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International Residual Mechanism for Criminal Tribunals

Financial report and audited financial statements

for the biennium ended 31 December 2013

and

Report of the Board of Auditors

United Nations • New York, 2014

Note

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

[22 July 2014]

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Letters of transmittal

Letter dated 31 March 2014 from the Secretary-General addressed to the Chair of the Board of Auditors

In accordance with financial regulation 6.5 of the Financial Regulations and Rules of the United Nations, I have the honour to submit the accounts of the International Residual Mechanism for Criminal Tribunals for the biennium ended 31 December 2013, which I hereby approve. The financial statements have been completed and certified as correct by the Controller.

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

(*Signed*) **BAN** Ki-moon

Letter dated 30 June 2014 from the Chair of the Board of Auditors addressed to the President of the General Assembly

I have the honour to transmit to you the report of the Board of Auditors on the financial statements of the International Residual Mechanism for Criminal Tribunals for the biennium ended 31 December 2013.

(*Signed*) Sir Amyas C. E. **Morse**
Comptroller and Auditor General of the United Kingdom of
Great Britain and Northern Ireland
Chair of the Board of Auditors

Chapter I

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

Report on the financial statements

We have audited the accompanying financial statements of the International Residual Mechanism for Criminal Tribunals for the biennium ended 31 December 2013, which comprise the statement of income and expenditure and changes in reserves and fund balances (statement I), the statement of assets, liabilities and reserves and fund balances (statement II), the statement of cash flows (statement III), the statement of appropriations (statement IV) and the notes to the financial statements.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an independent opinion on the financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit includes performing procedures to obtain audit evidence about the amount and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit opinion

In the Board's opinion, the financial statements present fairly, in all material respects, the financial position of the International Residual Mechanism for Criminal Tribunals as at 31 December 2013 and its financial performance and cash flows for the biennium then ended, in accordance with the United Nations system accounting standards.

Report on other legal and regulatory requirements

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

In accordance with article VII of the Financial Regulations and Rules of the United Nations, we have also examined the management issues and concluded that there are no material managerial issues to draw to the attention of the General Assembly. Therefore, we did not issue a long-form audit report.

(*Signed*) Sir Amyas C. E. **Morse**
Comptroller and Auditor General of the United Kingdom of
Great Britain and Northern Ireland
Chair of the Board of Auditors

(*Signed*) Ludovick S. L. **Utouh**
Controller and Auditor General of the United Republic of Tanzania
(Lead Auditor)

(*Signed*) **Liu** Jiayi
Auditor General of China

30 June 2014

Chapter II
Certification of the financial statements

Letter dated 31 March 2014 from the Assistant Secretary-General, Controller, addressed to the Chair of the Board of Auditors

The financial statements for the International Residual Mechanism for Criminal Tribunals for the biennium ended 31 December 2013 have been prepared in accordance with financial rule 106.10 of the Financial Regulations and Rules of the United Nations.

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

I certify that the appended financial statements of the International Residual Mechanism for Criminal Tribunals, numbered I to IV, are correct.

(*Signed*) Maria Eugenia **Casar**
Assistant Secretary-General, Controller

Chapter III
Financial report for the biennium ended 31 December 2013

A. Introduction

1. The Secretary-General has the honour to submit his financial report on the accounts of the International Residual Mechanism for Criminal Tribunals for the biennium ended 31 December 2013. The accounts consist of four statements and the related notes.

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

B. Overview

3. The total income for the biennium was $52.5 million, attributed mainly to assessed contributions of $52.2 million.

4. The budget of the Mechanism for the biennium 2012-2013 totalled $19.0 million, as appropriated by the General Assembly in its resolutions 66/240 A, 67/244 A and 68/257. Actual expenditure for the biennium totalled $17.7 million, leaving an unencumbered balance of $1.3 million, which was attributable mainly to a surplus of $0.7 million in the Registry and $0.6 million in the Office of the Prosecutor.

5. The following table shows the amount of expenditure by functional category:

(Thousands of United States dollars)

Functional category	*2013*
Staff and other personnel costs	9 956
Travel	1 245
Contractual services	375
Operating expenses	468
Fellowships, grants and others	1
Acquisitions	5 685
Total	**17 730**

6. Overall cash as at 31 December 2013 totalled $45.9 million.

7. The Mechanism's end-of-service liabilities relating to after-service health insurance, repatriation benefits and unused vacation days were determined on an actuarial basis, as described in note 7 to the financial statements, and amounted to $1.7 million, $1.3 million and $0.3 million, respectively, as at 31 December 2013. The total of all these liabilities stood at $3.3 million.

8. During the biennium, a special account was established for the construction of a new facility in Arusha, United Republic of Tanzania, pursuant to General Assembly resolution 67/244 B. Funding for the facility of $3 million was appropriated from the 2012-2013 appropriations of the Mechanism.

9. The Mechanism's reserves and fund balances show a cumulative deficit of $3.2 million as at 31 December 2013, as the end-of-service and post-retirement benefits of $3.3 million recognized on the basis of actuarial valuation were not funded. In addition, there was a transfer of a credit of $34.7 million in accordance with General Assembly resolutions 68/245 A and B and 68/257.

Annex

Supplementary information

1. The annex provides supplementary information that the Secretary-General is required to provide.

Write-off of losses of cash and receivables

2. In accordance with financial rule 106.7, there was no write-off of cash and receivables during the biennium 2012-2013.

Write-off of losses of property

3. In accordance with financial rule 106.7, there was no write-off of non-expendable property losses during the biennium 2012-2013.

Ex gratia payments

4. There were no ex gratia payments during the biennium 2012-2013.

Chapter IV
Financial statements for the biennium ended 31 December 2013

International Residual Mechanism for Criminal Tribunals[a]

I. Statement of income and expenditure and changes in reserves and fund balances for the biennium ended 31 December 2013

(Thousands of United States dollars)

	Mechanism	*Special Account*[b]	*Elimination*	*Total 2013*[c]
Income				
Assessed contributions[d]	52 177	–	–	52 177
Allocations from other funds	–	3 000	(3 000)	–
Other/miscellaneous income	3	–	–	3
Interest income	349	–	–	349
Total income	**52 529**	**3 000**	**(3 000)**	**52 529**
Expenditure				
Staff and other personnel costs	9 956	140	–	10 096
Travel	1 245	12	–	1 257
Contractual services	375	–	–	375
Operating expenses	468	–	–	468
Fellowships, grants, other	1	–	–	1
Acquisitions	5 685	–	(3 000)	2 685
Total expenditure	**17 730**	**152**	**(3 000)**	**14 882**
Excess (shortfall) of income over expenditure	**34 799**	**2 848**	**–**	**37 647**
Non-budgeted accrued expenses for end-of-service and post-retirement benefits[e]	(3 308)	–	–	(3 308)
Net excess (shortfall) of income over expenditure	**31 491**	**2 848**	**–**	**34 339**
Transfers to other funds[f]	(34 678)	–	–	(34 678)
Reserves and fund balances, beginning of period	–	–	–	–
Reserves and fund balances, end of period	**(3 187)**	**2 848**	**–**	**(339)**

[a] See notes 2 and 3.
[b] In accordance with General Assembly resolution 67/244 B, a special account was established for the construction of a new facility in Arusha, United Republic of Tanzania.
[c] No comparatives are available, as this is the first biennium of operations.
[d] In accordance with General Assembly resolutions 66/240 A and 67/244 A, assessments for the Mechanism are based in part on the scale of assessment applicable to the United Nations regular budget and in part on the scale of assessment applicable to peacekeeping operations.
[e] Represents net increases in accrued liabilities for after-service health insurance costs of $1,659,000, for repatriation benefits of $1,273,000 and for unused vacation days of $376,000. See note 7.
[f] Represents a transfer of credit in accordance with General Assembly resolutions 68/245 A and B and 68/257.

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

International Residual Mechanism for Criminal Tribunals[a]

II. Statement of assets, liabilities and reserves and fund balances as at 31 December 2013

(Thousands of United States dollars)

	Mechanism	*Special Account*[b]	*Elimination*	*2013*[c]
Assets				
Cash and term deposits	322	–	–	322
Cash pool[d]	45 573	–	–	45 573
Assessed contributions receivable from Member States[e]	1 187	–	–	1 187
Inter-fund balances receivable	–	2 848	(2 848)	–
Other accounts receivable	117	–	–	117
Deferred charges	649	–	–	649
Other assets	4	–	–	4
Total assets	**47 852**	**2 848**	**(2 848)**	**47 852**
Liabilities				
Contributions or payments received in advance	260	–	–	260
Unliquidated obligations — current period	2 433	–	–	2 433
Unliquidated obligations — future period	598	–	–	598
Inter-fund balances payable	44 040	–	(2 848)	41 192
Other accounts payable	400	–	–	400
End-of-service and post-retirement benefits[f]	3 308	–	–	3 308
Total liabilities	**51 039**	**–**	**(2 848)**	**48 191**
Reserves and fund balances				
Cumulative surplus (deficit)	(3 187)	2 848	–	(339)
Total reserves and fund balances	**(3 187)**	**2 848**	**–**	**(339)**
Total liabilities and reserves and fund balances	**47 852**	**2 848**	**(2 848)**	**47 852**

[a] See notes 2 and 3.

[b] In accordance with General Assembly resolution 67/244 B, a special account was established for the construction of a new facility in Arusha, United Republic of Tanzania.

[c] No comparatives are available, as this is the first biennium of operations.

[d] Represents share of the United Nations main cash pool and comprises cash and term deposits of $9,525,051, short-term investments of $18,161,959, long-term investments of $17,823,495 and accrued interest receivable of $62,448.

[e] Includes assessed contributions unpaid, irrespective of collectability.

[f] Represents accrued liabilities for after-service health insurance costs of $1,659,000, for repatriation benefits of $1,273,000 and for unused vacation days of $376,000. See note 7.

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

International Residual Mechanism for Criminal Tribunals[a]

III. Statement of cash flows for the biennium ended 31 December 2013

(Thousands of United States dollars)

	Mechanism	*Special Account*[b]	*Elimination*	*2013*[c]
Cash flows from operating activities				
Excess (shortfall) of income over expenditure (statement I)	31 491	2 848	–	34 339
(Increase) decrease in assessed contributions receivable	(1 187)	–	–	(1 187)
(Increase) decrease in inter-fund balances receivable	–	(2 848)	2 848	–
(Increase) decrease in other accounts receivable	(117)	–	–	(117)
(Increase) decrease in other assets	(4)	–	–	(4)
(Increase) decrease in deferred charges	(649)	–	–	(649)
Increase (decrease) in contributions or payments received in advance	260	–	–	260
Increase (decrease) in unliquidated obligations	3 031	–	–	3 031
Increase (decrease) in inter-fund balances payable	44 040	–	(2 848)	41 192
Increase (decrease) in other accounts payable	400	–	–	400
Increase (decrease) in end-of-service liabilities	3 308	–	–	3 308
Less: Interest income	(349)	–	–	(349)
Net cash flows from operating activities	**80 224**	**–**	**–**	**80 224**
Cash flows from investing activities				
Interest income	349	–	–	349
Net cash flows from investing activities	**349**	**–**	**–**	**349**
Transfers to other funds	(34 678)	–	–	(34 678)
Net cash flows from financing activities	**(34 678)**	**–**	**–**	**(34 678)**
Net increase (decrease) in cash and term deposits and cash pool	45 895	–	–	45 895
Cash and term deposits and cash pool, beginning of period	–	–	–	–
Cash and term deposits and cash pool, end of period	**45 895**	**–**	**–**	**45 895**

[a] See notes 2 and 3.

[b] In accordance with General Assembly resolution 67/244 B, a special account was established for the construction of a new facility in Arusha, United Republic of Tanzania.

[c] No comparatives are available, as this is the first biennium of operations.

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

International Residual Mechanism for Criminal Tribunals

IV. Statement of appropriations for the biennium ended 31 December 2013

(Thousands of United States dollars)

	Appropriations[a]			*Expenditure*			
Programme of work	*Original*	*Change*	*Revised*	*Disbursements*	*Unliquidated obligations*	*Total*	*Unencumbered balance*
A. Chambers	3 647	(3 559)	88	67	1	68	20
B. Office of the Prosecutor	6 289	(2 685)	3 604	2 992	23	3 015	589
C. Registry	34 308	(21 672)	12 636	9 573	2 381	11 954	682
D. Records management and archives	3 081	(1 330)	1 751	1 510	28	1 538	213
E. Staff assessment	2 447	(1 527)	920	1 155	–	1 155	(235)
Total	**49 772**	**(30 773)**	**18 999**	**15 297**	**2 433**	**17 730**	**1 269**

[a] The appropriations for the Mechanism for the biennium 2012-2013 were approved in General Assembly resolutions 66/240 A, 67/244 A and 68/257.

International Residual Mechanism for Criminal Tribunals
Notes to the financial statements

Note 1
The United Nations and its activities

(a) The Charter of the United Nations was signed on 26 June 1945 and came into force on 24 October 1945. The Organization’s primary objectives, to be implemented through its five major organs, were as follows:

(i) The maintenance of international peace and security;

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

(iii) The universal observance of human rights;

(iv) The administration of international justice and law;

(v) The development of self-government for Trust Territories.

(b) The General Assembly focuses on a wide range of political, economic and social issues, as well as financial and administrative aspects of the Organization.

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

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

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

(f) The Trusteeship Council completed its primary functions in 1994 with the termination of the Trusteeship Agreement for the last United Nations Trust Territory.

Note 2
Summary of significant accounting and financial reporting policies of the United Nations

(a) The accounts of the United Nations are maintained in accordance with the Financial Regulations and Rules of the United Nations as adopted by the General Assembly, the rules formulated by the Secretary-General as required under the regulations and administrative instructions issued by the Under-Secretary-General for Management or the Controller. They also take fully into account the United Nations system accounting standards, as adopted by the United Nations System Chief Executives Board for Coordination (CEB). The Organization follows international accounting standard 1, “Presentation of financial statements”, regarding the disclosure of accounting policies, as modified and adopted by CEB as follows:

(i) Going concern, consistency and accrual are fundamental accounting assumptions of the United Nations system accounting standards. Where fundamental accounting assumptions are followed in financial statements, the disclosure of such assumptions is not required. If a fundamental accounting assumption is not followed, that fact should be disclosed together with the reasons;

(ii) Prudence, substance over form, and materiality should govern the selection and application of accounting policies;

(iii) Financial statements should include clear and concise disclosure of all significant accounting policies that have been used;

(iv) The disclosure of the significant accounting policies used should be an integral part of the financial statements. These policies should normally be disclosed in one place;

(v) Financial statements should show comparative figures for the corresponding period of the preceding financial period;

(vi) A change in an accounting policy that has a material effect in the current period or may have a material effect in subsequent periods should be disclosed together with the reasons. The effect of the change should, if material, be disclosed and quantified.

(b) The Organization's accounts are maintained on a fund accounting basis. Separate funds for general or special purposes may be established by the General Assembly, the Security Council or the Secretary-General. Each fund is maintained as a distinct financial and accounting entity with a separate self-balancing double-entry group of accounts. Financial statements reflect the activities of each fund or of a group of funds of the same nature.

(c) The financial period of the Organization is a biennium and consists of two consecutive calendar years for all funds other than peacekeeping accounts, which are reported on a fiscal year basis covering the period from 1 July to 30 June. These financial statements have been prepared for the biennium ended 31 December 2013.

(d) Generally, income, expenditure, assets and liabilities are recognized on the accrual basis of accounting. For assessed income, the policy set out in paragraph (j) (ii) below applies.

(e) The financial statements of the Organization are presented in United States dollars, which is the functional and presentation currency of the United Nations. Accounts maintained in other currencies are translated into United States dollars at the time of the transaction at rates of exchange established by the United Nations. In respect of such currencies, the financial statements shall reflect the cash, investments, unpaid pledges and current accounts receivable and payable in currencies other than the United States dollar, translated at the applicable United Nations rate of exchange in effect as at the date of the statements. In the event that the application of actual exchange rates at the date of the statements would provide a valuation materially different from the application of the Organization's rate of exchange for the last month of the financial period, a footnote will be provided quantifying the difference.

(f) The Organization's financial statements are prepared on the historical cost basis of accounting and are not adjusted to reflect the effects of changing prices for goods and services.

(g) The statement of cash flows is based on the indirect method of determining cash flows, as referred to in the United Nations system accounting standards.

(h) The Organization's financial statements are presented in accordance with the ongoing recommendations of the Task Force on Accounting Standards of the High-Level Committee on Management.

(i) Separate financial statements are issued for the United Nations general and related funds, for the United Nations Iraq escrow accounts, for the United Nations Compensation Commission, for the International Tribunal for the Former Yugoslavia under the provisions of Security Council resolutions 808 (1993) and 827 (1993), for the International Criminal Tribunal for Rwanda under the provisions of Security Council resolution 955 (1994), for the International Residual Mechanism for Criminal Tribunals under the provisions of Security Council resolution 1966 (2010), and for the peacekeeping accounts, which are reported on a fiscal year basis covering the period from 1 July to 30 June.

(j) Income:

(i) The amounts necessary to finance the activities of the United Nations regular budget and peacekeeping operations, the capital master plan, the International Tribunal for the Former Yugoslavia, the International Criminal Tribunal for Rwanda, the International Residual Mechanism for Criminal Tribunals and the Working Capital Fund are assessed to Member States in accordance with the scale of assessments determined by the General Assembly;

(ii) Income is recognized when assessments to Member States have been authorized by the General Assembly. Neither appropriations nor spending authorities are recognized as income except to the extent that a matching assessment on Member States has been levied;

(iii) Amounts assessed to non-Member States that agree to reimburse the Organization for the costs of their participation in the Organization's treaty bodies, organs and conferences are credited to miscellaneous income;

(iv) Voluntary contributions from Member States and other donors are recorded as income on the basis of a written commitment to pay monetary contributions at specified times within the current financial period. Voluntary contributions made in the form of services and supplies that are acceptable to the Secretary-General are credited to income or are noted in the financial statements;

(v) Income received under inter-organization arrangements represents the allocation of funding from agencies to enable the Organization to administer projects or other programmes on their behalf;

(vi) Allocations from other funds represent monies appropriated or designated from one fund for transfer to and disbursement from another fund;

(vii) Income for services rendered includes amounts charged for salaries of staff members and other costs that are attributable to the provision of technical and administrative support to other organizations;

(viii) Interest income includes all interest earned on deposits in various bank accounts, investment income earned on marketable securities and other negotiable instruments and investment income earned in the cash pools. All gains/losses on investments and foreign exchange differences relating to the cash pools are offset against investment income. Investment income and costs associated with the operation of investments in the cash pools are allocated to participating funds;

(ix) Miscellaneous income includes income from the rental of premises, the sale of used or surplus property, refunds of expenditures charged to prior periods, net gains resulting from currency translations, amounts assessed on new Member States for the year of admission to the United Nations, amounts assessed on non-Member States as stated in paragraph (j) (iii) above, monies accepted for which no purpose was specified, and other sundry income;

(x) Income relating to future financial periods is not recognized in the current financial period and is recorded as deferred income, as referred to in paragraph (m) (iii) below.

(k) Expenditure:

(i) Expenditures are incurred against authorized appropriations or commitment authorities. Total expenditures reported include unliquidated obligations and disbursements;

(ii) Expenditures incurred for non-expendable property are charged to the budget of the period when acquired and are not capitalized. The inventory of such non-expendable property is maintained at historical cost;

(iii) Expenditures for future financial periods are not charged to the current financial period but are recorded as deferred charges, as referred to in paragraph (l) (v) below.

(l) Assets:

(i) Cash and term deposits represent funds held in demand-deposit accounts and interest-bearing bank deposits;

(ii) Cash pool comprises participating funds' 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. The investments in the cash pool are stated at their fair value and include marketable securities and other negotiable instruments acquired to produce income. The share in the cash pool is reported separately in each participating fund's statement, and the composition of its investments is disclosed in the footnotes to the statements. Currently, the International Residual Mechanism for Criminal Tribunals participates only in the main cash pool. Additional details are provided in note 6;

(iii) Assessed contributions represent legal obligations of contributors, and therefore the balances of unpaid assessed contributions due from Member States are reported irrespective of collectability. It is the policy of the United Nations not to make provision for delays in the collection of such assessments;

(iv) Inter-fund balances reflect transactions between funds and are included in the amounts due to and from the United Nations General Fund. Inter-fund balances also reflect transactions directly with the General Fund. Inter-fund balances are settled periodically, depending on the availability of cash resources;

(v) Deferred charges normally comprise expenditure items that are not properly chargeable to the current financial period. They will be charged as expenditure in a subsequent period. These expenditure items include commitments approved by the Controller for future financial periods in accordance with financial rule 106.7. Such commitments are normally restricted to administrative requirements of a continuing nature and to contracts or legal obligations where long lead times are required for delivery;

(vi) For purposes of the balance sheet statements only, those portions of education grant advances that are assumed to pertain to the scholastic years completed as at the date of the financial statement are shown as deferred charges. The full amounts of the advances are maintained as accounts receivable from staff members until the required proofs of entitlement are produced, at which time the budgetary accounts are charged and the advances settled;

(vii) Maintenance and repairs of capital assets are charged against the appropriate budgetary accounts. Furniture, equipment, other non-expendable property and leasehold improvements are not included in the assets of the Organization. Such acquisitions are charged against budgetary accounts in the year of purchase. The value of non-expendable property is disclosed in the notes to the financial statements.

(m) Liabilities, reserves and fund balances:

(i) Operating and other types of reserves are included in the totals for reserves and fund balances shown in the financial statements;

(ii) Unliquidated obligations for future years are reported both as deferred charges and as unliquidated obligations;

(iii) Deferred income includes pledged contributions for future periods, advances received under revenue-producing activities, and other income received but not yet earned;

(iv) Commitments of the Organization relating to prior, current, and future financial periods are shown as unliquidated obligations. Current-period obligations related to the regular budget and special accounts remain valid for 12 months following the end of the biennium to which they relate. Obligations for most technical cooperation activities remain valid for 12 months after the end of each calendar year. Unliquidated obligations relating to amounts owed by peacekeeping operations to Member States may be retained for a period of five years beyond the end of the financial period. Unliquidated obligations relating to funds of a multi-year nature remain valid until the completion of the project;

(v) Accrued liabilities for end-of-service and post-retirement benefits comprise those for after-service health insurance, repatriation benefits and unused vacation days. The accrued liabilities for all these end-of-service and post-retirement benefits are determined on an actuarial basis;

(vi) Contingent liabilities, if any, are disclosed in the notes to the financial statements;

(vii) The United Nations is a member organization participating in the United Nations Joint Staff Pension Fund, which was established by the General Assembly to provide retirement, death, disability and related benefits. The Pension Fund is a funded, multi-employer defined-benefit plan. An actuarial valuation of the Pension Fund's assets and pension benefits is prepared every two years. As there is no consistent and reliable basis for allocating the related liabilities/assets and costs to individual organizations participating in the plan, the United Nations 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; thus, the United Nations share of the related net liability/asset position of the Pension Fund is not reflected in the financial statements. The Organization's contribution to the Pension Fund consists of its mandated contribution at the rate established by the General Assembly, currently 7.9 per cent for the participant and 15.8 per cent for the Organization of the applicable pensionable remuneration, together with its share of any actuarial deficiency payments under article 26 of the Regulations of the Pension Fund. Such deficiency payments are payable only if and when the General Assembly has invoked the provision of article 26, following a determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Pension Fund as at the valuation date. As at the reporting date of the current financial statement, the General Assembly had not invoked this provision.

(n) The change from the United Nations system accounting standards to the International Public Sector Accounting Standards (IPSAS):

(i) The United Nations is transitioning from the use of the United Nations system accounting standards to IPSAS, which will guide the presentation of the financial statements of the United Nations, including those of the International Residual Mechanism for Criminal Tribunals, commencing from the 2014 financial year. Hence, the present financial statements are the last statements to be prepared on the basis of the United Nations system accounting standards;

(ii) IPSAS are based on full accrual accounting, which means that all assets and liabilities are presented on the face of the financial statements, and expenses and revenues are recognized when incurred/earned, irrespective of the cash flows. IPSAS also require significantly more note disclosures in the financial statements;

(iii) Under the United Nations system accounting standards, financial accounting and budgetary accounting are aligned. With the adoption of IPSAS, the financial statements will be presented on a full accrual basis, whereas budgetary expenditure will continue to be recorded on a modified cash basis. There will be a reconciliation between budget implementation and the financial statements, which will be presented in the notes to the financial statements;

(iv) IPSAS require annual financial statements; as from the 2014 financial year, IPSAS-compliant financial statements will be prepared and audited annually.

Note 3
International Residual Mechanism for Criminal Tribunals (statements I-IV)

(a) The Mechanism was established by the Security Council in its resolution 1966 (2010). In accordance with that resolution, the Mechanism consists of the following organs:

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

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

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

(b) The General Assembly, in its resolutions 66/240 A, 67/244 A and 68/257, approved the budget appropriations for the biennium 2012-2013. Annual budget apportionments are funded by assessments to Member States, 50 per cent in accordance with the scale of assessment applicable to the United Nations regular budget and 50 per cent in accordance with the scale of assessments applicable to peacekeeping operations. The financial statements for the Mechanism are prepared every 12 months, with a final accounting at the end of the biennium.

(c) The General Assembly, in its resolution 67/244 B, approved the establishment of a special account for the construction of a new facility in Arusha, United Republic of Tanzania. In accordance with resolution 66/240 A, funding of $3,000,000 was appropriated from the 2012-2013 appropriations of the Mechanism. The activities of the Special Account are included in the Mechanism's financial statements, including expenditures of $152,138 for the period ended 31 December 2013.

(d) Statement I reports the income and expenditure and changes in the reserves and fund balances during the financial period. It includes the calculation of the excess of income over expenditure for the current period and prior-period adjustments of income or expenditure.

(e) Statement II shows the assets, liabilities and reserves and fund balances as at 31 December 2013. Excluded from the assets is the value of non-expendable property (see note 8).

(f) Statement III shows the cash flows for the period prepared using the indirect method of cash flows as referred to in the United Nations system accounting standards.

(g) Statement IV reports on expenditures against the appropriation approved for the biennium.

Note 4
Status of appropriations

In accordance with General Assembly resolutions 66/240 A, 67/244 A and 68/257, the appropriations and gross assessments for the biennium 2012-2013 are as follows:

(Thousands of United States dollars)

	2012	*2013*	*Total*
Initial budget appropriation (resolution 66/240 A)	24 886	24 886	49 772
Add: Appropriation under resolution 67/244 A	–	3 905	3 905
Less: Appropriation under resolution 68/257	–	(34 678)	(34 678)
Revised appropriation (resolution 68/257)	24 886	(5 887)	18 999
Less: Appropriation not to be assessed in 2013 (resolution 67/244 A)	–	(1 500)	(1 500)
Add: Decrease in appropriation for the biennium 2012-2013 (resolution 68/257)	–	34 678	34 678
Gross amounts assessed to Member States	**24 886**	**27 291**	**52 177**

Note 5
Assets, liabilities and reserves and fund balances (statement II)

(a) The cash and term deposits figure represents the total cash balance (including funds held in local currency) at United Nations Headquarters and at the offices away from Headquarters.

(b) Assessed contributions unpaid:

(i) The assessed contributions receivable as at 31 December 2013 have been recorded in accordance with the Financial Regulations and Rules of the United Nations, the relevant resolutions of the General Assembly and the policy of the United Nations. On the basis of this policy, no provision has been made for delays in the collection of outstanding assessed contributions;

(ii) The total unpaid assessments as at 31 December 2013 are $1,187,467, of which $172,367 are over one year old and $1,015,100 are less than one year old.

(c) Other accounts receivable. The following is the composition of other accounts receivable balances as at 31 December 2013:

(Thousands of United States dollars)

	2013
Government	1
Staff member	114
Vendor	2
Total	**117**

(d) Other accounts payable. The following is the composition of other accounts payable balances as at 31 December 2013:

(Thousands of United States dollars)

	2013
Staff members	61
Vendors	113
United Nations entities	226
Total	**400**

Note 6
Cash pool

(a) Background:

(i) The United Nations Treasury centrally invests surplus funds on behalf of the Secretariat, including the International Residual Mechanism for Criminal Tribunals. Such surplus funds are combined in two internally managed cash pools, which invest in major segments of the money and fixed-income markets. Pooling the funds has a positive effect on overall investment performance and risk because of economies of scale and the ability to spread yield curve exposures across a range of maturities;

(ii) Investment activities of the cash pools are guided by the principles contained in the Investment Management Guidelines. An Investment Committee periodically assesses compliance with the Guidelines and makes recommendations for updates thereto, and also reviews performance.

(b) Investment management objectives:

Further to the Guidelines, investment objectives of the cash pools, in order of priority, are the following:

(i) Safety: ensure the preservation of capital;

(ii) Liquidity: ensure sufficient liquidity to enable the United Nations and participating entities to readily meet all operating requirements. Only assets which have a readily available market value and can be easily converted to cash are held;

(iii) Return on investment: attain a competitive market rate of return, taking into account investment risk constraints and the cash flow characteristics of the pools. Benchmarks determine whether satisfactory market returns are being achieved in the cash pools.

(c) Cash pools:

(i) The United Nations Headquarters Treasury manages investments in two cash pools: the main cash pool and the euro cash pool:

a. Effective 1 July 2013, the United Nations Headquarters and the offices away from Headquarters cash pools were combined to form the main cash pool. The main cash pool now comprises operational bank account balances and investments in United States dollars;

b. The euro cash pool comprises investments in euro currency; the pool participants are mostly offices away from Headquarters that may have a surplus of euros from their operations;

(ii) The Mechanism participates only in the main cash pool, which is invested in a variety of securities. Such securities 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 cash pool does not invest in derivative instruments or asset-backed, mortgage-backed or equity products;

(iii) Investment transactions are now accounted for on a trade date basis, reflecting a change from settlement date to trade date; the 2011 figures have not been restated, as the impact of the change has been deemed to be immaterial. Investment income is recognized on an accrual basis; transaction costs that are directly attributable to the investment activity of the cash pool are expensed as incurred and the net income is distributed proportionately to the funds participating in the pool; and operational bank account fees are not netted but distributed to cash pool participants. The unrealized market gains/losses on securities and foreign exchange gains/losses are distributed proportionately to all participants on the basis of their end-of-year balances;

(iv) Gains and losses on the sale of investments are calculated as the difference between the sales proceeds and book value and are reflected in the net income distributed to the cash pool participants;

(v) As at 31 December 2013, investments in the main cash pool had been revalued at fair value. The 31 December 2011 comparative figures represent the book value of investments; the 2011 figures have not been restated, as the impact of the change in valuation has been deemed to be immaterial.

(d) Financial information pertaining to the main cash pool:

(i) As at 31 December 2013, the main cash pool held total assets of $9,548.7 million; of this amount, $45.6 million was due to the Mechanism, as reflected against the cash pool line in the statement of assets, liabilities and reserves and fund balances (statement II);

(ii) Financial information of the main cash pool as at 31 December 2013 is summarized in table 1.

Table 1
Summary of assets and liabilities of the main cash pool as at 31 December 2013
(Thousands of United States dollars)

	Main pool
Assets	
Short-term investments[a]	5 687 907
Long-term investments[a]	3 734 459
Total investments	**9 422 366**
Cash	113 200
Accrued investment income	13 084
Total assets	**9 548 650**
Liabilities	
Payable to the Mechanism	45 573
Payable to other funds participating in the main cash pool	9 503 077
Total liabilities	**9 548 650**
Net assets	–

Summary of net income of the main cash pool for the biennium ended 31 December 2013
(Thousands of United States dollars)

	Main pool
Income	
Investment revenue	96 592
Realized gains on sales of securities	24 643
Foreign exchange adjustments	4 241
Unrealized gains (losses)	4 811
Net income from investments	**130 287**
Bank fees	(1 083)
Net income from operations	**129 204**

[a] Amounts are stated at fair value.

(e) Composition of the main cash pool:

Table 2 shows a breakdown of investments held in the main cash pool by type of instrument.

Table 2
Investments of the main cash pool by type of instrument as at 31 December 2013
(Thousands of United States dollars)

Main cash pool	*Book value*	*Fair value*[a]
Bonds		
Non-United States agencies	2 073 122	2 077 421
Non-United States sovereigns	670 963	674 773
Supranationals	250 075	250 246
United States agencies	555 494	556 492
United States Treasury	1 597 161	1 592 050
Subtotal	**1 597 161**	**5 150 982**
Discounted instruments	2 138 208	2 138 849
Certificate of deposits	250 000	250 003
Term deposits	1 882 532	1 882 532
Total investments	**5 867 901**	**9 422 366**

[a] Fair value is determined by the independent custodian on the basis of valuations of securities that are sourced from third parties.

(f) Financial risk management:

The main cash pool is exposed to a variety of financial risks, including credit risk, liquidity risk, currency risk and market risk (which includes interest rate risk and other price risks), as described below:

(i) Credit risk:

The Guidelines require that investments not be made in issuers whose credit ratings are below specifications, and also provide for maximum concentrations with given issuers. These requirements were met at the time the investments were made. The credit ratings used are those determined by the major credit-rating agencies; Standard & Poor's and Moody's are used to rate bonds and commercial paper, and the Fitch Viability Rating is used to rate bank term deposits.

The credit ratings of the issuers whose securities were held in the main cash pool are shown in table 3.

Table 3
Investments of the main cash pool by credit ratings as at 31 December 2013
(Thousands of United States dollars)

Main pool	*Total*[a]	*Ratings*
Bonds	5 150 982	S&P: 32.3% AAA and 63.1% AA+/AA; 4.6% NR; Moody's: 81.9% Aaa and 18.1% Aa1/Aa3
Discounted instruments	2 138 849	S&P: 71.7% A-1+ and 24.1% NR; Moody's: 95.8% P-1; Fitch: 4.2% aa-
Certificates of deposits	250 003	S&P: 40% A-1; Moody's: 40% P-1; Fitch: 60% a+/a-
Term deposits	1 882 532	Fitch: 58.6% aa- and 41.4% a+/a/a-
Total investments	**9 422 366**	

[a] Represents the fair value of securities as at 31 December 2013.

(ii) Liquidity risk:

The main cash 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 commitments as and when they fall due. The major portion of the pool's cash and cash equivalents and investments are available within one day's notice to support operational requirements. Hence, the main cash pool is able to respond to withdrawal needs in a timely manner, and liquidity risk is considered to be low.

(iii) Currency risk:

Currency risk is the risk that the value of investments denominated in non-United States dollars will fluctuate owing to changes in foreign exchange rates versus the United States dollar. The main cash pool has no currency risk for its investments, which are in United States dollars. However, the main cash pool has currency risk for operational bank balances.

(iv) Interest rate risk:

Interest rate risk is the risk of variability in investments' values due to changes in interest rates. In general, as interest rate rises, the price of a fixed-rate security falls, and vice versa. Interest rate risk is commonly measured by the fixed rate security's duration, with duration being a number expressed in years: the longer the duration, the greater the interest rate risk.

The main cash pool is exposed to interest rate risk, as its holdings comprise interest-bearing securities. As at 31 December 2013, the main cash pool invested primarily in securities with shorter terms to maturity, with the maximum term being less than four years. The average duration of the main cash pool was 0.92 years, which is considered to be an indicator of low interest rate risk.

Table 4 shows how the fair value of the main cash pool as at 31 December 2013 would increase or decrease should the overall yield curve shift in response to changes in interest rates. The impact of a shift up or down of up to 200 basis points in the yield curve is shown (100 basis points equals 1 per cent). However, in view of the current interest rate environment, the basis point shifts should be considered to be illustrative.

Table 4
Sensitivity of the main cash pool to interest rates as at 31 December 2013

Shift in yield curve (basis points)	*Change in fair value (millions of United States dollars)*
(200)	174
(150)	130
(100)	87
(50)	43
–	–
50	(43)
100	(87)
150	(130)
200	(174)

(v) Other price risk:

The main cash pool is not exposed to other significant price risk, as the pool does not sell short, borrow securities or purchase securities on margin, all of which limits the potential loss of capital.

Note 7
Accrued liabilities for end-of-service and post-retirement benefits

(a) End-of-service and post-retirement benefits comprise after-service health insurance coverage, repatriation benefits and commutation of unused vacation days. As disclosed in note 2 (m) (v), all these liabilities are determined on the basis of an actuarial valuation, which was undertaken by an independent, qualified actuarial firm.

(b) After-service health insurance:

(i) Upon end of service, staff members and their dependants may elect to participate in a defined-benefit health insurance plan of the United Nations, provided they have met certain eligibility requirements, including 10 years of participation in a United Nations health plan for those who were recruited after 1 July 2007, and 5 years for those who were recruited prior to this date. This benefit is referred to as after-service health insurance;

(ii) The major assumptions used by the actuarial firm to determine the liabilities for after-service health insurance as at 31 December 2013 were a single equivalent discount rate of 5.16 per cent, a flat health-care yearly escalation rate of 5.0 per cent for non-United States medical plans, and health-care escalation rates of 7.3 per cent for all other medical plans (except 6.3 per cent for the United States Medicare plan and 5.0 per cent for the United States dental plan), grading down to 4.5 per cent over 10 years, and retirement, withdrawal and mortality assumptions consistent with those used by the United Nations Joint Staff Pension Fund in making its own actuarial valuation of pension benefits;

(iii) Another factor in the after-service health insurance valuation is consideration of contributions by all plan participants in determining the Mechanism's residual liability. Thus, contributions from retirees are deducted from the gross liability, and a portion of the contributions from active staff is also deducted to arrive at the Mechanism's residual liability in accordance with cost-sharing ratios authorized by the General Assembly. These ratios require that the Mechanism's share shall not exceed one half for non-United States health plans, two thirds for United States health plans, and three quarters for the Medical Insurance Plan;

(iv) On the basis outlined in subparagraphs (ii) and (iii) above, the present value of the accrued liability as at 31 December 2013, net of contributions from plan participants, was estimated at $1,659,000:

(Thousands of United States dollars)

After-service health insurance	*Accrued liability*
Gross liability	3 256
Offset by contributions from plan participants	(1 597)
Net liability	**1 659**

(v) Further to the assumptions in subparagraph (ii) above, it is estimated that the present value of the liability would increase by 29 per cent and decrease by 21 per cent if the medical cost trend is increased and decreased by 1 per cent, respectively, all other assumptions held constant. Similarly, it is estimated that the accrued liability would increase by 30 per cent and decrease by 22 per cent if the discount rate is decreased and increased by 1 per cent, respectively, all other assumptions held constant.

(c) Repatriation benefits:

(i) Upon end of service, staff who meet certain eligibility requirements, including residency outside their country of nationality at the time of separation, are entitled to a repatriation grant which is based on length of service, and travel and removal expenses. These benefits are collectively referred to as repatriation benefits;

(ii) As referred to in note 2 (m) (v), an actuarial firm was engaged to carry out an actuarial valuation of repatriation benefits as at 31 December 2013. The major assumptions used by the actuarial firm were a discount equivalent rate of 4.28 per cent, annual salary increases consistent with those used by the Pension Fund in making its own actuarial valuation of pension benefits, and travel and shipment cost increases of 2.5 per cent per annum;

(iii) On the basis of these assumptions, the present value of the accrued liability for repatriation benefits as at 31 December 2013 was estimated at $1,273,000.

(d) Unused vacation days:

(i) Upon end of service, staff members may commute unused vacation days up to a maximum of 60 working days for those holding fixed-term or continuing appointments;

(ii) As referred to in note 2 (m) (v), an actuarial firm was engaged to carry out an actuarial valuation of the liability associated with unused vacation days as at 31 December 2013. The major assumptions used by the actuarial firm were a single equivalent discount rate of 4.47 per cent and an annual rate of increase in accumulated annual leave balances of 10.9 days in each of the first three years, 1 day per year in the fourth to eighth years, and 0.5 days annually thereafter, capping at an accumulation of 60 days. Salary is assumed to increase annually at rates consistent with those used by the Pension Fund in making its own actuarial valuation of pension benefits;

(iii) On the basis of these assumptions, the present value of the accrued liability for unused vacation days as at 31 December 2013 was estimated at $376,000.

Note 8
Non-expendable property

In accordance with United Nations accounting policies, non-expendable property is charged against the current allotment in the year of purchase. The Mechanism's non-expendable property, valued at historical cost, is as follows:

(Thousands of United States dollars)

	2013
Balance as at 1 January 2012	–
Acquisitions	1 467[a]
Balance as at 31 December 2013	**1 467**

[a] Includes $590,917 transferred from the International Criminal Tribunal for Rwanda.

Note 9
Future operations

(a) By its resolution 1966 (2010), the Security Council established the International Residual Mechanism for Criminal Tribunals, with two branches for the International Criminal Tribunal for Rwanda and the International Tribunal for the Former Yugoslavia, in order to carry out a number of essential functions, such as the trial of fugitives, after the closure of the Tribunals. The Arusha branch commenced operations on 1 July 2012, for an initial period of four years. The Mechanism coexisted with both Tribunals during the 2012-2013 biennium and shared resources and provided mutual support and coordination.

(b) In its resolutions 1966 (2010), 2029 (2011) and 2130 (2013), the Security Council requested the two Tribunals to take all possible measures to expeditiously complete all their remaining work no later than December 2014, to prepare their closure and to ensure a smooth transition to the Mechanism, including through advance teams in each of the Tribunals.

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