



## Security Council

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### Note by the Secretary-General

The Secretary-General has the honour to transmit herewith to the Security Council the report of the Board of Auditors on the financial statements of the United Nations Compensation Commission for the year ended 31 December 2015.

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\* Reissued for technical reasons on 9 November 2016.



# Report of the Board of Auditors to the Security Council on the financial statements of the United Nations Compensation Commission for the year ended 31 December 2015

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## **Letter of transmittal**

### **Letter dated 19 September 2016 from the Chair of the United Nations Board of Auditors addressed to the Secretary-General**

I have the honour to transmit to you the report of the Board of Auditors on the United Nations Compensation Commission for the year ended 31 December 2015.

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

## **I. Report of the Board of Auditors on the financial statements: audit opinion**

### **Report on the financial statements**

The Board of Auditors has audited the accompanying financial statements of the United Nations Compensation Commission for the year ended 31 December 2015, which comprise the statement of financial position (statement I), 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 notes to the financial statements.

### *Management's responsibility for the financial statements*

The Secretary-General is responsible for the preparation and fair presentation of these financial statements in accordance with the International Public Sector Accounting Standards (IPSAS) and for such internal control deemed necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or to error.

### *Auditor's responsibility*

It is the responsibility of the auditor to express an opinion on the financial statements based on the audit. The Board of Auditors conducted the audit in accordance with the International Standards on Auditing. Those standards require that the auditor comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

The Board of Auditors believes that the audit evidence obtained is sufficient and appropriate to provide a basis for the audit opinion.

### *Opinion*

In the opinion of the Board, the financial statements present fairly, in all material respects, the financial position of the United Nations Compensation Commission as at 31 December 2015 and its financial performance and cash flows for the year then ended, in accordance with IPSAS.

**Report on other legal and regulatory requirements**

Furthermore, in the opinion of the Board, the transactions of the United Nations Compensation Commission that have come to the notice of the Board, or that it tested as part of the 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, the Board is also issuing a long-form report on the audit of the voluntary funds administered by the United Nations Compensation Commission (see sect. II).

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

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

*(Signed)* **Shashi Kant Sharma**  
Comptroller and Auditor General of India

## II. Long-form report of the Board of Auditors

### *Summary*

The Board of Auditors has audited the financial statements of the United Nations Compensation Commission (for the year ended 31 December 2015), which have been prepared under the International Public Sector Accounting Standards (IPSAS). The audit was conducted in conformity with the Financial Regulations and Rules of the United Nations as well as the International Standards on Auditing.

### **Audit opinion**

In the opinion of the Board, the financial statements present fairly, in all material respects, the financial position of the Commission as at 31 December 2015 and its financial performance and cash flows for the year then ended, in accordance with IPSAS.

### **Overall conclusion**

The Board found no significant errors, omissions or misstatements that would affect its opinion on the financial statements of the Commission. The Board notes the decision of the Governing Council of the Commission to postpone compensation payments to Kuwait in 2016, which will have an impact on the activities and time frame for the liquidation of the Commission. The end of the Commission's mandate cannot be realistically estimated with any certainty given the situation in Iraq.

### **Key findings**

#### *Live implementation of Umoja*

Umoja was rolled out to the Commission in November 2015. However, the Board noted that the Commission experienced significant delays in the support provided to it to resolve residual issues from the conversion process. Although the Board was notified in advance, the accounts were not presented by 31 March 2016, as required under the Financial Regulations. A final signed set of accounts was delivered on 31 May 2016.

While previously the financial statements had been prepared by the Accounts Division at Headquarters, with Umoja implementation, the preparation of the statements for the year ended 31 December 2015 was devolved to the Financial Resources Management Service at the United Nations Office at Geneva. The support costs for services provided by the Office of Programme Planning, Budget and Accounts in 2015 amounted to \$260,000, which was equivalent to 11.9 per cent of the annual budget. Given the relatively small size of the Commission and the limited level of support provided, value for money is questionable. Clarity regarding the service provision will be important when the Commission enters the final phase of its mandate.

The Board noted several instances where costs have been charged to the Compensation Fund without the knowledge of the Commission management owing to the lack of a review and approval mechanism in the Umoja system.

*Completion of the Commission's mandate*

In its decision 272 (2014), the Governing Council of the Compensation Commission decided to postpone for one year Iraq's obligations under Security Council resolution 1956 (2010) and, subsequently, there were no compensation payments made during 2015. As at 31 December 2015, the outstanding balance of compensation awards was \$4.6 billion. In its decision 273 (2015), the Governing Council granted a further one-year postponement, until 1 January 2017, with quarterly payments of compensation awards under its decision 267 (2009) to resume in 2017. The Board notes the Governing Council's decision and that the postponement will lead to the continuation of the Commission for at least a further year to service the remaining payments to Kuwait. The Board continues to regard as reasonable management's judgement that the accounts are prepared on a going-concern basis.

**Follow-up of previous recommendations**

Two recommendations from the year ended 31 December 2014 have been fully implemented and one has been implemented in part (see annex to sect. II). The latter recommendation is reiterated once again, as the need for a formal mechanism for recommencement of deposits is heightened by the further deferral of the deposit process to January 2017.

**Recommendations**

In the light of its findings, the Board recommends that the Commission:

- (a) **Establish a regular process for monitoring costs charged to the compensation fund in Umoja to ensure the accurate recognition of expenditure;**
- (b) **Obtain confirmation from the Office of Programme Planning, Budget and Accounts on how the services provided by it support the charge made and that it continue to monitor and minimize the administrative costs throughout the postponement and until completion of the mandate. The Commission should seek to establish a memorandum of understanding.**

**A. Mandate, scope and methodology**

1. The Board of Auditors has audited the financial statements of the United Nations Compensation Commission and has reviewed its operations for the financial period ended 31 December 2015 in accordance with General Assembly resolution 74 (I) of 1946. The audit was conducted in conformity with the Financial Regulations and Rules of the United Nations and Governing Council decisions, as well as the International Standards on Auditing. The latter standards require that the Board comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

2. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements present fairly the financial position of the Commission as at 31 December 2015 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 expenses 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. The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

3. The present report covers matters that, in the opinion of the Board, should be brought to the attention of the Governing Council. The Board's report was discussed with the management of the Commission, whose views have been appropriately reflected.

## **B. Findings and recommendations**

### **1. Financial matters**

4. The Board notes that the financial matters of the Commission are driven by the oil receipts from Iraq and the payments therefrom of the compensation awards. However, in 2015, with the postponement of Iraq's requirement to deposit 5 per cent of the proceeds from oil receipts to the Compensation Fund for payment towards the outstanding compensation that remains owing to Kuwait, there was no significant activity in this regard. Nevertheless, the Commission's financial position remains sound and the analysis of the main financial ratios (see table 1) confirm that the Commission remains in a sufficiently strong financial position to meet its total liabilities, with total available assets amounting to \$1.28 for every \$1 of liability.

5. In the context of significantly reduced operations over the period of the postponement and retention of a small cadre of staff, the financial position is sustainable for the Commission to continue through to the end of its mandate. All of the ratios in table 1 improved year on year from 2014 to 2015, albeit they are of less importance for the nature of the Commission's activities. The ratios reflect the fact that in 2015, there were neither incoming funds from Iraq nor payables in the form of compensation awards. In 2015, the ratios primarily reflect the position of assets and liabilities in respect of the Commission's administrative functions and have not been impacted by compensation awards.



Table 1  
**Financial ratios**

| Description of ratio                               | 31 December 2015 | 31 December 2014 |
|----------------------------------------------------|------------------|------------------|
| <b>Current ratio<sup>a</sup></b>                   |                  |                  |
| Current assets: current liabilities                | 1.17             | 0.63             |
| <b>Total assets: total liabilities<sup>b</sup></b> |                  |                  |
| Assets: liabilities                                | 1.28             | 1.01             |
| <b>Cash ratio<sup>c</sup></b>                      |                  |                  |
| Cash + investments: current liabilities            | 1.15             | 0.62             |

Source: United Nations Compensation Commission financial statements.

<sup>a</sup> A high ratio indicates an entity's ability to pay off its short-term liabilities.

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

<sup>c</sup> The cash ratio is an indicator of an entity's liquidity by measuring the amount of cash, cash equivalents or invested funds there is in current assets to cover current liabilities.

6. The Board notes that the Commission's operating reserve declined from \$8.9 million to \$6.9 million in 2015, representing a 22 per cent reduction. The reduction reflects the transactions to repay the amounts due in respect of the Follow-up Programme for Environmental Awards, with \$2.3 million being transferred to accounts payable at year-end. The Board has confirmed that as the Commission progresses towards liquidation, this reserve will be further actively reduced through the budgeting process, the aim being to retain sufficient funds for residual expenses such as archiving, information requests, employee benefits and close-down. The movements in the reserves in 2015 were consistent with the wind-down of operations.

7. The Board notes that employee benefits liabilities have decreased by some \$1.9 million following a further actuarial valuation of these liabilities. The Board is satisfied that these liabilities are part of the liquidation plan going forward and, as such, plans for their discharge are recognized by the Commission. The present actuarial valuation results in a decrease in liabilities as a result of applying a lower discount rate for after-service health insurance (0.43 per cent against 0.73 per cent in 2014). The valuation also applies updated information on average salaries and other benefits and, taken together, the valuation has resulted in lower liabilities.

8. The Commission's operating expenses of about \$1.8 million relate primarily to staff costs of approximately \$1.2 million and other costs of \$0.5 million, mainly for the rental of office space, accounting support services from the Office of Programme Planning, Budget and Accounts, and conference costs.

## 2. Implementation of Umoja

### *Umoja implementation for the Commission*

9. The Umoja enterprise resource planning system was rolled out to the Commission and the United Nations Office at Geneva in November 2015. The Board noted that the Commission, being considered small and non-complex, did not receive the same level of support through the roll-out and conversion process as

other larger United Nations entities, which contributed to the significant delay in the resolution of discrepancies in the conversion of legacy system balances. These disparities were ultimately resolved during the course of the audit, with three material adjustments required to correct the issues identified.

10. The Board noted two instances whereby costs had been charged to the Compensation Fund without the knowledge of Commission management owing to the lack of a review and approval mechanism in the Umoja system. While the examples were very small in the context of the Commission, they represented a potential control weakness. They underline the importance of the Commission's having processes to systematically review the accuracy of charges to its budget.

**11. The Board recommends that the Compensation Commission establish a regular process for monitoring costs charged to the Compensation Fund in Umoja to ensure the accurate recognition of expenditure.**

*Support costs for the Commission*

12. In April 2016, the United Nations Controller devolved the preparation of the financial statements for the year ended 31 December 2015 to the Financial Resources Management Service at the United Nations Office at Geneva.

13. The support costs for services provided by the Office of Programme Planning, Budget and Accounts in 2015 totalled \$260,000, which was equivalent to 11.9 per cent of the annual budget. This amount represents a significant proportion of the overall budget of the Commission and is in the context of the reduced levels of timely support provided to the Commission with the Umoja conversion and the delay in accounts preparation. The Commission should continue to review the levels of administrative costs charged to it, especially in the context of its currently reduced levels of activity, and determine whether these significant costs represent value for money. The Commission is a relatively small organization, recording a total of only 2,200 transactions during the 2015 financial year.

14. The Board noted that there is no clear memorandum of understanding setting out the services for which the Commission has been charged or the basis for the programme support costs levied on the Compensation Fund. Clarity will be important as the Commission enters the final years of its mandate. In this regard, the Board notes that the Controller has advised the Secretariat that going forward, support costs will represent 7 per cent of the annual budget, which in 2016 totals \$125,000.

**15. The Board recommends that the Compensation Commission obtain confirmation from the Office of Programme Planning, Budget and Accounts regarding the level of service provided and the cost charged to the Commission and that it continue to monitor and minimize the administrative costs throughout the postponement and completion of its mandate. The Commission should seek to establish a memorandum of understanding.**

**3. Progress towards the completion of the Commission's mandate**

*Compensation Fund*

16. The Security Council, in its resolution [1956 \(2010\)](#), reaffirmed its decisions contained in its resolution [1483 \(2003\)](#) whereby 5 per cent of the proceeds from

Iraqi oil exports and 5 per cent of the value of non-monetary payments shall be deposited into the Compensation Fund to discharge outstanding compensation awards arising as a result of Iraq's invasion of Kuwait in 1990. In its decision 272 (2014), the Governing Council of the Commission decided to postpone for one year Iraq's obligations and, subsequently, there were no payments made during 2015. As at 31 December 2015, the outstanding balance of compensation awards amounted to \$4.6 billion (2014: \$4.6 billion).

*Governing Council decision 273 (2015)*

17. At its eightieth session, on 28 October 2015, the Governing Council of the Commission considered a request from the Government of Iraq for an additional one-year postponement of the requirement under Security Council resolution [1956 \(2010\)](#) to deposit 5 per cent of the proceeds from oil exports and 5 per cent of the value of non-monetary payments into the Compensation Fund.

18. Noting the extraordinarily difficult security circumstances in Iraq and the continued budgetary challenges associated with the situation, the Governing Council adopted its decision 273 (2015), postponing Iraq's obligations until 1 January 2017. Quarterly payments of compensation awards, under Governing Council decision 267 (2009), are expected to resume in 2017. Clearly, as the mandate of the Commission is extended, the administrative costs and the overall employee benefit liability will increase, which will require resources from the Compensation Fund.

*Impacts of decision 273 (2015) on the Commission*

19. Based on oil prices at the beginning of 2016, the Commission estimates that, following recommencement of deposits to the Compensation Fund in 2017, it may have sufficient funds to fully discharge the remaining compensation awards in early 2019.

20. The Board recognizes that fluctuations in Iraqi oil production and the volatility of oil prices means that forecasting future receipts from oil production remains inherently uncertain. Since the end of the Commission's mandate cannot be realistically estimated with any certainty, the Board was satisfied with management's assessment that the going-concern principle remained a valid basis for the preparation of the financial statements. This is further supported by the level of reserves.

21. The Board also noted that, in its decision 273 (2015), the Governing Council requests that the Government of Iraq advise the Council by 30 September 2016 of Iraq's proposed arrangements for the resumption of deposits from 1 January 2017. Until these arrangements are finalized, the Board considers this to satisfy in part its previous recommendation that an agreement be established for a mechanism for recommencement of deposits.

**22. The Board further reiterates its previous recommendation that the Compensation Commission establish a formal agreement with the Government of Iraq regarding the mechanism for the recommencement of deposits once there is further clarity regarding Iraq's ability to recommence deposits.**

*Future funding of the Commission*

23. The 2016 budget for administration costs of the Commission will be funded from the Compensation Fund. The Board noted that Security Council resolutions [687 \(1991\)](#) and [692 \(1991\)](#) provide for the administrative costs to be funded from the Compensation Fund. At present, as no final determination has been made on the timeline for closure of the Commission, the Board has audited the accounts on a going-concern basis. The Board concurs with this view based upon the evidence available to it and from the results of its audit.

**C. Disclosures by management***Fraud, presumptive fraud, losses and ex gratia payments*

24. In accordance with 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.

25. During the audit, the Board makes inquiries of management regarding its oversight responsibility for assessing the risks of material fraud and the processes in place for identifying and responding to the risks of fraud, including any specific risks of fraud that management has identified or that have been brought to its attention. The Board also inquires as to whether management has any knowledge of any actual, suspected or alleged fraud.

26. The Commission informed the Board that there were no write-offs of losses of cash, receivables or property during the year. It also reported no ex gratia payments, fraud or presumptive fraud for 2015. None were identified through the audit work of the Board.

**D. Acknowledgement**

27. The Board wishes to express its appreciation for the cooperation and assistance extended to its staff by the Executive Head and other staff at the Compensation Commission and those who support them in Geneva and New York.

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

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

(Signed) Shashi Kant **Sharma**  
Comptroller and Auditor General of India

## Annex

### Status of implementation of recommendations

Of the three recommendations outstanding as at 31 May 2016, two have been implemented and one has been implemented in part.

| <i>S/2015/566</i> | <i>Summary of recommendation</i>                                                                                                                                              | <i>Administration's comment on status — March 2016</i>                                                                                                                                                                                                                                           | <i>Board's comment on status — March 2016</i>                                                                                                                                    | <i>Fully implemented</i> | <i>Under implementation</i> | <i>Not implemented</i> | <i>Overtaken by events</i> | <i>Closed by the Board</i> |
|-------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|-----------------------------|------------------------|----------------------------|----------------------------|
| Para. 17          | Continue to review the status of the operational reserve and ensure consideration of the appropriate IPSAS recognition point for the distribution of this eventual liability. | At its seventy-ninth session, the Governing Council noted that the final accounting for the Follow-up Programme for Environmental Awards was concluded. The reserve was then converted into a liability in the second half of 2015 and was returned in March 2016.                               | The Board noted that the Programme reserve was returned to the participating Governments in March 2016 and has been presented accurately as a liability as at 31 December 2015.  | X                        |                             |                        |                            |                            |
| Para. 25          | Establish an agreement with the Government of Iraq regarding the mechanism for recommencement of deposits in January 2016.                                                    | With the adoption by the Governing Council of its decision 273 (2015), the resumption of deposits was deferred to 1 January 2017. In its decision, the Council requests that Iraq advise the Council no later than 30 September 2016 about proposed arrangements for the resumption of deposits. | The Board has reported on the implications of decision 273 (2015) and noted the requirement for the Government of Iraq to respond to the Governing Council by 30 September 2016. |                          | X                           |                        |                            |                            |

| <a href="#">S/2015/566</a> | <i>Summary of recommendation</i>                                                                                                                                                                                                                    | <i>Administration's comment on status — March 2016</i>                                                                                                                                                                                                                                                                    | <i>Board's comment on status — March 2016</i>                                                                   | <i>Fully implemented</i> | <i>Under implementation</i> | <i>Not implemented</i> | <i>Overtaken by events</i> | <i>Closed by the Board</i> |
|----------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------|--------------------------|-----------------------------|------------------------|----------------------------|----------------------------|
| Para. 30                   | Consider the need to ensure that a contingency plan is in place in the event that a further postponement of compensation is granted, to ensure that the staffing structure provides the necessary continuity while minimizing administrative costs. | At the eightieth session of the Governing Council, the Committee on Administrative Matters approved the 2016 budget, noting that it was based on staffing levels being maintained and considered this to be the current minimum level necessary to carry out the work of the Commission and ensure its orderly wind-down. | The Board understands that staffing has been reduced to the core minimum requirements for continued operations. | X                        |                             |                        |                            |                            |

### III. Certification of the financial statements

#### **Letter dated 31 May 2016 from the Assistant Secretary-General, Controller, addressed to the Chair of the Board of Auditors**

The financial statements of the United Nations Compensation Commission established under the provisions of Security Council resolution [692 \(1991\)](#) for the year ended 31 December 2015 have been prepared in accordance with financial rule 106.1.

The summary of significant accounting policies applied in the preparation of the financial statements is included as notes to these statements. The notes provide additional information and clarifications for the financial activities undertaken by the United Nations Compensation Commission during the period covered by these statements, for which the Secretary-General has administrative responsibility.

I certify that the appended financial statements of the United Nations Compensation Commission established under the provisions of Security Council resolution [692 \(1991\)](#), numbered I to IV, are correct in all material respects.

*(Signed)* Bettina Tucci **Bartsiotas**  
Assistant Secretary-General  
Controller

## IV. Financial report for the year ended 31 December 2015

### A. Introduction

1. The Secretary-General has the honour to submit herewith the financial report on the accounts of the United Nations Compensation Commission for the year ended 31 December 2015.
2. The present report is designed to be read in conjunction with the financial statements.
3. The Compensation Commission is a subsidiary organ of the Security Council. It was established in accordance with Council resolutions [687 \(1991\)](#) and [692 \(1991\)](#) to process claims and pay compensation for direct losses and damage suffered by individuals, corporations, Governments and international organizations as a direct result of the invasion and occupation of Kuwait by Iraq (2 August 1990-2 March 1991). The Commission is currently composed of the Governing Council and the secretariat. The Governing Council is the policy-making organ of the Commission. Its composition is the same as that of the 15-member Security Council at any given time. The secretariat, headed by the Executive Head, services and provides assistance to the Governing Council.
4. Approximately 2.7 million claims, with an asserted value of \$352.5 billion, were filed with the Commission. The Commission concluded claims processing in 2005 and the total compensation awarded was \$52.4 billion to more than 1.5 million successful claimants. Funds to pay compensation are drawn from the United Nations Compensation Fund, which receives a percentage of the proceeds generated by the export sales of Iraqi petroleum and petroleum products. By Security Council resolution [1483 \(2003\)](#), this percentage was reduced from 25 per cent to 5 per cent. In its resolution [1956 \(2010\)](#), the Council reaffirmed the 5 per cent level and further decided that 5 per cent of the value of any non-monetary payments of petroleum, petroleum products and natural gas made to service providers shall also be deposited into the Compensation Fund.
5. In 2014, the Governing Council adopted its decision 272 (2014), postponing Iraq's obligation to deposit oil proceeds into the Compensation Fund until 1 January 2016. As such, the Commission made no payments towards the remaining claim during 2015, leaving the amount of \$4.6 billion outstanding. As at 31 December 2015, the Commission had paid approximately \$47.8 billion in compensation for distribution to successful claimants in all categories.
6. In accordance with decision 272 (2014), deposits in the amount of approximately \$960 million made to the Compensation Fund from 1 October 2014 to 31 December 2014 were returned to the Government of Iraq on 9 March 2015.
7. The residual activities related to the Commission's Follow-up Programme for Environmental Awards, which was concluded at the end of 2013, continued in 2015, with liquidation of payables and completion of the final accounting for the Programme.
8. In response to a second request from the Government of Iraq, the Governing Council adopted its decision 273 (2015) in October 2015, postponing Iraq's



obligation to deposit 5 per cent of the proceeds from all export sales of petroleum, petroleum products and natural gas and 5 per cent of the value of any non-monetary payments into the Compensation Fund until 1 January 2017, with quarterly payments to resume in 2017.

## **B. Overview of the financial statements for the year ended 31 December 2015**

9. Financial statements I, II, III and IV show the financial results of the Commission's activities. The notes to the financial statements explain the Commission's accounting and financial reporting policies and provide additional information on the individual amounts contained in the statements.

### **Revenue**

10. Under IPSAS, revenue is recognized when funds are drawn from the Compensation Fund for the administrative costs of the Commission. In 2015, the Commission's activities were funded from the operating reserve of the Compensation Fund. As such, the Commission did not have any revenue in 2015 associated with the Compensation Fund. As the Follow-up Programme for Environmental Awards only conducted residual activities, such as liquidating liabilities and finalizing the amount of the reserve to be returned to the participating Governments, the revenue consisted of interest and investment income on the balance of cash in the Programme Fund.

### **Expenses**

11. Under IPSAS, expenses are now recorded in the financial statements on an accrual basis when goods and/or services have been received. The 2015 expenses totalled \$1.827 million. The main expense category was staff costs of \$1.226 million, which constituted 67.1 per cent of the total expenses. Other expenses included contractual services of \$0.100 million (or 5.5 per cent), other operating expenses of \$0.472 million (25.8 per cent) and travel costs of \$0.029 million (1.6 per cent). Total expenses incurred in 2014 amounted to \$2.338 million and the decrease in expenses in 2015 was due mainly to a reduction in staff costs.

### **Operating result**

12. As a result of the Commission's activities being funded from the operating reserve, the statement of financial performance shows a deficit for the year.

### **Assets**

13. Assets as at 31 December 2015 totalled \$31.038 million compared with a total of \$991.763 million as at 31 December 2014.

14. The main assets at 31 December 2015 were investments and cash and cash equivalents of \$30.692 million, representing 99.0 per cent of the total assets, all of which were held in the main cash pool. This relates to the oil revenue received but not paid towards the outstanding compensation awards, amounts owed to

participating Governments under the Follow-up Programme or Environmental Awards and funds to cover liabilities associated with employee benefits. The remaining assets consist of receivables from other United Nations entities and deferred expenditure.

**Liabilities**

15. Liabilities as at 31 December 2015 totalled \$24.180 million compared with the balance of \$982.766 million at 31 December 2014, which largely reflects the postponement of deposits in 2015 and the repayment of deposits to the Government of Iraq.

16. The largest liability (\$14.834 million) relates to the accounts payable: compensation awards, which will be applied to the payment of compensation awards once payments resume in 2017.

17. The liabilities also include the account payable related to the operating reserve of the Follow-up Programme for Environmental Awards in the amount of \$2.298 million.

18. The other significant liability is the non-current liability for employee benefits earned by staff members and retirees, which relates primarily to after-service health insurance, amounting to \$6.512 million, representing 27 per cent of total liabilities.

**Net assets**

19. The decrease of \$2.139 million in net assets during the year reflects a deficit for the year of \$1.815 million, the actuarial gains on employee benefit liabilities of \$1.974 million and the reclassification of the operating reserve of the Follow-up Programme for Environmental Awards of \$2.298 million to an account payable. The net asset position reflects the operating reserve of the Commission.

**Liquidity position**

20. The financial matters of the Commission are driven primarily by the oil receipts from Iraq and the payments of compensation awards. With the postponement of the deposits into the Compensation Fund, the Commission has at its disposal the amount of \$6.9 million remaining in the operating reserve. In addition, pursuant to Security Council resolution [692 \(1991\)](#), the administrative expenses of the Commission are to be drawn from the Compensation Fund. As such, the Commission also has at its disposal the amount remaining in the accounts payable for compensation awards of \$14.8 million. Therefore, the liquidity of the operations of the Commission is assured.

## V. Financial statements for the year ended 31 December 2015

### United Nations Compensation Commission

#### I. Statement of financial position as at 31 December 2015

(Thousands of United States dollars)

|                                                  | Note | 31 December 2015 | 31 December 2014 |
|--------------------------------------------------|------|------------------|------------------|
| <b>Assets — funds held in trust</b>              |      |                  |                  |
| <b>Current assets</b>                            |      |                  |                  |
| Cash and cash equivalents                        | 4    | 4 988            | 216 916          |
| Investments                                      | 4    | 15 383           | 406 302          |
| Accounts receivable                              | 4    | —                | 4 770            |
| Receivables from other United Nations entities   | 4    | 301              | 5 096            |
| Deferred expenditure                             |      | 45               | 20               |
| Other current assets                             |      |                  | —                |
| <b>Total current assets</b>                      |      | <b>20 717</b>    | <b>633 104</b>   |
| Investments                                      | 4    | 10 321           | 358 659          |
| <b>Total non-current assets</b>                  |      | <b>10 321</b>    | <b>358 659</b>   |
| <b>Total assets</b>                              |      | <b>31 038</b>    | <b>991 763</b>   |
| <b>Liabilities and funds held in trust</b>       |      |                  |                  |
| <b>Current liabilities</b>                       |      |                  |                  |
| Accounts payable: compensation awards            | 4, 5 | 14 834           | 973 937          |
| Accounts payable: environmental awards           | 4    | 2 298            | —                |
| Other accounts payable and accrued liabilities   | 4    | 414              | 335              |
| Employee benefits liabilities                    | 7    | 122              | 107              |
| <b>Total current liabilities</b>                 |      | <b>17 668</b>    | <b>974 379</b>   |
| <b>Non-current liabilities</b>                   |      |                  |                  |
| Employee benefits liabilities                    | 7    | 6 512            | 8 387            |
| <b>Total non-current liabilities</b>             |      | <b>6 512</b>     | <b>8 387</b>     |
| <b>Total liabilities</b>                         |      | <b>24 180</b>    | <b>982 766</b>   |
| <b>Net of total assets and total liabilities</b> |      | <b>6 858</b>     | <b>8 997</b>     |
| <b>Net assets</b>                                |      |                  |                  |
| Accumulated surpluses — restricted               | 8    | —                | —                |
| Operating reserve                                | 8    | 6 858            | 8 997            |
| <b>Net assets</b>                                |      | <b>6 858</b>     | <b>8 997</b>     |

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

**United Nations Compensation Commission**  
**II. Statement of financial performance for the year ended 31 December 2015**

(Thousands of United States dollars)

|                                            | <i>Note</i> | <i>2015</i>    | <i>2014</i>    |
|--------------------------------------------|-------------|----------------|----------------|
| <b>Revenue</b>                             |             |                |                |
| Revenue                                    | 9           | 12             | –              |
| <b>Total revenue</b>                       |             | <b>12</b>      | <b>–</b>       |
| <b>Expenses</b>                            |             |                |                |
| Employee salaries, allowances and benefits | 10          | 1 226          | 1 641          |
| Contractual services                       | 10          | 100            | 68             |
| Travel                                     | 10          | 29             | 38             |
| Other operating expenses                   | 10          | 472            | 591            |
| <b>Total expenses</b>                      |             | <b>1 827</b>   | <b>2 338</b>   |
| <b>Deficit for the year</b>                |             | <b>(1 815)</b> | <b>(2 338)</b> |

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

**United Nations Compensation Commission**  
**III. Statement of changes in net assets for the year ended 31 December 2015**

(Thousands of United States dollars)

|                                                                          | <i>Accumulated surpluses —<br/>restricted</i> | <i>Operating reserve</i> | <i>Total</i>   |
|--------------------------------------------------------------------------|-----------------------------------------------|--------------------------|----------------|
| <b>Net assets as at 1 January 2014</b>                                   | <b>–</b>                                      | <b>12 959</b>            | <b>12 959</b>  |
| <b>Changes in net assets during 2014</b>                                 |                                               |                          |                |
| Actuarial (losses) on employee benefits liabilities (note 7)             | –                                             | (1 624)                  | (1 624)        |
| Deficit for the year                                                     | –                                             | (2 338)                  | (2 338)        |
| <b>Total</b>                                                             | <b>–</b>                                      | <b>(3 962)</b>           | <b>(3 962)</b> |
| <b>Net assets as at 31 December 2014</b>                                 | <b>–</b>                                      | <b>8 997</b>             | <b>8 997</b>   |
| <b>Changes in net assets during 2015</b>                                 |                                               |                          |                |
| Actuarial gains/(losses) on employee benefits liabilities (note 7)       | –                                             | 1 974                    | 1 974          |
| Deficit for the year                                                     | –                                             | (1 815)                  | (1 815)        |
| Operating reserve under the Follow-up Programme for Environmental Awards |                                               | (2 298)                  | (2 298)        |
| <b>Total</b>                                                             | <b>–</b>                                      | <b>(2 139)</b>           | <b>(2 139)</b> |
| <b>Net assets as at 31 December 2015</b>                                 | <b>–</b>                                      | <b>6 858</b>             | <b>6 858</b>   |

**United Nations Compensation Commission**  
**IV. Statement of cash flows for the year ended 31 December 2015**

(Thousands of United States dollars)

| <i>Cash flows from operating activities</i>                                                                    | <i>2015</i>      | <i>2014</i>      |
|----------------------------------------------------------------------------------------------------------------|------------------|------------------|
| <b>Deficit for the period</b>                                                                                  | <b>(1 815)</b>   | <b>(2 338)</b>   |
| Actuarial gains/(losses) on employee benefits liabilities                                                      | 1 974            | (1 624)          |
| Changes in assets                                                                                              |                  |                  |
| (Increase)/decrease in accounts receivable                                                                     | 4 770            | 195              |
| (Increase)/decrease in receivables from other United Nations entities                                          | 4 795            | (2 818)          |
| (Increase)/decrease in deferred expenditure                                                                    | (25)             | (20)             |
| (Increase)/decrease in other current assets                                                                    | —                | 75               |
| Changes in liabilities                                                                                         |                  |                  |
| Increase/(decrease) in accounts payable: compensation awards                                                   | (959 103)        | (93 262)         |
| Increase/(decrease) in accounts payable: funds withheld under the Follow-up Programme for Environmental Awards | 2 298            | (43 364)         |
| Increase/(decrease) in other accounts payable and accrued liabilities                                          | 79               | (29)             |
| Increase/(decrease) in employee benefits liabilities                                                           | (1 860)          | 1 740            |
| <b>Net cash flows from (used in) operating activities</b>                                                      | <b>(948 887)</b> | <b>(141 445)</b> |
| <b>Cash flows from investing activities</b>                                                                    |                  |                  |
| Net change in the main cash pool investments                                                                   | 739 257          | 103 902          |
| <b>Net cash flows from (used in) investing activities</b>                                                      | <b>739 257</b>   | <b>103 902</b>   |
| <b>Cash flows from financing activities</b>                                                                    | —                | —                |
| <b>Net cash flows from (used in) financing activities</b>                                                      | <b>—</b>         | <b>—</b>         |
| Operating reserve under the Follow-up Programme for Environmental Awards                                       | (2 298)          | —                |
| <b>Net increase/(decrease) in cash and cash equivalents</b>                                                    | <b>(211 928)</b> | <b>(37 543)</b>  |
| Cash and cash equivalents — beginning of year                                                                  | 216 916          | 254 459          |
| <b>Cash and cash equivalents — end of year</b>                                                                 | <b>4 988</b>     | <b>216 916</b>   |

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

**United Nations Compensation Commission**  
**Notes to the 2015 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 was signed on 26 June 1945 and became effective on 24 October 1945. The primary objectives of the United Nations are as follows:

- The maintenance of international peace and security
- The promotion of international economic and social progress and development programmes
- The universal observance of human rights
- The administration of international justice and law

2. These objectives are implemented through the Organization's major organs, as follows:

- The General Assembly focuses on a wide range of political, economic and social issues, as well as financial and administrative aspects of the United Nations
- The Security Council is responsible for various aspects of peacekeeping and peacemaking, including efforts to resolve conflicts, restore democracy, promote disarmament, provide electoral assistance, facilitate post-conflict peacebuilding, engage in humanitarian activities to ensure the survival of groups deprived of basic needs and oversee the prosecution of persons responsible for serious violations of international humanitarian law
- The Economic and Social Council plays a particular role in economic and social development, including a major oversight role in the efforts of other organizations of the United Nations system to address international economic, social and health problems
- 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 is headquartered in New York and has major offices in Geneva, Vienna and Nairobi, and peacekeeping and political missions, economic commissions, tribunals, training institutes and information and other centres around the world.

*Reporting entity*

4. The present financial statements relate to the United Nations Compensation Commission, which was established in 1991 in accordance with Security Council resolutions [687 \(1991\)](#) and [692 \(1991\)](#) to process and pay claims for direct loss, damage, or injury arising from the invasion and occupation of Kuwait by Iraq

(2 August 1990-2 March 1991) and to administer a compensation fund from which to pay successful claims.

5. The Governing Council of the Commission established the Follow-up Programme for Environmental Awards in 2005, in consultation with the Government of Iraq and the participating Governments of the Islamic Republic of Iran, Jordan, Kuwait and Saudi Arabia, to monitor the financial and technical aspects of 26 environmental remediation and restoration projects being undertaken by the participating Governments with funds awarded by the Commission. While the mandate under the Programme was considered fulfilled in late 2013, there were a number of residual activities in 2014 and on into 2015.

6. The Commission 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 mandate of the Commission, it is not deemed to be subject to common control for the purposes of financial reporting under the International Public Sector Accounting Standards (IPSAS). The Commission has no interests in associates or joint ventures. Therefore, the present statements relate only to the operations of the United Nations Compensation Commission.

7. The Commission's headquarters is located at the United Nations Office at Geneva.

## **Note 2**

### **Basis of preparation and authorization for issue**

#### *Basis of preparation*

8. Pursuant to the Financial Regulations and Rules of the United Nations, the financial statements are prepared on an accrual basis in accordance with IPSAS. In accordance with the requirements of IPSAS, the financial statements, which present fairly the assets, liabilities, revenue and expenses of the Commission and the cash flows over the financial year, consist of the following:

- Statement I: statement of financial position
- Statement II: statement of financial performance
- Statement III: statement of changes in net assets
- Statement IV: statement of cash flows using the indirect method
- A summary of significant accounting policies and other explanatory notes.

#### *Going concern and winding-up of the Commission*

9. The financial statements have been prepared on a going-concern basis and the accounting policies, as summarized in note 3, have been applied consistently in the preparation and presentation of the financial statements. The going-concern assertion is based on the continued application of Security Council resolutions [1483 \(2003\)](#) and [1956 \(2010\)](#) and the fact that compensation amounting to \$4.6 billion remains to be paid. In December 2014, the Governing Council adopted its decision 272 (2014), in which it postponed Iraq's obligation to deposit 5 per cent of oil

proceeds into the Compensation Fund until 1 January 2016, with quarterly payments of compensation awards under Governing Council decision 267 (2009) to resume in 2016. On 28 October 2015, the Governing Council adopted its decision 273 (2015), in which it further postponed Iraq's obligation to deposit 5 per cent of oil proceeds into the Compensation Fund until 1 January 2017, with quarterly payments of compensation awards under decision 267 (2009) to resume in 2017. In this regard, the mandate of the Commission is ongoing.

#### *Measurement basis*

10. The financial statements are prepared using the historic cost convention, except for certain investments and assets, as stated in the notes to the financial statements. The financial statements are prepared for the year from 1 January to 31 December.

#### *Fund accounting*

11. Financial information is maintained on a fund-accounting basis in the Commission. A fund is a self-balancing accounting entity established to account for the transactions of a specified purpose or objective.

#### *Functional and presentation currency*

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

13. Foreign currency transactions are translated into United States dollars at the United Nations operational rate of exchange at the date of the transaction. The rate approximates the spot rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies — those other than the functional currency — are translated at the United Nations operational rate of exchange year-end rate. Non-monetary foreign currency items measured at historical cost or fair value are translated at the United Nations operational rate of exchange rate prevailing at the date of the transaction or when the fair value was determined.

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 as a change in the statement of financial performance on a net basis.

#### *Materiality and use of judgement and estimation*

15. Materiality is central to the preparation and presentation of the 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, judgements and assumptions in the selection and application of accounting policies, and in the reported amounts of certain assets, liabilities, revenues 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, impairment of assets, classification of financial instruments, inflation and discount rates used in the calculation of the present value of provisions and classification of contingent assets and liabilities.

*Future accounting pronouncements*

18. The progress and impact of the following significant future International Public Sector Accounting Standards Board (IPSASB) accounting pronouncements on the Commission's financial statements continue to be monitored:

- Consequential amendments arising from chapters 1 to 4 of the conceptual framework: the project objective is to make revisions to IPSAS that reflect concepts from these chapters, in particular the objectives of financial reporting and the qualitative characteristics and constraints of information.
- Employee benefits: the objective is to issue a revised IPSAS 25: Employee benefits, which will converge with the underlying IAS 19: Employee benefits.
- Public sector-specific financial instruments: to develop this accounting guidance, the project will focus on issues related to public sector-specific financial instruments that are outside the scope of those covered by IPSAS 28: Financial instruments: presentation, IPSAS 29: Financial instruments: recognition and measurement, and IPSAS 30: Financial instruments: disclosures.
- Social benefits: the project objective is to identify the circumstances and manner in which expenses and liabilities of certain social benefits should be reflected in financial statements.
- Public sector combinations: the project will prescribe the accounting treatment for public sector combinations and develop a new standard setting out the classification and measurement of public sector combinations, that is, transactions or other events that bring two or more separate operations into a single public sector entity.
- Emissions trading schemes: the project will consider issues related to emissions trading schemes with the aim to develop a standard(s) that provides requirements to administrators and participants in such schemes.
- Heritage assets: the project objective is to develop accounting requirements for heritage assets.
- Revenue: the aim of the project is to develop one or more IPSASs covering revenue transactions (exchange and non-exchange) in IPSASs. The scope is to develop new standards-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).

- Non-exchange expenses: the aim of the project is to develop a standard(s) that provides recognition and measurement requirements applicable to providers of non-exchange transactions, except for social benefits.

#### *Future requirements of IPSAS*

19. On 30 January 2015, IPSASB published new standards: IPSAS 34: Separate financial statements, IPSAS 35: Consolidated financial statements, IPSAS 36: Investments in associates and joint ventures, IPSAS 37: Joint arrangements, and IPSAS 38: Disclosure of interests in other entities. These standards will come into effect for periods commencing on 1 January 2017. As the Commission has no activities that come under the scope of these standards, the effect of the standards is not material.

#### *Authorization for issue*

20. The present financial statements are certified by the Assistant Secretary-General, Controller, and approved by the Secretary-General. In accordance with financial regulation 6.2, the Secretary-General transmits these financial statements as at 31 December 2015 to the Board of Auditors. As agreed with the Board, the financial statements for the year ended 31 December 2015 are submitted prior to a revised deadline of 31 May 2016. The report of the Board, together with the audited financial statements, is transmitted, through the secretariat of the Commission, to the Governing Council, whose Committee on Administrative Matters approves the budget and oversees the financial activities of the Commission.

### **Note 3**

#### **Significant accounting policies**

##### *Financial instruments: financial assets*

21. The Commission classifies its financial assets in one of the categories shown below at initial recognition and re-evaluates the classification at each reporting date. Classification of financial assets depends primarily on the purpose for which the financial assets are acquired.

| <i>Classification</i>                 | <i>Financial asset</i>                    |
|---------------------------------------|-------------------------------------------|
| Fair value through surplus or deficit | Investments                               |
| Loans and receivables                 | Cash and cash equivalents and receivables |

22. All financial assets are initially measured at fair value. The Commission 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 the Commission becomes party to the contractual provisions of the instrument.

23. 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.

24. Financial assets at fair value through surplus or deficit are those that have either been designated in this category at initial recognition, or 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 recorded as a variation to the investment proceeds, since any gains are neither available for nor utilizable by the Commission other than for the purposes of payment of compensation awards (see note 5).

25. 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 subsequently reported at amortized cost calculated using the effective interest rate method. Interest revenue is recognized on a time-proportion basis using the effective interest rate method on the respective financial asset.

26. 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 value of the asset. Impairment losses are recognized against the statement of financial performance in the year they arise. Financial assets are derecognized when the rights to receive cash flows have expired or have been transferred and the Commission has transferred substantially all risks and rewards of the financial asset.

27. Financial assets and liabilities are offset and the net amount 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.

*Financial assets: investment in main cash pool*

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

29. The Commission's investment in the main cash pool is included as part of cash and cash equivalents, short-term investments and long-term investments in the statement of financial position, depending on when they are expected to be realized.

*Financial assets: cash and cash equivalents*

30. 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.

*Financial assets: receivables*

31. Receivables comprise amounts receivable for goods or services provided to other entities, receivables from other United Nations reporting entities and receivables from staff. Other receivables that are considered material are subject to specific review and an allowance for doubtful receivables assessed on the basis of recoverability and ageing accordingly.

*Other assets*

32. Other assets are 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.

*Financial liabilities: classification*

33. Financial liabilities classified as “other financial liabilities” are initially recognized at fair value and subsequently measured at amortized cost. Financial liabilities with a duration of less than 12 months are recognized at their nominal value. The Commission re-evaluates classification of financial liabilities at each reporting date and derecognizes financial liabilities when its contractual obligations are discharged, waived, cancelled or expired.

*Financial liabilities: other accounts payable and accrued expenses*

34. Accounts payable includes vendor accounts payable, transfer payables, unspent funds held for future refunds and other liabilities such as balances payable to other United Nations reporting entities that reflect transactions between funds and include the amounts due to the United Nations General Fund. Vendor accounts payables and accrued expenses arise from the purchase of goods and services that have been received but not paid for as at the reporting date. They are stated at invoiced amounts, less payment discounts at the reporting date. Payables are recognized and subsequently measured at their nominal value, as they are generally due within 12 months.

*Financial liabilities: compensation awards*

35. Five per cent of the proceeds from Iraqi oil sales are deposited into the Compensation Fund pursuant to Security Council resolutions [1483 \(2003\)](#) and [1956 \(2010\)](#) and are used to pay compensation to successful claimants. The United Nations, through the Compensation Commission, is considered to be an agent responsible solely for the administration of the Fund (see para. 64 below). As such, oil proceeds received are used solely for the purpose of payment of compensation awards and therefore do not meet revenue recognition criteria. Similarly, main pool investment proceeds are applied solely towards successful claims and do not meet revenue recognition criteria. Accordingly, the Commission recognizes an accounts

payable balance for the total amount of oil proceeds deposited and investment proceeds less any revenue drawn from the Compensation Fund for the administrative cost of the Commission.

*Operating leases: the Commission as “lessee”*

36. The Commission occupies premises and uses equipment through lease agreements. Leases where all of the risks and rewards of ownership are not substantially transferred to the Commission 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 period of the lease.

*Employee benefits*

37. Employees comprise staff members, as described under Article 97 of the Charter of the United Nations, whose employment and contractual relationship is 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*

38. 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, maternity/paternity leave) and other short-term benefits (death grant, education grant, reimbursement of taxes and home leave) provided to current employees based on services rendered. All such benefits that are accrued but not paid are recognized as current liabilities within the statement of financial position.

*Post-employment benefits*

39. Post-employment benefits comprise after-service health insurance, end of service repatriation benefits and annual leave, which are accounted for as defined benefit plans in addition to the United Nations Joint Staff Pension Fund.

*Defined benefit plans*

40. Defined benefit plans are those for which the Commission’s obligation is to provide agreed benefits and, therefore, the Commission 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 are recognized in the statement of financial performance in the year in which they occur. The defined benefit liabilities are fully funded as defined by IPSAS 25: Employee benefits.

41. 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 interest rates

of high-quality corporate bonds with maturity dates approximating those of the individual plans.

42. *After-service health insurance.* After-service health insurance provides worldwide coverage for necessary medical expenses of eligible former staff members and their dependants. Upon end of service, staff members and their dependants may elect to participate in a defined benefit health insurance plan of the United Nations, provided they have met certain eligibility requirements, including 10 years of participation in a United Nations health plan for those who were recruited after 1 July 2007 and 5 years for those who were recruited prior to that date. The after-service health insurance liability represents the present value of the share of the Commission'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 considering contributions by all plan participants in determining the Commission's residual liability. Contributions from retirees are deducted from the gross liability and a portion of the contributions from active staff is also deducted to arrive at the Commission's residual liability in accordance with cost-sharing ratios authorized by the General Assembly.

43. *Repatriation benefits.* Upon end of service, staff who meet certain eligibility requirements, including residency outside their country of nationality at the time of separation, are entitled to repatriation grant, which is based upon length of service, and travel and removal expenses. A liability is recognized from when the staff member joins the Commission and is measured as the present value of the estimated liability for settling these entitlements.

44. *Annual leave.* The liabilities for annual leave represent unused accumulating compensated absence up to a maximum of 60 days, whereby an employee is entitled to monetary settlement of this balance upon separation from service. Therefore, the Commission recognizes as a liability the actuarial value of the total accumulated leave days of all staff members as of the date of the statement of financial position. Annual leave benefits are considered to be a post-employment defined benefit and as such are recognized on the same actuarial basis as other defined benefit plans.

*Pension plan: United Nations Joint Staff Pension Fund*

45. The Commission 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 Pension Fund is a funded, multi-employer defined benefit plan. As specified by article 3 (b) of the Regulations of the Fund, membership of the Pension 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.

46. The plan exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Pension Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual participating organizations. The Commission, in line with other participating organizations, is not in a position to identify the Commission'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 Commission has treated the plan as if it were a defined contribution plan in line with the requirements of IPSAS 25. The Commission's contributions to the plan during the financial period are recognized as a variation in the statement of financial performance.

*Termination benefits*

47. Termination benefits are recognized as an expense only when the Commission 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*

48. 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.

*Provisions*

49. 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 Commission 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 provision is measured as the best estimate of the amount 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 expected to be required to settle the obligation. Provisions are not recognized for future operating losses.

*Contingent liabilities*

50. Contingent liabilities represent 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 Commission; or present obligations that arise from past events but that are not 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.

*Contingent assets*

51. Contingent assets represent 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 control of the Commission.

*Commitments*

52. Commitments are future expenses to be incurred by the Commission on contracts entered into by the reporting date and that the Commission has minimal, if any, discretion to avoid in the ordinary course of operations. Commitments include capital commitments (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 will be delivered to the Commission in future years, non-cancellable minimum lease payments and other non-cancellable commitments.

*Investment proceeds*

53. Investment proceeds include the Commission's share of net main cash pool income and other interest income. The net main cash pool income includes any gains and losses on the sale of investments, which are calculated as the difference between the sales proceeds and book value. Transaction costs that are directly attributable to the investment activities are netted against income and the net income is distributed proportionately to all participants based on their daily balances. The main cash pool income also includes unrealized market gains and losses on securities, which are distributed proportionately to all participants based on their end-of-year balances. However, given that these investments and investment proceeds relate to the Compensation Fund liability, all investment proceeds are recognized as accounts payable.

*Expenses*

54. 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.

55. Employee salaries include international, national and general temporary staff salaries, post adjustments and staff assessments. The allowances and benefits include other staff entitlements, including pension and insurance, staff subsistence, assignment, repatriation and other allowances. Operating expenses are office rental costs and immaterial other expenses.



**Note 4**  
**Financial instruments**

Table 1  
**Financial instruments**

(Thousands of United States dollars)

|                                                                    | 31 December 2015 | 31 December 2014 |
|--------------------------------------------------------------------|------------------|------------------|
| <b>Financial assets</b>                                            |                  |                  |
| <b>Fair value through surplus or deficit</b>                       |                  |                  |
| Short-term investments — main cash pool                            | 15 383           | 405 300          |
| Short-term investments — other                                     |                  | 1 002            |
| <b>Total short-term fair value through surplus or deficit</b>      | <b>15 383</b>    | <b>406 302</b>   |
| Long-term investments — main cash pool                             | 10 321           | 357 775          |
| Long-term investments — other                                      |                  | 884              |
| <b>Subtotal long-term fair value through surplus or deficit</b>    | <b>10 321</b>    | <b>358 659</b>   |
| <b>Total fair value through surplus or deficit</b>                 | <b>25 704</b>    | <b>764 961</b>   |
| <b>Loans and receivables</b>                                       |                  |                  |
| Cash and cash equivalents — main cash pool                         | 4 988            | 209 035          |
| Cash and cash equivalents — other                                  |                  | 7 881            |
| <b>Subtotal cash and cash equivalents</b>                          | <b>4 988</b>     | <b>216 916</b>   |
| Receivables from other United Nations entities                     | 301              | 5 096            |
| Receivables — other <sup>a</sup>                                   |                  | 4 770            |
| <b>Subtotal accounts receivable</b>                                | <b>301</b>       | <b>9 866</b>     |
| <b>Total loans and receivables</b>                                 | <b>5 289</b>     | <b>226 782</b>   |
| <b>Total carrying amount of financial assets</b>                   | <b>30 993</b>    | <b>991 743</b>   |
| Of which relates to financial assets held in main cash pool        | 30 692           | 974 514          |
| <b>Financial liabilities</b>                                       |                  |                  |
| <b>Amortized cost</b>                                              |                  |                  |
| Accounts payable and accrued liabilities — accounts payable        | 28               | 58               |
| Accounts payable and accrued liabilities — accruals                | 386              | 277              |
| <b>Subtotal accounts payable and accrued liabilities</b>           | <b>414</b>       | <b>335</b>       |
| Accounts payable — compensation awards/Government of Iraq (note 5) | 14 834           | 973 937          |
| <b>Total carrying amount of financial liabilities</b>              | <b>15 248</b>    | <b>974 272</b>   |

<sup>a</sup> Decisions taken by the Governing Council in 2005 and 2006 provided for \$4.7 million to be deducted from the final payments to Kuwait in relation to unrecovered overawarded amounts in respect of competing business claims and duplicate awards. Rather than having this amount deducted from its final payment, the Government of Kuwait chose to return this amount to the Commission and remitted it in June 2015.

**Note 5****Accounts payable: compensation awards***Background*

56. Funds to pay successful awards are drawn from the United Nations Compensation Fund, which receives a percentage of the proceeds generated by the export sales of Iraqi petroleum and petroleum products. This percentage was originally set at 30 per cent under Security Council resolution 986 (1995), reduced to 25 per cent under Council resolution 1330 (2000) and subsequently reduced to 5 per cent under Council resolution 1483 (2003), where it remains. Council resolution 1956 (2010) also provides for 5 per cent of the value of any non-monetary payments of petroleum, petroleum products and natural gas made to service providers to be deposited into the Compensation Fund. These requirements are binding on the Government of Iraq, unless the Government of Iraq and the Governing Council of the Compensation Commission decide otherwise.

57. In exercising its authority over the arrangements for ensuring that payments are made to the Compensation Fund, the Governing Council continues to monitor the deposit of revenues to the Fund. At its seventy-seventh and seventy-eighth sessions, held in April and October 2014, the Governing Council noted its continued satisfaction with the transfer of 5 per cent of Iraq's oil revenues and with the deposit of the equivalent of 5 per cent of the value of non-monetary payments to service providers, particularly given the extremely difficult security circumstances in Iraq.

*Decision 272 (2014)*

58. On 18 December 2014, a special session of the Governing Council was held in response to a request from the Government of Iraq that the Governing Council agree to a temporary postponement of the requirement under Security Council resolution 1956 (2010) that Iraq deposit 5 per cent of the proceeds from all export sales of petroleum, petroleum products and natural gas and 5 per cent of the value of any non-monetary payments of petroleum, petroleum products and natural gas made to service providers into the Compensation Fund.

59. Noting the extraordinarily difficult security circumstances in Iraq and the unusual budgetary challenges associated with confronting this issue, the Governing Council adopted its decision 272 (2014), in which it decided to postpone Iraq's obligation to deposit 5 per cent of oil proceeds and 5 per cent of the value of any non-monetary payments to service providers into the Compensation Fund until 1 January 2016, with quarterly payments of compensation awards under Governing Council decision 267 (2009) expected to resume in 2016.

60. In this decision, the Council also directed that deposits made by Iraq into the Compensation Fund since 1 October 2014 should be returned to the Government of Iraq. This repayment, in the amount of \$960,877,300, was effected on 9 March 2015.

*Decision 273(2015)*

61. On 28 October 2015, at its eightieth session, the Governing Council considered a request from the Government of Iraq for an additional one-year

postponement of the requirement that Iraq deposit 5 per cent of the proceeds from all export sales of petroleum, petroleum products and natural gas and 5 per cent of the value of non-monetary payments of petroleum, petroleum products and natural gas made to service providers into the Compensation Fund.

62. Recognizing that the extraordinarily difficult security circumstances in Iraq and the unusual budgetary challenges associated with confronting this issue have continued since the adoption of decision 272 (2014), and welcoming the Government of Kuwait's support for Iraq's request for an additional one-year postponement, the Governing Council adopted its decision 273 (2015), in which it decided to extend the decision to postpone Iraq's obligation to deposit 5 per cent of oil proceeds and 5 per cent of the value of any non-monetary payments to service providers into the Compensation Fund until 1 January 2017, with quarterly payments of compensation awards under Council decision 267 (2009) to resume in 2017.

63. It should also be noted that in the Secretary-General's eighth and ninth reports pursuant to paragraph 6 of resolution 1956 (2010) evaluating Iraq's continued compliance with the provisions of paragraph 21 of resolution 1483 (2003) (S/2015/467 and S/2015/937), dated 23 December 2014 and 7 December 2015, respectively, the Secretary-General welcomed the decisions taken by the Governing Council to postpone deposits into the Compensation Fund in 2015 and 2016.

*Accounting for the 5 per cent of oil proceeds*

64. With the transition from the United Nations system accounting standards to IPSAS, other than any agreed proportion retained to fund the administration of the Compensation Commission, oil revenue received is no longer reflected as income on the Commission's financial statements. Under IPSAS, the obligation to pay the outstanding awards rests with the Government of Iraq, not with the United Nations. The United Nations, through the Commission, is considered to be acting as an "agent", responsible solely for the administration of the Compensation Fund. Oil proceeds received from Iraq and deposited into the Fund are now recorded as cash, that is, an "asset", with a corresponding offset accounts payable, that is, a "liability", in favour of the outstanding claims.

65. Table 2 shows the amounts recorded as deposits into the Compensation Fund and the payments made in respect of the outstanding claim in 2014 and 2015. Investment proceeds accrued are an increase in the liability but are not available for disbursement until the associated cash is received.

Table 2  
**Accounts payable: compensation awards**  
(Thousands of United States dollars)

*Movement in the accounts payable: Compensation Fund*

|                                                                                            |                |
|--------------------------------------------------------------------------------------------|----------------|
| <b>Liability at 31 December 2014</b>                                                       | <b>973 937</b> |
| Unrealized loss on investment reversal                                                     | 310            |
| <b>Subtotal: gross liability as at January 1</b>                                           | <b>974 247</b> |
| Repayment to the Government of Iraq on 9 March 2015 (decision <a href="#">272 (2014)</a> ) | (960 877)      |
| Return of Kuwait duplicate payments (net)                                                  | 433            |
| <b>Subtotal</b>                                                                            | <b>13 803</b>  |
| Gross investment proceeds                                                                  | 1 082          |
| <b>Subtotal: gross liability</b>                                                           | <b>14 885</b>  |
| Unrealized loss on investment                                                              | (51)           |
| <b>Total liability at 31 December 2015</b>                                                 | <b>14 834</b>  |

66. Pursuant to Governing Council decision 267 (2009), payments are normally made on a quarterly basis utilizing all available funds in the Compensation Fund, rounding down to the nearest \$10 million. As with the proceeds from oil sales under IPSAS, payments are no longer reflected as an “expenditure” of the Commission and are now reflected as a direct reduction in the liability recorded to offset the cash deposits.

*Compensation awards approved but not yet paid as at year-end*

67. As at 31 December 2015, compensation awards approved by the Governing Council of the Commission but not yet paid or obligated pending receipt of funds from the sales of oil proceeds further to Security Council resolutions [1483 \(2003\)](#) and [1956 \(2010\)](#) stand at approximately \$4,629 million (2014: \$4,629 million).

68. With the adoption of Governing Council decision 272 (2014), there were no payments of compensation awards in 2015 and with the adoption of Council decision 273 (2015), there will be no payments of compensation awards in 2016. The remaining balance in table 2 will be applied to outstanding compensation awards when payments resume in 2017 pursuant to decisions 272 (2014) and 273 (2015).

**Note 6**  
**Financial risk management and the main cash pool**

*Main cash pool*

69. In addition to directly held cash and cash equivalents and investments, the United Nations Compensation Commission participates in the United Nations Treasury main pool. The main pool comprises operational bank account balances in a number of currencies and investments in United States dollars.

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

71. As at 31 December 2015, the Commission participated in the main pool that held total assets of \$7,783.9 million, of which \$30.7 million was due to the Organization, and its share of net income from the main pool was \$1.3 million.

Table 3

**Summary of assets and liabilities of the main pool as at 31 December 2015**

(Thousands of United States dollars)

|                                                                    | <i>Main pool</i> |
|--------------------------------------------------------------------|------------------|
| <b>Fair value through the surplus or deficit</b>                   |                  |
| Short-term investments                                             | 3 888 712        |
| Long-term investments                                              | 2 617 626        |
| <b>Total fair value through the surplus or deficit investments</b> | <b>6 506 338</b> |
| <b>Loans and receivables</b>                                       |                  |
| Cash and cash equivalents                                          | 1 265 068        |
| Accrued investment income                                          | 12 462           |
| <b>Total loans and receivables</b>                                 | <b>1 277 530</b> |
| <b>Total carrying amount of financial assets</b>                   | <b>7 783 868</b> |
| <b>Cash pool liabilities</b>                                       |                  |
| Payable to the Compensation Commission                             | 30 692           |
| Payable to other cash pool participants                            | 7 753 176        |
| <b>Total liabilities</b>                                           | <b>7 783 868</b> |
| <b>Net assets</b>                                                  | <b>—</b>         |

Table 4

**Summary of net income and expenses of the main pool for the year ended 31 December 2015**

(Thousands of United States dollars)

|                                  | <i>Main pool</i> |
|----------------------------------|------------------|
| Investment revenue               | 51 944           |
| Foreign exchange gains/(losses)  | (11 720)         |
| Unrealized gains/(losses)        | (10 824)         |
| Bank fees                        | (525)            |
| <b>Net income from main pool</b> | <b>28 875</b>    |

Table 5  
**Summary of assets and liabilities of the main pool as at 31 December 2014**  
 (Thousands of United States dollars)

|                                                                    | <i>Main pool</i> |
|--------------------------------------------------------------------|------------------|
| <b>Fair value through the surplus or deficit</b>                   |                  |
| Short-term investments                                             | 3 930 497        |
| Long-term investments                                              | 3 482 641        |
| <b>Total fair value through the surplus or deficit investments</b> | <b>7 413 138</b> |
| <b>Loans and receivables</b>                                       |                  |
| Cash and cash equivalents                                          | 2 034 824        |
| Accrued investment income                                          | 14 842           |
| <b>Total loans and receivables</b>                                 | <b>2 049 666</b> |
| <b>Total carrying amount of financial assets</b>                   | <b>9 462 804</b> |
| Payable to the Compensation Commission                             | –                |
| Payable to other cash pool participants                            | 972 110          |
| <b>Total liabilities</b>                                           | <b>8 490 694</b> |
| <b>Net assets</b>                                                  | <b>9 462 804</b> |

Table 6  
**Summary of net income and expenses of the main pool for the year ended 31 December 2014**  
 (Thousands of United States dollars)

|                                  | <i>Main pool</i> |
|----------------------------------|------------------|
| Investment revenue               | 62 511           |
| Foreign exchange gains/(losses)  | (7 064)          |
| Unrealized gains/(losses)        | (3 084)          |
| Bank fees                        | (214)            |
| <b>Net income from main pool</b> | <b>52 149</b>    |

#### *Financial risk management*

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

73. The objectives of investment management are 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.

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

*Financial risk management: credit risk*

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

76. The Guidelines require 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.

77. The credit ratings used for the main pool are those determined by major credit-rating agencies; Standard & Poor's (S&P), Moody's and Fitch are used to rate bonds and discounted instruments and the Fitch viability rating is used to rate bank term deposits. The year-end credit ratings are set out in table 7.

Table 7  
**Investments of the main pool by credit ratings as at 31 December**  
(Percentage)

| Main pool                                         | Ratings as at 31 December 2015 |             |      | Ratings as at 31 December 2014                                    |             |      |      |
|---------------------------------------------------|--------------------------------|-------------|------|-------------------------------------------------------------------|-------------|------|------|
| Bonds (long-term ratings)                         |                                |             |      |                                                                   |             |      |      |
|                                                   | AAA                            | AA+/AA/AA-  | NR   | AAA                                                               | AA+/AA/AA-  | A+   | NR   |
| S&P                                               | 37.7                           | 54.2        | 8.1  | 31.2                                                              | 59.8        | 1.3  | 7.7  |
| Fitch                                             | 61.9                           | 26.5        | 11.6 | 52.2                                                              | 21.4        | –    | 26.4 |
|                                                   | Aaa                            | Aa1/Aa2/Aa3 |      | Aaa                                                               | Aa1/Aa2/Aa3 |      |      |
| Moody's                                           | 65.8                           | 34.2        | –    | 69.3                                                              | 30.7        | –    | –    |
| Commercial papers (short-term ratings)            |                                |             |      |                                                                   |             |      |      |
|                                                   | A-1+                           |             |      | A-1+                                                              |             |      | NR   |
| S&P                                               | 100.0                          |             |      | 100.0                                                             |             |      | –    |
|                                                   | F1+                            |             |      | F1+                                                               |             |      |      |
| Fitch                                             | 100.0                          |             |      | 90.0                                                              |             |      | 10.0 |
|                                                   | P-1                            |             |      | P-1                                                               |             |      |      |
| Moody's                                           | 100.0                          |             |      | 70.0                                                              |             |      | 30.0 |
| Reverse repurchase agreement (short-term ratings) |                                |             |      |                                                                   |             |      |      |
|                                                   | A-1+                           |             |      | No reverse repurchase agreements were held as at 31 December 2014 |             |      |      |
| S&P                                               | 100.0                          |             |      |                                                                   |             |      |      |
|                                                   | F1+                            |             |      |                                                                   |             |      |      |
| Fitch                                             | 100.0                          |             |      |                                                                   |             |      |      |
|                                                   | P-1                            |             |      |                                                                   |             |      |      |
| Moody's                                           | 100.0                          |             |      |                                                                   |             |      |      |
| Term deposits (Fitch viability ratings)           |                                |             |      |                                                                   |             |      |      |
|                                                   | aaa                            | aa/aa-      | a+/a | aaa                                                               | aa/aa-      | a+/a |      |
| Fitch                                             | –                              | 53.6        | 46.4 | –                                                                 | 64.1        | 35.9 |      |

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

*Financial risk management: liquidity risk*

79. The main pool comprises the Organization's main exposure to interest rate risk, with fixed-rate cash and cash equivalents and investments being interest-bearing financial instruments. As at the reporting date, the main pool had invested primarily in securities with shorter terms to maturity, with the maximum being less than five years (2014: five years). The average duration of the main pool was 0.86 years (2014: 1.10 years), which is considered to be an indicator of low risk.



*Main cash pool interest rate risk sensitivity analysis*

80. This analysis shows how the fair value of the main pool as at the reporting date would increase or decrease should the overall yield curve shift in response to changes in interest rates. Given that the investments are accounted for at fair value through surplus or deficit, the change in fair value represents the increase or decrease of 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 in table 8 (100 basis points equals 1 per cent). The basis point shifts are illustrative.

Table 8

**Main pool interest rate risk sensitivity analysis as at 31 December 2015**

(Millions of United States dollars)

| <i>Shift in yield curve (basis points)</i> | -200          | -150         | -100         | -50          | 0        | +50            | +100           | +150           | +200            |
|--------------------------------------------|---------------|--------------|--------------|--------------|----------|----------------|----------------|----------------|-----------------|
| Increase/(decrease) in fair value          |               |              |              |              |          |                |                |                |                 |
| <b>Main pool total</b>                     | <b>128.99</b> | <b>96.74</b> | <b>64.48</b> | <b>32.24</b> | <b>–</b> | <b>(32.23)</b> | <b>(64.46)</b> | <b>(96.69)</b> | <b>(128.91)</b> |

**Main pool interest rate risk sensitivity analysis as at 31 December 2014**

(Millions of United States dollars)

| <i>Shift in yield curve (basis points)</i> | -200          | -150          | -100          | -50          | 0        | +50            | +100            | +150            | +200            |
|--------------------------------------------|---------------|---------------|---------------|--------------|----------|----------------|-----------------|-----------------|-----------------|
| Increase/(decrease) in fair value          |               |               |               |              |          |                |                 |                 |                 |
| <b>Main pool total</b>                     | <b>205.45</b> | <b>154.08</b> | <b>102.71</b> | <b>51.35</b> | <b>–</b> | <b>(51.34)</b> | <b>(102.67)</b> | <b>(154.00)</b> | <b>(205.31)</b> |

*Other market price risk*

81. 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.

*Accounting classifications and fair value: main cash pool*

82. 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.

*Fair value hierarchy*

83. Table 9 presents financial instruments carried at fair value, by fair value hierarchy levels. The levels are defined as:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)

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

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

85. 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.

86. The fair value hierarchy in table 9 presents the main 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 classifications.

Table 9

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

(Thousands of United States dollars)

|                                                                  | 31 December 2015 |                  |                  | 31 December 2014 |                  |                  |
|------------------------------------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
|                                                                  | Level 1          | Level 2          | Total            | Level 1          | Level 2          | Total            |
| <b>Financial assets at fair value through surplus or deficit</b> |                  |                  |                  |                  |                  |                  |
| Bonds — Corporates                                               | 149 682          | —                | 149 682          | —                | —                | —                |
| Bonds — Non-United States agencies                               | 2 190 965        | —                | 2 190 965        | 2 154 956        | —                | 2 154 956        |
| Bonds — Non-United States sovereigns                             | 124 612          | —                | 124 612          | 691 489          | —                | 691 489          |
| Bonds — Supranationals                                           | 139 828          | —                | 139 828          | 440 169          | —                | 440 169          |
| Bonds — United States treasuries                                 | 1 092 139        | —                | 1 092 139        | 1 297 290        | —                | 1 297 290        |
| Commercial papers                                                | 949 112          | —                | 949 112          | 999 234          | —                | 999 234          |
| Term deposits                                                    | —                | 1 860 000        | 1 860 000        | —                | 1 830 000        | 1 830 000        |
| <b>Total main pool</b>                                           | <b>4 646 338</b> | <b>1 860 000</b> | <b>6 506 338</b> | <b>5 583 138</b> | <b>1 830 000</b> | <b>7 413 138</b> |

**Note 7**  
**Employee benefits liabilities**

Table 10  
**Employee benefits liabilities**  
(Thousands of United States dollars)

|                                             | <i>Current</i> | <i>Non-current</i> | <i>Total as at<br/>31 December 2015</i> |
|---------------------------------------------|----------------|--------------------|-----------------------------------------|
| After-service health insurance              | 96             | 6 137              | 6 233                                   |
| Annual leave                                | 2              | 38                 | 40                                      |
| Repatriation benefits                       | 14             | 135                | 149                                     |
| <b>Subtotal defined benefit liabilities</b> | <b>112</b>     | <b>6 310</b>       | <b>6 422</b>                            |
| Termination benefits                        |                | 202                | 202                                     |
| Other employee benefits                     | 10             |                    | 10                                      |
| <b>Total employee benefits liabilities</b>  | <b>122</b>     | <b>6 512</b>       | <b>6 634</b>                            |

  

|                                             | <i>Current</i> | <i>Non-current</i> | <i>Total as at<br/>31 December 2014</i> |
|---------------------------------------------|----------------|--------------------|-----------------------------------------|
| After-service health insurance              | 93             | 8 034              | 8 127                                   |
| Annual leave                                | 2              | 38                 | 40                                      |
| Repatriation benefits                       | 12             | 119                | 131                                     |
| <b>Subtotal defined benefit liabilities</b> | <b>107</b>     | <b>8 191</b>       | <b>8 298</b>                            |
| Termination benefits                        | —              | 196                | 196                                     |
| <b>Total employee benefits liabilities</b>  | <b>107</b>     | <b>8 387</b>       | <b>8 494</b>                            |

87. Other employee benefits consist of home leave allowance accrued benefit as well as accrued settlement of employee taxes.

88. The liabilities arising from post-employment benefits are determined by independent actuaries and are established in accordance with the Staff Regulations of the United Nations and Staff Rules. Actuarial valuation is usually undertaken every two years, with the most recent being on 31 December 2015.

*Actuarial valuation: assumptions*

89. The Commission 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 at the year-end are given in table 11.

Table 11  
Actuarial assumptions used to determine employee benefits obligations

| <i>Actuarial assumptions</i>               | <i>After-service<br/>health insurance<br/>(percentage)</i> | <i>Repatriation<br/>benefits<br/>(percentage)</i> | <i>Annual leave<br/>(percentage)</i> |
|--------------------------------------------|------------------------------------------------------------|---------------------------------------------------|--------------------------------------|
| Discount rates: 31 December 2014 valuation | 0.74                                                       | 2.39                                              | 3.61                                 |
| Discount rates: 31 December 2015 valuation | 0.43                                                       | 2.49                                              | 3.82                                 |
| Inflation: 31 December 2014 valuation      | 4.50-6.80                                                  | 2.25                                              | —                                    |
| Inflation: 31 December 2015 valuation      | 4-6.40                                                     | 2.25                                              | —                                    |

90. Discount rates are based on a weighted blend of three discount rate assumptions based on the currency denomination of the different cash flows: United States dollars (Citigroup Pension Discount Curve), euros (euro area government yield curve) and Swiss francs (Federation bonds yield curve).

91. 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 reflects the current short-term expectations of the after-service health insurance plan cost increases and the economic environment. Medical cost trend rate assumptions that were used for the valuation as at 31 December 2015 reflected the current short-term expectations of the after-service health insurance plan cost increases and the economic environment through a benchmark of market expectations. As at 31 December 2015, these escalation rates were a flat health-care yearly escalation rate of 4.0 per cent (2014: 5.0 per cent) for non-United States medical plans and 6.4 per cent (2014: 6.8 per cent) for all other medical plans (except 5.9 per cent (2014: 6.1 per cent) for the United States Medicare plan and 4.9 per cent (2014: 5.0 per cent) for the United States dental plan), grading down to 4.5 per cent over nine years.

92. With regard to the valuation of repatriation benefits as at 31 December 2015, inflation in travel costs was assumed at 2.15 per cent based on the projected United States inflation rate over the next 10 years. For the roll-forward valuation, the assumption rate used was 2.25 per cent in order to be consistent with the former valuation and to use a long-term projection.

93. Annual leave balances were assumed to increase at the following annual rates during the staff member's projected years of service: 1 to 3 years — 9.1 per cent; 4 to 8 years — 1.0 per cent; 9 years and over — 0.1 per cent.

94. 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*

Table 12

**Changes in employee benefits liability**

(Thousands of United States dollars)

|                                                   | 2015         | 2014         |
|---------------------------------------------------|--------------|--------------|
| <b>Net defined benefit liability at 1 January</b> | <b>8 298</b> | <b>6 489</b> |
| Change in valuation of annual leave liability     | —            | 19           |
| Current service cost                              | 141          | 141          |
| Interest cost                                     | 64           | 122          |
| Actuarial (gains)/losses recognized               | (1 974)      | 1 624        |
| Actual benefits paid                              | (107)        | (97)         |
| <b>Net recognized liability at 31 December</b>    | <b>6 422</b> | <b>8 298</b> |

95. The total amount of current service and interest costs recognized in the statement of financial performance was \$0.205 million.

*Discount rate sensitivity analysis*

96. The changes in discount rates are driven by the discount curve, which is calculated on the basis of corporate bonds. The bonds markets have been volatile over the reporting year and the volatility impacts the discount rate assumption. Should the discount rate assumption vary by 1 per cent, its impact on the obligations would be as shown in table 13.

Table 13

**Discount rate sensitivity to end-of-year employee benefits liabilities**

(Thousands of United States dollars)

|                                            | <i>After-service<br/>health insurance</i> | <i>Repatriation benefits</i> | <i>Annual leave</i> |
|--------------------------------------------|-------------------------------------------|------------------------------|---------------------|
| <b>For the year ended 31 December 2015</b> |                                           |                              |                     |
| Increase of discount rate by 1 per cent    | (315)                                     | (6)                          | (4)                 |
| As a percentage of end-of-year liability   | (5%)                                      | (4%)                         | (10%)               |
| Decrease of discount rate by 1 per cent    | 339                                       | 6                            | 4                   |
| As a percentage of end-of-year liability   | 5%                                        | 4%                           | 10%                 |
| <b>For the year ended 31 December 2014</b> |                                           |                              |                     |
| Increase of discount rate by 1 per cent    | (906)                                     | (6)                          | (4)                 |
| As a percentage of end-of-year liability   | (11%)                                     | (5%)                         | (10%)               |
| Decrease of discount rate by 1 per cent    | 1 087                                     | 6                            | 5                   |
| As a percentage of end-of-year liability   | 13%                                       | 5%                           | 12%                 |

*Medical costs sensitivity analysis*

97. 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 looks at the change in liability owing to changes in medical cost rates while holding other assumptions constant; the key assumption held constant is the discount rate. Should the medical cost trend assumption vary by 1 per cent, the impact on the measurement of the defined benefit obligations would be as shown in table 14.

Table 14

**Effect of a 1 per cent movement in assumed medical cost trend rates**

(Thousands of United States dollars)

|                                                                       | <i>Increase</i> | <i>Decrease</i> |
|-----------------------------------------------------------------------|-----------------|-----------------|
| <b>1 per cent movement in the assumed medical costs trend rates:</b>  |                 |                 |
| <b>31 December 2015</b>                                               |                 |                 |
| Effect on the defined benefit obligation                              | 1 487           | (1 135)         |
| Effect on the aggregate of the current service cost and interest cost | 32              | (24)            |
| <b>1 per cent movement in the assumed medical costs trend rates:</b>  |                 |                 |
| <b>31 December 2014</b>                                               |                 |                 |
| Effect on the defined benefit obligation                              | 2 277           | (1 671)         |
| Effect on the aggregate of the current service cost and interest cost | 65              | (44)            |

*Historical information*

Table 15

**Liabilities for after-service health insurance and repatriation, 2010-2015**

(Thousands of United States dollars)

|                                                  | <i>2010</i> | <i>2011</i> | <i>2012</i> | <i>2013</i> | <i>2014</i> | <i>2015</i> |
|--------------------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Present value of the defined benefit obligations | 3 598       | 5 638       | 5 875       | 6 461       | 8 298       | 6 422       |

*Accrued salaries and allowances*

98. Accrued salaries and allowances are immaterial.

*United Nations Joint Staff Pension Fund*

99. The Regulations of the United Nations Joint Staff Pension Fund state 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 Pension Fund will be sufficient to meet its liabilities.

100. The Commission's financial obligation to the Pension Fund consists of its mandated contribution at the rate established by the General Assembly (currently set at 7.90 per cent for participants and 15.80 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 only payable if and when the Assembly has invoked the provision of article 26, following a determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the 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.

101. The actuarial valuation performed as at 31 December 2013 revealed an actuarial deficit of 0.72 per cent (1.87 per cent in the 2011 valuation) of pensionable remuneration, implying that the theoretical contribution rate required to achieve balance as at 31 December 2013 was 24.42 per cent of pensionable remuneration, compared with the actual contribution rate of 23.70 per cent. The next actuarial valuation was conducted as at 31 December 2015.

102. At 31 December 2013, the funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, was 127.50 per cent (130.00 per cent in the 2011 valuation). The funded ratio was 91.20 per cent (86.20 per cent in the 2011 valuation) when the current system of pension adjustments was taken into account.

103. After assessing the actuarial sufficiency of the Pension Fund, the consulting actuary concluded that there was no requirement, as at 31 December 2013, for deficiency payments under article 26 of the Regulations of the Fund as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the Fund. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as at the valuation date. At the time the present report was submitted, the General Assembly had not invoked the provision of article 26.

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

105. In the year, the Compensation Commission's contributions paid to the Fund amounted to \$119,991.60 (2014: \$144,188).

#### *Impact of General Assembly resolutions on staff benefits*

106. On 23 December 2015, the General Assembly adopted its resolution 70/244, in which it approved certain changes to conditions of service and entitlements for all staff serving in the organizations of the United Nations common system, as recommended by the International Civil Service Commission. The changes that will have the most impact on the calculation of other long-term and end of service employee benefit liabilities are as follows:

| <i>Change</i>                           | <i>Details</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|-----------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Increase in mandatory age of separation | The mandatory age of retirement for staff who joined the United Nations on or after 1 January 2014 is 65 years and for those who joined before 1 January 2014, it is 60 or 62 years. The General Assembly decided to extend the mandatory age of separation for staff in the United Nations common system to 65 years, at the latest by 1 January 2018, taking into account the acquired rights of staff. Once implemented, this change is expected to impact future calculations of employee benefits liabilities.                                                                                                                                                                                                                                           |
| Unified salary structure                | The current scales for internationally recruited staff (Professional and Field Service) are based on single or dependant rates. These rates affect the staff assessment and post adjustment amounts. The General Assembly has approved a unified salary scale that will result in the elimination of single and dependant rates. The dependant rate will be replaced by allowances for staff members who have recognized dependants in accordance with the Staff Rules. The revised staff assessment scale and pensionable remuneration scale will be implemented together with the unified salary structure. The implementation of the unified salary scale is planned for 1 January 2017 and is not designed to result in reduced income for staff members. |
| Repatriation benefit                    | Staff members are eligible for repatriation grant upon separation provided they have been in service for at least one year in a duty station outside their country of nationality. The General Assembly has since revised eligibility for the repatriation grant from one year to five years for prospective employees, while current employees retain one-year eligibility. Once implemented, this change is expected to impact future calculations of employee benefits liabilities.                                                                                                                                                                                                                                                                        |

#### *Termination benefits*

107. Some staff members are entitled to a termination indemnity should the Commission terminate their appointments. The Commission's accrued liability for these costs at year-end was \$0.2 million.

#### **Note 8**

##### **Net assets**

108. Net assets and reserves represent the residual interest in the assets of the Commission after deducting all its liabilities. The financial statements reflect aggregation of two funds: the Compensation Fund and the Follow-up Programme for Environmental Awards.

#### *Operating reserve*

109. An operating reserve was established by the Governing Council to finance the Commission's administrative expenses and this reserve is set aside within the Compensation Fund.

110. A separate operating reserve exists for the Follow-up Programme that represents the accumulated budget surpluses from previous years and during 2015. At the seventy-ninth session of the Governing Council, held in June 2015, the



Council noted that the final accounting of the Follow-up Programme for Environmental Awards fund had been completed and that the reserve would be transferred to the participating Governments in accordance with its decision 269 (2011). As a result, the reserve of \$2.3 million was converted into an account payable during 2015 to be returned to the participating Governments in accordance with their respective budgetary contributions.

**Note 9**  
**Revenue**

*Amount charged for administration of claims*

111. Under IPSAS, revenue is recognized when funds are drawn from the Compensation Fund for the administrative costs of the Commission. In 2015, the Commission's activities were funded from the operating reserve of the Compensation Fund. As such, the Commission did not have any revenue in 2015 associated with the Compensation Fund.

112. As the Follow-up Programme for Environmental Awards only conducted residual activities, such as liquidating liabilities and finalizing the amount of the reserve to be returned to the participating Governments, the revenue consists of interest and investment income on the balance of cash in the Programme fund.

113. As a result of the budget being deducted from the operating reserve, statement II, statement of financial performance, shows a deficit for the year.

**Note 10**  
**Expenses**

Table 16  
**Expenses for the year**

(Thousands of United States dollars)

|                                            | 2015         | 2014         |
|--------------------------------------------|--------------|--------------|
| Employee salaries, allowances and benefits | 1 226        | 1 641        |
| Contractual services                       | 100          | 68           |
| Travel                                     | 29           | 38           |
| Other operating expenses                   | 472          | 591          |
| <b>Total</b>                               | <b>1 827</b> | <b>2 338</b> |

114. Employee salaries include international, national and general temporary staff salaries, post adjustments and staff assessments. Allowances and benefits include other staff entitlements, including pension and insurance, staff assignment, repatriation and other allowances.

115. Contractual services expenses include external audit services. Travel expenses include all staff and non-staff travel that is not considered to be an employee allowance or benefit.

116. Other operating expenses comprise primarily conferencing costs and the rental charge for the Commission's office space at the United Nations Office at Geneva and include maintenance, utilities and security services costs.

## Note 11

### Segment reporting

117. A segment is a distinguishable activity or group of activities for which financial information is reported separately in order to evaluate an entity's past performance in achieving its objectives and for making decisions about the future allocation of resources. Segment reporting information is provided on the basis of two segments.

118. The Compensation Fund segment contains the Compensation Fund and related activities of the Commission's secretariat, which include the payment of compensation awards, addressing issues concerning the level of Iraq's contribution and arrangements for ensuring that payments continue to be deposited into the Compensation Fund, servicing of the Governing Council, financial and general administrative activities of the secretariat and audit matters. In addition, as the Commission is nearing the conclusion of its mandate, the secretariat focused its efforts on liquidation-related activities to ensure the orderly wind-down of the Commission.

119. The Follow-up Programme for Environmental Awards segment contains activities in relation to the administration of the Programme, as described in paragraph 5 above. With the mandate of the Programme declared fulfilled by the Governing Council in late 2013, activities in 2014 were related to the payment of final withheld amounts and accrued interest to the participating Governments, closure activities, including archiving, audit matters as they pertain to the Programme and internal activities related to closing the funds. Final interest payments were made to the participating Governments in September 2014. Programme activities ceased prior to 31 December 2014. Activities in 2015 were related to payment of outstanding obligations and determination of the final amount to be returned to the Governments, as mentioned in paragraph 112 above.

120. The segment statements of financial position and financial performance are given in tables 17 and 18.

Table 17

### Segment statements of financial position as at 31 December 2015

(Thousands of United States dollars)

|                           | <i>Compensation<br/>Fund</i> | <i>Follow-up Programme<br/>for Environmental<br/>Awards</i> | <i>Total</i> |
|---------------------------|------------------------------|-------------------------------------------------------------|--------------|
| <b>Assets</b>             |                              |                                                             |              |
| <b>Current assets</b>     |                              |                                                             |              |
| Cash and cash equivalents | 4 611                        | 377                                                         | 4 988        |
| Investments               | 14 219                       | 1 164                                                       | 15 383       |
| Accounts receivable       |                              | —                                                           |              |

|                                                            | <i>Compensation<br/>Fund</i> | <i>Follow-up Programme<br/>for Environmental<br/>Awards</i> | <i>Total</i>  |
|------------------------------------------------------------|------------------------------|-------------------------------------------------------------|---------------|
| Receivables from other United Nations entities             | 293                          | 8                                                           | 301           |
| Deferred expenditure                                       | 45                           | —                                                           | 45            |
| <b>Total current assets</b>                                | <b>19 168</b>                | <b>1 549</b>                                                | <b>20 717</b> |
| Investments                                                | 9 541                        | 780                                                         | 10 321        |
| <b>Total non-current assets</b>                            | <b>9 541</b>                 | <b>780</b>                                                  | <b>10 321</b> |
| <b>Total assets</b>                                        | <b>28 709</b>                | <b>2 329</b>                                                | <b>31 038</b> |
| <b>Liabilities</b>                                         |                              |                                                             |               |
| <b>Current liabilities</b>                                 |                              |                                                             |               |
| Accounts payable: compensation awards/environmental awards | 14 834                       | 2 298                                                       | 17 132        |
| Accounts payable                                           | 391                          | 23                                                          | 414           |
| Employee benefits                                          | 122                          | —                                                           | 122           |
| <b>Total current liabilities</b>                           | <b>15 347</b>                | <b>2 321</b>                                                | <b>17 668</b> |
| <b>Non-current liabilities</b>                             |                              |                                                             |               |
| Employee benefits                                          | 6 512                        | —                                                           | 6 512         |
| <b>Total non-current liabilities</b>                       | <b>6 512</b>                 | <b>—</b>                                                    | <b>6 512</b>  |
| <b>Total liabilities</b>                                   | <b>21 859</b>                | <b>2 321</b>                                                | <b>24 180</b> |
| <b>Net of total assets and total liabilities</b>           | <b>6 850</b>                 | <b>8</b>                                                    | <b>6 858</b>  |
| <b>Net assets</b>                                          |                              |                                                             |               |
| Accumulated surpluses — restricted                         | —                            | —                                                           | —             |
| Operating reserve                                          | 6 850                        | 8                                                           | 6 858         |
| <b>Net assets</b>                                          | <b>6 850</b>                 | <b>8</b>                                                    | <b>6 858</b>  |

Table 18  
**Segment statements of financial performance for the year ended 31 December 2015**  
(Thousands of United States dollars)

|                      | <i>Compensation<br/>Fund</i> | <i>Follow-up Programme for<br/>Environmental Awards</i> | <i>Total</i> |
|----------------------|------------------------------|---------------------------------------------------------|--------------|
| <b>Revenue</b>       |                              |                                                         |              |
| Revenue              | —                            | 12                                                      | 12           |
| <b>Total revenue</b> | <b>—</b>                     | <b>12</b>                                               | <b>12</b>    |

|                                            | Compensation<br>Fund | Follow-up Programme for<br>Environmental Awards | Total          |
|--------------------------------------------|----------------------|-------------------------------------------------|----------------|
| <b>Expenses</b>                            |                      |                                                 |                |
| Employee salaries, allowances and benefits | 1 226                | –                                               | 1 226          |
| Contractual services                       | 100                  | –                                               | 100            |
| Travel                                     | 29                   | –                                               | 29             |
| Other operating expenses                   | 468                  | 4                                               | 472            |
| <b>Total expenses</b>                      | <b>1 823</b>         | <b>4</b>                                        | <b>1 827</b>   |
| <b>Deficit for the year</b>                | <b>(1 823)</b>       | <b>8</b>                                        | <b>(1 815)</b> |

**Note 12****Related parties***Key management personnel*

121. Key management personnel are those with the ability to exercise significant influence over financial and operating decisions. The head of the Commission's secretariat, the Executive Head, serves as the representative of the Secretary-General and has the authority and responsibility for planning, directing and controlling activities.

122. The aggregate remuneration paid to key management personnel includes net salaries, post adjustment, such entitlements as allowances, grants and subsidies, and employer pension and health insurance contributions. Key management personnel are ordinary members of the Pension Fund and qualify for post-employment benefits at the same level as other employees. These benefits, payable on separation, cannot be reliably quantified as they depend on the years of service and actual separation date.

123. The Commission had one staff member in the key management personnel category, with a total remuneration of \$0.30 million over the financial year; such payments are in accordance with the Staff Regulations of the United Nations and Staff Rules, the published salary scales of the United Nations and other publicly available documents. As at the reporting date, there were no advances or loans issued to key management personnel other than those commonly available to all staff members. During the year, the Commission paid no remuneration or other benefits, such as consulting or service fees, to close family members of key management personnel.

*Related party disclosures*

124. Except where otherwise stated in the present statements, all transactions made with third parties, including United Nations organizations, occur within a normal supplier or client/recipient relationship or at arm's-length terms and conditions. Transactions with the United Nations entities comprise those shown in table 19.

Table 19  
**Transactions with third parties**  
(Thousands of United States dollars)

|                                                               | 2015       | 2014       |
|---------------------------------------------------------------|------------|------------|
| <b>United Nations Office at Geneva</b>                        |            |            |
| Information technology and administrative services            | 96         | 127        |
| Conference services                                           | 135        | 207        |
| Charges in relation to after-service health insurance         | 83         | 86         |
| Rental (note 13)                                              | 73         | 83         |
| <b>Total United Nations Office at Geneva</b>                  | <b>387</b> | <b>503</b> |
| Office of Internal Oversight Services                         | –          | 50         |
| Headquarters services                                         | 260        | 260        |
| <b>Total United Nations Office at Geneva and Headquarters</b> | <b>647</b> | <b>813</b> |

**Note 13**  
**Operating leases and commitments**

125. The Commission has entered into an operating lease arrangement with the United Nations Office at Geneva for the use of the Villa la Pelouse as its premises. The total lease payments recognized in expenditure for the year were \$0.073 million (2014: \$0.083 million). The arrangement has a six-month early termination clause term and the future minimum lease payments for this six-month period are \$0.04 million (2014: \$0.04 million).

126. As at the reporting date, there were no contractual commitments for goods and services contracted but not delivered.

**Note 14**  
**Contingent liabilities and contingent assets**

127. In the normal course of operations, the Commission may be subject to claims that can be categorized as corporate and commercial; administrative law; and other. As at the reporting date, the Commission had neither contingent liabilities nor assets.

**Note 15**  
**Events after the reporting date**

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

129. In March 2016, the amount of the operating reserve of the Follow-up Programme for Environmental Awards held in the accounts payable: environmental awards was transferred to the participating Governments in accordance with their respective shares.