in net assets	11	( 300 066)	50 817
Operating reserves	15	1 952 255	1 952 255
<b>Total Fund Balances and Reserves</b>		<b>8 613 107</b>	<b>6 624 583</b>

*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 2017

(in United States dollars)	Note	2017	2016
<b>REVENUE</b>	13		
Indicative contributions		7 892 878	8 118 060
Voluntary contributions		16 034 513	10 520 353
Fees for services rendered		27 570	765
Interest Revenue		281 223	155 435
Gain on investments		-	283 468
Gain on foreign exchange		231 904	-
Miscellaneous revenue		-	67 031
Other revenue		83 968	( 30 482)
<b>TOTAL REVENUE</b>		<b>24 552 056</b>	<b>19 114 630</b>
<b>EXPENSES</b>	14		
Personnel expenses		10 257 094	8 430 767
Travel		2 681 602	1 799 893
Contractual services		6 817 550	4 872 082
Operating and other direct costs		1 746 349	726 711
Supplies commodities and materials		5 666	2 664
Equipment vehicles and furniture		147 063	62 710
Grants		232 758	523 699
Loss on investments		116 984	-
Amortization of intangible assets and depreciation		14 060	33 660
Change in provision for doubtful debts		193 523	( 125 455)
Loss on foreign exchange		-	38 283
<b>TOTAL EXPENSES</b>		<b>22 212 649</b>	<b>16 365 014</b>
<b>SURPLUS/ (DEFICIT) FOR THE PERIOD</b>		<b>2 339 407</b>	<b>2 749 616</b>

*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 2017

(United States Dollars)

	Notes	Accumulated Surplus- General Fund	Reserves	Total
<b>Net Assets at 31 December 2015</b>		<b>1 595 895</b>	<b>1 952 255</b>	<b>3 548 150</b>
Recognition of actuarial adjustments in net assets		326 817	-	326 817
Interfund adjustments		-	-	-
Net result for 2016	Statement II	2 749 616	-	2 749 616
<b>Net Assets at 31 December 2016</b>		<b>4 672 328</b>	<b>1 952 255</b>	<b>6 624 583</b>
Recognition of actuarial adjustments in net assets	Note II	( 350 883)	-	( 350 883)
Interfund adjustments		-	-	-
Net result for 2017	Statement II	2 339 407	-	2 339 407
<b>Net Assets at 31 December 2017</b>	<b>Statement I</b>	<b>6 660 852</b>	<b>1 952 255</b>	<b>8 613 107</b>

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

## STATEMENT IV

## United Nations Convention to Combat Desertification

## Statement of Cash Flow for the period 1 January 2016 to 31 December 2017

(in United States dollars)	Notes	2017	2016
<b>Cash flows from operating activities</b>			
Surplus (deficit) for the period	Statement II	2 058 184	2 594 181
Interest revenue		281 223	155 435
		<u>2 339 407</u>	<u>2 749 616</u>
Depreciation and amortization	8	14 060	33 660
Increase (decrease) in provision for doubtful debts	6	193 523	( 125 455)
(Increase) decrease in receivables	6	3 420 338	(7 416 654)
(Increase) decrease in other current assets	7	340 055	415 120
Increase (decrease) in advance receipts	10	(5 949 977)	8 414 138
Increase (decrease) in accounts payable	9	( 238 080)	(1 446 428)
Increase (decrease) in other current liabilities	12	3 246	4 323
Increase (decrease) in employee benefit liabilities recognized in surplus	11	755 932	444 841
<b>Net cash flows from operating activities</b>		<u><b>878 504</b></u>	<u><b>3 073 161</b></u>
<b>Cash flows from investing activities</b>			
(Increase) decrease in short-term investments	5	(5 243 441)	(1 246 434)
Purchases of fixed assets	8	( 85 992)	( 5 440)
(Increase) decrease in long-term investments	5	160 007	1 186 470
<b>Net cash flows from investing activities</b>		<u><b>(5 169 426)</b></u>	<u><b>( 65 404)</b></u>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>(4 290 922)</b>	<b>3 007 757</b>
<b>Cash and cash equivalents at beginning of year</b>	5	<b>6 091 696</b>	<b>3 083 939</b>
<b>Cash and cash equivalents at end of year</b>	5	<u><b>1 800 774</b></u>	<u><b>6 091 696</b></u>

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

## STATEMENT V

**United Nations Convention to Combat Desertification**  
**Statement of Comparison of Budget and Actual amounts for the year ended at 31 December 2017**

(in euros)\*

<b>Core budget of the Secretariat</b>	<i>Original budget 2017</i>	<i>Final Budget 2017</i>	<i>Actual 2017</i>	<i>Actual 2017</i>	<i>Original budget 2016-2017</i>	<i>Final Budget 2016-2017</i>	<i>Actual 2016-2017</i>	<i>Actual 2016-2017</i>
<i>Programmes</i>	<i>EUR</i>	<i>EUR</i>	<i>EUR</i>	<i>USD</i>	<i>EUR</i>	<i>EUR</i>	<i>EUR</i>	<i>USD</i>
<b>I. Secretariat programmes</b>								
A. Executive direction and management	1 028 043	1 028 043	1 041 315	1 161 155	2 050 085	2 050 085	1 905 341	2 124 620
B. External relations, policy and advocacy	1 095 900	1 095 900	1 290 712	1 439 255	2 172 900	2 172 900	2 184 811	2 436 252
C. Knowledge management, science and technology	764 100	764 100	923 389	1 029 659	1 515 800	1 515 800	1 352 058	1 507 662
D. Facilitation of monitoring and implementation	1 228 600	1 228 600	1 374 875	1 533 104	2 437 600	2 437 600	2 479 422	2 764 769
E. Administrative services	1 227 187	1 227 187	1 403 658	1 565 200	2 509 051	2 509 051	2 671 716	2 979 194
<b>II. Global Mechanism</b>								
F. Global Mechanism	1 874 650	1 874 650	1 735 635	1 935 383	3 640 300	3 640 300	3 054 374	3 405 890
Subtotal (A-F)	7 218 480	7 218 480	7 769 584	8 663 755	14 325 736	14 325 736	13 647 722	15 218 386
Programme support costs	938 403	938 403	1 010 046	1 126 288	1 862 346	1 862 346	1 774 204	1 978 390
Working capital reserve	0	0	0	0	0	0	0	0
<b>TOTAL Core Budget of the Secretariat</b>	8 156 883	8 156 883	8 779 630	9 790 044	16 188 082	16 188 082	15 421 926	17 196 776
Contribution from the host Government	511 292	511 292	511 292	570 136	1 022 584	1 022 584	1 140 271	1 271 503
Unspent balances or contributions from prior financial periods	100 000	100 000	100 000	111 509	200 000	200 000	223 018	248 684
Indicative contributions	7 545 594	7 545 594	7 078 254	7 892 878	14 965 498	14 965 498	14 358 449	16 010 938
<b>TOTAL income</b>	8 156 886	8 156 886	7 689 546	8 574 523	16 188 082	16 188 082	15 721 738	17 531 126
<b>Facilitate the consideration of the post-2018 strategic priorities for the Convention</b>			(72,630)	(80,988)	300 000	300 000	236 128	263 304
<b>Science-Policy Interface</b>			0	0	120 000	120 000	0	0
Programme support costs			(9,442)	(10,528)	54 600	54 600	30 697	34 230
<b>Total other budgets approved by the Conference of the Parties</b>			(82,072)	(91,516)	474 600	474 600	266 825	297 534

\*At the average monthly exchange rate of the United Nations for the year 2016-2017 with 1 USD = EUR 0.89679

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

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## United Nations Convention to Combat Desertification

### Notes to the financial statements

#### Note 1

#### The Reporting Entity

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.

1. UNCCD is governed by the following constituent bodies:

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

#### **The Bureau of the COP**

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

The President declares the opening and closing of the session, presides at the meetings of the session, ensures the observance of the present rules, and has complete control of the proceedings and over the maintenance of order thereat. The President, if temporarily absent from a meeting or any part thereof, shall designate a Vice-President to act as President.

The Bureau of the COP has an important role in the UNCCD process also outside the sessions, as it directs various aspects concerning the follow-up of the COP and the preparations of the next one. The COP Bureau is also often assigned by the COP to supervise specific, particularly demanding or sensitive tasks or processes that are carried out between the COP sessions.

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

4. The financial statements of the UNCCD have been prepared on the accrual basis of accounting in accordance with the International Public Sector Accounting Standards (IPSAS) using the historic cost convention. The statements are prepared on a going concern basis based upon approval by the Conference of Parties of the 2016–17 Programme and budget and the 10 year (2008–2018) strategic plan and framework to enhance the implementation of the Convention, the historical trend of collection of indicative and voluntary contributions over the past years and that the Conference of Parties has not made any decision to cease the operations of the Organization. At the 13th session of the COP, the Parties adopted the new strategic framework of the Convention for 2018–2030. The new strategy outlines five long-term objectives for the implementation of the UNCCD and directly contributes to the achievement of many SDGs, most notably SDG 15 concerning life on land and its target 15.3 on land degradation neutrality.
5. These are the fourth 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 2017 financial statements are presented on an annual basis covering the period 1 January 2017 to 31 December 2017.
6. The Cash Flow Statement is prepared using the indirect method.

**2.1 Functional and Presentation Currency**

7. The financial statements are presented in United States dollars, which is the functional and presentation currency of UNCCD.

**2.2 Foreign Currency Translation**

8. Transactions in currencies other than USD are translated into USD at the prevailing United Nations Operational Rates of Exchange (UNORE) which represent the prevailing rate at the time of transaction. Assets and liabilities in currencies

other than USD are translated into USD at the UNORE year-end closing rate. Resulting gains or losses are accounted for in the Statement of Financial Performance.

### **2.3 Materiality and use of judgment and estimates**

9. Materiality is central to the UNCCD financial statements. The UNCCD's accounting materiality framework provides a systematic method to identify, analyse, evaluate, endorse and periodically review materiality decisions crossing a number of accounting areas. The financial statements necessarily include amounts based on judgments, estimates and assumptions by management. Actual results may differ from these estimates. Changes in estimates are reflected in the period in which they become known. Accruals, equipment depreciation and employee benefit liabilities are the most significant items for which estimates are utilized.

## **Note 3**

### **Significant Accounting Policies**

#### **Assets**

### **3.1 Cash and Cash Equivalents**

10. Cash and cash equivalents are held at fair value and comprise cash on hand, cash at banks, money market and short-term deposits. Investment revenue is recognized as it accrues taking into account the effective yield.

### **3.2 Financial Instruments**

11. Financial instruments were initially measured at fair value. Subsequent measurement of all financial instruments is at fair value except for accounts receivable and accounts payable, which are measured at amortized cost using the effective interest method. A provision has been made for the difference between the nominal value of the accounts receivable and accounts payable.

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

13. The Main Cash pool comprises participating entity shares of cash and term deposits, short-term and long-term investments and accrual of investment revenue (the latter recognized within accounts receivable), all of which are managed by the UN Treasury. UNCCD's share of the cash pool is disclosed in the notes to the financial statements and

on the Statement of Financial Position. Detailed information on the holdings of the Main Cash Pool may be obtained in the Financial Statements of the United Nations.

14. Gains or losses arising from changes in the fair value of financial instruments are included within the statement of financial performance in the period in which they arise. Gains or losses arising from a change in the fair value of the financial assets held in the Euro Cash Pool are presented in the Statement of Financial Performance in the period in which they arise as finance costs if net loss or investment revenue if net gain.

15. Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. UNCCD's receivables comprise indicative contributions receivable from member countries and other accounts receivable recognized on the Statement of Financial Position. Receivables are measured at amortized cost taking into account a provision for impairment and an adjustment to reflect the time value of money based on the interest rate generally applicable to securities of similar maturity and currency.

### **3.3 Inventories**

16. UNCCD does not maintain an inventory of tangible assets that are held for resale or consumed in the distribution in rendering of services.

### **3.4 Property, Plant and Equipment**

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

#### **Depreciation**

18. Depreciation is calculated over their estimated useful life of equipment using the straight-line method. The estimated useful life for equipment classes are as follows:

<b>Class</b>	<b>Estimated useful life (years)</b>
Computer Equipment	5
Communication and audio visual equipment	5
Furniture and fixtures	10

<b>Class</b>	<b>Estimated useful life (years)</b>
Machinery and equipment	10
Vehicles	10
Leasehold improvements	10 (or lease term, whichever shorter)

19. Impairment assessments are conducted when events or changes in circumstance indicate that carrying amounts may not be recoverable and any impairment losses are recognized in the Statement of Financial Performance. The useful lives of equipment are reviewed and adjusted, if applicable.

### **3.5 Intangible Assets**

20. Intangible assets are valued at historical cost less accumulated amortization and any impairment losses. Intangible assets acquired externally are capitalised if their costs equals to USD 5,000 or more. Internally developed software is capitalized if its cost exceeded a threshold of USD 100,000 or more excluding research and maintenance costs and including directly attributable costs such as staff assigned full time to a development projects, subcontractors and consultants.

#### **Amortization**

21. Amortization is provided over the estimated useful life using the straight-line method. The estimated useful lives for intangible asset classes are as follows:

<b>Class</b>	<b>Estimated useful life (years)</b>
Software acquired externally	5
Internally developed software	3 – 6

22. Impairment reviews are undertaken for all intangible assets at least every two years and any impairment losses are recognized in the Statement of Financial Performance.

## **Liabilities**

### **3.6 Employee Benefits**

23. 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.

24. The liability recognized for post-employment benefits is the present value of the defined benefit obligations at the reporting date. An independent actuary using the projected unit credit method calculates the defined benefit obligations. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-grade corporate bonds with maturity dates approximating those of the individual plans.

25. Employee benefits including payments to staff members on separation from service such as repatriation grant, accrued annual leave, repatriation travel and removal on repatriation are expensed on an accrual basis.

26. Actuarial gains and losses related to post-employment benefits for after service health insurance are recognised in the period in which they occur on the statement of changes in net assets as a separate item in net assets/equity.

27. 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.

28. The Fund exposes participating organizations to actuarial risks associated with the current and former employees of

other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets, and costs to individual organizations participating in the plan. UNCCD, in line with the other participating organizations in the Fund, is not in a position to identify its share of the underlying financial position and performance of the plan with sufficient reliability for accounting purposes and hence has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 25: Employee benefits. UNCCD's contributions to the Fund during the financial period are recognized as expenses in the statement of financial performance.

### **3.7 Provisions**

29. Provision are made for future liabilities and charges where UNCCD has a present legal or constructive obligation as a result of past events and is probable that UNCCD will be required to settle the obligation, and the value can be reliably measured.

### **3.8 Contingent liabilities and contingent assets**

30. Contingent liabilities, where their existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events that are not wholly within the control of UNCCD or where the value cannot be reliably estimated, are disclosed in the notes to the financial statements. Contingent liabilities are evaluated continually to determine whether an outflow of resources has become probable. If an outflow becomes probable, a provision is recognized in the financial statements in the period in which probability occurs.

### **3.9 Leases**

31. Leases, where the lessor retains a significant portion of the risks and rewards inherent in ownership, are classified as operating leases. Payments, made under operating leases are charged on the Statement of Financial Performance as an expense on a straight-line basis over the period of the lease.

## Revenue

### 3.10 Non-exchange Revenue and Receivables

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

33. Voluntary contributions are recognised upon the signing of a binding agreement with the donor. Revenue is recognised immediately if no condition is attached. If conditions are attached, including a requirement that funds not utilized in accordance with the agreement must be returned to the contributing entity, revenue is recognised only upon satisfying the conditions. Until such conditions are met a liability (deferred revenue) is recognised. Voluntary contributions such as pledges and other promised donations which are not supported by binding agreements are considered contingent assets and are recognised as revenue when received and disclosed in the notes to the financial statements if receipt is considered probable. Refunds to the donors are offset against the revenue. Table on paragraph 108 refers.

34. 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.

35. 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.

36. 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.

37. Receivables are stated at amortized cost less allowances for estimated irrecoverable amounts. A provision is established equal to 50% of indicative contributions receivable outstanding for more than 36 months and 100% of receivables outstanding for more than 48 months. A provision is established for all other receivables equal to 50% of the amount outstanding for more than 24 months and 100% for receivables outstanding for more than 36 months.

### **3.11 Exchange Revenue**

38. Interest revenue is recognised on a time proportion basis as it accrues, taking into account the effective yield.

### **3.12 Expenses**

39. 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.

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

### **3.13 Segment Reporting**

41. UNCCD is a single purpose entity with a mandate to assist the signatories of the UN Convention to Combat Desertification to the living conditions for people in drylands, to maintain and restore land and soil productivity, and to mitigate the effects of drought. Its operations, therefore, consist of a single segment. However, to provide additional information for use to senior management and Parties to the Convention supplemental disclosures are prepared on a fund accounting basis, showing at the end of the period the consolidated position of all UNCCD funds. A fund is a self-balancing accounting entity established to account for the transactions of a specified purpose or objective. Fund balances represent the accumulated residual of revenue and expenses.

42. UNCCD classifies all projects, operations and fund activities into seven funds and special accounts:

- Trust fund for the Core Budget of UNCCD financed from indicative contributions (or general purpose contributions from donors),
- Trust fund for Participation of representatives of State Parties in the session of UNCCD Conference
- Trust fund for Convention events organized by the UNCCD Secretariat (the Bonn Fund)
- Trust fund for Voluntary financing of activities under the UNCCD
- Special account for UNCCD Programme Support

- UNCCD Cost Recovery under Host Country Agreement
- Trust fund for the Voluntary financing of the UNCCD Global Mechanism

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

44. UNCCD reports on the transactions of each fund during the financial period, and the balances held at the end of the period.

### **3.14 Budget Comparison**

45. UNCCD's budget is prepared on a modified cash basis and the financial statements are prepared on an accrual basis. The budget is adopted on a biennial basis and presented in annual estimates in the financial statements. Unexpended balances at the end of the first year of the biennium are carried forward and added to the annual budget estimate for the second year of the biennium.

46. Statement V compares the final budget to actual revenue and expenses amounts calculated on the same basis as the corresponding approved budget.

47. As the basis used to prepare the budget and financial statements differ, Note 16 provides a reconciliation between the actual amounts presented in statement V and the actual amounts presented on the Statement of Financial Performance (statement I).

48. The COP approves the biennial Core budget of the secretariat and the Global Mechanism in euros. The COP has delegated authority to the Executive Secretary to make transfers between each of the main appropriations lines in Statement V up to an aggregate limit of 20% of the total estimated expenses for those appropriation lines subject to a further limitation of up to minus 25% of each appropriation line.

**Note 4:**  
**Financial Risk and Instruments**

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

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

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

51. 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.

52. As at 31 December 2017, the United Nations Convention to Combat Desertification ("UNCCD") participated in the main pool and that held total assets of USD 8,086.5 million (2016: USD 9,033.6 million), of which USD 22.9 million was due to the Organization (2016: USD 22.1 million including participation in the Main Pool), and its share of revenue from the main pool was USD 0.3 million (2016: USD 0.1 million).

**Summary of assets and liabilities of the main pool as at 31 December 2017 compared to 2016**

(Thousands of United States dollars)

	<i>Main pool 2017</i>	<i>Main pool 2016</i>
<b>Fair value through the surplus or deficit</b>		
Short-term investments	5 645 952	4 389 616
Long-term investments	1 779 739	2 125 718
<b>Total fair value through the surplus or deficit investments</b>	<b>7 425 691</b>	<b>6 515 334</b>
<b>Loans and receivables</b>		
Cash and cash equivalents	636 711	2 493 332
Accrued investment revenue	24 098	24 961
<b>Total loans and receivables</b>	<b>660 809</b>	<b>2 518 293</b>
<b>Total carrying amount of financial assets</b>	<b>8 086 500</b>	<b>9 033 627</b>
<b>Cash pool liabilities</b>		
Payable to UNCCD	22 871	22 071

**United Nations Convention to Combat Desertification**  
**Notes to the 2017 financial statements (continued)**

	<i>Main pool 2017</i>	<i>Main pool 2016</i>
Payable to other cash pool participants	8 063 629	9 011 556
<b>Total liabilities</b>	<b>8 086 500</b>	<b>9 033 627</b>
<b>Net assets</b>	<b>–</b>	<b>–</b>

**Summary of revenue and expenses of the main pool for the year ended 31  
December 2017 compared to 2016**

(Thousands of United States dollars)

	<i>Main pool 2017</i>	<i>Main pool 2016</i>
Investment revenue	104 576	73 903
Unrealized gains / (losses)	874	(13 474)
<b>Investment revenue from main pool</b>	<b>105 450</b>	<b>105 450</b>
Foreign exchange gains / (losses)	7 824	(5 105)
Bank fees	(853)	(646)
<b>Operating expenses from main pool</b>	<b>6 971</b>	<b>(5 751)</b>
<b>Revenue and expenses from main pool</b>	<b>112 421</b>	<b>54 788</b>

*Financial risk management*

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

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

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

*Financial risk management: credit risk*

56. The Guidelines require ongoing monitoring of issuer and counterparty credit ratings. Permissible main pool investments may include, but are not restricted to, bank deposits, commercial paper, supranational securities, government

agency securities and government securities with maturities of five years or less. The main pool does not invest in derivative instruments such as asset-backed and mortgage-backed securities or equity products.

57. 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.

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

**Investments of the cash pool by credit ratings as at**

**31 December 2017**

<i>Main pool</i>	<i>Ratings as at 31 December 2017</i>				<i>Ratings as at 31 December 2016</i>				
<b>Bonds (Long term ratings)</b>									
	<b>AAA</b>	<b>AA+/AA/AA-</b>	<b>A+</b>	<b>NR</b>		<b>AAA</b>	<b>AA+/AA/AA-</b>	<b>BBB</b>	<b>NR</b>
S&P	30.5%	65.5%	4.0%	-	S&P	33.6%	55.1%	5.6%	5.7%
Fitch	61.3%	30.6%	-	8.1%	Fitch	62.4%	28.3%		9.3%
	<b>Aaa</b>	<b>Aa1/Aa2/Aa3</b>				<b>Aaa</b>	<b>Aa1/Aa2/Aa3</b>		
Moody's	55.3%	44.7%			Moody's	50.3%	49.7%		
<b>Commercial papers (Short term ratings)</b>									
	<b>A-1+/A-1</b>					<b>A-1</b>			
S&P	100.0%				S&P	100.0%			
	<b>F1</b>					<b>F1</b>			
Fitch	100.0%				Fitch	100.0%			
	<b>P-1</b>					<b>P-1</b>			
Moody's	100.0%				Moody's	100.0%			
<b>Reverse repurchase agreement (Short term ratings)</b>									
	<b>A-1+</b>					<b>A-1+</b>			
S&P	100.0%				S&P	100.0%			
	<b>F1+</b>					<b>F1+</b>			
Fitch	100.0%				Fitch	100.0%			
	<b>P-1</b>					<b>P-1</b>			
Moody's	100.0%				Moody's	100.0%			
<b>Term deposits (Fitch viability ratings)</b>									
	<b>aaa</b>	<b>aa/aa-</b>	<b>a+/a/a-</b>			<b>aaa</b>	<b>aa/aa-</b>	<b>a+/a</b>	
Fitch	-	44.2%	55.8%		Fitch	-	48.1%	51.9%	

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

*Financial risk management: liquidity risk*

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

*Financial risk management: interest rate risk*

61. The main pool comprises the Organization's main exposure to interest rate risk with fixed-rate cash and cash equivalents and investments being interest-bearing financial instruments. As at the reporting date, the main pool had invested primarily in securities with shorter terms to maturity, with the maximum being less than four years (2016: five years). The average duration of the main pool was 0.61 years (2016: 0.71 years), which is considered to be an indicator of low risk.

*Main pool interest rate risk sensitivity analysis*

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

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

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

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

<i>Shift in yield curve (basis points)</i>	-200	-150	-100	-50	0	+50	+100	+150	+200
<b>Increase/(decrease) in fair value</b> (Millions of United States dollars):									
Main pool total	124.35	93.26	62.17	31.08	-	(31.08)	(62.14)	(93.21)	(124.27)

*Other market price risk*

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

*Accounting classifications and fair value hierarchy*

64. 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.

65. 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 are unobservable inputs).

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

67. 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.

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

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

(Thousands of United States dollars)

	<i>31 December 2017</i>			<i>31 December 2016</i>		
	<i>Level 1</i>	<i>Level 2</i>	<i>Total</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Total</i>
<b>Financial assets at fair value through surplus or deficit</b>						
Bonds - Corporates	355 262	-	355 262	697 676	-	697 676

**United Nations Convention to Combat Desertification**  
**Notes to the 2017 financial statements (continued)**

Bonds - Non-United States agencies	1 190 050	-	1 190 050	1 903 557	-	1 903 557
Bonds - Non-United States sovereigns	124 892	-	124 892	124 854	-	124 854
Bonds - Supranational	173 275	-	173 275	213 224	-	213 224
Bonds - United States treasuries	610 267	-	610 267	586 739	-	586 739
Main pool - commercial papers	671 945	-	671 945	149 285	-	149 284
Main pool - Term deposits	-	4 300 000	4 300 000	-	1 860 000	1 860 000
<b>Main pool total</b>	<b>3 125 691</b>	<b>4 300 000</b>	<b>7 425 691</b>	<b>3 675 334</b>	<b>2 840 000</b>	<b>6 515 334</b>

**Financial Instruments**

(United States dollars)

	2017	2016
Cash and cash equivalents at fair value through surplus and deficit	1 800 774	6 091 696
Short-term investments at fair value through surplus and deficit	15 968 126	10 724 685
Long-term investments	5 033 537	5 193 544
Accounts Receivable at amortized cost	7 940 329	11 554 190
Accounts Payable at amortized cost	(1 102 046)	(2 021 296)
<b>Total net financial instruments</b>	<b>29 640 720</b>	<b>31 542 819</b>

69. The carrying amounts of the indicative contributions receivable are denominated in euros.

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

(United States dollars)

<i>Receivables past due</i>	<i>Assessed</i>	<i>Other receivables</i>
Up to 1 year	280 784	2 262 049
1 to 2 years	424 594	3 920 871
2 to 3 years	186 025	384 392
3 to 4 years	98 017	-
Above 4 years	1 673 464	-
<b>Total receivables at 31 December</b>	<b>2 662 884</b>	<b>6 567 312</b>
Provision for impaired receivables at 1 January	(1 784 270)	-
Revaluation	457 565	36 838
<b>Total receivables after provisioning as at 31 December</b>	<b>1 336 179</b>	<b>6 604 150</b>

**Note 5**  
**Cash, Cash Equivalents and Investments**

<b>Note 5 - Cash and investments</b>		
(in United States dollars)	<b>2017</b>	<b>2016</b>
Cash and cash equivalents held in OAH Euro dollar Cash Pool	1 800 774	6 091 696
Total cash	1 800 774	6 091 696
Short-term investments	15 968 126	10 724 685
Total current cash and short-term investments	17 768 900	16 816 381
Long-term investments	5 033 537	5 193 544
<b>Total cash and investments</b>	<b>22 802 437</b>	<b>22 009 925</b>

71. Most of UNCCD cash forms part of the cash pools that are maintained and managed by the UN Treasury. The cash pools comprises UNCCD's participating share of cash and term deposits, short term and long term investments and accrual of investment income all of which are managed in the pool.

72. The difference of USD 24.30 between the Trial Balance and Participating Fund's Share of United Nations Main Investment Pool report received from UNHQ Treasury at the Business Area level under fund 32GMZ has been noticed. However, at the fund level the amount between trial balance and investment report matches. UNHQ has been contacted and requested to make necessary corrections at Business Area level and informed that this cannot be done in 2017 due to closing of the accounting period. The UNCCD is therefore included this amount in the financial statements as manual adjustment.

**Note 6**  
**Accounts receivable**

<b>In United States dollars</b>	<b>2017</b>	<b>2016</b>
<b>Indicative Contributions due from Parties to the Convention (Non-exchange transactions) (in US dollars)</b>		
Current	2 662 884	2 807 223
Revaluation	457 565	( 145 775)
Less provision for doubtful debts	(1 784 270)	(1 590 747)
<b>Sub-total indicative contributions</b>	<b>1 336 179</b>	<b>1 070 701</b>

73. 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.

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

<b>Other receivables (in United States dollars)</b>	<b>2017</b>	<b>2016</b>
VAT	76 515	41 994
Investment income receivable	68 154	60 984
Global Mechanism receivables less revaluation	3 041 302	5 563 563
Other receivables (exchange transactions)		10 131
Voluntary contributions receivable less revaluation	3 418 179	4 806 817
<b>Sub-total</b>	<b>6 604 150</b>	<b>10 483 489</b>

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

**Note 7**

**Other current assets**

76. Other current assets consist of the following:

<b>Other current assets (in United States dollars)</b>	<b>2017</b>	<b>2016</b>
Travel advance	68 773	58 112
Education grant advance	182 137	226 299
Salary advance		( 2 297)
UNDP Remittances net of charges	126 488	208 891
Other		226 448
<b>Total other current assets</b>	<b>377 398</b>	<b>717 453</b>

77. Other current assets reported in 2016 in the amount of USD 226,448 related to the advance given to UNON for the distribution of UNDSA at CRIC17 held in Kenya, Nairobi. This amount was expensed in 2015. However, the General Ledger Account balance in Umoja was only cleared in 2017, hence balance under heading "Other" in the current assets reflected zero balance in 2017 financial statements.

**Note 8**  
**Fixed Assets**

(United States dollars)

	Vehicles	Communications Information Technology Equipment	Total
<b>Cost as at 31 December 2016</b>	<b>109 882</b>	<b>5 440</b>	<b>115 322</b>
Additions	0	85 992	85 992
Impairment	0	0	0
Disposals	0	0	0
<b>Cost as at 31 December 2017</b>	<b>109 882</b>	<b>91 432</b>	<b>201 314</b>
<b>Accumulated depreciation as at 31 December 2016</b>	<b>75 425</b>	<b>907</b>	<b>76 332</b>
Depreciation	3 938	10 122	14 060
Impairment	0	0	0
Disposals	0	0	0
<b>Accumulated depreciation as at 31 December 2017</b>	<b>79 363</b>	<b>11 029</b>	<b>90 392</b>
<b>Net carrying amount</b>			<b>0</b>
31 December 2016	34 457	4 533	38 990
<b>31 December 2017</b>	<b>30 519</b>	<b>80 403</b>	<b>110 922</b>

78. In 2015, the Organization acquired a new vehicle at the cost equals the capitalization threshold of USD 5,000 or above. The vehicle has been capitalized as an asset and is being depreciated over a period of ten years (see accounting policy note 3.4).

79. In 2017, the Organization acquired additional communications and information technology equipment at a cost equals the capitalization threshold of USD 5,000 or above. The equipment has been capitalized as an asset and is being depreciated over a period of five years (see accounting policy note 3.4).

80. UNCCD has utilized the transition provision in IPSAS-31. Intangible assets and the value of intangibles assets were recognized prospectively beginning with costs incurred on or after 1 January 2014.

**Note 9**  
**Accounts payables and accrued expenses**

<b>(in United States dollars)</b>	<b>2017</b>	<b>2016</b>
Vendor payables	1 102 046	1 051 596
Unexpended balance of contribution from the Government of the Bolivarian Republic of Venezuela	556 742	969 699
Accruals for goods and services	220 027	95 600
<b>Total payables and accrued expenses</b>	<b>1 878 815</b>	<b>2 116 895</b>

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

82. The portion of the amount payable to the Government of the Bolivarian Republic of Venezuela has been used in 2017, and the remaining balance as follows:

<b>In United States dollars</b>	
Payable as per Financial Utilization Report	969 699
Less: Receivable as per Financial Utilization Report	(109 018)
Less: Indicative contributions outstanding for 2010-2017	(303 939)
<b>Fund balance as at 31 December 2017</b>	<b>556 742</b>

83. As requested by the Government of the Bolivarian Republic of Venezuela, USD 303,939 has been used to settle the core budget for the period 2010 to 2017 and the remaining balance of USD 556,742 has been included in the payables and accrued expenses, adjusted manually in the 2017 financial statements since no payable was raised in Umoja.

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

**Note 10**  
**Advance receipts and deferred revenue**

<b>(in United States dollars)</b>	<b>2017</b>	<b>2016</b>
Conditional voluntary contributions	4 474 757	10 343 052
Indicative contributions received in advance	154 925	236 607
<b>Total advance receipts</b>	<b>4 629 682</b>	<b>10 579 659</b>

85. 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.

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

**Note 11**

**Employee Benefit liability**

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

<b>(in United States dollars)</b>	<b>2017</b>	<b>2016</b>
<b>Current liabilities</b>		
Repatriation grant and travel	113 000	203 000
After service health insurance	102 000	80 000
Accumulated annual leave	76 000	123 000
Death benefit	0	4 000
USA Tax reimbursement	1 964	12 054
Home leave	82 152	88 246
Other	56 797	56 798
<b>Subtotal current liabilities</b>	<b>431 913</b>	<b>567 098</b>
<b>Non-current liabilities</b>		
Repatriation grant and travel	1 153 000	1 189 000
After service health insurance	13 884 000	12 195 000
Accumulated annual leave	633 000	1 016 000
Death benefit	0	28 000
<b>Subtotal non-current liabilities</b>	<b>15 670 000</b>	<b>14 428 000</b>
<b>Total employee benefits liabilities</b>	<b>16 101 913</b>	<b>14 995 098</b>

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

*Short term benefits:*

*Education grant:* Internationally recruited staff members are eligible for partial reimbursement of the amounts paid for the education of dependent children up to maximum allowances established by the International Civil

Service Commission (ICSC). The liability relates to the amount earned but not claimed at the reporting date. Staff members received advances for education grants. The advances exceeded the respective liability. Hence, the liability against the staff members was offset from the advances and shown under “other current assets”.

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

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

***Post-employment benefits***

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

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

*After Service Health Insurance (ASHI):* Staff members (and their spouses, dependent children and survivors) retiring from service at the age of 55 or later are eligible for ASHI coverage if they have contributory health insurance coverage prior to retirement for at least five years of service for staff hired before 1 July 2007 and ten years of service for staff hired after 1 July 2007. Staff hired before 1 July 2007 who retire with less than ten years but more than 5 years of covered receive unsubsidized coverage until enrolled for 10 years at which time the coverage is subsidized. UNCCD’s liability for ASHI is calculated as the residual liability after deducting contributions from retirees and a portion of the contribution from active staff. For 2017, the gross liability was calculated by the actuary as USD 13,986,000 net of contributions from plan participants (USD 12,275,000 at 31 December 2016).

89. An actuarial valuation at 31 December 2017 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.

90. 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.

91. The following assumptions and methods have been used to determine the value of employee benefit liabilities for the UNCCD at 31 December 2017.

<i>Key financial assumptions</i>	ASHI	Repatriation Grant & Travel	Annual Leave
Discount rate at beginning of period	1.33%	3.32%	3.51%
Discount rate at end of period	1.34%	3.40%	3.39%
General inflation rate at beginning of period		2.25%	
General inflation rate at end of period			
Salary increase rate at beginning and end of period	Based on the age of staff member calculated separately for professional and general service staff		
Healthcare cost trend rate at beginning of period	4.00%		
Healthcare cost trend rate at end of period			

92. The effect of a one percent change in the health care trend rate on UNCCD's defined benefit obligation for ASHI for 2017 is as follows:

<b>Impact of change in medical trend rate</b>	Change	After service health insurance
(in thousands of United States dollars)		
On total defined benefit obligation	1%	4 008
	-1%	( 2 979)
On current service cost and interest cost component of liability	1%	348
	-1%	( 246)

93. The liabilities established for defined benefit obligations and the net service costs for 2017 are as follows:

(Thousands of United States dollars)	ASHI	Repatriation Grant & Travel	Annual Leave
<b>Reconciliation of defined benefit obligation</b>			
Defined benefit obligation, beginning of year	12 275	1 391	1 138
Current service cost	793	104	21
Interest cost	140	44	39
Benefits paid (net of participant contribution)	( 67)	( 176)	( 130)
Liability (gain)/loss due to actuarial assumptions and experience recognised in net assets	<u>845</u>	<u>( 97)</u>	<u>( 359)</u>
<b>Total liability recognized on Statement of Financial Position</b>	<b><u>13 986</u></b>	<b><u>1 266</u></b>	<b><u>709</u></b>
<b>Annual expense for calendar year</b>			
Current service cost	793	104	21
Interest cost	140	44	39
Benefits paid (net of participant contribution)	<u>( 67)</u>	<u>( 176)</u>	<u>( 130)</u>
<b>Total (charge)/credit recognized on statement of financial performance</b>	<b>866</b>	<b>( 28)</b>	<b>( 70)</b>
Estimated benefit payments net of participant contributions payable	103	117	79
<b>Cumulative amount of actuarial (gain)/loss recognized in net assets</b>			
Amount at beginning of year	3 690	37	43
Adjustment to opening balance to reflect change in valuation methodology recognized in net assets	0	0	0
Liability (gain)/loss due to actuarial assumptions and experience recognised in net assets	<u>(2 845)</u>	<u>( 134)</u>	<u>( 402)</u>
<b>Total portion of cumulative liability recognized in net assets at end of year</b>	<b>845</b>	<b>( 97)</b>	<b>( 359)</b>

94. Comparative information on defined benefit obligations for the current year and two previous years is as follows:

(Thousands of United States dollars)

Present value of liability for defined benefit obligations at 31 December (Thousands of United States dollars)	2017	2016	2015
After service health insurance	13 986	12 275	14 774
Repatriation grant and travel	1 266	1 392	1 391
Annual leave	709	1 139	652
Death benefit		32	25
<b>Total</b>	<b>15 961</b>	<b>14 838</b>	<b>16 845</b>

95. Under IPSAS-25: Employee benefits, the liabilities for ASHI, repatriation grant and travel, and accumulated leave are considered unfunded and, therefore, no fair value of plan assets has been recognized and the entire ASHI liability is recognized as a liability of the UNCCD. Effective 1 January 2017, a monthly accrual has been implemented to start funding after-service health insurance liabilities relating to the budgetary and extra budgetary activities. The secretariat will however need to understand necessity to set up aside ASHI for temporary appointments since staff holding such appointments will never be entitled to the benefit.

96. 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, and accumulated leave have been recognized on the statement of financial performance as a component of staff costs. As with UN and other organizations, the UNCCD does not consider death benefits as a long-term liability, and as a result it is not included in the financial statements. 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.

97. 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 expenses is recognized when the absence occurs.

#### **United Nations Joint Staff Pension Fund**

98. UNCCD is a member organization participating in the United Nations Joint Staff Pension Fund (the 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 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.

99. The plan exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual organizations participating in the plan. UNCCD and the UNJSPF, 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 25 Employee Benefits. UNCCD's contributions to the Fund during the financial period are recognized as expenses in the Statement of Financial Performance.

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

101. UNCCD's financial obligation to the UNJSPF consists of its mandated contribution, at the rate established by the United Nations General Assembly (currently at 7.9% for participants and 15.8% for member organizations) together with any share of any actuarial deficiency payments under Article 26 of the Regulations of the 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.

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

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

104. After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as of 31 December 2016, for deficiency payments under Article 26 of the Regulations of the Fund as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the Fund. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as of the valuation date. At the time of this report, the General Assembly has not invoked the provision of Article 26.

105. During 2017, UNCCD's contributions paid to UNJSPF amounted to USD 1.42 million (2016: USD 1.2 million). Expected contributions due in 2018 are approximately USD 1.5 million.

The United Nations Board of Auditors carries out an annual audit of the UNJSPF and reports to the UNJSPF Pension Board on the audit every year. The UNJSPF publishes quarterly reports on its investments and these can be viewed by visiting the UNJSPF at [www.unjspf.org](http://www.unjspf.org).

**Note 12**  
**Other current liabilities**

<b>(United States dollars)</b>	<b>2017</b>	<b>2016</b>
Repatriation grant held in trust	4 323	4 323
Payroll charges	3 246	
<b>Total</b>	<b>7 569</b>	<b>4 323</b>

106. The above-mentioned amount is related to a repatriation grant payable and payroll charges to staff member whose contracts expired in 2016 and 2017 respectively. These charges will be further reviewed and appropriate action will be taken by UNCCD in coordination with UNOG/UNHQ.

**Note 13**  
**Revenue**

107. Indicative contributions are funds received from Parties to the Convention toward funding the Core Budget based on the United Nations scale of assessment, and have been recorded in accordance with the Financial Rules and Regulations of the United Nations. The contributions are based on a biennium budget adjusted for changes in exchange rates and post adjustments and are recognized as of the first day of the year to which they relate. Indicative contributions are considered to be without conditions.

**Indicative contributions**

(In United States dollars)

	2017	2016
Indicative contributions approved by the Conference of the parties	7 892 878	8 118 060
<b>Amount reported in Statement II: Indicative contributions</b>	<b>7 892 878</b>	<b>8 118 060</b>

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

**Voluntary contributions**

(In United States dollars)

	2017	2016
Voluntary contributions	16 333 127	10 520 353
Refunds	( 298 614)	0
<b>Net voluntary contributions</b>	<b>16 034 513</b>	<b>10 520 353</b>

109. Fees for services rendered in the amount of USD 27,570 represent the administrative and financial services provided by UNCCD during the Adaptation Fund Board Meetings held in Bonn.

110. In 2017, interest income earned totalled USD 281,223 compared to USD 155,435 in 2016, recorded by UNHQ Treasury New York.

111. Gain on foreign exchange represent gains realized on transactions occurring in currencies other than US dollars and unrealized losses resulting from revaluation of monetary assets.

112. Other revenue of USD 0.08 million includes revenue from clearing of the repatriation grants that were converted from IMIS to Umoja. These were related to the staff members who left UNCCD more than 36 months and cleared in 2017.

113. Program Support Revenue is charged in line with the UN financial procedures, where UNCCD charges a standard programme support cost of 13% on technical cooperation financed activities and 12% for Associate Experts.

Programme support revenue and matching expenses is eliminated in the financial statements since they represent inter-fund charges and revenue.

**Note 14**  
**Expenses**

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

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

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

117. Operating and other expenses include maintenance, utilities, contracted services, training, security services, shared services, rent, and insurance, as per details below.

<b>Other operating expenses</b>	<b>2017</b>	<b>2016</b>
Bank Charges and UNDP service fee	41 125	35 368
Communications Utilities	82 648	75 496
Contracted services	691 165	91 643
Insurance	18	4 470
Joint activities	640 267	272 462
Maintenance	3 098	3 180
Shared services	8 945	4 975
Rental	163 952	200 636
Shipping	46 795	6 090
Hospitality and official functions	15 027	18 097
Training	6 306	13 370
Others	47 003	924
<b>Total Other Operating Expenses</b>	<b>1 746 349</b>	<b>726 711</b>

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

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

**Note 15**  
**Reserves**

120. A working capital reserve has been established for the Core Budget as part of the adoption of the budget by the COP along with operating reserves established for the Trust Fund for Voluntary Financing, Trust Fund for participation of State Parties in the Conference and Special Account for Programme Support. The

total reserves at the reporting date totalled USD 2.0 million (USD 2.0 million at 31 December 2016).

**Note 16:**  
**Budget Comparison and Reconciliation**

121. UNCCD's budget is prepared on a modified cash accounting basis and the financial statements are prepared on a full accrual basis in accordance with IPSAS. On statement V, the budget is adopted in euro on a biennial basis and divided into annual amounts for presentation in the financial statement. Comparison of budget and actual amounts are presented in euro, with the corresponding amount of actuals presented in United States dollars. The comparison is only made in respect of budgets adopted by the COP.

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

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

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

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

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

**United Nations Convention to Combat Desertification**  
**Notes to the 2017 financial statements (continued)**

<b>Reconciliation of net result on budgetary and IPSAS basis</b>	Operations	Investing	Financing	Total
(in United States dollars)				
<b>Actual net result on the Statement of budgets to actual comparison</b>				
Core Budget (UXA) Revenue	8 574 523	-		8 574 523
Statement V-A Core Budget (UXA) expense on budgetary basis	9 698 527	-		9 698 527
Global mechanism cost of move to Bonn	0			0
Core Budget (UXA) Expense	9 698 527			9 698 527
 Core Budget (UXA) Actual net result on budgetary basis	 (1 124 004)	 -		 (1 124 004)
<b>Basis differences</b>				
<b>Adjustments to revenue</b>				
Miscellaneous revenue not included in budget	854 732			854 732
Prior period revenue used to finance core budget	-	-		0
	854 732			854 732
 Capitalization of equipment & intangible assets	 4 844	 -		 4 844
Changes in provision for doubtful debts	193 523	-		193 523
Mark investments to market	( 12 002)	-		( 12 002)
Other adjustments to expenditure	( 517 670)			( 517 670)
Exchange loss	-	-		-
Post employment benefit interest and current service cost	( 385 000)	-		( 385 000)
	( 716 305)			( 716 305)
 Sub-total basis differences	 138 427	 -		 138 427
 Full accrual based net result for Core Budget	 ( 985 577)	 -		 ( 985 577)
<b>Entity differences on IPSAS Basis</b>				
Global Mechanism (GMZ)	2 319 150	-		2 319 150
Participation in UNCCD COP Sessions (UVA)	78 269	-		78 269
Convention events organized by Secretariat (BMA)	143 066	-		143,066
Programme support costs (ZQA)	11 320	-		11 320
Cost Recovery under host country agreement (ZHC)	957 908	-		957 908
Voluntary Financing of activities (UWA)	( 184 729)	-		( 184 729)
Sub-total entity differences	3 324 984	-		3 324 984
<b>Actual net result on the Statement of Financial Performance</b>	<b>2 339 407</b>	<b>-</b>		<b>2 339 407</b>

**Note 17**

**Budget to Actual variance analysis**

124. Explanations of material differences between the original budget and final budget, and final budget and the actual amounts are presented in the statement from the Executive Secretary accompanying these statements.

**Note 18**

**Related Parties**

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

**Key management remuneration**

(United States dollars)

	<i>Number of Individuals (full time equivalents)</i>	<i>Aggregate Remuneration</i>
Senior Management (2017)	10	2 073 921
Senior Management (2016)	10	1 526 669

126. 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.

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

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

129. 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.

130. 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.

131. 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.

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

**Note 19**  
**Leases and commitments and Contingencies**

133. 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.

134. The minimum lease payments under non-cancellable property in 2017 are USD 21,533 compared to 2016 in the amount of USD 17,963, and has no outstanding leases qualifying as finance leases at the reporting date. Lease payments recognised as expenses in the period are USD 21,533 (2016 USD 17,963).

135. Other commitments relate to the acquisition of goods and services contracted for, but not delivered, as at 31 December 2017 amount to USD 1,102,046 (2016 USD 1,051,598).

136. There are no contingent liabilities arising from legal actions and claims that are likely to result in a significant liability to UNCCD.

**Note 20**

**In-kind contributions of services**

137. 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 China hosted 13<sup>th</sup> Session of the Conference of the Parties (COP13) and received the services of conference facilities and logistics in 2017.

**Note 21**

**Events after the reporting date**

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

**Note 22**

**Fund Accounting**

139. The UNCCD is a single purpose entity established by the Parties to the Convention and the United Nations. The UNCCD has one major mandate to assist the signatories of the Convention. It, therefore, does not have segments as defined under IPSAS-18: Segment reporting.

140. However, to provide essential information to senior management and owners on the utilization of resources by funding source, separate funds have been established to reflect the major funding sources of UNCCD as follows:

- Trust fund for the Core Budget of UNCCD financed from indicative contributions (or general purpose contributions from donors) supports the core functions of the secretariat.
- Trust fund for Participation of Representatives of eligible State Parties affected by Desertification and/or Drought in the sessions of the Conference of the Parties and its Subsidiary Bodies.

- Sub-Fund of the Special Fund for the voluntary financing of activities under the UNCCD (United Nations Convention to Combat Desertification) enabling a donor or a recipient government to make voluntary contributions supports mandated activities for which provisions are not made under the Core budget.
  - Trust fund for the Sub-Fund of the Trust Fund for Convention Events organized by the UNCCD Secretariat.
  - Special account for Programme Support Costs financed from charges made to the projects financed from voluntary contributions used to manage the overhead charges payable on all trust funds to cover costs relating to administrative services.
  - Special account for UNCCD Cost Recovery under the Host Country Agreement used to finance costs associated with the hosting of the Conference of the Parties under the host country agreement. Balances in this account are refunded to the host country.
  - Trust Fund for voluntary financing of Global Mechanism.
141. All funds elimination includes revenue and expenses arising from transfers between funds which are accounted for at cost and are eliminated on consolidation.

## STATEMENT I

## United Nations Convention to Combat Desertification

## Statement of Financial Position by Fund

In United States dollars	TRUST FUND FOR THE CORE BUDGET OF THE UNCCD (UXA)		TRUST FUND FOR PARTICIPATION OF REPRESENTATIVES OF STATE PARTIES IN THE SESSION OF THE UNCCD CONFERENCE (UVA)		TRUST FUND FOR VOLUNTARY FINANCING OF ACTIVITIES UNDER THE UNCCD (UWA)		TRUST FUND FOR CONVENTION EVENTS ORGANIZED BY THE UNCCD SECRETARIAT (BMA)		SPECIAL ACCOUNT FOR UNCCD PROGRAMME SUPPORT COST (ZQA)		UNCCD COST RECOVERY UNDER HCA (ZHC)		TRUST FUND FOR VOLUNTARY FINANCING OF THE UNCCD GLOBAL MECHANISM (GMZ)		TOTAL	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016	31 December 2017	31 December 2016	31 December 2017	31 December 2016	31 December 2017	31 December 2016	31 December 2017	31 December 2016	31 December 2017	31 December 2016	31 December 2017	31 December 2016
<b>Assets</b>																
<b>Current Assets</b>																
Cash and cash equivalents	384 266	1 503 480	57 851	201 441	581 677	1 999 102	60 990	177 760	61 188	126 318	146 961	224 927	507 841	1 858 668	1 800 774	6 091 696
Short-term investments	3 407 430	2 646 940	512 980	354 646	5 157 942	3 519 502	540 821	312 953	542 580	222 388	1 303 155	395 993	4 503 218	3 272 263	15 968 126	10 724 685
Indicative contributions receivable	1 336 179	1 070 701	-	-	-	-	-	-	-	-	-	-	-	-	1 336 179	1 070 701
Other accounts receivable	70 321	28 887	2 189	34 518	3 451 991	4 722 599	2 432	2 515	8 042	3 036	8 653	106 854	3 060 522	5 585 080	6 604 150	10 483 489
Other current assets	272 199	526 598	736	-	14 113	21 575	592	-	82 303	125 779	2 339	2 978	5 116	40 523	377 398	717 453
<b>Total current Assets</b>	<b>5 470 395</b>	<b>5 776 606</b>	<b>573 756</b>	<b>590 605</b>	<b>9 205 723</b>	<b>10 262 778</b>	<b>604 835</b>	<b>493 228</b>	<b>694 113</b>	<b>477 521</b>	<b>1 461 108</b>	<b>730 752</b>	<b>8 076 697</b>	<b>10 756 534</b>	<b>26 086 627</b>	<b>29 088 024</b>
<b>Non-Current Assets</b>																
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fixed assets	34 146	38 990	-	-	76 776	-	-	-	-	-	-	-	-	-	110 922	38 990
Long-term investments	1 074 104	1 281 809	161 704	171 741	1 625 907	1 704 357	170 480	151 551	171 034	107 694	410 786	191 764	1 419 522	1 584 628	5 033 537	5 193 544
<b>Total Non-Current Assets</b>	<b>1 108 250</b>	<b>1 320 799</b>	<b>161 704</b>	<b>171 741</b>	<b>1 702 683</b>	<b>1 704 357</b>	<b>170 480</b>	<b>151 551</b>	<b>171 034</b>	<b>107 694</b>	<b>410 786</b>	<b>191 764</b>	<b>1 419 522</b>	<b>1 584 628</b>	<b>5 144 459</b>	<b>5 232 534</b>
<b>Total Assets</b>	<b>6 578 645</b>	<b>7 097 405</b>	<b>735 460</b>	<b>762 346</b>	<b>10 908 406</b>	<b>11 967 135</b>	<b>775 315</b>	<b>644 779</b>	<b>865 147</b>	<b>585 215</b>	<b>1 871 894</b>	<b>922 516</b>	<b>9 496 219</b>	<b>12 341 162</b>	<b>31 231 086</b>	<b>34 320 558</b>
<b>Liabilities</b>																
<b>Current Liabilities</b>																
Accounts payable and accrued expenses	443 729	262 529	1 261	106 416	675 341	1 346 557	95 751	139 735	27 346	45 974	41 158	49 688	594 229	165 996	1 878 815	2 116 895
Advance receipts	154 925	236 607	-	-	1 316 228	1 554 313	-	-	-	-	-	-	3 158 529	8 788 739	4 629 682	10 579 659
Employee benefit liability	337 293	365 942	-	-	11 540	11 839	3 351	24 555	76 335	146 662	-	-	3 394	18 100	431 913	567 098
Other current liabilities	2	-	-	-	3 241	-	-	-	3	-	-	-	4 323	4 323	7 569	4 323
<b>Total Current Liabilities</b>	<b>935 949</b>	<b>865 078</b>	<b>1 261</b>	<b>106 416</b>	<b>2 006 350</b>	<b>2 912 709</b>	<b>99 102</b>	<b>164 290</b>	<b>103 684</b>	<b>192 636</b>	<b>41 158</b>	<b>49 688</b>	<b>3 760 475</b>	<b>8 977 158</b>	<b>6 947 979</b>	<b>13 267 975</b>
<b>Non-Current Liabilities</b>																
Employee benefit liability	11 216 000	8 175 389	-	-	137 000	399 640	258 000	878 104	4 056 000	4 295 204	-	-	3 000	679 663	15 670 000	14 428 000
<b>Total Non-Current Liabilities</b>	<b>11 216 000</b>	<b>8 175 389</b>	<b>-</b>	<b>-</b>	<b>137 000</b>	<b>399 640</b>	<b>258 000</b>	<b>878 104</b>	<b>4 056 000</b>	<b>4 295 204</b>	<b>-</b>	<b>-</b>	<b>3 000</b>	<b>679 663</b>	<b>15 670 000</b>	<b>14 428 000</b>
<b>Total Liabilities</b>	<b>12 151 949</b>	<b>9 040 467</b>	<b>1 261</b>	<b>106 416</b>	<b>2 143 350</b>	<b>3 312 349</b>	<b>357 102</b>	<b>1 042 394</b>	<b>4 159 684</b>	<b>4 487 840</b>	<b>41 158</b>	<b>49 688</b>	<b>3 763 475</b>	<b>9 656 821</b>	<b>22 617 979</b>	<b>27 695 975</b>
<b>Net Assets</b>	<b>(5 573 304)</b>	<b>(1 943 062)</b>	<b>734 199</b>	<b>655 930</b>	<b>8 765 056</b>	<b>8 654 786</b>	<b>418 213</b>	<b>(397 615)</b>	<b>(3 294 537)</b>	<b>(3 902 625)</b>	<b>1 830 736</b>	<b>872 828</b>	<b>5 732 744</b>	<b>2 684 341</b>	<b>8 613 107</b>	<b>6 624 583</b>
<b>Net Assets/Equity</b>																
Accumulated surpluses/(deficits)	(6 008 237)	(5 022 660)	518 522	440 253	8 255 590	8 440 319	(376 436)	(519 502)	(2 182 680)	(2 194 000)	1 830 736	872 828	4 923 423	2 604 273	6 960 918	4 621 511
Actuarial gain (loss) recognized in net assets	(519 085)	2 125 580	-	-	124 072	(170 927)	794 649	121 887	(1 509 023)	(2 105 791)	-	-	809 321	80 068	(300 066)	50 817
Operating reserves	954 018	954 018	215 677	215 677	385 394	385 394	-	-	397 166	397 166	-	-	-	-	1 952 255	1 952 255
<b>Total Fund Balances and Reserves</b>	<b>(5 573 304)</b>	<b>(1 943 062)</b>	<b>734 199</b>	<b>655 930</b>	<b>8 765 056</b>	<b>8 654 786</b>	<b>418 213</b>	<b>(397 615)</b>	<b>(3 294 537)</b>	<b>(3 902 625)</b>	<b>1 830 736</b>	<b>872 828</b>	<b>5 732 744</b>	<b>2 684 341</b>	<b>8 613 107</b>	<b>6 624 583</b>

## STATEMENT II

## United Nations Convention to Combat Desertification

## Statement of Financial Performance for the period 1 January to 31 December 2017 by fund

(in United States dollars)	TRUST FUND FOR THE CORE BUDGET OF THE UNCCD (UXA)		TRUST FUND FOR PARTICIPATION OF REPRESENTATIVES OF STATE PARTIES IN THE SESSION OF THE UNCCD CONFERENCE (UVA)		TRUST FUND FOR VOLUNTARY FINANCING OF ACTIVITIES UNDER THE UNCCD (UWA)		TRUST FUND FOR CONVENTION EVENTS ORGANIZED BY THE UNCCD SECRETARIAT (BMA)		SPECIAL ACCOUNT FOR UNCCD PROGRAMME SUPPORT COST (ZQA)		UNCCD COST RECOVERY UNDER HCA (ZHC)		TRUST FUND FOR VOLUNTARY FINANCING OF THE UNCCD GLOBAL MECHANISM (GMZ)		ELIMINATIONS		TOTAL		
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	
<b>REVENUE</b>																			
Indicative contributions	7 892 878	8 118 060	-	-	3 665 152	8 195 920	-	-	-	-	-	-	-	-	-	-	7 892 878	8 118 060	
Voluntary contributions	605 796	570 002	1 112 936	20 000	3 665 152	8 195 920	511 101	565 589	-	-	1 796 650	106 157	8 342 878	1 062 685	-	-	16 034 513	10 520 353	
Fees for services rendered	-	-	-	-	-	-	-	-	27 570	765	-	-	-	-	-	-	-	27 570	765
Interest Revenue	64 677	29 375	12 909	13 012	90 041	45 427	5 577	10 073	555	3 338	12 685	7 312	94 779	46 898	-	-	281 223	155 435	
Programme support revenue	-	-	-	-	-	-	-	-	2 129 274	1 708 139	-	-	-	-	(2 129 274)	(1 698 571)	-	-	
Gain on investments	-	29 998	-	7 902	-	43 678	-	4 631	-	6 701	-	3 002	-	187 556	-	-	-	283 468	
Gain on foreign exchange	812 418	-	4 459	-	(81 216)	-	(523)	-	6 162	-	(466)	-	(508 930)	-	-	-	231 904	-	
Miscellaneous revenue	-	35 997	-	-	-	28 538	-	-	-	-	-	-	-	2 496	-	-	-	67 031	
Other revenue	53 486	-	(91 000)	-	96 138	(5 138)	-	-	25 344	(25 344)	-	-	-	-	-	-	83 968	(30 482)	
<b>TOTAL REVENUE</b>	<b>9 429 255</b>	<b>8 783 432</b>	<b>1 039 304</b>	<b>40 914</b>	<b>3 770 115</b>	<b>8 308 425</b>	<b>516 155</b>	<b>580 293</b>	<b>2 188 905</b>	<b>1 693 599</b>	<b>1 808 869</b>	<b>116 471</b>	<b>7 928 727</b>	<b>1 299 635</b>	<b>(2 129 274)</b>	<b>(1 698 571)</b>	<b>24 552 056</b>	<b>19 114 630</b>	
<b>EXPENSES</b>																			
Personnel expenses	6 474 727	5 207 661	-	-	825 158	396 355	319 591	293 343	2 175 657	2 266 538	-	(95 740)	461 961	362 610	-	-	10 257 094	8 430 767	
Travel	514 362	541 102	847 862	455 998	398 883	496 153	14 124	189 825	(633)	(12 920)	615 438	12 880	291 566	116 855	-	-	2 681 602	1 799 893	
Contractual services	880 895	461 417	2 156	-	1 958 191	1 858 887	74	37 501	(15 796)	5 604	140 745	(43)	3 851 285	2 508 716	-	-	6 817 550	4 872 082	
Operating and other direct costs	1 013 233	488 214	358	-	195 988	73 337	-	-	18 352	69 340	94 878	61 685	423 540	34 135	-	-	1 746 349	726 711	
Supplies commodities and materials	5 610	1 939	-	-	-	-	-	-	-	-	-	-	56	725	-	-	5 666	2 664	
Equipment vehicles and furniture	126 657	61 552	-	-	20 242	-	-	-	-	-	-	-	164	1 158	-	-	147 063	62 710	
Grants	23 681	389 946	-	-	209 077	133 753	-	-	-	-	-	-	-	-	-	-	232 758	523 699	
Programme support costs	1 189 302	897 061	110 741	51 193	350 037	434 122	39 294	64 541	-	-	-	-	439 900	261 222	(2 129 274)	(1 698 571)	-	-	
Loss on investments	(12 002)	-	(82)	-	(11 948)	-	6	-	5	-	(100)	-	141 105	-	-	-	116 984	-	
Amortization of intangible assets and depreciation	4 844	33 660	-	-	9 216	-	-	-	-	-	-	-	-	-	-	-	14 060	33 660	
Change in provision for doubtful debts	193 523	(125 455)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	193 523	(125 455)	
Loss on foreign exchange	-	38 283	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	38 283	
<b>TOTAL EXPENSES</b>	<b>10 414 832</b>	<b>7 995 380</b>	<b>961 035</b>	<b>507 191</b>	<b>3 954 844</b>	<b>3 392 607</b>	<b>373 089</b>	<b>585 210</b>	<b>2 177 585</b>	<b>2 328 562</b>	<b>850 961</b>	<b>(21 218)</b>	<b>5 609 577</b>	<b>3 285 421</b>	<b>(2 129 274)</b>	<b>(1 698 571)</b>	<b>22 212 649</b>	<b>16 365 014</b>	
<b>SURPLUS/(DEFICIT) FOR THE PERIOD</b>	<b>(985 577)</b>	<b>788 052</b>	<b>78 269</b>	<b>(466 277)</b>	<b>(184 729)</b>	<b>4 915 818</b>	<b>143 066</b>	<b>(4 917)</b>	<b>11 320</b>	<b>(634 963)</b>	<b>957 908</b>	<b>137 689</b>	<b>2 319 150</b>	<b>(1 985 786)</b>	<b>-</b>	<b>-</b>	<b>2 339 407</b>	<b>2 749 616</b>	

## 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
UN	United Nations
UNCCD	United Nations Convention to Combat Desertification
UNDP	United Nations Development Programme
UNDSA	United Nations Daily Subsistence Allowance
UNJSPF	United Nations Joint Staff Pension Fund
UNOG	United Nations Office at Geneva
UNON	United Nations Office at Nairobi
UNORE	United Nations operational rate of exchange
UNV	United Nations Volunteers
USD	United States dollar

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