United Nations

International Residual Mechanism for Criminal Tribunals

Financial report and audited financial statements

for the year ended 31 December 2022

and

Report of the Board of Auditors

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

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A/78/5/Add.15

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United Nations • New York, 2023

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.

[26 July 2023]

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Letters of transmittal

Letter dated 31 March 2023 from the Secretary-General addressed to the Chair of the Board of Auditors

In accordance with financial regulation 6.2, I have the honour to transmit herewith the financial statements of the International Residual Mechanism for Criminal Tribunals of the United Nations for the year ended 31 December 2022, which I hereby approve. The financial statements have been completed and certified by the Controller as correct in all material respects.

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

(*Signed*) António **Guterres**

Letter dated 26 July 2023 from the Chair of the Board of Auditors addressed to the President of the General Assembly

I have the honour to transmit to you the report of the Board of Auditors, together with the financial report and audited financial statements of the International Residual Mechanism for Criminal Tribunals of the United Nations for the year ended 31 December 2022.

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

Chapter I

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

Opinion

We have audited the financial statements of the International Residual Mechanism for Criminal Tribunals, which comprise the statement of financial position (statement I) as at 31 December 2022 and the statement of financial performance (statement II), the statement of changes in net assets (statement III), the statement of cash flows (statement IV) and the statement of comparison of budget and actual amounts (statement V) for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

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

Basis for opinion

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

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

The Secretary-General of the United Nations is responsible for the other information, which comprises the financial report for the year ended 31 December 2022, contained in chapter IV below, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether 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, on the basis of the work that we have performed, we conclude that there is a material misstatement in the other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material 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 the International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

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

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

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

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

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

26 July 2023

Chapter II
Long-form report of the Board of Auditors

Summary

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

The Board of Auditors has completed the audit of the Mechanism for the year ended 31 December 2022. The interim audit visit was carried out at the branch in The Hague from 7 to 25 November 2022, and at the branch in Arusha from 28 November to 9 December 2022. The final audit visit was conducted at the headquarters in The Hague from 11 April to 12 May 2023.

Scope of the report

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

The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements present fairly the financial position of the Mechanism as at 31 December 2022 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS). The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

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

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

Audit opinion

In the Board's opinion, the financial statements present fairly, in all material respects, the financial position of the Mechanism as at 31 December 2022 and its financial performance and cash flows for the year then ended, in accordance with IPSAS.

Overall conclusion

The Board did not identify significant errors, omissions or misstatements from the review of the financial records of the Mechanism for the year ended 31 December 2022. However, the Board identified scope for improvement in the areas of asset management and human resources management.

Total revenue in 2022 was $80.24 million (2021: $87.74 million) against expenses of $85.72 million (2021: $92.15 million), resulting in a deficit of $5.47 million (2021: deficit of $4.41 million). The largest expenses for the Mechanism were employee salaries, allowances and benefits, accounting for 75.46 per cent of the total expenses.

As at 31 December 2022, assets totalled $225.09 million (2021: $230.37 million), with cash, cash equivalents and investments amounting to 70.54 per cent of total assets. The Mechanism reported total liabilities of $136.30 million as at 31 December 2022 (2021: $173.06 million), of which 55.09 per cent were employee benefits liabilities. The current ratio of 4.95:1 indicates that current liabilities are covered by current assets.

Key finding

The Board's key finding is as follows:

Delays in the disposal processes of lost assets

It was noted in Umoja that assets appeared under the status of "equipment not found". Even though those assets had been fully depreciated, their disposal processes had not yet been performed in Umoja. In addition, it was observed that those assets had not been found and that the causes of and responsibility for their loss had not been determined.

Main recommendations

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

(a) **Take action to initiate the disposal processes of the assets with the status "equipment not found", in accordance with the instructions in force;**

(b) **Carry out the process to assign responsibilities, in order to determine eventual obligations and the root causes of the loss of assets, in a timely and effective manner.**

Follow-up of previous recommendations

Of 25 pending recommendations up to the year ended 31 December 2021, 6 (24 per cent) recommendations were implemented, 7 (28 per cent) were under implementation and 12 (48 per cent) were not implemented.

Key facts	
$89.69 million	Final budget approved by the General Assembly for 2022
$80.24 million	Total revenue for 2022
$85.72 million	Total expenses for 2022
$5.47 million	Total deficit for 2022
$225.09 million	Total assets as at 31 December 2022
$136.30 million	Total liabilities as at 31 December 2022
439	Total staff (382 on a fixed-term contract, 48 temporary staff, 8 on a permanent contract and 1 on a continuing contract)

A. Mandate, scope and methodology

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

2. The Mechanism has two branches: one in Arusha, United Republic of Tanzania, and the other in The Hague, Netherlands. The Arusha branch, which covers functions inherited from the International Criminal Tribunal for Rwanda, commenced its operations on 1 July 2012 and has, under its scope, the operations of the field office located in Kigali. The branch in The Hague, which covers functions inherited from the International Tribunal for the Former Yugoslavia, commenced its operations on 1 July 2013 and had, under its scope, the operations of the field office located in Sarajevo, which ceased all its operational functions by the end of March 2023.

3. The Mechanism consists of three organs, namely, the Chambers, the Office of the Prosecutor and the Registry. The Chambers comprise a full-time President, an Appeals Chamber common to both branches, a Trial Chamber for each branch, a duty judge at the Arusha branch and single judges appointed at both branches. The Chambers are responsible for all judicial work of the Mechanism, including the enforcement of sentences, administrative reviews, trials, appeals, proceedings for review of final judgment, contempt and false testimony proceedings, and disposition of other requests related to, for example, access to confidential material and witness protection. The Office of the Prosecutor is responsible for investigation and prosecution. The Registry, which services both the Chambers and the Office of the Prosecutor, is responsible for the administration and servicing of the Mechanism.

4. The Board has audited the financial statements of the Mechanism and reviewed its activities for the year ended 31 December 2022, in accordance with General Assembly resolution 74 (I) of 1946, and in conformity with article VII of the Financial Regulations and Rules of the United Nations and the annex thereto, as well as the International Standards on Auditing and the International Standards of Supreme Audit Institutions. Those standards require that the Board comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

5. The audit was conducted to enable the Board to form an opinion as to whether the financial statements presented fairly the financial position of the Mechanism as at 31 December 2022 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS). This included an assessment as to whether the expenditure recorded in the financial statements had been incurred for the purposes approved by the governing bodies and whether revenue and expenses had been properly classified and recorded in accordance with the Financial Regulations and Rules of the United Nations.

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

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

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

B. Findings and recommendations

1. Follow-up of previous recommendations

9. Of 25 pending recommendations up to the year ended 31 December 2021, 6 (24 per cent) recommendations were implemented, 7 (28 per cent) were under implementation and 12 (48 per cent) were not implemented. Details of the status of implementation of the recommendations are presented in the annex to chapter II.

Table II.I
Status of implementation of recommendations

Report (audit year)	*Number of recommendations issued*	*Recommendations pending as at 31 December 2021*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*	*Recommendations pending as at 31 December 2022*
A/73/5/Add.15, chap. II (2017)	11	1	–	1	–	–	1
A/74/5/Add.15, chap. II (2018)	8	1	–	–	1	–	1
A/75/5/Add.15, chap. II (2019)	20	8	2	3	3	–	6
A/76/5/Add.15, chap. II (2020)	11	5	–	3	2	–	5
A/77/5/Add.15, chap. II (2021)	10	10	4	–	6	–	6
Total	**39**	**25**	**6**	**7**	**12**	**–**	**19**

10. In view of the lack of progress made in implementing the recommendations, the Board expects the Mechanism to expedite its efforts on this matter, especially regarding the recommendations dating from the 2017, 2018 and 2019 audited years, which have been outstanding for more than three years.

Recommendations outstanding for more than three years

11. The recommendation dating from 2017 (A/73/5/Add.15, para. 20) refers to the supervision of the architectural firm tasked with reviewing the control system for air quality, temperature and relative humidity of the archive repositories in the Lakilaki facility. The Board is of the view that implementing this recommendation contributes to meeting one of the Mechanism's core functions, established in article 27, paragraph 2, of the Statute of the Mechanism (Security Council resolution 1966 (2010), annex), and which will continue to be carried out, even after its judicial activities have ceased, and the Mechanism should therefore act accordingly.

12. The recommendation pending from 2018, (A/74/5/Add.15, para. 20), which refers to the conduction of a systematic fraud risk assessment, remains not implemented, and no action has been undertaken in this regard. Given the dynamic circumstances that the Mechanism is experiencing, the Board highlights that an assessment of this issue is of further relevance to strengthen accountability as part of the downsizing process.

13. With regard to the recommendations from 2019 (see A/75/5/Add.15), the Board acknowledges the relevant advances already achieved by the Mechanism towards the improvement in its procedures of the physical verification of all capitalized assets. At the same time, the Board encourages the Mechanism to further ensure the integrity of this data in the Umoja system, in order to implement this recommendation in full. In addition, the Board wishes to stress the importance of implementing the other pending recommendations from 2019, which refer to compliance with the normative regarding the timely request and approval of annual and home leave, the registering in Umoja of all the absences corresponding to the travel days, the documentation of the selection of the most economical offer for travel tickets, and the annual performance and recording of the disaster recovery exercise.

Recommendations relevant for the Mechanism's downsizing process

14. The Board would also like to stress the outstanding recommendations that pertain to the Mechanism's downsizing process. The Board recommended that programme managers and supervisors complete the performance evaluation within the deadlines to ensure that all staff members are assessed for each cycle or appointment (A/76/5/Add.15, para. 44). The following year, the Board recommended that the Mechanism develop a long-term organizational strategy, including key issues such as premises, equipment and personnel, involving the three organs that comprise the Mechanism (A/77/5/Add.15, para. 32), and that the Mechanism maintain complete and updated information regarding the status of the vacant positions (ibid., para. 51). It should be noted that the Mechanism's downsizing process was also addressed by the Office of Internal Oversight Services in its most recent report (2023/012), in which it was recommended that the Mechanism should ensure that (a) performance documents for all staff are completed as required; and (b) performance ratings of "exceeds performance expectation" are adequately justified to ensure fairness and consistency during the comparative review process.

2. Financial overview

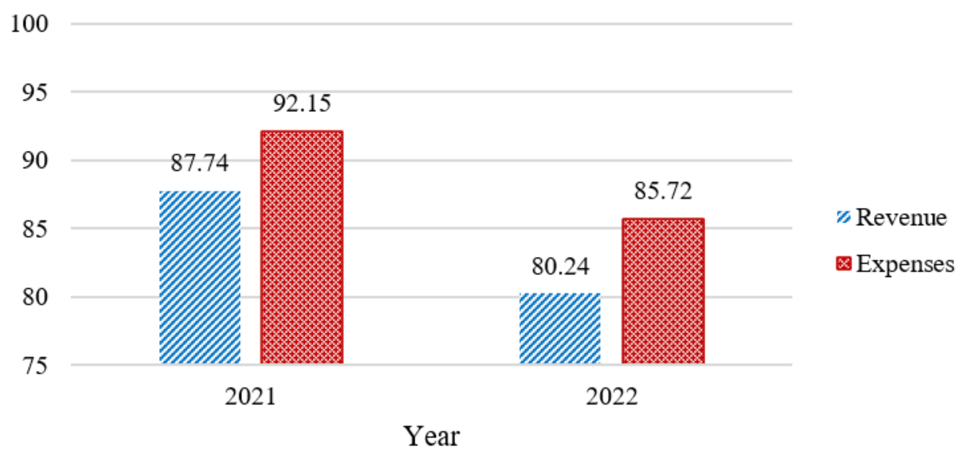
15. With regard to the financial performance, total revenue in 2022 was $80.24 million (2021: $87.74 million), against expenses of $85.72 million (2021: $92.15 million), resulting in a deficit of $5.47 million (2021: $4.41 million). The deficit for 2022 increased by $1.07 million (24.24 per cent) compared with the one recorded in 2021, which was attributable mainly to deductions in contributions originated by a provision of $3.37 million for the cancellation of prior year commitments from Member States, savings and other revenue from prior periods, as

well as a provision of $6.98 million for the unencumbered balance of the 2022 appropriations. Both provisions totalled $10.35 million and decreased the budgeted revenue of $89.69 million that had been initially approved for 2022.

16. Expenses decreased to $85.72 million (2021: $92.15 million), owing mainly from a decline in employee salaries, allowances and benefits, which is the Mechanism's largest expense, reaching up to $64.69 million (2021: $70.31 million) and accounting for 75.46 per cent of the total expenses. This can be explained by the downsizing of the Mechanism and a corresponding reduction in staff levels. Other relevant expenses were judges' honorariums and allowances, which amounted to $2.63 million (2021: $2.55 million) and other operating expenses, which covered the amount of $13.38 million (2021: $15.32 million). With respect to the latter, its decrease is due to the variation in contracted services, relating mainly to a decrease in legal services from defence counsels and detention services.

17. The decline in expenses was offset in part by an increase in depreciation and amortization, accounting for an amount of $2.48 million for 2022 (2021: $2.12 million), and higher travel expenses, which reached $1.61 million (2021: $1.01 million). A comparison of revenue and expenses for financial years 2021 and 2022 is illustrated in figure II.I.

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



Source: Analysis by the Board of Auditors of the Mechanism's financial statements for the year ended 31 December 2022.

Assets and liabilities

18. As at 31 December 2022, assets totalled $225.09 million (2021: $230.37 million). Cash, cash equivalents and investments amounted to $158.78 million, equivalent to 70.54 per cent of total assets.

19. The Mechanism reported total liabilities of $136.30 million as at 31 December 2022 (2021: $173.06 million). Of the total liabilities for 2022, 55.09 per cent ($75.09 million) were employee benefit liabilities (2021: $95.48 million). This decrease in employee benefits liabilities by $20.39 million is attributable primarily to the net decrease of $22.53 million in defined employee benefits liabilities. The latter resulted mainly from an actuarial gain of $25.47 million arising from changes in experience adjustments and financial assumptions in the most recent actuarial valuation, which was conducted in 2022 for employee benefits liabilities. The experience adjustments regarding after-service health insurance and the repatriation grant were less than 5

per cent of the projected obligation, showing that the overall 2022 experience is consistent with expectations from 2021. In addition, the experience adjustments referring to annual leave were due mainly to the drop in salaries. With regard to the financial assumptions, the changes refer to the increase in the discount rate, which had an impact on the three benefits included in the actuarial valuation (after-service health insurance, repatriation grant and annual leave). That increase was offset in part by the effect of changes in the health-care trend rates (for after-service health insurance) and by the decrease in the inflation rate (for the repatriation grant).

20. Another important variation for 2022 refers to the accounts payable and accrued liabilities, which accounted for $2.32 million (2021: $3.70 million), representing a decrease of 37.30 per cent, due mainly to the decrease in accruals for goods and services by 57.90 per cent (2022: $0.33 million; 2021: $0.79 million) and other accounts payable by 42.71 per cent (2022: $0.91 million; 2021: $1.59 million). Lastly, there were provisions for credits to Member States for a total amount of $20.55 million, which was equivalent to 15.08 per cent of the total liabilities for 2022, representing a decrease of 8.44 per cent ($1.90 million) compared with the previous period (2021: $22.45 million).

21. Table II.II contains key financial ratios, as extracted from the Mechanism's financial statements for the year ended 31 December 2022.

Table II.II
Ratio analysis

Description of ratio	*31 December 2022*	*31 December 2021*
Total assets: total liabilities[a]		
Total assets: total liabilities	1.65	1.33
Current ratio[b]		
Current assets: current liabilities	4.95	5.55
Quick ratio[c]		
Cash and short-term investments and accounts receivable: current liabilities	4.92	5.51
Cash ratio[d]		
Cash and short-term investments: current liabilities	3.37	4.00

Source: The Mechanism's financial statements for the year ended 31 December 2022.

[a] A high ratio indicates an entity's ability to meet its overall obligations.

[b] A high ratio indicates an entity's ability to pay off its short-term obligations.

[c] The quick ratio is more conservative than the current ratio because it excludes inventory and other current assets, which are more difficult to turn into cash. A higher ratio means a more liquid current position.

[d] The cash ratio indicates an entity's liquidity by measuring the amount of cash, cash equivalents or invested funds in current assets to cover current liabilities.

22. The overall financial ratios in 2022 decreased for the most part, compared with the preceding year. However, the current ratio of 4.95:1 indicates that current liabilities are covered by current assets. The quick ratio of 4.92:1 and the cash ratio of 3.37:1 imply that the Mechanism is in a position to pay its short-term obligations from its current resources. The solvency of the Mechanism has increased, as indicated by the total assets to total liabilities ratio of 1.65:1 (2021: 1.33:1).

3. Asset management

Delays in the disposal processes of lost assets

23. In section 7 of the administrative instruction on property management (ST/AI/2015/4), on the write-off and disposal of property, it is stated that, “loss, damage, impairment or other discrepancy in respect of items of property shall be written off in accordance with financial rule 106.7 and related administrative issuances”.

24. It is established in financial rule 106.7 (see ST/SGB/2013/4/Amend.1) that:

(a) The Secretary-General may, after investigation, authorize the writing-off of losses of assets, including cash, receivables, property, plant and equipment, inventories and intangible assets. A summary statement of losses shall be provided to the Board of Auditors not later than three months following the end of the financial period.

(b) The investigation shall, in each case, fix the responsibility, if any, attaching to any official(s) of the United Nations for the loss or losses. Such official(s) may be required to reimburse the United Nations either partially or in full. Final determination as to all surcharges to be made against staff members or others as the result of losses will be made by the Secretary-General.

25. In policy and guidance on the physical verification of property, issued by the Department of Management Strategy, Policy Compliance on 8 June 2020, it is stated in section 19 that the property that is not found shall be identified as a discrepancy against the system of record and the disposal process shall commence immediately. It is also indicated therein the that timely resolution of property not found is particularly critical for capitalized property and inventory, given that delays in updating property details have an impact on the accuracy of financial statement reporting.

26. It is also expressed in the policy and guidance that, although the case to assign responsibility for property that is not found may be combined and submitted for review and approval along with the case for the disposal of the property, the two cases are separate processes, which are independent of each other in their execution and timelines. That is, the disposal process shall be completed irrespective of the outcome of the process to assign responsibility.

27. On 7 December 2022, the Board extracted the equipment record from Umoja, which included the physical verification data up to that date. In that report, it was noted that 13 of 925 assets, which had a total acquisition value of $395,290, appeared under the status of “equipment not found” and were already fully depreciated. However, their disposal processes had not yet been performed in Umoja. It should be noted that this situation was maintained during the final visit done in April and May 2023.

28. The Board also enquired about the action taken with regard to the disposal processes of those assets and the determination of causes of and responsibility for their loss. It was reported by the Mechanism that those assets were part of the equipment of the International Criminal Tribunal for Rwanda and that, during the last three annual physical verification cycles, various efforts had been made in order to locate or determine the status of those assets, such as physical review, location survey, the checking of archive records, the checking of the write-off documents – including through Local Property Survey Board and Headquarters Property Survey Board submissions – and minutes of meetings to trace the assets. Notwithstanding the above, it was observed that those 13 assets had not been found and that the causes of and responsibility for their loss had not been determined.

29. The Board is of the view that timely implementation of the disposal process by an organization is a critical element in the property management of its assets. In this

case, and given the fact there were items lost, this process, along with the performing of administrative measures, has become even more relevant for the Mechanism, considering the time elapsed since the detection of the finding.

30. Although the Mechanism does not have to adjust the amounts for accounting purposes, given that they are fully depreciated, the lost assets have a market value, which the Mechanism is losing and whose commercial value could have been recovered, for example, through a sale.

31. **The Board recommends that the Mechanism take action to initiate the disposal processes of the assets with the status "equipment not found", in accordance with the instructions in force.**

32. **The Board recommends that the Mechanism carry out the process to assign responsibilities, in order to determine eventual obligations and the root causes of the loss of assets, in a timely and effective manner.**

33. The Mechanism accepted the recommendations.

4. Human resources management

Incomplete documentation of training expenses and outcomes

34. In accordance with the conceptual framework for general purpose financial reporting by public sector entities of IPSAS issued in January 2013, faithful representation is a fundamental qualitative characteristic of the information included in financial reports, while verifiability is an enhancing qualitative characteristic.

35. Faithful representation is attained when the depiction of the phenomenon is complete, neutral and free from material error. Information that faithfully represents an economic or other phenomenon depicts the substance of the underlying transaction, other event, activity or circumstance. Meanwhile, verifiability is the quality of information that helps to assure users that information is faithful.

36. The Board reviewed the two general ledger accounts related to training expenses as at 31 December 2022, which totalled $211,552. Following this, the Board sampled eight entries from those two accounts, which amounted to $178,165, and observed the following:

(a) Three of the eight entries, totalling $96,100, referred not to training courses but rather to the purchase of information and communications technology equipment whose contracts included some training on their use;

(b) Four of the eight entries referred to training related to language, presentations and project management, totalling $47,056, for which the Mechanism did not have the records of who had attended the courses;

(c) The remaining entry referred to a donation of $35,000, made by the Mechanism to the World Food Programme, for an activity whose objective was to jointly provide World Food Programme and World Bank Group staff with practical information to mitigate the psychological and health-related risks associated with their work.

37. The Board is of the view that, in order to ensure the verifiability of the information contained in the financial statements, it is paramount that the Mechanism record the expenses in the general ledger accounts to which the expense relates primarily. In addition, the Board considers that keeping track of the attendees of training funded by the entity is relevant in order to maintain a record of the effectiveness of the expenses for capacity-building.

38. **The Board recommends that the Mechanism keep an updated annual record of the training expenses and the training given to staff members, including their objectives, participants, location, costs and learning outcomes.**

39. The Mechanism accepted the recommendation.

Lack of break in service for temporary appointments

40. In accordance with section 2.2 of the administrative instruction on the administration of temporary appointments (ST/AI/2010/4/Rev.1), temporary appointments may be granted for specific short-term requirements that are expected to last for less than one year at the time of the staff member's appointment.

41. In addition, it is explicitly stated in section 2.3 that a "temporary appointment shall not be used to fill needs that are expected to last for one year or more". Accordingly, the conditions for extension beyond 364 days are outlined in section 14 of the administrative instruction, while it is also affirmed therein that under no circumstances shall the period on a temporary appointment exceed 729 days.

42. It is indicated in section 5.5 that a former staff member who held a temporary appointment and was separated is not eligible for re-employment on a new temporary appointment, or as a consultant or individual contractor, within three months of the end of his or her most recent appointment in the same duty station, or within 31 days in a different duty station within entities that apply the United Nations Staff Regulations and Rules.

43. The Board observed that, in 9 of 41 temporary appointments held by the Mechanism as at 31 August 2022, the staff members employed through a temporary appointment for two years had a break in service and returned for a subsequent temporary appointment, which implied that those staff members had been covering needs that pertained to a longer period of time than the one established pursuant to the administrative instruction.

44. In addition, those nine temporary appointments had not had a minimum service interruption time between two successive temporary appointments. For five of them, the staff members had had an initial temporary appointment of 729 days, after which they had a break in service of 7 to 12 days, and then returned to a subsequent temporary appointment. For another three cases, the first temporary appointment had lasted between 608 and 616 days, after which there was a break in service of 10 or 11 days, followed by another temporary appointment that lasted 120 days or more.

45. Furthermore, two of the aforementioned nine cases did not have any justification regarding the exceptional situations that may account for not following the service interruption requirements.

46. The Board is of the view that compliance with the administrative instruction on temporary appointments contributes to the effective and prompt handling of the short-term needs of the staffing process for the Mechanism.

47. Therefore, keeping temporary appointments longer than the 729 days permitted under the administrative instruction may imply that these staff members are covering needs that pertain to a different modality than the one established under the regulation. Therefore, if the staffing needs are consistently in the midterm to long-term range, other modalities of appointments should be preferred.

48. **The Board recommends that the Mechanism carry out an assessment of the temporary appointment positions that are recurrent and necessary for the operation of the Mechanism in order to evaluate the use of other forms of appointments for them, when appropriate, in consideration of the Mechanism's downsizing process, temporary mandate and annual budget cycles.**

49. The Mechanism accepted the recommendation.

C. Transmissions of information by management

1. Write-off of cash, receivables and property

50. Pursuant to financial rule 106.7 (a), the Mechanism reported write-offs of property, plant and equipment of $0.123 million for the year 2022. There were no reported write-offs of cash or receivables, nor of inventories or intangibles during the year 2022.

2. Ex gratia payments

51. The Mechanism reported to the Board that there were no ex gratia payments in 2022.

3. Cases of fraud and presumptive fraud

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

53. During the audit, the Board made enquiries of management regarding its oversight responsibility for assessing the risks of material misstatements due to fraud and the processes in place for identifying and responding to the risks of fraud, including any specific risks of fraud that management had identified or that had been brought to its attention. The Board also enquired as to whether management had knowledge of any actual, suspected or alleged fraud. One case of fraud was reported to the Board, related to dental and medical insurance, with no alleged direct loss to the United Nations.

D. Acknowledgement

54. The Board expresses its sincere appreciation and gratitude to the management and staff of the Mechanism for the assistance and cooperation extended during the conduct of the audit.

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

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

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

26 July 2023

Annex

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

No.	Audit report year	Report reference	Board's recommendation	Management's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
1	2017	A/73/5/Add.15, chap. II, para. 20	The Mechanism agreed with the Board's recommendation to supervise the architectural firm tasked with reviewing the control system for air quality, temperature and relative humidity of the archive repositories in the Lakilaki facility and modifying the system to ensure that it meets standard requirements.	The Mechanism is currently in the solicitation stage of the heating, ventilation and air conditioning remediation project. The deadline for the market response was 31 May 2023. According to the timeline, the project is expected to be completed, tested and commissioned in November 2023.	The Board reviewed the request for expression of interest issued by the Mechanism. This notwithstanding, the works for the control system for air quality, temperature and relative humidity of the archive repositories in the Lakilaki facility had not been yet resumed. Therefore, the recommendation remains under implementation.		X		
2	2018	A/74/5/Add.15, chap. II, para. 20	The Board recommends that the Mechanism conduct a systematic fraud risk assessment following the provisions of the Anti-Fraud and Anti-Corruption Framework.	Although this recommendation has been overtaken by events in large part (with the roll-out of the statement of internal control and the risk control analysis exercises) and although the Mechanism falls under the umbrella of the United Nations Secretariat's fraud risk assessment, the Mechanism will undertake this exercise simultaneously while implementing the recommendation in paragraph 41 of Board's report for year ended 31 December 2021 (A/77/5/Add.15).	Regardless of the ongoing implementation reported by the Mechanism, no advances were observed on the matter during the 2022 audit visits. Therefore, the recommendation remains not implemented.			X	
3	2019	A/75/5/Add.15, chap. II, para. 21	The Board recommends that the Mechanism coordinate with the Secretariat to assess and start the management of the portfolio of real estate infrastructure in the respective Umoja module.	The Mechanism managed to link and assign the real estate assets with the architecture objects in the real estate module in Umoja and used the elements of the real estate module for the management of	The Board reviewed the implementation by the Mechanism of the real estate module in the Umoja system, noting that it was in use by Mechanism staff members for the management of the portfolio of real estate	X			

No.	Audit report year	Report reference	Board's recommendation	Management's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				real estate assets, leases and other relevant assets.	infrastructure. Therefore, the recommendation is considered implemented.				
4	2019	A/75/5/Add.15, chap. II, para. 30	The Board recommends that the Mechanism update the information on capitalized assets in Umoja, including the assignment of their respective users at the Mechanism and proper functional location, in the real estate management module in Umoja.	The Mechanism updated and completed the data related to capitalized assets. The capitalized assets have been assigned to end users/ responsible offices and installed to functional locations.	The Board reviewed the capitalized equipment as at 31 December 2022, observing that those assets had been assigned with their identification of the proper functional location and the end user in the Umoja system. Therefore, the recommendation is considered implemented.	X			
5	2019	A/75/5/Add.15, chap. II, para. 45	The Board recommends that the Mechanism improve its procedures of physical verification for the inventory of all capitalized assets, adjusting this information in the Umoja records, to ensure the integrity of the data maintained in the system.	The physical verification in the Mechanism has been conducted in compliance with the policy and guidance on the physical verification of property issued by Global Asset Management Policy Service on 8 July 2020. The purpose of the physical verification is to confirm the existence of property and validate the reliability and accuracy of property records. During the past two cycles of physical verification (2021 and 2022), the Mechanism met the physical verification target of 99.73 per cent of assets, following the closing instructions for the preparation of the IPSAS financial report on property, plant and equipment, and inventory. In the Mechanism's opinion, this recommendation is fully implemented.	The Board carried out a physical verification exercise of the capitalized assets as at 31 August 2022. In that review, it was observed that the Mechanism had significantly improved its procedures of physical verification of all capitalized assets and the available information in the Umoja records. Notwithstanding this, during its verification exercise the Board noted nine assets that were not in working condition, uninstalled and fully depreciated; however, those nine assets appeared in Umoja as assigned and operational and, furthermore, had been included in the 10 per cent manual adjustment, which is applied to fully depreciated and in-use assets. Accordingly, the recommendation is considered under implementation.		X		

No.	Audit report year	Report reference	Board's recommendation	Management's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
6	2019	A/75/5/Add.15, chap. II, para. 84	The Board recommends that the Mechanism reinforce its policy regarding the importance of requesting and approving annual and home leave in Umoja prior to the use of these entitlements, communicating such matters to its staff.	The Mechanism has adopted a standard operating procedure for requesting annual and home leave, which has been communicated to staff. The Mechanism therefore considers this recommendation to have been implemented and requests its closure by the Board.	While the Board acknowledges that the Mechanism has made efforts to improve the processes that maintain complete and updated information regarding leave, there are still cases of leave that have an approval date after the beginning of the effective start of the leave in Umoja. Therefore, this recommendation is considered under implementation.		X		
7	2019	A/75/5/Add.15, chap. II, para. 104	The Board recommends that the Mechanism improve its procedures for the planning of training to be conducted for staff, aimed at the proper execution of a training plan and its relevant budget, by drafting a document that identifies the corresponding staff in charge, dates, training topics, units, number of staff to be trained, and budget planned and expended per activity, among other possible issues.	Considering staff turnover in a downsizing environment and the additional challenges faced by the Human Resources Section during the global health crisis, resources were not available to implement the recommendation. The Mechanism will do so during the course of the next year.	Given that the training plan and its relevant budget have not been drafted, the recommendation remains not implemented.			X	
8	2019	A/75/5/Add.15, chap. II, para. 109	The Board recommends that the Mechanism take action leading to registering in Umoja all the absences corresponding to the travel days.	The Mechanism has adopted a standard operating procedure for requesting annual and home leave, which has been communicated to staff. The Mechanism therefore considers the recommendation to have been implemented and requests its closure by the Board.	The Board observed that there were still cases that had an approval date after the beginning of effective start of the absence in Umoja system. Furthermore, the standard operating procedure to which the Mechanism refers has not been drafted. Therefore, the recommendation remains not implemented.			X	

No.	Audit report year	Report reference	Board's recommendation	Management's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
9	2019	A/75/5/Add.15, chap. II, para. 122	The Board recommends that the Mechanism have supporting documentation regarding the selection of the most economical offer, in order to ensure that this requirement is met at the time of purchasing the tickets.	The Mechanism is maintaining supporting documentation regarding the selection of the most economical fare. The Mechanism therefore considers the recommendation to have been implemented and requests its closure by the Board.	The Board required the supporting documentation regarding the selection of the most economical offer for travel, which was not provided. The Mechanism stated firmly that it was not able to produce the documentation for all the purchased travel. Considering that the Mechanism has made no efforts towards the implementation of the recommendation, it is considered not implemented.			X	
10	2019	A/75/5/Add.15, chap. II, para. 138	The Board recommends that the Mechanism perform and keep a record of the disaster recovery exercise at least annually, incorporating the disaster recovery planning document and the lessons learned after the testing, and ensuring that this exercise includes the key employees involved in the recovery process, as established in the information and communications technical procedure on disaster recovery planning (SEC.08.PROC).	The complete replacement of the information and communications technology (ICT) infrastructure is pending the installation of two recently arrived storage nodes, which will be installed shortly. Once the infrastructure is completed, the Information Technologies Services Section will perform the system disaster recovery. Meanwhile, the Section has already performed the data disaster recovery by recovering deleted files by the end users.	The Board observed that the disaster recovery exercise, which should involve the check of the systems recovery in case of an eventual ICT malfunction, had not been performed during 2022. Rather, the documentation regarding the Mechanism's disaster recovery exercise showed the setting of two nodes in the ICT architecture, which is not the objective of the recommendation. In addition, the Board noted that the disaster recovery plan did not consider guidelines regarding the performance and regularity of the disaster recovery exercise, as is required pursuant to technical procedure SEC.08.PROC of the United Nations Secretariat. In view of the above, the recommendation is considered under implementation.		X		

No.	Audit report year	Report reference	Board's recommendation	Management's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
11	2020	A/76/5/Add.15, chap. II, para. 44	The Board recommends that the Mechanism regularly remind programme managers and supervisors of the performance evaluation deadlines (e-performance or form P.333) to ensure that all staff members have a performance evaluation for each cycle or appointment.	The Mechanism continues to send regular reminders to managers and supervisors to ensure compliance with the performance evaluation deadlines. Currently, the Mechanism has a 94 per cent compliance rate for the 2021–2022 performance evaluation cycle. The Mechanism therefore considers the recommendation to have been implemented and requests its closure by the Board.	The Board noted that reminders were issued through an internal mailing on the issue on 18 April, 29 June, 5 July and 12 July. Although relevant work had been done in previous years towards the implementation of the recommendation, when the Board required evidence regarding the performance evaluations for the year 2022 and its compliance with the normative, such documentation was not provided by the Mechanism. Thus, the recommendation remains under implementation.		X		
12	2020	A/76/5/Add.15, chap. II, para. 45	The Board recommends that the Mechanism's Human Resources Section reinforce its regular monitoring of the personnel files with the aim of verifying that the educational certificates related to the functions for which the staff members were appointed are included.	The Human Resources Section of the Mechanism implemented a review of all staff official status files to ensure that the required education certificates for the appointed post were included, and it completed that exercise for Professional and above staff members. The review of General Service and Field Service staff files is ongoing.	The Board acknowledges the efforts made by the Mechanism towards maintaining complete and updated information of the personnel files. However, the Board reviewed the personnel files, detecting that the educational certificates related to the functions for which the staff members had been appointed were not included for 30 per cent of the reviewed cases, which was a slight improvement on the recommendation's progress, compared with the previous year. Therefore, this recommendation is considered under implementation.		X		
13	2020	A/76/5/Add.15, chap. II, para. 59	Moreover, the Board recommends that the Mechanism evaluate the future use of the letters of	The letters generated automatically in Umoja state that the staff member is an employee of the United Nations	The Mechanism did not provide supporting information regarding communication with and assessments from the			X	

No.	Audit report year	Report reference	Board's recommendation	Management's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
			appointment module in Umoja and, if not viable, define a control measure for the updating and harmonization of the information contained in the current staff's letters of appointment in a centralized and accessible manner.	Secretariat, which is not the case of Mechanism staff. To address this problem, the Mechanism has contacted the Umoja help desk to explore possible solutions to the issue.	Umoja help desk. Therefore, the recommendation remains not implemented.				
14	2020	A/76/5/Add.15, chap. II, para. 69	The Board recommends that the Mechanism take measures to improve the compliance of its staff with the policy guidance on alternate working arrangements and flexible working arrangements in the context of the COVID-19 pandemic, in order to reflect the working days of the staff, and keep this information updated in Umoja on a weekly basis.	The Mechanism has implemented a return-to-work policy, with all flexible working arrangement in the context of COVID-19 cancelled. The Mechanism therefore considers the recommendation to have been overtaken by events and requests its closure by the Board.	The Board requested the complete list of staff members who still maintained flexible working arrangements. However, no documentation was provided by the Mechanism, nor any other evidence of advances in compliance with the policy guidance on the matter. Thus, the recommendation is considered not implemented.			X	
15	2020	A/76/5/Add.15, chap. II, para. 89	The Board recommends that the Mechanism streamline the process to fill the Chief Procurement Manager position in the short term.	The Mechanism employs a Chief Procurement Officer who is on loan from the United Nations Global Service Centre. The Mechanism, therefore considers the recommendation to have been implemented and requests its closure by the Board.	The Board acknowledges the efforts made by the Mechanism to complete the recruitment of this key position and that it was filled temporarily during 2022. However, as of the date of the Board's review, this position was vacant again. Therefore, the recommendation is considered under implementation.		X		
16	2021	A/77/5/Add.15, chap. II, para. 32	The Board recommends that the Mechanism develop a long-term organizational strategy, including key issues such as premises, equipment and personnel, involving the three organs that compose the Mechanism.	On the basis of an evaluation recommendation by the Office of Internal Oversight Services, the Mechanism has been developing a scenario-based workforce plan. The Mechanism's management will expand upon this document to encompass a larger long-term organizational strategy.	Notwithstanding the ongoing implementation reported by the Mechanism, no evidence of the draft or approved version of the long-term organizational strategy was provided during the audit visits. Therefore, the recommendation is considered not implemented.			X	

No.	Audit report year	Report reference	Board's recommendation	Management's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
17	2021	A/77/5/Add.15, chap. II, para. 41	The Board recommends that the Mechanism complete the risk control matrices, in order to fully perform the risk assessment procedures required by the United Nations Department of Management Strategy, Policy and Compliance regarding the statement on internal control.	The Mechanism completed the 2020 and 2021 annual risk self-assessment questionnaires and will be completing the risk control matrices in the third and fourth quarters of this year.	Notwithstanding the ongoing implementation reported by the Mechanism, no evidence of the draft or approved version of the risk control matrices was provided during the audit visits. Therefore, the recommendation is considered not implemented.			X	
18	2021	A/77/5/Add.15, chap. II, para. 51	The Board recommends that the Mechanism maintain complete and updated information regarding the status of the vacant positions.	The Mechanism has improved the process of substantiation and documentation for changes in general temporary assistance positions that constitute fluctuations in operational requirements over the course of a budget period. The Mechanism therefore considers the recommendation to have been implemented and requests its closure by the Board.	The Mechanism did not provide a report with complete and updated information regarding the status of the vacant positions that would indicate the need to keep them open. Therefore, the recommendation is considered not implemented.			X	
19	2021	A/77/5/Add.15, chap. II, para. 65	The Board recommends that the Mechanism implement the oversight controls needed for an appropriate and timely drafting, review and approval of the procurement demand plans.	The Mechanism has successfully and in a timely manner completed the drafting, review and approval of appropriate procurement demand plans for both The Hague and the Arusha branches.	The Board reviewed the demand plans prepared by the Mechanism for the year 2022, noting that those documents had been prepared in accordance with the instructions set forth in the United Nations Procurement Manual, which is a significant improvement over the previous period. Therefore, this recommendation is considered implemented.	X			
20	2021	A/77/5/Add.15, chap. II, para. 66	The Board recommends that the Mechanism develop an acquisition plan at the Mechanism level, consolidating the requirements for both	The Mechanism has successfully and in a timely manner completed the drafting, review and approval of appropriate procurement	The Board reviewed the acquisition plans prepared by the Mechanism for the years 2022 and 2023, noting that those documents included	X			

No.	Audit report year	Report reference	Board's recommendation	Management's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
			branches and all the requesting sections, in order to enable the entity to plan, execute and control its procurement process in a timely and integrated manner.	acquisition plans for both The Hague and the Arusha branches.	useful information such as the description of the requirements, the coordination action and the details of the purchase planning process, as defined in the Procurement Manual. Therefore, the recommendation is considered implemented.				
21	2021	A/77/5/Add.15, chap. II, para. 67	The Board recommends that the Mechanism conduct a review of the acquisition plan on a quarterly basis, in order to make the necessary adjustments regarding the actual needs of the requisitioning units, as indicated in the Procurement Manual.	Owing to reduced staff capacity during the period, the Procurement Section does not have the resources to meet the requisitioners and record the minutes of meetings. Each buyer contacts requisitioners directly on a one-to-one basis through Microsoft Teams, as and when required, to discuss upcoming procurement requirements. The Section nevertheless agrees that a quarterly review of the acquisition plan will be implemented and has started this action in 2023.	Considering that the Mechanism did not carry out action regarding the control and supervision reviews for ensuring compliance with the entity's acquisition plan on a quarterly basis, in line with the Procurement Manual, the recommendation is considered not implemented.			X	
22	2021	A/77/5/Add.15, chap. II, para. 77	The Board recommends that the Mechanism elaborate the source selection plan when it is required for formal or informal solicitation processes, in accordance with the specific regulations stated in the Procurement Manual, keeping the corresponding documentation for the respective solicitation method files.	The Mechanism has ensured that the source selection plans are drafted when required. The Mechanism therefore considers the recommendation to have been implemented and requests its closure by the Board.	The Board reviewed the list of the source selection plans elaborated by the Mechanism during the audit period, noting a substantial improvement in the preparation and completeness of the documents. Therefore, the recommendation is considered implemented.	X			
23	2021	A/77/5/Add.15, chap. II, para. 86	The Board recommends that the Mechanism improve its planning and documentation of the information technology equipment needs, requirements	The Mechanism is preparing its budget submission for the 2023 budget cycle, and as part of the non-post budget submission is ensuring that the planning and	The Board requested supporting documents of the planning and assessments of needs for information technology equipment within			X	

No.	Audit report year	Report reference	Board's recommendation	Management's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
			and implementation, with the aim of using these assets in the short term and thus obtaining the full use of their capabilities within the total allocated useful life.	documentation of the information technology equipment needs are improved.	the non-post budget submission. The Mechanism provided a half-page Word file that showed that 2023 acquisitions would be reduced by 50 per cent compared with 2022. The file also showed a list of three types of items required for 2023, indicating their expected acquisition and implementation quarter. Notwithstanding the aforementioned file, the Board carried out a physical verification to validate the installation of the 18 pieces of equipment of the Information Technologies Services Section observed during the 2021 audit; of those 18 assets, 1 remained in storage. Furthermore, 39 new assets acquired in March and June 2022 were reviewed; of those, 16 were in storage as of the date of the Board's physical review on mid-May 2023. Accordingly, the recommendation is considered not implemented.				
24	2021	A/77/5/Add.15, chap. II, para. 96	The Board recommends that the Mechanism develop and approve an information and communications technology strategy aligned with its overall strategic planning and the general information and communications technology strategic initiatives of the United Nations, defining short- and middle-term objectives within the Mechanism's	The Mechanism will develop and approve an ICT strategy aligned with the United Nations Secretariat's ICT strategy and in response to the strategic planning of the institution as a whole. In addition, the ICT committee will be revitalized after the departure of many of its members.	The Mechanism reported having followed the guidelines of the United Nations ICT strategy from the Office of Information and Communications Technology. However, the recommendation requires the Mechanism to develop its own ICT strategy that included the Mechanism's specific overall strategic planning, also considering its			X	

No.	Audit report year	Report reference	Board's recommendation	Management's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
			downsizing context and including the lessons learned from the COVID-19 pandemic.		downsizing process and the lessons learned from the COVID-19 pandemic. Such a planning document has not been developed by the Mechanism. Therefore, the recommendation is considered not implemented.				
25	2021	A/77/5/Add.15, chap. II, para. 105	The Board recommends that the Mechanism request the blocking of all user accounts that remain dormant for three consecutive months and properly request clearance from the Office of Information and Communications Technology if and when it considers that exceptional cases should further retain access.	Compliance with the policy that all inactive accounts should be deactivated after three months of non-usage is managed through a quarterly validation of inactive users. The Mechanism has completed this validation exercise on a quarterly basis, as required, and therefore considers the recommendation to have been implemented and requests its closure by the Board.	The Board reviewed the Umoja users list of the Mechanism, not detecting user accounts with critical roles that have remained dormant for more than three consecutive months. Therefore, the recommendation is considered implemented.	X			
	Total number of recommendations				**25**	**6**	**7**	**12**	**–**
	Percentage of total number of recommendations				**100**	**24**	**28**	**48**	**–**

Chapter III

Letter dated 28 March 2023 from the Assistant Secretary-General, Controller, addressed to the Chair of the Board of Auditors

The financial statements of the International Residual Mechanism for Criminal Tribunals for the year ended 31 December 2022 have been prepared in accordance with regulation 6.1 of the Financial Regulations and Rules of the United Nations.

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

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

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

Chapter IV
Financial report for the year ended 31 December 2022

A. Introduction

1. The Registrar has the honour to submit herewith the financial report on the accounts of the International Residual Mechanism for Criminal Tribunals for the year ended 31 December 2022.

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

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

4. In 2022, the Mechanism began proceedings in the *Kabuga* case. The opening statements were heard on 29 and 30 September 2022 and the prosecution commenced presenting evidence on 5 October. As a result of Mr. Kabuga's health condition and on the basis of medical advice, the Trial Chamber decided to hold court sessions three days per week for two hours per day.

5. In 2022 the Mechanism also delivered the appeal judgment in the *Fatuma et al.* case, continued appeal proceedings in the *Stanišić and Simatović* case and terminated proceedings against Protais Mpiranya and Phénéas Munyarugarama.

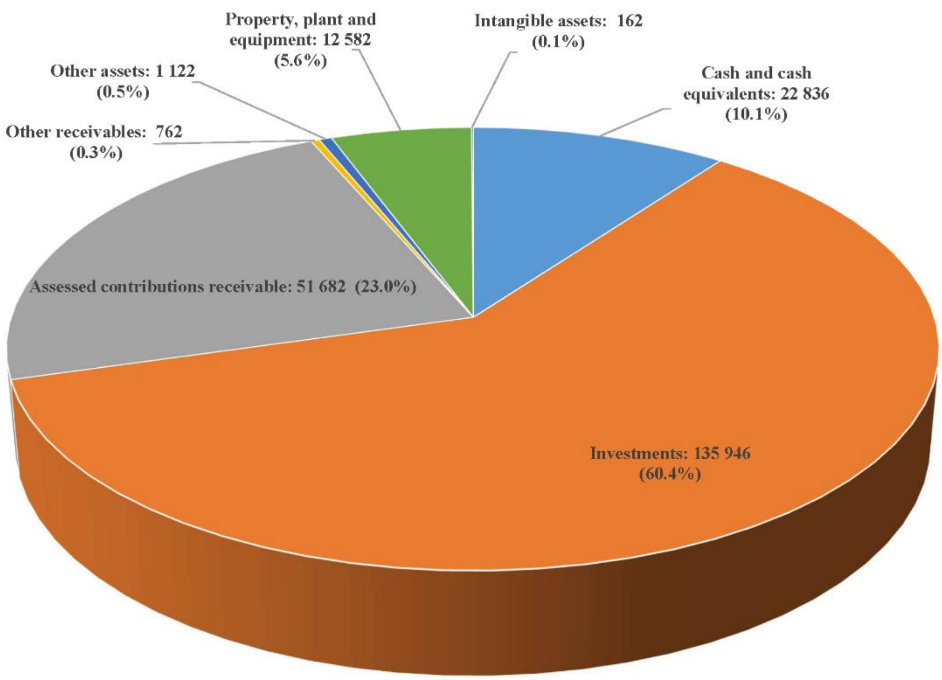
6. Mr. Mpiranya was indicted initially by the International Criminal Tribunal for Rwanda in 2000 and the operative indictment against him was confirmed in 2012. He was the last fugitive of the Tribunal expected to be tried before the Mechanism, if apprehended. Following a motion to terminate the proceedings filed by the prosecution on 26 August 2022, the single judge examined the evidence presented by the prosecution, including a recent forensic report containing DNA analysis of exhumed remains identified as those of Mr. Mpiranya and determined that there was sufficient information to establish that he was deceased.

7. Mr. Munyarugarama was indicted initially by the International Criminal Tribunal for Rwanda in 2002 and the operative indictment against him was confirmed in 2012. Shortly thereafter, the proceedings concerning Mr. Munyarugarama were referred by the Tribunal to the authorities of Rwanda, pursuant to rule 11 bis of the Rules of Procedure and Evidence of the Tribunal. On 18 May 2022, the Office of the Prosecutor of the Mechanism confirmed the death of Mr. Munyarugarama. On 16 December 2022, a single judge of the Mechanism found that the Office had presented sufficient information to establish that Mr. Munyarugarama was deceased and, notwithstanding any possible termination of the case against him before a court in Rwanda, terminated the proceedings against him before the Mechanism.

B. Overview of assets, liabilities and liquidity

8. Assets as at 31 December 2022 totalled $225.092 million, compared with the balance as at 31 December 2021 of $230.370 million.

Figure IV.I
Assets of the Mechanism as at 31 December 2022
(Thousands of United States dollars)



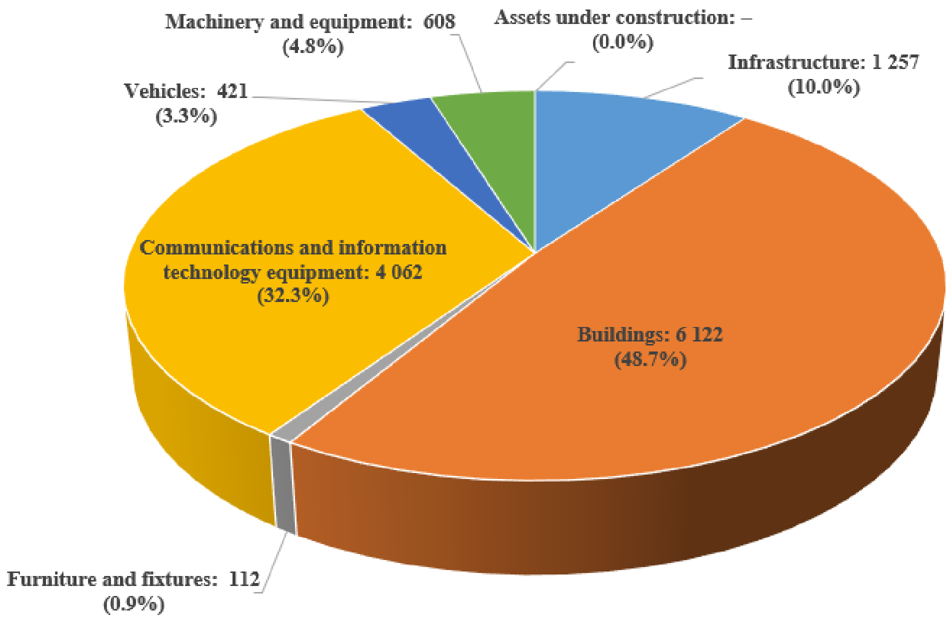
9. As figure IV.I illustrates, the main assets of the Mechanism as at 31 December 2022 were cash and cash equivalents and investments, totalling $158.782 million (representing 70.5 per cent of total assets); assessed contributions receivable from Member States of $51.682 million (23.0 per cent); property, plant and equipment of $12.582 million (5.6 per cent); other assets of $1.122 million (0.5 per cent); and other accounts receivable of $0.762 million (0.3 per cent).

10. Cash and cash equivalents and investments of $158.782 million as at 31 December 2022 were held in the United Nations main cash pool. This represents a decrease of $3.753 million compared with the balance of $162.535 million held at the end of 2021.

11. Assessed contributions receivable decreased by $0.331 million, from $52.013 million at the end of 2021 to $51.682 million at the end of 2022. This decrease was due to an increase in the arrears due to the Mechanism from $24.888 million at the end of 2021 to $25.219 million at the end of 2022, a decrease in arrears due to the former International Criminal Tribunal for Rwanda from $5.546 million at the end of 2021 to $5.400 million at the end of 2022 and a decrease in arrears due to the former International Tribunal for the Former Yugoslavia from $21.579 million at the end of 2021 to $21.063 million at the end of 2022.

12. The Mechanism’s property, plant and equipment assets consist primarily of buildings and communications and information technology equipment (valued at $6.122 million and $4.062 million, respectively), as shown in figure IV.II.

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



13. In relation to the Arusha premises (in use since 2016), the Mechanism concluded the long-outstanding punch list with the main contractor, and a statement was issued detailing the value of the work completed, on the basis of which the value of the building was adjusted in 2019. Some actions, such as the remediation of the heating, ventilation and air conditioning system, continued to be addressed in 2022.

14. In 2022, additions valued at $1.087 million were capitalized to communications and information technology equipment, relating primarily to the scheduled upgrade of servers and network equipment at The Hague, Netherlands, and Arusha, United Republic of Tanzania.

15. The decrease in other accounts receivable is due in large part to the decrease in recoverable value added tax (VAT) from $1.395 million at the end of 2021 to $0.903 million at the end of 2022. The balance of recoverable VAT at the end of 2022 includes $0.517 million from the United Republic of Tanzania (2021: $0.961 million), $0.200 million from the Netherlands (2021: $0.244 million), $0.179 million from Rwanda (2021: $0.184 million) and $0.007 million from Bosnia and Herzegovina (2021: $0.006 million). Allowance for doubtful receivables relates mostly to recoverable VAT due for more than one year from the United Republic of Tanzania.

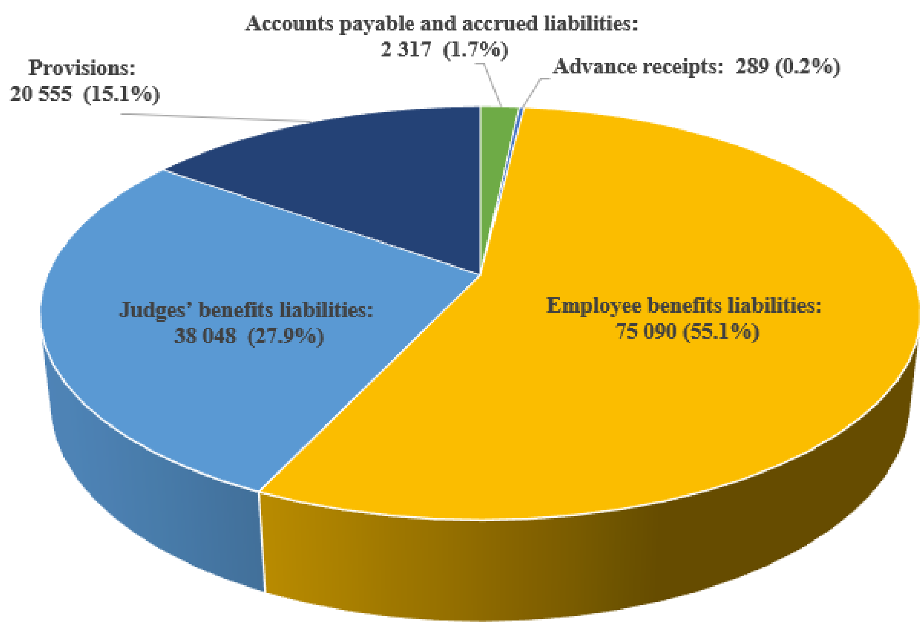
16. Other assets decreased by $0.423 million, from $1.545 million at the end of 2021 to $1.122 million at the end of 2022. The balance of other assets at the end of 2022 includes deferred charges of $0.575 million (2021: $0.646 million), advances to staff of $0.425 million (2021: $0.429 million), advances to vendors of $0.047 million (2021: $0.433 million), other assets of $0.040 million (2021: $0.026 million) and advances to the United Nations Development Programme and other United Nations agencies of $0.035 million (2021: $0.011 million).

Liabilities

17. Liabilities as at 31 December 2022 totalled $136.299 million (31 December 2021: $173.055 million).

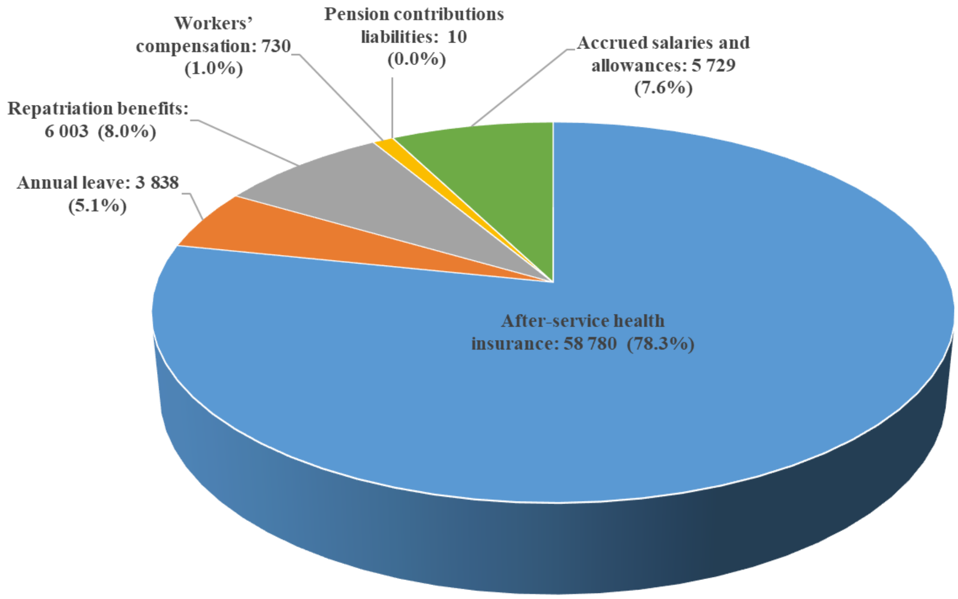
18. As shown in figure IV.III, the largest liability refers to employee benefits earned by staff members and retirees in the amount of $75.090 million, representing 55.1 per cent of the Mechanism's total liabilities. The decrease in these liabilities in the amount of $20.391 million, or 27.2 per cent, in 2022 was due primarily to the net decrease of $22.527 million in defined employee benefits liabilities, brought about mainly by an actuarial gain of $25.465 million arising from changes in experience adjustments and financial assumptions in the most recent actuarial valuation, conducted in 2022.

Figure IV.III
Liabilities as at 31 December 2022
(Thousands of United States dollars)



19. As illustrated in figure IV.IV, employee benefits liabilities valued by independent actuaries consisted largely of liabilities related to after-service health insurance ($58.780 million), accrued salaries and allowances ($5.729 million) and repatriation benefits ($6.003 million).

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



20. The liabilities related to judges' honorariums and allowances amounted to $38.048 million, representing mainly the judges' pension liabilities that are now held by the Mechanism due to the amalgamation of the two former Tribunals. Of the total amount of judges' benefits liabilities as at 31 December 2022, $22.658 million relates to liabilities for retired judges of the International Tribunal for the Former Yugoslavia and $15.390 million relates to liabilities for retired judges of the International Criminal Tribunal for Rwanda.

21. Provisions amounted to $20.555 million (2021: $22.450 million), related entirely to credits to Member States. The provision includes savings from prior periods, the cancellation of commitments, the unencumbered balance of the appropriations for 2022 and other revenue.

Net assets

22. The movement in net assets during the year reflects an increase of $31.478 million, from $57.315 million in 2021 to $88.793 million in 2022, due primarily to an actuarial gain of $25.465 million on defined benefits liabilities and an actuarial gain of $11.279 million on judges' pensions, which were offset in part by an overall deficit of $5.473 million from the performance during the year. As at 31 December 2022, the net assets of the Mechanism included a restricted portion of $3.984 million relating to the balance of the special account for the construction of the Arusha facility.

Liquidity position

23. As at 31 December 2022, liquid assets totalled $167.812 million (cash and cash equivalents of $22.836 million, short-term investments of $91.593 million, and assessed contributions receivable, other accounts receivable and other assets totalling $53.383 million), whereas total current liabilities amounted to $33.929 million. The table below highlights current assets and current liabilities at the segment level for the year ended 31 December 2022.

(Thousands of United States dollars)

	Note	*Former ICTY*	*Former ICTR*	*IRMCT*	*31 December 2022*
Current assets					
Cash and cash equivalents	6	12 397	8 704	1 735	22 836
Investments	6	49 736	34 921	6 936	91 593
Assessed contributions receivable	6, 7	21 062	5 400	25 220	51 682
Other accounts receivable	6, 7	–	–	762	762
Other assets	8	12	(1)	928	939
Total current assets		**83 207**	**49 024**	**35 581**	**167 812**
Current liabilities					
Accounts payable and accrued liabilities	11	–	–	2 317	2 317
Advance receipts	12	–	–	289	289
Employee benefits liabilities	13	535	604	6 641	7 780
Judges' benefits liabilities	14	1 677	1 311	–	2 988
Provisions	15	2 394	1 618	16 543	20 555
Total current liabilities		**4 606**	**3 533**	**25 790**	**33 929**

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

24. The table below summarizes four key liquidity indicators for the financial year ended 31 December 2022, with comparatives for the year ended 31 December 2021.

	Year ended 31 December	
Liquidity indicator	*2022*	*2021*
Ratio of liquid assets to current liabilities	4.9:1	5.5:1
Ratio of liquid assets less accounts receivable to current liabilities	3.4:1	4.0:1
Ratio of liquid assets to total assets	0.7:1	0.8:1
Average months of cash, cash equivalents and investments on hand	22.9	21.7

25. The ratio of liquid assets to current liabilities is a measure of the ability of the Mechanism to pay its short-term obligations from its liquid resources. The ratio of 4.9:1 indicates that current liabilities are covered mainly by liquid assets.

26. As at 31 December 2022, the Mechanism's liquid assets were approximately 74.6 per cent of its total assets and it held sufficient cash and cash equivalents and investments to cover its estimated average monthly expenses (less depreciation and amortization) of $6.936 million for 22.9 months.

C. Overview of financial performance

Revenue

27. In 2022, revenue totalled $80.243 million (2021: $87.742 million). The main source of revenue was assessed contributions of $79.339 million assessed to Member States after deducting from the gross appropriation the savings from prior periods, the cancellation of commitments, the unencumbered balance for 2022 and other revenue, as described in the table below. This revenue has been recorded in

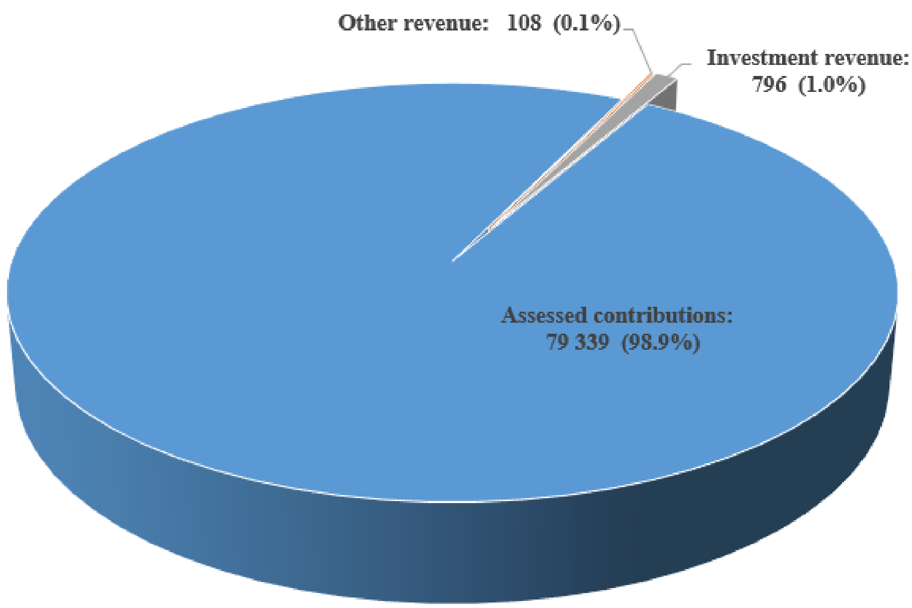
accordance with the Financial Regulations and Rules of the United Nations and the relevant resolutions of the General Assembly.

(Thousands of United States dollars)

	2022
Assessment for 2022 (resolution 76/243)	89 690
Cancellation of commitments for the year 2021, savings from prior periods and revenue recorded as provisions in the 2022 financial statements	(3 369)
Unencumbered balance of appropriations for 2022 recorded as provisions in the 2022 financial statements	(6 982)
Revenue from assessed contributions	**79 339**

28. The other sources of revenue included mainly investment revenue and other revenue of $0.796 million and $0.108 million, respectively.

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



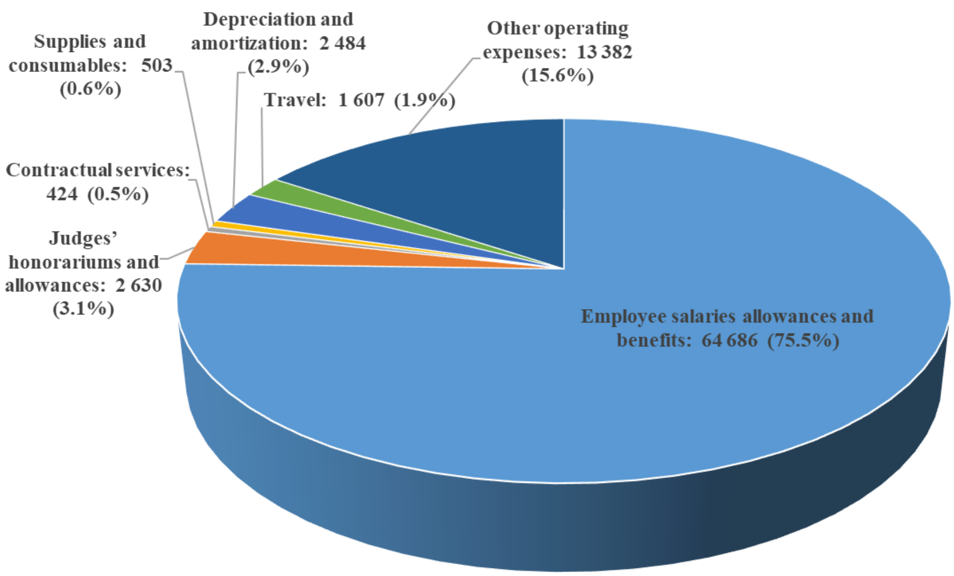
Expenses

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

30. For the year ended 31 December 2022, expenses totalled $85.716 million (2021: $92.147 million), which is a decrease of $6.431 million compared with 2021. The main expense categories were employee salaries, allowances and benefits of $64.686 million, which constituted 75.5 per cent of total expenses; other operating expenses of $13.382 million (15.6 per cent); judges' honorariums and allowances of $2.630 million (3.1 per cent); depreciation and amortization of $2.484 million (2.9 per cent); and travel expenses of $1.607 million (1.9 per cent). The remaining $0.927 million (1.1 per cent) were expenses for contractual services and supplies and consumables.

31. The main decrease was under employee salaries, allowances and benefits, which decreased by $5.630 million, from $70.316 million in 2021 to $64.686 million in 2022. It can be explained mainly by the continued downsizing of the Mechanism and reduction in staff levels.

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



Operating results

32. The deficit of revenue of $80.243 million over expenses of $85.716 million in 2022, as measured under IPSAS, was $5.473 million. This was due primarily to the recording of a provision of $10.352 million for credits to Member States for the cancellation of prior-year commitments, savings from prior periods and revenue, as well as the unencumbered balance of the 2022 appropriations. This provision decreases the budgeted revenue assessed in 2022 in the amount of $89.690 million.

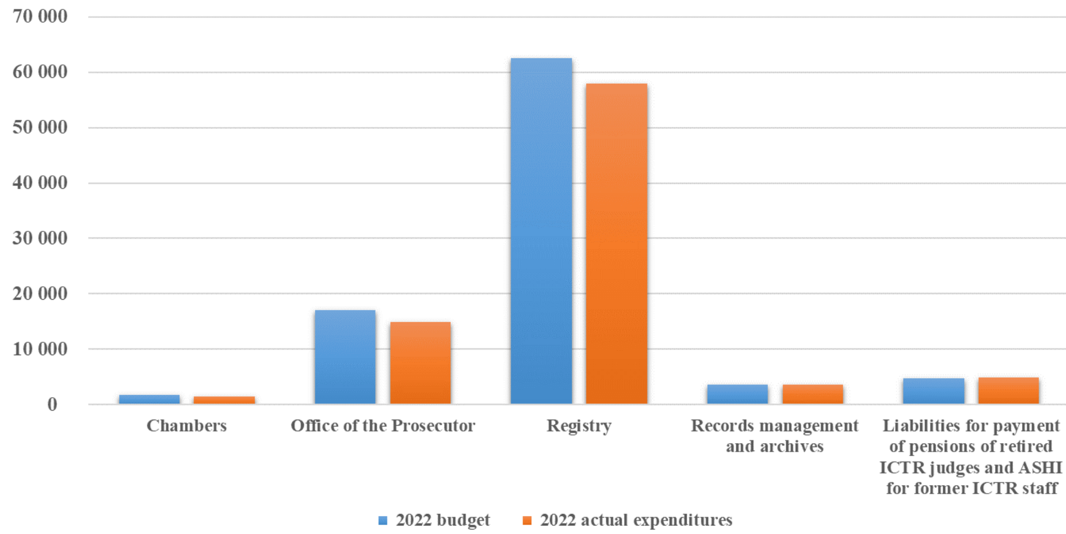
D. Budgetary performance

33. Figure IV.VII shows the relative proportion of the 2022 budget of the Mechanism for each of its programme components; the annual budget totalled $89.690 million (2021: $97.520 million) and expenditure amounted to $82.708 million (2021: $90.346 million). As shown in statement V of the financial statements, actual expenditure was

less than the annual budget by 7.8 per cent. The comparative budget and expenditure of the Mechanism are presented in figure IV.VII.

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

(Thousands of United States dollars)



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

Chapter V

Financial statements for the year ended 31 December 2022

International Residual Mechanism for Criminal Tribunals

I. Statement of financial position as at 31 December 2022

(Thousands of United States dollars)

	Note	*31 December 2022*	*31 December 2021*
Assets			
Current assets			
Cash and cash equivalents	6	22 836	17 838
Investments	6	91 593	121 909
Assessed contributions receivable	6, 7	51 682	52 013
Other accounts receivable	6, 7	762	943
Other assets	8	939	1 261
Total current assets		**167 812**	**193 964**
Non-current assets			
Investments	6	44 353	22 788
Property, plant and equipment	9	12 582	13 096
Intangible assets	10	162	238
Other assets	8	183	284
Total non-current assets		**57 280**	**36 406**
Total assets		**225 092**	**230 370**
Current liabilities			
Accounts payable and accrued liabilities	11	2 317	3 696
Advance receipts	12	289	324
Employee benefits liabilities	13	7 780	5 396
Judges’ benefits liabilities	14	2 988	3 097
Provisions	15	20 555	22 450
Total current liabilities		**33 929**	**34 963**
Non-current liabilities			
Employee benefits liabilities	13	67 310	90 085
Judges’ benefits liabilities	14	35 060	48 007
Total non-current liabilities		**102 370**	**138 092**
Total liabilities		**136 299**	**173 055**
Net of total assets and total liabilities		**88 793**	**57 315**
Net assets			
Accumulated surpluses/(deficits) – unrestricted	16	84 810	52 914
Accumulated surpluses/(deficits) – restricted	16	3 983	4 401
Total net assets		**88 793**	**57 315**

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

International Residual Mechanism for Criminal Tribunals

II. Statement of financial performance for the year ended 31 December 2022

(Thousands of United States dollars)

	Note	*31 December 2022*	*31 December 2021*
Revenue			
Assessed contributions	17	79 339	87 316
Other revenue	17	108	159
Investment revenue	6	796	267
Total revenue		**80 243**	**87 742**
Expenses			
Employee salaries, allowances and benefits	18	64 686	70 316
Judges’ honorariums and allowances	18	2 630	2 552
Contractual services	18	424	390
Supplies and consumables	18	503	443
Depreciation and amortization	9, 10	2 484	2 119
Travel	18	1 607	1 009
Other operating expenses	18	13 382	15 318
Total expenses		**85 716**	**92 147**
Surplus/(deficit) for the year		**(5 473)**	**(4 405)**

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

International Residual Mechanism for Criminal Tribunals

III. Statement of changes in net assets for the year ended 31 December 2022

(Thousands of United States dollars)

	Note	*Accumulated surpluses/ (deficits) – unrestricted*	*Accumulated surpluses/ (deficits) – restricted*	*Total*
Net assets as at 1 January 2021		**53 437**	**4 743**	**58 180**
Changes in net assets in 2021				
Actuarial gain/(loss) on defined benefits liabilities		7 345	–	7 345
Actuarial gain/(loss) on workers' compensation liabilities		(35)	–	(35)
Actuarial gain/(loss) on judges' pensions		(3 770)	–	(3 770)
Surplus/(deficit) for the year		(4 063)	(342)	(4 405)
Net assets as at 31 December 2021		**52 914**	**4 401**	**57 315**
Changes in net assets in 2022				
Actuarial gain/(loss) on defined benefits liabilities	13	25 465	–	25 465
Actuarial gain/(loss) on workers' compensation liabilities	13	208	–	208
Actuarial gain/(loss) on judges' pensions	14	11 279	–	11 279
Surplus/(deficit) for the year		(5 056)	(417)	(5 473)
Net assets as at 31 December 2022		**84 810**	**3 983**	**88 793**

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

International Residual Mechanism for Criminal Tribunals

IV. Statement of cash flows for the year ended 31 December 2022

(Thousands of United States dollars)

	Note	*31 December 2022*	*31 December 2021*
Cash flows from operating activities			
Surplus/(deficit) for the year		**(5 473)**	**(4 405)**
Non-cash movements			
Depreciation and amortization	9, 10	2 484	2 119
Actuarial gain/(loss) on defined benefits liabilities	13	25 465	7 345
Actuarial gain/(loss) on workers' compensation liabilities	13	208	(35)
Actuarial gain/(loss) on judges' pensions	14	11 279	(3 770)
Net (gain)/loss on disposal of property, plant and equipment and intangible assets	9, 10	115	(14)
Other adjustments on property, plant and equipment	9, 10	56	–
Changes in assets			
(Increase)/decrease in assessed contributions receivable	7	331	(734)
(Increase)/decrease in other receivables	7	181	204
(Increase)/decrease in other assets	8	423	(419)
Changes in liabilities			
Increase/(decrease) in accounts payable – other	11	(1 379)	(1 951)
Increase/(decrease) in advance receipts	12	(35)	292
Increase/(decrease) in employee benefits payable	13	(20 391)	(3 119)
Increase/(decrease) in judges' benefits liabilities	14	(13 056)	1 977
Increase/(decrease) in provisions	15	(1 895)	3 373
Investment revenue presented as investing activities	6	(796)	(267)
Net cash flows from/(used in) operating activities		**(2 483)**	**596**
Cash flows from investing activities			
Pro rata share of net changes in the cash pool	6	8 751	245
Investment revenue presented as investing activities	6	796	267
Acquisition of property, plant and equipment	9	(2 066)	(1 009)
Proceeds from disposal of property, plant and equipment	9	–	14
Acquisition of intangible assets	10	–	(62)
Net cash flows from/(used in) investing activities		**7 481**	**(545)**
Cash flows from financing activities		–	–
Net cash flows from/(used in) financing activities		–	–
Net increase/(decrease) in cash and cash equivalents		4 998	51
Cash and cash equivalents at beginning of year		17 838	17 787
Cash and cash equivalents at end of year		**22 836**	**17 838**

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

International Residual Mechanism for Criminal Tribunals

V. Statement of comparison of budget and actual amounts for the year ended 31 December 2022

(Thousands of United States dollars)

Current year:	*2022 budget (appropriation)*[a]	*Actual 2022 expenditure (budget basis)*	*2022 difference*[b] *in budget and actual expenditure (percentage)*
Mechanism			
Chambers	1 790	1 435	(19.84)
Office of the Prosecutor	17 093	14 903	(12.81)
Registry	62 562	57 890	(7.47)
Records management and archives	3 545	3 592	1.35
Liabilities for payment of pensions of retired ICTR/ICTY judges and ASHI	4 700	4 888	4.00
Total	**89 690**	**82 708**	**(7.79)**

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

[a] The budget for 2022 is the appropriation approved by the General Assembly for the year in its resolution 76/243. The relevant element of assessed contributions is recognized as revenue at the beginning of the year.

[b] Total expenditure (budget basis) less final budget. Differences greater than 5 per cent are considered in note 5.

(Thousands of United States dollars)

Prior-year comparative:	2021 budget (appropriation)[a]	Actual 2021 expenditure (budget basis)	2021 difference[b] in budget and actual expenditure (percentage)
Mechanism			
Chambers	1 769	1 359	(23.17)
Office of the Prosecutor	19 026	16 162	(15.05)
Registry	67 020	63 184	(5.72)
Records management and archives	5 413	5 123	(5.34)
Liabilities for payment of pensions of retired ICTR/ICTY judges and ASHI	4 293	4 518	5.25
Total	**97 520**	**90 346**	**(7.36)**

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

[a] The budget for 2021 is the appropriation approved by the General Assembly for the year in its resolution 75/249. The relevant element of assessed contributions is recognized as revenue at the beginning of the year.

[b] Total expenditure (budget basis) less final budget. Differences greater than 5 per cent are considered in note 5.

International Residual Mechanism for Criminal Tribunals
Notes to the 2022 financial statements

Note 1
Reporting entity

The United Nations and its activities

1. The United Nations is an international organization founded in 1945 after the Second World War. The Charter of the United Nations, which was signed on 26 June 1945 and became effective on 24 October 1945, sets out the primary objectives of the United Nations, as follows:

(a) The maintenance of international peace and security;

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

(c) The universal observance of human rights;

(d) The administration of international justice and law.

2. These objectives are implemented through the principal organs of the United Nations, as follows:

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

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

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

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

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

Reporting entity

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

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

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

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

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

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

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

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

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

Note 2
Basis of preparation and authorization for issue

Basis of preparation

8. In accordance with the Financial Regulations and Rules of the United Nations, the present financial statements have been prepared on an accrual basis in accordance with IPSAS. They have been prepared on a going-concern basis and the accounting policies have been applied consistently in their preparation and presentation. In accordance with the requirements of IPSAS, the financial statements, which present fairly the assets, liabilities, revenue and expenses of the Mechanism, consist of the following:

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

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

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

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

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

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

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

Going concern

9. The present financial statements have been prepared on a going-concern basis, and the accounting policies, as summarized in note 3, have been applied consistently in their preparation and presentation. The going-concern assertion is based on resolution 1966 (2010), by which the Mechanism was mandated to operate for an initial period of four years, starting 1 July 2012, and subsequently for periods of two years following reviews by the Council of the progress of its work, including in completing its functions, unless the Council decided otherwise. Since its establishment, the progress of the work of the Mechanism has been reviewed on four occasions, in 2016, 2018, 2020 and 2022.

Authorization for issue

10. The financial statements are certified by the Controller and approved by the Secretary-General. In accordance with financial regulation 6.2, the Secretary-General transmitted the financial statements as at 31 December 2022 to the Board of Auditors by 31 March 2023. In accordance with financial regulation 7.12, the reports of the Board of Auditors are to be transmitted to the General Assembly through the Advisory Committee on Administrative and Budgetary Questions, together with the audited financial statements.

Measurement basis

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

Functional and presentation currency

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

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

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

Materiality and use of judgment and estimation

15. Materiality is central to the preparation and presentation of the Mechanism's financial statements, and its materiality framework provides a systematic method in guiding accounting decisions relating to presentation, disclosure, aggregation, offsetting and retrospective versus prospective application of changes in accounting policies. In general, an item is considered material if its omission or its aggregation would have an impact on the conclusions or decisions of the users of the financial statements.

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

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

Future accounting pronouncements

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

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

(b) Infrastructure assets: the objective of the project is to research and identify issues that preparers have when applying IPSAS 17: Property, plant and equipment to infrastructure assets. Informed by this research, the aim is to provide additional guidance on accounting for infrastructure assets. The IPSAS Board plans to issue a new standard on property, plant and equipment, replacing IPSAS 17, adding public sector guidance on heritage and infrastructure assets and aligning it with the new measurement principles. The standard is expected to be issued in 2023, together with the measurement-related guidance;

(c) Public sector measurement: the objectives of the project include: (i) issuing amended IPSAS standards with revised requirements for measurement at initial recognition, subsequent measurement and measurement-related disclosure; (ii) providing more detailed guidance on the implementation of replacement cost and cost of fulfilment and the circumstances under which these measurement bases will be used; and (iii) addressing transaction costs, including the specific issue of the capitalizing or expensing of borrowing costs. The IPSAS Board expects to approve and issue the standard on measurement in 2023. The related section of chapter 7 of the conceptual framework, on the measurement of assets and liabilities, will also be updated in line with developing the new standard;

(d) Non-exchange expenses: the aim of the project is to develop a standard or standards that provide recognition and measurement requirements applicable to providers of non-exchange transactions, except for social benefits. The new standard would result in a change in accounting policy for the recognition of expenses whereby the transfer provider will recognize an expense as the transfer recipient satisfies an obligation by transferring goods or service to a third-party beneficiary. The draft standard is in the final review phase by the IPSAS Board and is expected to be issued in 2023. In order to prepare for the adoption of this new standard, data-collection efforts and revision of the agreement template are under way;

(e) Revenue: the scope of the project is to develop new standard-level requirements and guidance on revenue to amend or supersede that currently located in IPSAS 9: Revenue from exchange transactions; IPSAS 11: Construction contracts; and IPSAS 23: Revenue from non-exchange transactions (taxes and transfers). The IPSAS Board finished discussing principled-related issues and plans to issue the standard in the first half of 2023;

(f) Accounting and reporting by retirement benefit plans is a new project of the IPSAS Board and an adaptation from International Accounting Standards 26. The objective of developing the exposure draft is to prescribe the accounting and reporting requirements for public sector retirement benefit plans, which provide mainly benefits to retired public sector employees. A retirement benefit plan that prepares and presents financial statements under the accrual basis of accounting shall apply this guidance;

(g) Other lease-type arrangements is another new project of the Board, with the aim of developing additional guidance to identify and address lease-related accounting issues associated with lease-type arrangements. The exposure draft was published for comments in January 2023 and contains proposed amendments to IPSAS 43: Leases, on accounting for concessionary leases, as well as new guidance on right-of-use assets in kind and consequential amendments to IPSAS 23.

Recent and future requirements of the International Public Sector Accounting Standards

19. The IPSAS Board issued the following standards:

(a) IPSAS 41: Financial instruments, issued in August 2018 and effective 1 January 2023;

(b) IPSAS 42: Social benefits, issued in January 2019 and effective 1 January 2023;

(c) IPSAS 43: Leases, issued in January 2022 and effective 1 January 2025;

(d) IPSAS 44: Non-current assets held for sale and discontinued operations, issued in May 2022 and effective 1 January 2025.

The impact of these standards on the Mechanism’s financial statements and the comparative period therein has been evaluated to be as follows:

Standard	*Anticipated impact in the year of adoption*
IPSAS 41	IPSAS 41: Financial instruments substantially improves the relevance of information for financial assets and financial liabilities. It will replace IPSAS 29: Financial instruments: recognition and measurement, and improves that standard's requirements by introducing: (a) Simplified classification and measurement requirements for financial assets; (b) A forward-looking impairment model; (c) A flexible hedge accounting model. Compliance with IPSAS 41 is mandatory for the Mechanism's financial year ending 31 December 2023. The Mechanism will assess the new requirements for recording, valuation and reporting of the investment cash pool in line with IPSAS 41.
IPSAS 42	IPSAS 42: Social benefits provides guidance on accounting for social benefits expenditure. It defines social benefits as cash transfers paid to specific individuals and/or households to mitigate the effect of social risk. Specific examples include State retirement benefits, disability benefits, income support and unemployment benefits. The new standard requires an entity to recognize an expense and a liability for the next social benefit payment. Currently, there are no such social benefits applicable to the Mechanism, and hence the standard will have no impact on its financial reporting.
IPSAS 43	IPSAS 43: Leases, replaced IPSAS 13: Leases, aligning guidance with International Financial Reporting Standard 16. The newly issued standard introduces new contract and lease definitions and prescribes a right-of-use recognition and measurement model for all leases apart from those meeting short-term and low-value exemption categories. IPSAS 43 also provides additional guidance on application of the risks and rewards model for lessor accounting. Adoption of the standard is mandatory for the Mechanism's financial year ending 31 December 2025. The impact of IPSAS 43 is being assessed over the 2023 and 2024 calendar years prior to the 1 January 2025 effective date. The broadened lease definition is estimated to result in recognition of more binding arrangements as leases with a corresponding increase in lease liabilities and right-of-use assets.
IPSAS 44	IPSAS 44: Non-current assets held for sale and discontinued operations, promulgates accounting for assets held for sale and the presentation and disclosure requirements of discontinued operations, in alignment with International Financial Reporting Standard 5. Adoption of the standard is mandatory for the financial year ending 31 December 2025 for the operations of the United Nations as reported in volume I. The impact of IPSAS 44 will be assessed in order to prepare the Organization for its implementation prior to the 1 January 2025 effective date. Given the definitions and scope of non-current assets held for sale, the recognition and measurement impacts are estimated as not significant for the Organization, given that the presentation and disclosure changes will depend on the identification of discontinued operations, if any, in the future, starting on 1 January 2025.

Note 3
Significant accounting policies

Financial assets classification

20. The classification of financial assets depends primarily on the purpose for which the financial assets are acquired. The Mechanism classifies its financial assets in one

of the categories shown below at initial recognition and re-evaluates the classification at each reporting date.

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

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

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

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

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

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

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

Investment in cash pools

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

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

Cash and cash equivalents

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

Receivables from non-exchange transactions: contributions receivable

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

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

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

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

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

Receivables from exchange transactions: other receivables

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

Other assets

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

Heritage assets

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

Property, plant and equipment

34. Property, plant and equipment are classified into different groups, based on their nature, functions, useful lives and valuation methodologies, such as vehicles;

temporary and mobile buildings; communications and information technology equipment; machinery and equipment; furniture and fixtures; and real estate assets (building, infrastructure and assets under construction). Recognition of property, plant and equipment is as follows:

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

(b) All property, plant, and equipment other than real estate assets are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost comprises the purchase price, any costs directly attributable to bringing the asset to its location and condition and the initial estimate of dismantling and site restoration costs. Standard rates of 7 per cent of the cost of purchase are used in place of actual associated costs;

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

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

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

Class	*Subclass*	*Estimated useful life*
Communications and information technology equipment	Information technology equipment	4 years
	Communications and audiovisual equipment	7 years
Vehicles	Light-wheeled vehicles	6 years
	Heavy-wheeled and engineering support vehicles	12 years
	Specialized vehicles, trailers and attachments	6 to 12 years
	Marine vessels	10 years
	Light engineering and construction equipment	5 years

Class	*Subclass*	*Estimated useful life*
Machinery and equipment	Medical equipment	5 years
	Security and safety equipment	5 years
	Mine detection and clearing equipment	5 years
	Accommodation and refrigeration equipment	6 years
	Water treatment and fuel distribution equipment	7 years
	Transportation equipment	7 years
	Heavy engineering and construction equipment	12 years
	Printing and publishing equipment	20 years
Furniture and fixtures	Library reference material	3 years
	Office equipment	4 years
	Fixtures and fittings	7 years
	Furniture	10 years
Buildings	Temporary and mobile buildings	7 years
	Fixed buildings, depending on the type	25, 40 or 50 years
	Major exterior, roofing, interior and services/utilities components, where component approach is utilized	20 to 50 years
	Finance lease or donated right-to-use buildings	Shorter of term of arrangement or life of building
Infrastructure assets	Telecommunications, energy, protection, transport, waste and water management, recreation, landscaping	Up to 50 years
Leasehold improvements	Fixtures, fittings, and minor construction work	Shorter of lease term or 5 years

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

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

38. The Mechanism chose the cost model for measurement of property, plant and equipment after initial recognition instead of the revaluation model. Costs incurred

subsequent to initial acquisition are capitalized only when it is probable that future economic benefits or service potential associated with the item will flow to the Mechanism and the subsequent cost exceeds the threshold for initial recognition. Repairs and maintenance are expensed in the statement of financial performance in the year in which they are incurred.

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

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

Intangible assets

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

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

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

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

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

Financial liabilities classification

45. Financial liabilities are classified as “other financial liabilities”. They include accounts payable, judges’ benefits liabilities, unspent funds held for future refunds and other liabilities, such as balances payable to other United Nations system reporting entities. Financial liabilities classified as other financial liabilities are initially recognized at fair value and subsequently measured at amortized cost.

Financial liabilities with a duration of fewer than 12 months are recognized at their nominal value. The Mechanism re-evaluates the classification of financial liabilities at each reporting date and derecognizes financial liabilities when its contractual obligations are discharged, waived, cancelled or expired.

Financial liabilities: accounts payable and accrued liabilities

46. Accounts payable and accrued liabilities arise from the purchase of goods and services that have been received but not paid for at the reporting date. Payables are measured at their nominal value if classified as current liabilities, or at the fair value if classified as non-current liabilities.

Advance receipts and other liabilities

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

Leases

Mechanism as lessee

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

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

The Mechanism as lessor

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

Donated right to use

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

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

have exclusive control over the land and/or title to the land is transferred under restricted deeds.

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

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

Employee benefits

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

Short-term employee benefits

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

Post-employment benefits

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

Defined benefit plans

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

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

60. After-service health insurance: worldwide coverage for medical expenses of eligible former staff members and their dependants is provided through after-service health insurance. Upon end of service, staff members and their dependants may elect to participate in a defined benefit health insurance plan of the United Nations, provided that they have met specific 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 recruited before that date. The after-service health insurance liability represents the present value of the share of the Mechanism's medical insurance costs for retirees and the post-retirement benefit accrued to date by active staff. A factor in the after-service health insurance valuation is to consider contributions from all plan participants in determining the Mechanism's residual liability. Contributions from retirees are deducted from the gross liability together with a portion of the contributions from active staff to arrive at the Mechanism's residual liability in accordance with cost-sharing ratios authorized by the General Assembly.

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

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

Pension plan: United Nations Joint Staff Pension Fund

63. The Mechanism is a member organization participating in the United Nations Joint Staff Pension Fund, which was established by the General Assembly to provide retirement, death, disability and related benefits to employees. The 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 that participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.

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

Termination benefits

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

Other long-term employee benefits

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

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

Provisions

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

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

Contingent liabilities

70. Any possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Mechanism are disclosed as contingent liabilities. Contingent liabilities are also disclosed where present obligations that arise from past events cannot be recognized because it is not probable that an outflow of

resources embodying economic benefits or service potential will be required to settle the obligations, or the amount of the obligations cannot be reliably measured.

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

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

Contingent assets

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

Commitments

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

Non-exchange revenue

Assessed contributions

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

In-kind contributions

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

Exchange revenue

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

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

Investment revenue

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

Expenses

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

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

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

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

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

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

Note 4
Segment reporting

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

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

Note 5
Comparison to budget

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

89. Approved budgets are those that permit expenses to be incurred and are approved by the General Assembly. The budget for 2022 is the budget approved by the Assembly in its resolution 76/243. Annual budgets are funded by assessments to Member States, 50 per cent in accordance with the scale of assessments applicable to the United Nations regular budget and 50 per cent in accordance with the scale of assessments applicable to peacekeeping operations.

90. The annual budget for 2022 represents the appropriations for 2022. Actual expenditure amounts include commitments and actuals incurred in the period on a budget basis. Explanations for material differences (i.e., those greater than 5 per cent) between the final budget amounts and actual expenditure on a modified cash basis are considered in the following table.

	Material differences greater than 5 per cent
Budget area	*Final budget versus actual expenses on budget basis*
Chambers	Postponement of the start date of the *Kabuga* trial resulted in lower-than-budgeted expenditure for judges' remuneration, as well as representative travel.
Office of the Prosecutor	Lower-than-budgeted expenditure, in particular in staff costs at the Arusha branch, was due to the delayed commencement of the *Kabuga* trial and the completion of two fugitive tracking files, resulting in reduced resource requirements.
Registry	Lower-than-budgeted expenditure due to the delayed commencement of the *Kabuga* trial.
Records management and archives	Variance of less than 5 per cent.
Liabilities for payment of pensions of retired judges and after-service health insurance	Variance of less than 5 per cent.

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

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

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

(Thousands of United States dollars)

Current year: 2022	*Operating*	*Investing*	*Financing*	*Total*
Actual amounts on a comparable basis (statement V)	**(82 632)**	**(76)**	**–**	**(82 708)**
Basis differences	(41)	(1 991)	–	(2 032)
Entity differences	829	–	–	829
Presentation differences	79 361	9 548	–	88 909
Actual amounts in the statement of cash flows (statement IV)	**(2 483)**	**7 481**	**–**	**4 998**

Prior-year comparative: 2021	*Operating*	*Investing*	*Financing*	*Total*
Actual amounts on a comparable basis (statement V)	**(90 186)**	**(160)**	**–**	**(90 346)**
Basis differences	2 506	(911)	–	1 595
Entity differences	801	–	–	801
Presentation differences	87 475	526	–	88 001
Actual amounts in the statement of cash flows (statement IV)	**596**	**(545)**	**–**	**51**

92. Basis differences comprise the differences resulting from preparing the budget on a modified cash basis. In order to reconcile the budgetary results to the statement of cash flows, the modified-cash elements, such as unliquidated obligations, which are commitments against budget but do not represent a cash flow, outstanding assessed contributions and payments against prior-year obligations that do not apply to the current year, must be eliminated. Similarly, IPSAS-specific differences, such as cash flows relating to acquisition of property, plant and equipment or intangibles, and indirect cash flows relating to changes in receivables due to movements in the allowance for doubtful receivables and accrued liabilities, are included as basis differences to be reconciled to the statement of cash flows.

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

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

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

Status of appropriations

96. In accordance with General Assembly resolution 76/243, gross appropriations and gross assessed contributions for the Mechanism for 2022 were as follows:

(Thousands of United States dollars)

	Gross appropriation
Mechanism	
Initial appropriation for 2022 (General Assembly resolution 76/243)	89 690
Cancellation of commitments for the biennium 2018–2019	(8 737)
Surplus resulting from the final expenditure for the budget for 2020	(3 510)
Balance to be assessed (resolution 76/243)	**77 443**

Note 6
Financial instruments

(Thousands of United States dollars)

Financial instruments	*31 December 2022*	*31 December 2021*
Financial assets		
Fair value through the surplus or deficit		
Short-term investments – main pool	91 593	121 909
Long-term investments – main pool	44 353	22 788
Total fair value through the surplus or deficit	**135 946**	**144 697**
Loans and receivables		
Cash and cash equivalents – main pool	22 830	17 832
Cash and cash equivalents – other	6	6
Subtotal, total cash and cash equivalents	**22 836**	**17 838**
Assessed contributions receivable	51 682	52 013
Other accounts receivable (note 7)	762	943
Other assets (excluding advances)	7	8
Total loans and receivables	**52 451**	**52 964**
Total carrying amount of financial assets	**211 233**	**215 498**
Of which relates to financial assets held in the main pool	158 775	162 529
Financial liabilities at amortized cost		
Accounts payable and accrued liabilities (note 11)	2 317	3 696
Total carrying amount of financial liabilities	**2 317**	**3 696**
Summary of net income from financial assets		
Net cash pool revenue	796	267
Total	**796**	**267**

97. Of $135.946 million of investments and $22.836 million of cash and cash equivalents, $60.534 million relates to the sub-account for the former International Criminal Tribunal for Rwanda and $86.218 million relates to the sub-account for the former International Tribunal for the Former Yugoslavia, which were amalgamated into the Mechanism. These amounts of cash and investments are restricted pending a decision of the General Assembly on its disposal following the closure of both Tribunals. Of $0.796 million of net cash pool revenue (2021: $0.267 million), $2.703 million corresponds to realized revenue and $1.907 million to unrealized losses. In 2022, there

was an overall increase in the realized main cash pool rate of return compared with 2021, as new and maturing funds were invested or reinvested (1.57 per cent for 2022; 0.41 per cent for 2021).

Note 7
Accounts receivable

Assessed contributions receivable

(Thousands of United States dollars)

	31 December 2022	*31 December 2021*
Assessed contributions	51 780	52 110
Allowance for doubtful receivables – assessed	(98)	(97)
Total assessed contributions receivable	**51 682**	**52 013**

98. Of the $51.682 million at the end of the fiscal year, $5.400 million corresponds to arrears to the former International Criminal Tribunal for Rwanda for which final assessment was issued in 2016, and $21.062 million corresponds to arrears to the former International Tribunal for the Former Yugoslavia, for which final assessment for 2017 was issued in January 2018. Payments received during 2022 for the assessed contributions for the International Criminal Tribunal for Rwanda amounted to $0.145 million and payment received in 2022 for the former International Tribunal for the Former Yugoslavia amounted to $0.516 million. The remaining assessed contributions receivable for the Mechanism amount to $25.220 million, of which $10.871 million corresponds to the 2022 assessment.

99. Countries subject to Article 19 of the Charter of the United Nations are considered to be those with regard to which the General Assembly has decided that failure to pay the minimum amount under that Article was due to conditions beyond their control. Those countries are therefore permitted to vote, notwithstanding their accumulated arrears (see Assembly resolutions 74/1, 75/2 and 76/2). In accordance with past practice, it is considered that there are no Member States with valid multi-year payment plans.

Other accounts receivable

(Thousands of United States dollars)

	31 December 2022	*31 December 2021*
Current other receivables		
Member States	903	1 395
Receivables from other United Nations entities	–	75
Other exchange revenue receivables	–	–
Allowance for doubtful receivables – other receivables	(141)	(527)
Total other receivables (current)	**762**	**943**

100. Receivables from Member States include primarily a balance of recoverable VAT of $0.903 million for the Mechanism (2021: $1.395 million), including $0.517 million from the United Republic of Tanzania (2021: $0.961 million), $0.200 million from the Netherlands (2021: $0.244 million), $0.179 million from Rwanda (2021: $0.184 million) and $0.007 million from Bosnia and Herzegovina (2021: $0.006 million).

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

Movement in the allowance for doubtful receivables

(Thousands of United States dollars)

	31 December 2022	*31 December 2021*
Opening allowance for doubtful receivables	625	675
Doubtful receivables adjustment for current year	(385)	(50)
Closing allowance for doubtful receivables	**240**	**625**

Note 8
Other assets

(Thousands of United States dollars)

	31 December 2022	*31 December 2021*
Advances to staff	425	429
Advances to vendor	47	433
Advances to United Nations Development Programme and other United Nations entities	35	11
Deferred charges	392	362
Other	40	26
Total other assets (current)	**939**	**1 261**

	31 December 2022	*31 December 2021*
Deferred charges	183	284
Total other assets (non-current)	**183**	**284**

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

103. In 2022, advances to vendors related to rental of office space in The Hague in the amount of $0.047 million, and in 2021 it related mainly to software subscriptions, maintenance and support services in the amount of $0.433 million. The deferred charges (current and non-current) refer mainly to multi-year information technology maintenance services from 2023 to 2025 in the amount of $0.540 million.

Note 9
Property, plant and equipment

104. The net book value of property, plant and equipment as at 31 December 2022 was $12.582 million (2021: $13.096 million). An impairment review was conducted, and no significant impairment was identified. The Mechanism had no significant heritage assets as at the reporting date.

105. During the reporting period, the Mechanism disposed fully depreciated property and equipment, which consisted primarily of communications and information technology equipment that was rendered obsolete or deemed to be discrepancies identified from physical verifications.

106. During the reporting period, additions of $1.087 million were capitalized to communications and information technology equipment, relating primarily to the scheduled upgrade of servers and network equipment at The Hague and Arusha.

107. Assets under construction relate to the construction of a conference press room in the Arusha premises, which was completed during the first quarter of 2022.

Property, plant and equipment

(Thousands of United States dollars)

Current year: 2022	*Infrastructure*	*Buildings*	*Furniture and fixtures*	*Communications and information technology equipment*	*Vehicles*	*Machinery and equipment*	*Assets under construction*	*Total*
Cost								
As at 1 January 2022	1 690	8 074	453	18 735	1 507	1 350	104	31 913
Additions	112	95	7	1 087	319	446	–	2 066
Disposals	–	–	(27)	(2 860)	(192)	(108)	–	(3 187)
Other changes	–	104	–	–	–	–	(104)	–
As at 31 December 2022	**1 802**	**8 273**	**433**	**16 962**	**1 634**	**1 688**		**30 792**
Accumulated depreciation and impairment								
As at 1 January 2022	451	1 738	299	14 047	1 257	1 025	–	18 817
Depreciation and impairment	94	413	49	1 713	32	107	–	2 408
Disposals	–	–	(27)	(2 860)	(76)	(108)	–	(3 071)
Other changes	–	–	–	–	–	56	–	56
As at 31 December 2022	**545**	**2 151**	**321**	**12 900**	**1 213**	**1 080**		**18 210**
Net carrying amount								
As at 1 January 2022	1 239	6 336	154	4 688	250	325	104	13 096
As at 31 December 2022	**1 257**	**6 122**	**112**	**4 062**	**421**	**608**	**–**	**12 582**

(Thousands of United States dollars)

Prior-year comparative: 2021	*Infrastructure*	*Buildings*	*Furniture and fixtures*	*Communications and information technology equipment*	*Vehicles*	*Machinery and equipment*	*Assets under construction*	*Total*
Cost								
As at 1 January 2021	1 690	8 074	433	18 233	1 618	1 341	–	31 389
Additions	–	–	20	859	–	26	104	1 009
Disposals	–	–	–	(357)	(111)	(17)	–	(485)
Other changes	–	–	–	–	–	–	–	–
As at 31 December 2021	**1 690**	**8 074**	**453**	**18 735**	**1 507**	**1 350**	**104**	**31 913**
Accumulated depreciation and impairment								
As at 1 January 2021	357	1 343	264	13 148	1 286	931	–	17 329
Depreciation and impairment	94	395	35	1 256	82	111	–	1 973
Disposals	–	–	–	(357)	(111)	(17)	–	(485)
Other changes	–	–	–	–	–	–	–	–
As at 31 December 2021	**451**	**1 738**	**299**	**14 047**	**1 257**	**1 025**	**–**	**18 817**
Net carrying amount								
As at 1 January 2021	1 333	6 731	169	5 085	332	410	–	14 060
As at 31 December 2021	**1 239**	**6 336**	**154**	**4 688**	**250**	**325**	**104**	**13 096**

Note 10
Intangibles

(Thousands of United States dollars)

Current year: 2022	*Software internally developed*	*Software acquired externally*	*Asset under development*	*Total*
Cost				
As at 1 January	468	967	–	1 435
Additions	–	–	–	–
Disposals	–	–	–	–
As at 31 December	**468**	**967**	**–**	**1 435**
Accumulated amortization and impairment				
As at 1 January	468	729	–	1 197
Amortization and impairment	–	76	–	76
Disposals	–	–	–	–
As at 31 December	**468**	**805**	**–**	**1 273**
Net carrying amount				
As at 1 January	–	238	–	238
As at 31 December	**–**	**162**	**–**	**162**

(Thousands of United States dollars)

Prior-year comparative: 2021	*Software internally developed*	*Software acquired externally*	*Asset under development*	*Total*
Cost				
As at 1 January	468	905	–	1 373
Additions	–	62	–	62
Disposals	–	–	–	–
As at 31 December	**468**	**967**	**–**	**1 435**
Accumulated amortization and impairment				
As at 1 January	468	583	–	1 051
Amortization and impairment	–	146	–	146
Disposals	–	–	–	–
As at 31 December	**468**	**729**	**–**	**1 197**
Net carrying amount				
As at 1 January	–	322	–	322
As at 31 December	**–**	**238**	**–**	**238**

Note 11
Accounts payable and accrued liabilities

(Thousands of United States dollars)

	31 December 2022	*31 December 2021*
Vendor payables (accounts payable)	793	1 019
Payables to other United Nations entities	278	292
Accruals for goods and services	333	792
Accounts payable – other	913	1 593
Total accounts payable and accrued liabilities (current)	**2 317**	**3 696**

108. Accounts payable and accrued liabilities of $2.317 million (2021: $3.696 million) consist mainly of vendor payables of $0.793 million (2021: $1.019 million) and other accounts payable of $0.913 million (2021: $1.593 million). The amount of $0.913 million includes $0.504 million (2021: $0.524 million) for detention facilities and $0.138 million (2021: $0.105 million) for defence teams' fees. Accounts payable was higher in 2021 than in 2022 owing mainly to an outstanding invoice related to rental of office space in The Hague for the second quarter of 2021.

Note 12
Advance receipts

109. Advance receipts represent assessed contributions received in advance or overpayments received from Member States, which amounted to $0.289 million in 2022 (2021: $0.324 million).

Note 13
Employee benefits liabilities

(Thousands of United States dollars)

Year ended 31 December 2022	*Current*	*Non-current*	*Total*
After-service health insurance	1 157	57 623	58 780
Annual leave	456	3 382	3 838
Repatriation benefits	827	5 176	6 003
Subtotal: defined benefits liabilities	**2 440**	**66 181**	**68 621**
Appendix D/workers' compensation	37	693	730
Pension contribution liabilities	10	–	10
Accrued salaries and allowances	5 293	436	5 729
Total employee benefits liabilities	**7 780**	**67 310**	**75 090**

Year ended 31 December 2021	*Current*	*Non-current*	*Total*
After-service health insurance	1 179	76 570	77 749
Annual leave	466	4 825	5 291
Repatriation benefits	849	7 259	8 108
Subtotal: defined benefits liabilities	**2 494**	**88 654**	**91 148**
Appendix D/workers' compensation	35	930	965
Pension contribution liabilities	–	–	–
Accrued salaries and allowances	2 867	501	3 368
Total employee benefits liabilities	**5 396**	**90 085**	**95 481**

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

111. The total employee benefits liability decreased by $20.391 million in 2022, owing mainly to the net decrease in defined employee benefit liabilities of $22.527 million for the Mechanism, to a total of $68.621 million for 2022. This decrease in defined employee benefit liabilities is a result of an overall actuarial gain of $25.465 million for the Mechanism. The actuarial gains are due to changes in financial assumptions for an amount of $21.128 million and experience adjustments for an amount of $4.337 million in the recent actuarial valuation. The remaining difference is constituted by benefits paid offset by service cost, interest obligation and an increase in accrued salaries and allowances.

112. The decrease in employee benefits liabilities accounted for as defined benefit plans in 2022 is due in large part to the decrease in liabilities for after-service health insurance, attributable to an actuarial gain of $22.154 million, which includes a gain of $18.968 million due to changes in financial assumptions and a gain of $3.186 million due to experience adjustments.

Actuarial valuation – assumptions

113. The Mechanism reviews and selects assumptions and methods used by the actuaries in the year-end valuation to determine the expense and contribution requirements for the employee benefits. The principal actuarial assumptions used to determine the employee benefit obligations in the 31 December 2022 valuation are as follows:

Principal actuarial assumptions

(Percentage)

Assumptions	*After-service health insurance*	*Repatriation benefits*	*Annual leave*
Discount rates: 31 December 2021	3.27	2.54	2.68
Discount rates: 31 December 2022	5.34	5.11	5.10

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

115. The salary increase rate and the demographic assumptions used for the 2022 valuation exercise are the same as those used for the most recent United Nations Joint Staff Pension Fund valuation. The salary increase assumptions for staff in the Professional category were 9.27 per cent for the age of 19, grading down to 3.97 per cent for the age of 65. The salaries of staff in the General Service category were assumed to increase by 6.84 per cent for the age of 19, grading down to 3.97 per cent for the age of 65.

116. The health-care cost trend rates are based on Aon Hewitt long-term assumptions for different currencies, as shown below. The rates were updated for the 2022 valuation.

	2022			*2021*		
Cost trend assumptions	*Initial (percentage)*	*Final (percentage)*	*Grade down*	*Initial (percentage)*	*Final (percentage)*	*Grade down*
United States non-Medicare	6.50	3.85	9 years	5.17	3.95	10 years
United States Medicare	6.50	3.85	9 years	5.03	3.95	10 years
United States dental	6.50	3.85	9 years	4.53	3.95	10 years
Non-United States – Switzerland	4.25	2.55	6 years	3.44	2.25	7 years
Non-United States – eurozone	5.20	4.15	11 years	3.75	3.75	none

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

118. With regard to the valuation of repatriation benefits as at 31 December 2022, inflation in travel costs was assumed to be 2.40 per cent (2021: 2.50 per cent), on the basis of the projected United States inflation rate over the next 20 years.

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

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

Movement in employee benefits liabilities accounted for as defined benefit plans

(Thousands of United States dollars)

	After-service health insurance	*Repatriation grant*	*Annual leave*	*Total*
Net defined benefit obligation as at 1 January 2022	**77 749**	**8 108**	**5 291**	**91 148**
Current service cost	1 882	290	481	2 653
Interest on obligation	2 520	195	135	2 850
Total cost recognized in the statement of financial performance	**4 402**	**485**	**616**	**5 503**
Benefits paid	(1 217)	(869)	(479)	(2 565)
Actuarial (gains)/losses recognized directly in the statement of changes in net assets	(22 154)	(1 721)	(1 590)	(25 465)
Due to changes in financial assumptions	(18 968)	(1 415)	(745)	(21 128)
Due to changes in demographic assumptions	–	–	–	–
Due to experience adjustment	(3 186)	(306)	(845)	(4 337)
Net defined benefit liability as at 31 December 2022	**58 780**	**6 003**	**3 838**	**68 621**

(Thousands of United States dollars)

	After-service health insurance	*Repatriation grant*	*Annual leave*	*Total*
Net defined benefit obligation as at 1 January 2021	**81 717**	**7 809**	**5 991**	**95 517**
Current service cost	1 716	420	497	2 633
Interest on obligation	2 501	164	128	2 793
Total cost recognized in the statement of financial performance	**4 217**	**584**	**625**	**5 426**
Benefits paid	(1 155)	(752)	(543)	(2 450)
Actuarial (gains)/losses recognized directly in the statement of changes in net assets	(7 030)	467	(782)	(7 345)
Due to changes in financial assumptions	(966)	(131)	(196)	(1 293)
Due to changes in demographic assumptions	7	(3)	(1)	3
Due to experience adjustment	(6 071)	601	(585)	(6 055)
Net defined benefit liability as at 31 December 2021	**77 749**	**8 108**	**5 291**	**91 148**

121. The General Assembly, in its resolution 70/243, authorized the Secretary-General to establish a sub-account within the Mechanism to address, on a pay-as-you-go basis, the requirement for the pensions of retired judges and their surviving spouses and for the after-service health insurance benefits to former staff of the International Criminal Tribunal for Rwanda and the International Tribunal for the Former Yugoslavia following the closure of the Tribunals. Balances of defined benefit obligations to judges and staff in each sub-account are presented in note 23.

Discount rate sensitivity analysis

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

Impact on obligations of changes in discount rate

(Thousands of United States dollars)

	After-service health insurance	*Repatriation benefits*	*Annual leave*
31 December 2022:			
Increase of discount rate by 0.5 per cent	(4 796)	(194)	(145)
As a percentage of year-end liability	(8)	(3)	(4)
Decrease of discount rate by 0.5 per cent	5 446	206	30
As a percentage of year-end liability	9	3	1
31 December 2021:			
Increase of discount rate by 0.5 per cent	(7 436)	(252)	(199)
As a percentage of year-end liability	(10)	(3)	(4)
Decrease of discount rate by 0.5 per cent	8 581	268	213
As a percentage of year-end liability	11	3	4

Medical costs sensitivity analysis

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

Effect of movements in the assumed medical costs trend rates

(Thousands of United States dollars)

	Increase	*Decrease*
31 December 2022 (movement by 0.5 per cent):		
Effect on the defined benefit obligation	5 311	(4 722)
Effect on the aggregate of the current service cost and interest cost	477	(417)
31 December 2021 (movement by 0.5 per cent):		
Effect on the defined benefit obligation	8 246	(7 232)
Effect on the aggregate of the current service cost and interest cost	592	(508)

Other defined benefit plan information

124. Benefits paid for 2022 are estimates of what would have been paid to separating staff and/or retirees during the year on the basis of the pattern of rights acquisition under each scheme: after-service health insurance, repatriation and commutation of accrued annual leave. The estimated defined benefit payments (net of participants' contributions in these schemes) are shown in the following table:

Estimated defined benefit payments, net of participants' contributions

(Thousands of United States dollars)

	After-service health insurance	Repatriation benefits	Annual leave	Total
2023	1 217	869	479	2 565
2022	1 218	870	479	2 567

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

(Thousands of United States dollars)

	2022	2021	2020	2019	2018	2017
Present value of the defined benefit obligations	68 621	91 148	95 517	85 645	117 290	92 842

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

Appendix D/workers' compensation costs assumptions

126. For the appendix D workers' compensation valuation, the actuaries applied the year-end discount rate developed by Aon Hewitt applicable to the year in which the cash flow takes place. For 2022, the single equivalent discount rate obtained was 5.27 per cent.

127. The cost-of-living adjustment for 2022 as determined by Aon Hewitt is 2.4 per cent (2.5 per cent in 2021) and is calculated using market-based inflation. As with defined benefit liabilities, the Aon Hewitt yield curves were used in determining the 31 December 2022 obligation. Appendix D/workers' compensation uses mortality assumptions based on World Health Organization statistical tables.

Appendix D/workers' compensation costs sensitivity analysis

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

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

(Thousands of United States dollars and percentage)

	31 December 2022	31 December 2021
Increase of cost-of-living adjustment by 1 per cent	113	178
As a percentage of year-end liability	15	18
Decrease of cost-of-living adjustment by 1 per cent	(92)	(142)
As a percentage of year-end liability	(13)	(15)

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

(Thousands of United States dollars and percentage)

	Increase	*Decrease*
31 December 2022 (movement by 1 per cent):		
Effect on year-end liability	(86)	107
As a percentage of year-end liability	(12)	15
31 December 2021 (movement by 1 per cent):		
Effect on year-end liability	(136)	173
As a percentage of year-end liability	(14)	18

Appendix D/workers' compensation costs funding

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

Accrued salaries and allowances

130. The significant increase in accrued salaries and allowances relates to the downsizing exercise and expected separation of 93 staff members from the Mechanism. Accruals for repatriation, annual leave and other separation benefits for staff departing from the Mechanism were recognized in accordance with the Staff Regulations and Rules of the United Nations and reported under accrued salaries and allowances for a total amount of $3.983 million (2021: $1.718 million).

131. The remaining accrued salaries and allowances as at year end consist of accruals for home leave ($0.586 million (2021: $0.479 million)); accruals for repatriation grant to be paid to former staff members other than staff members expected to separate mentioned in paragraph 130 above ($1.008 million (2021: $0.962 million)); and other miscellaneous accruals for staff entitlements ($0.162 million (2021: $0.209 million)).

United Nations Joint Staff Pension Fund

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

133. The Mechanism's financial obligation to the Fund consists of its mandated contribution, at the rate established by the General Assembly (currently at 7.9 per cent for participants and 15.8 per cent for member organizations), together with any share of any actuarial deficiency payments under article 26 of the Regulations of the Fund. Such deficiency payments are payable only if the 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 at the valuation date. Each member organization shall contribute to this deficiency an amount proportionate to the total contributions that each paid during the three years preceding the valuation date.

134. The most recent actuarial valuation for the Fund was completed as at 31 December 2021, and a roll-forward of the participation data as at 31 December 2021 to 31 December 2022 is used by the Fund for its 2022 financial statements.

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

136. After assessing the actuarial sufficiency of the Fund, the consulting actuary concluded that there was no requirement, as at 31 December 2021, for deficiency payments under article 26 of the Regulations of the Fund, given that the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the plan. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as at the valuation date. At the time of the preparation of the present report, the General Assembly had not invoked the provision of article 26.

137. Should article 26 be invoked owing to an actuarial deficiency, either during the ongoing operation or due to the termination of the Fund pension plan, deficiency payments required from each member organization would be based upon the proportion of that member organization's contributions to the total contributions paid to the Fund during the three years preceding the valuation date. Total contributions paid to the Fund during the preceding three years (2019, 2020 and 2021) amounted to $8,505.27 million, of which 0.30 per cent was contributed by the Mechanism.

138. During 2022, the Mechanism's contributions paid to the Fund amounted to $7.337 million (2021: $8.171 million). Expected contributions due in 2023 are approximately $6.739 million.

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

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

Note 14
Judges' honorariums and allowances liabilities

(Thousands of United States dollars)

	31 December 2022	*31 December 2021*
Judges' pensions (defined benefit valuation)	38 048	51 104
Judges' relocation allowances	–	–
Total	**38 048**	**51 104**
Current	2 988	3 097
Non-current	35 060	48 007
Total	**38 048**	**51 104**

141. For the 2022 actuarial valuations, the yield curve used in the calculation of the discount rate is that developed by Aon Hewitt issued for the United States dollars, given that the judges' salaries are denominated in dollars and the payment currency of future pensions cannot be presumed. The key assumptions for the valuations of judges' pension benefits liabilities as at 31 December 2022 are the discount rate of 5.18 per cent (2021: 2.83 per cent) and inflation rate of 2.40 per cent (2021: 2.50 per cent) over the next 20 years. The salary increase was assumed to be equal to the inflation rate, given that pension schemes are linked to salaries.

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

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

(Thousands of United States dollars)

	2022	*2021*
Net defined benefit liability at 1 January	**51 104**	**49 127**
Current service cost	–	2
Interest cost	1 407	1 160
Total costs recognized in the statement of financial performance	**1 407**	**1 162**
Benefits paid	(3 184)	(2 955)
Actuarial (gain)/losses recognized directly in the statement of changes in net assets	(11 279)	3 770
Net recognized liability at 31 December	**38 048**	**51 104**

143. Owing to the amalgamation of the International Criminal Tribunal for Rwanda and the International Tribunal for the Former Yugoslavia, the Mechanism now carries judges' defined benefits liabilities for retired judges of the former Tribunals, in addition to liabilities for the President, who is the only full-time active judge of the Mechanism. The actuarial gain is due mainly to changes in financial assumptions of $10.038 million.

Note 15
Provisions

(Thousands of United States dollars)

	Credits to Member States	*Litigation and claims*	*Total*
Provisions as at 1 January 2022	**22 450**	**–**	**22 450**
Change in provisions			
Amounts used	(12 247)	–	(12 247)
Additional provisions made	10 352		10 352
Provisions as at 31 December 2022 (current)	**20 555**	**–**	**20 555**

144. A provision for credits to Member States has been established in the amount of $20.555 million in the financial statements, of which $1.618 million relates to the former International Criminal Tribunal for Rwanda, $2.394 million relates to the former International Tribunal for the Former Yugoslavia and $16.543 million relates to the Mechanism. The provision includes savings from prior periods and the cancellation of commitments, the unencumbered balance of the appropriations for 2022 and other revenue.

(Thousands of United States dollars)

Credits to Member States	*ICTR*	*ICTY*	*IRMCT*	*Total*
Cancellation of biennium 2018–2019 commitments and savings from prior periods	–	46	1 465	1 511
Cancellation of 2020 commitments and savings from prior periods	–	22	836	858
Unencumbered balance of the appropriations for 2020	–	–	3 510	3 510
Unencumbered balance of the appropriations for 2021	–	–	7 174	7 174
Revenue (biennium 2018–2019)	2 564	3 668	994	7 226
Revenue (2020)	705	1 032	434	2 171
Provisions as at 31 December 2021	**3 269**	**4 768**	**14 413**	**22 450**
Amounts used				
Cancellation of biennium 2018–2019 commitments and savings from prior periods	(2 564)	(3 714)	(2 459)	(8 737)
Unencumbered balance of the appropriations for 2020	–	–	(3 510)	(3 510)
Subtotal	**(2 564)**	**(3 714)**	**(5 969)**	**(12 247)**
Additional provisions made				
Cancellation of 2021 commitments and savings from prior periods	–	35	743	778
Unencumbered balance of the appropriations for 2021	–	–	6 982	6 982
Revenue (2021)	912	1 305	375	2 592
Subtotal	**912**	**1 340**	**8 100**	**10 352**
Provisions as at 31 December 2022	**1 617**	**2 394**	**16 544**	**20 555**

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

Note 16
Changes in net assets for the year ended 31 December

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

146. The net assets balance increased from $57.315 million as at 31 December 2021 to $88.793 million as at 31 December 2022.

147. The changes in net assets are due primarily to an actuarial gain of $36.952 million on defined benefits liabilities, workers' compensation and judges' benefits liabilities and an overall deficit of $5.473 million from the performance during the year.

Note 17
Revenue

Assessed contributions

148. Assessed contributions for the year of $79.339 million (2021: $87.316 million) have been recorded for the Mechanism in accordance with the Financial Regulations and Rules of the United Nations, the relevant resolutions of the General Assembly and the policies of the United Nations.

(Thousands of United States dollars)

	2022
Assessment for 2022 (General Assembly resolution 76/243)	89 690
Cancellation of commitments for the year 2021, savings from prior periods and revenue recorded as provisions in the 2022 financial statements	(3 369)
Unencumbered balance of the appropriations for 2022 recorded as provisions in the 2022 financial statements	(6 982)
Revenue from assessed contributions	**79 339**

Other revenue

149. Other revenue includes other miscellaneous revenue of $0.108 million (2021: $0.159 million), consisting mainly of costs recovered for services provided to external entities.

Note 18
Expenses

Employee salaries, allowances and benefits

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

151. The decrease in salary and wages and the increase in other benefits can be explained mainly by the continued downsizing of the Mechanism and reduction in staff levels.

(Thousands of United States dollars)

	31 December 2022	*31 December 2021*
Salary and wages	48 721	54 240
Pension and insurance benefits	13 092	13 877
Other benefits	2 873	2 199
Total employee salaries, allowances and benefits	**64 686**	**70 316**

Judges' honorariums and allowances

152. Judges' honorariums and allowances include pensions of former and current judges, as well as honorariums that include travel and other allowances. The slight increase in the judges' pensions is due to a cost-of-living increase in base salary, while the census of retired judges has remained unchanged for the most part.

(Thousands of United States dollars)

	31 December 2022	31 December 2021
Judges' honorariums	1 238	1 234
Judges' pensions	1 392	1 318
Judges' honorariums and allowances	**2 630**	**2 552**

Contractual services

153. Contractual services expenses consist of fees paid to individuals for services provided to the Mechanism, such as consultancies, expert witnesses, interpreters and Tanzanian police officers. The slight decrease in the use of Tanzanian police officers is offset by an increase in the use of consultants by the Office of the Prosecutor for the review of *Kabuga* case materials.

(Thousands of United States dollars)

	31 December 2022	31 December 2021
Consultants and individual contractors	424	390
Total contractual services	**424**	**390**

Supplies and consumables

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

(Thousands of United States dollars)

	31 December 2022	31 December 2021
Fuel and lubricants	147	100
Rations	56	27
Spare parts	81	104
Consumables	219	212
Total	**503**	**443**

Travel

155. Travel expenses include all staff and non-staff travel that is not considered to be an employee allowance/benefit. Staff travel is official travel necessary to carry out the activities of the Mechanism and for training. Representative travel is undertaken by experts and participants to meetings and study tours. The increase in travel expenses compared with 2021 is due mainly to the activities in the *Kabuga* trial.

(Thousands of United States dollars)

	31 December 2022	31 December 2021
Staff travel	1 536	903
Representative travel	71	106
Total	**1 607**	**1 009**

Other operating expenses

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

(Thousands of United States dollars)

	Note	*31 December 2022*	*31 December 2021*
Contracted services		8 728	10 141
Acquisition of goods		631	1 256
Acquisition of intangible assets		612	430
Rent – offices and premises	22	2 856	3 248
Rental – equipment	22	47	46
Maintenance and repair		254	122
Bad debt expense		(386)	(44)
Other/miscellaneous operating expenses		640	119
Total		**13 382**	**15 318**

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

158. The decrease in the cost of rent for offices and premises is due mainly to a favourable exchange rate, given that The Hague office lease is paid in euros.

159. Bad debt expenses include allowances for doubtful receivables on assessed contributions and the write-off of other receivables. In 2022, a reduction by $0.386 million of allowances for doubtful receivables was recognized for balances of recoverable VAT. This decrease can be explained by the reimbursement of ageing VAT receivables received in 2022 from the Government of the United Republic of Tanzania.

160. Other/miscellaneous operating expenses include compensatory claims, foreign exchange losses, service fees from United Nations organizations and insurance premiums, as well as bank service fees.

Other operating expenses: contracted services

(Thousands of United States dollars)

	31 December 2022	*31 December 2021*
Transport	59	25
Communications and information technology	1 572	1 434
Facilities	1 306	1 204
Security services	123	173
Legal service – defence counsel	923	2 275
Legal service – detention service	2 426	2 975
Other legal	26	–
Training	212	138
Utilities	809	543

	31 December 2022	*31 December 2021*
Freight	92	293
Administrative and audit services	345	350
Other	835	731
Total	**8 728**	**10 141**

161. The decrease in contracted services during 2022 is due primarily to a decrease in legal services from defence counsels and detention services in an amount of $1.901 million and a decrease in freight costs of $0.201 million, offset in part by an increase in utilities of $0.266 million.

162. The decrease in defence counsel fees is due to decreased activity in 2022 compared with 2021. There is only one trial for the case against Mr. Kabuga, which started in September 2022. The decrease in detention services can be explained by the fact that the fees are paid in euros, with a favourable exchange rate impact vis à vis the United States dollar.

163. The increase in utilities is due to an increase in energy costs in 2022.

164. The decrease in freight costs is aligned with a decrease in purchases of equipment and assets in 2022.

165. Administrative and audit services comprise primarily finance and administrative services provided by the United Nations Office at Geneva and costs associated with the audit conducted by the Board of Auditors.

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

Note 19
Financial instruments and financial risk management

Main pool

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

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

169. As at 31 December 2022, the Mechanism participated in the main pool, which held total assets of $11,873.869 million (2021: $11,799.724 million), of which $158.775 million was due to the Mechanism (2021: $162.529 million), including $60.534 million (2021: $62.748 million) and $86.218 million (2021: $89.147 million) relating to the former International Criminal Tribunal for Rwanda and the former International Tribunal for the Former Yugoslavia, respectively. The Mechanism’s share of revenue from the cash pool was $0.796 million (2021: $0.267 million).

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

(Thousands of United States dollars)

	31 December 2022	*31 December 2021*
Fair value through surplus or deficit		
Short-term investments	6 789 427	8 839 722
Long-term investments	3 316 889	1 654 439
Total fair value through surplus or deficit	**10 106 316**	**10 494 161**
Loans and receivables		
Cash and cash equivalents, main pool	1 707 288	1 294 660
Accrued investment income	60 265	10 903
Total loans and receivables	**1 767 553**	**1 305 563**
Total carrying amount of financial assets	**11 873 869**	**11 799 724**
Main pool liabilities		
Payable to the Mechanism	158 775	162 529
Payable to other main pool participants	11 715 094	11 637 195
Total carrying amount of financial liabilities	**11 873 869**	**11 799 724**
Main pool net assets	–	–

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

	31 December 2022	*31 December 2021*
Investment revenue	178 646	46 397
Unrealized gains/(losses)	(137 034)	(37 570)
Investment revenue from main pool	**41 612**	**8 827**
Foreign exchange gains/(losses)	(7 670)	(1 626)
Bank fees	(772)	(1 805)
Operating gains/(losses) from main pool	**(8 442)**	**(3 431)**
Revenue and expenses from main pool	**33 170**	**5 396**

Financial risk management

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

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

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

Financial risk management: credit risk

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

174. It is also required under the Investment Management Guidelines that investments not be made in issuers whose credit ratings are below specifications, and provide for maximum concentrations with given issuers. These requirements were met at the time the investments were made.

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

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

(Percentage)

Main pool	*Ratings as at 31 December 2022*					*Ratings as at 31 December 2021*			
Bonds (long-term ratings)					**Bonds (long-term ratings)**				
	AAA/AAAu	*AA+u/AA+/AA*	*A+*	*NA*		*AAA/AAAu*	*AA+u/AA+/AA*	*A+*	*NA*
S&P	33.8	65.9	0%	0.3	S&P	47.8	48.1	0.4	3.7
	AAA	*AA+/AA/AA-*		*NA/NR*		*AAA*	*AA+/AA/AA*		*NA/NR*
Fitch	61.9	22.5	0.2	15.4	Fitch	61.3	15.7		23.0
	Aaa	*Aa1/Aa2/Aa3*	*A1*	*NA*		*Aaa*	*Aa1/Aa2/Aa3*	*A1*	*NA*
Moody's	66.7	30.9	0	2.4	Moody's	61.1	34.9	0.4	3.6
Commercial papers/certificates of deposit (short-term ratings)					**Commercial papers/certificates of deposit (short-term ratings)**				
	A-1+/A-1					*A-1+/A-1*			
S&P	100.0				S&P	100.0			
	F1+/F1			*NR*		*F1+/F1*			*NR*
Fitch	97.7			2.3	Fitch	96.7			3.3
	P-1/P2					*P-1/P2*			
Moody's	100.0				Moody's	100.0			
Term deposits/demand deposit account (Fitch viability ratings)					**Term deposits demand deposit account (Fitch viability ratings)**				
	aa/aa-	*a+/a/a-*		*NA*		*aa-*	*a+/a/a-*		*NA*
Fitch	35.9	64.1			Fitch	34.1	65.9		

Abbreviations: NA, not applicable; NR, not rated.

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

Credit risk: assessed contributions

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

Ageing of assessed contributions receivable

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

(Thousands of United States dollars)

	31 December 2022		*31 December 2021*	
	Gross receivable	*Allowance*	*Gross receivable*	*Allowance*
Less than one year	10 871	–	12 975	–
One to two years	4 357	–	4 607	–
More than two years	36 552	98	34 528	97
Total	**51 780**	**98**	**52 110**	**97**

Ageing of assessed contributions receivable for the Mechanism

(Thousands of United States dollars)

	31 December 2022		*31 December 2021*	
	Gross receivable	*Allowance*	*Gross receivable*	*Allowance*
Less than one year	10 871	–	12 975	–
One to two years	4 357	–	4 608	–
More than two years	9 999	8	7 312	7
Total	**25 227**	**8**	**24 895**	**7**

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

(Thousands of United States dollars)

	31 December 2022		*31 December 2021*	
	Gross receivable	*Allowance*	*Gross receivable*	*Allowance*
Less than one year	–	–	–	–
One to two years	–	–	–	–
More than two years	5 435	35	5 581	35
Total	**5 435**	**35**	**5 581**	**35**

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

(Thousands of United States dollars)

	31 December 2022		*31 December 2021*	
	Gross receivable	*Allowance*	*Gross receivable*	*Allowance*
Less than one year	–	–	–	–
One to two years	–	–	–	–
More than two years	21 118	55	21 634	55
Total	**21 118**	**55**	**21 634**	**55**

Credit risk: cash and cash equivalents

178. The Mechanism held cash and cash equivalents of $22.836 million as at 31 December 2022 (2021: $17.838 million).

Financial risk management: liquidity risk

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

Financial risk management: interest rate risk

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

Cash pool interest rate risk sensitivity analysis

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

Main pool interest rate risk sensitivity analysis as at 31 December 2022
(Millions of United States dollars)

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

Main pool interest rate risk sensitivity analysis as at 31 December 2021
(Millions of United States dollars)

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

Other market price risk

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

Accounting classifications and fair value hierarchy

183. 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.

184. The levels are defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., 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 (i.e., unobservable inputs).

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

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

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

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

(Thousands of United States dollars)

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

Note 20
Related parties

Key management personnel

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

Key management personnel

(Thousands of United States dollars)

	31 December 2022	*31 December 2021*
Monetary benefits	1 240	1 193
Total remuneration for the period	**1 240**	**1 193**

189. As at 31 December 2022, after-service health insurance, repatriation and leave benefits for key management personnel included in employee benefits liabilities amounted to $0.298 million (2021: $0.352 million), as determined by actuarial valuation.

190. No close family members of key management personnel were employed by the Mechanism at the management level. Advances made to key management personnel are those made against entitlements in accordance with staff rules and regulations; any such advances against entitlements are widely available to all staff of the Mechanism.

Related entity transactions

191. In the ordinary course of business, to achieve economies in executing transactions, financial transactions are often executed by one financial reporting entity on behalf of another and then subsequently settled.

Balances reflected in the Tax Equalization Fund

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

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

194. The Fund includes, as expenditure, credits against the assessments by the regular budget, peacekeeping and the Mechanism to Member States that do not levy taxes on the United Nations income of their nationals. Member States that do levy income taxes on their nationals working for the Organization do not receive this credit in full. Instead, their share is utilized in the first instance to reimburse staff members financed by the regular budget, peacekeeping and the Mechanism for taxes paid on their United Nations income. Such reimbursements for taxes paid are reported as expenditure by the Tax Equalization Fund. Staff members financed by extrabudgetary

funds who are required to pay income tax are reimbursed directly from the resources of those funds. Given that the Organization acts as an agent in this arrangement, net of the related revenue and expenses is reported as a payable in volume I.

195. The cumulative surplus accumulated in the Tax Equalization Fund as at 31 December 2022 was $190.392 million (2021: $163.211 million), consisting of amounts payable to the United States of America at year end of $162.073 million (2021: $140.380 million) and to other Member States of $28.319 million (2021: $22.831 million). The overall amount payable of the Fund is $250.190 million (2021: $215.858 million), which includes an estimated tax liability of $59.798 million relating to the 2022 and prior tax years (2021: $52.647 million), of which approximately $30.551 million was disbursed in January 2023 and approximately $29.247 million was expected to be settled in April 2023.

Note 21
Leases and commitments

Finance leases

196. Similar to 2021, there were no finance leases as at 31 December 2022.

Operating leases

197. The Mechanism enters into operating leases for the use of premises and equipment. Existing lease arrangements for the branch of the Mechanism in The Hague refer to the main building in The Hague and the field office in Sarajevo. The building in The Hague is owned by the host State and is acknowledged by both sides to be technically and functionally outdated. The host State is planning the renovation process while ensuring the continuity of judicial activities. While a new lease agreement is under discussion, the previous lease agreement has been extended to 31 December 2023. The lease of the Sarajevo field office is expected to be terminated at the end of April 2023 owing to the closure of the field office, and notice of termination of lease has been served to the landlord accordingly. The Arusha branch of the Mechanism has lease arrangements in Arusha and the field office in Kigali. In 2022, Arusha lease arrangements were terminated with the Arusha International Conference Centre and for the housing of the released and acquitted persons. The Kigali office lease has been extended to 31 December 2023.

198. The total operating lease payments recognized in expenditure for 2022 were $2.856 million for premises and $0.047 million for equipment. Future minimum lease payments under non-cancellable arrangements are set out in the following table:

Obligations for operating leases: minimum lease payments

(Thousands of United States dollars)

	31 December 2022	*31 December 2021*
Due in less than 1 year	3 377	1 747
Due in one to 5 years	–	84
Total minimum operating lease obligations	**3 377**	**1 831**

199. The Mechanism may lease out assets to other parties through operating leases. As at 31 December 2022, no leasing-out arrangements had been entered into by the Mechanism.

200. As at 31 December 2022, the total of future minimum sublease payments expected to be received under subleases was $0.079 million.

201. On 5 February 2014, the Government of the United Republic of Tanzania granted the United Nations a 99-year exclusive right of occupancy to a parcel of land in Arusha, measuring approximately 6.549 hectares at nominal cost. The land is to be used for the premises of the Arusha branch of the Mechanism and may be transferred, assigned or sublet, in whole or in part, to other United Nations entities.

Contractual commitments

202. At the reporting date, the commitments for property, plant and equipment, and goods and services contracted but not delivered were as follows:

(Thousands of United States dollars)

	31 December 2022	*31 December 2021*
Property, plant and equipment	836	1 534
Intangible assets	398	–
Goods and services	1 779	2 955
Total	**3 013**	**4 489**

203. The commitments for good and services are related mainly to legal defence fees totalling $1.002 million.

204. The commitments for property, plant and equipment are related mainly to the purchase of audiovisual, communications and information technology equipment in the amount of $0.639 million.

205. The commitments for intangible assets are related mainly to purchases of information technology design and development services in the amount of $0.392 million.

Note 22
Contingent liabilities and contingent assets

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

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

Note 23
Statements of financial position and financial performance as at 31 December 2022 by subentities

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

I. Statement of financial position as at 31 December 2022

(Thousands of United States dollars)

	Note	*Former ICTY*	*Former ICTR*	*IRMCT*	*31 December 2022*
Assets					
Current assets					
Cash and cash equivalents	6	12 397	8 704	1 735	22 836
Investments	6	49 736	34 921	6 936	91 593
Assessed contributions receivable	6, 7	21 062	5 400	25 220	51 682
Other accounts receivable	6, 7	–	–	762	762
Other assets	8	12	(1)	928	939
Total current assets		**83 207**	**49 024**	**35 581**	**167 812**
Non-current assets					
Investments	6	24 084	16 910	3 359	44 353
Property, plant and equipment	9	–	–	12 582	12 582
Intangible assets	10	–	–	162	162
Other assets	8	–	–	183	183
Total non-current assets		**24 084**	**16 910**	**16 286**	**57 280**
Total assets		**107 291**	**65 934**	**51 867**	**225 092**
Current liabilities					
Accounts payable and accrued liabilities	11	–	–	2 317	2 317
Advance receipts	12	–	–	289	289
Employee benefits liabilities	13	535	604	6 641	7 780
Judges’ benefits liabilities	14	1 677	1 311	–	2 988
Provisions	15	2 394	1 618	16 543	20 555
Total current liabilities		**4 606**	**3 533**	**25 790**	**33 929**
Non-current liabilities					
Employee benefits liabilities	13	14 975	18 725	33 610	67 310
Judges’ benefits liabilities	14	20 981	14 079	–	35 060
Total non-current liabilities		**35 956**	**32 804**	**33 610**	**102 370**
Total liabilities		**40 562**	**36 337**	**59 400**	**136 299**
Net of total assets and total liabilities		**66 729**	**29 597**	**(7 533)**	**88 793**
Net assets					
Accumulated surpluses/(deficits) – unrestricted	16	66 729	29 597	(11 516)	84 810
Accumulated surpluses/(deficits) – restricted	16	–	–	3 983	3 983
Total net assets		**66 729**	**29 597**	**(7 533)**	**88 793**

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

II. Statement of financial performance for the year ended 31 December 2022

(Thousands of United States dollars)

	Note	*Former ICTY*	*Former ICTR*	*IRMCT*	*31 December 2022*
Revenue					
Assessed contributions	17	(1 340)	(912)	81 591	79 339
Other revenue	17	–	–	108	108
Investment revenue	6	358	253	185	796
Total revenue		**(982)**	**(659)**	**81 884**	**80 243**
Expenses					
Employee salaries, allowances and benefits	18	93	144	64 449	64 686
Judges' honorariums and allowances	18	(1 051)	(755)	4 436	2 630
Contractual services	18	–	–	424	424
Supplies and consumables	18	–	–	503	503
Depreciation and amortization	9, 10	–	–	2 484	2 484
Travel	18	–	–	1 607	1 607
Other operating expenses	18	60	47	13 275	13 382
Total expenses		**(898)**	**(564)**	**87 178**	**85 716**
Surplus/(deficit) for the year		**(84)**	**(95)**	**(5 294)**	**(5 473)**

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

Note 24
Events after the reporting date

209. The closure of Sarajevo field office was planned for 2023 and was completed accordingly at the end of April 2023. The witness support and protection support services and occasional liaison functions will continue from The Hague. At the time of closure, the staffing of the field office consisted of three staff members. Furthermore, assets of the field office were not material and their disposal or transfer was ongoing. The field office was established by the International Tribunal for the Former Yugoslavia in 1995 and, over time, downsized according to the completion of operations in the area. No other material events, favourable or unfavourable, occurred between the date of the financial statements and the date on which the financial statements were authorized for issue that would have had a material impact on these statements.

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