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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 audit of the United Nations escrow account established under the provisions of Security Council resolution 1958 (2010) for the period from 1 January to 30 June 2017.

Letters of transmittal

Letter dated 30 September 2017 from the Secretary-General addressed to the Chair of the Board of Auditors

In accordance with financial regulation 6.2, I have the honour to submit the financial statements of the United Nations escrow account established pursuant to Security Council resolution 1958 (2010) for the period from 1 January to 30 June 2017, which I hereby approve.

The financial statements have been completed and certified by the Controller as correct in all material respects.

(*Signed*) António **Guterres**

Letter dated 24 July 2018 from the Chair of the Board of Auditors addressed to the President of the Security Council

I have the honour to transmit to you the report of the Board of Auditors on the United Nations escrow account established under the provisions of Security Council resolution 1958 (2010) for the period from 1 January to 30 June 2017.

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

Report of the Board of Auditors on the audit of the United Nations escrow account established under the provisions of Security Council resolution 1958 (2010) for the period from 1 January to 30 June 2017

Contents

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

Opinion

We have audited the financial statements of the United Nations escrow account established pursuant to Security Council resolution 1958 (2010), which comprise the statement of financial position (statement I) as at 30 June 2017 and the statement of financial performance (statement II), the statement of changes in net assets (statement III) and the statement of cash flows (statement IV) for the period from 1 January to 30 June 2017, as well as the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the United Nations escrow account as at 30 June 2017 and its financial performance and cash flows for the period from 1 January to 30 June 2017, in accordance with the International Public Sector Accounting Standards (IPSAS).

Basis for opinion

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

Emphasis of matter: liquidation

We draw attention to paragraphs 12, 13, 14 and 15 of the notes to the financial statements, which indicate that the financial statements of the escrow account have been prepared using the liquidation basis of accounting, as the escrow account had been terminated as at 30 June 2017. Our opinion is not modified in respect of this matter.

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

The Secretary-General is responsible for the other information, which comprises the financial report for the period from 1 January to 30 June 2017 but does not include the financial statements and our auditor's report thereon. The United Nations escrow account has not prepared a financial report for the period from 1 January to 30 June 2017.

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

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

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

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

Those charged with governance are responsible for overseeing the financial reporting process of the United Nations escrow account.

Auditor's responsibilities for the audit of the financial statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the United Nations escrow account.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Secretary-General.

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

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

Report on other legal and regulatory requirements

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

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

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

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

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

24 July 2018

II. Certification of the financial statements

Letter dated 30 September 2017 from the Assistant Secretary-General, Controller, addressed to the Chair of the Board of Auditors

The financial statements of the United Nations escrow account established pursuant to Security Council resolution 1958 (2010) for the period from 1 January to 30 June 2017 have been prepared in accordance with financial rule 106.1.

The summary of significant accounting policies applied in the preparation of these statements is included as notes to the financial statements. The notes provide additional information on, and clarification of, the financial activities related to Security Council resolution 1958 (2010) undertaken by the Organization during the period covered by the statements, for which the Secretary-General has administrative responsibility.

I certify that the appended financial statements of the United Nations escrow account established pursuant to Security Council resolution 1958 (2010), numbered I to IV, are correct in all material respects.

(*Signed*) Bettina Tucci **Bartsiotas**

III. Financial statements

United Nations escrow account established under the provisions of Security Council resolution 1958 (2010)

I. Statement of financial position as at 30 June 2017

(Thousands of United States dollars)

	Note	*30 June 2017*	*31 December 2016*
Assets			
Current assets			
Cash and cash equivalents	5	21 002	42 071
Investments	5, 6	132 098	110 355
Other assets	7	6	67
Total current assets		**153 106**	**152 493**
Non-current assets		–	–
Total assets		**153 106**	**152 493**
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	5, 8	136 567	21
Employee benefits liabilities	9	592	510
Total liabilities		**137 159**	**531**
Liquidation reserve	10	171	–
Net of total assets, total liabilities and liquidation reserve		**15 776**	**151 962**
Net assets			
Accumulated surpluses	11	15 776	151 962
Total net assets		**15 776**	**151 962**

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

United Nations escrow account established under the provisions of Security Council resolution 1958 (2010)

II. Statement of financial performance for the period from 1 January to 30 June 2017

(Thousands of United States dollars)

	Note	*2017*	*2016*[a]
Revenue			
Investment revenue	5	949	1 081
Other revenue		43	–
Total revenue		**992**	**1 081**
Expenses			
Employee salaries, allowances and benefits		531	612
Other operating expenses		60	45
Transfer to the Government of Iraq	8	136 525	–
Total expenses	12	**137 116**	**657**
Surplus/(deficit) for the year		**(136 124)**	**424**

[a] From 1 January to 31 December 2016.

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

United Nations escrow account established under the provisions of Security Council resolution 1958 (2010)

III. Statement of changes in net assets for the period from 1 January to 30 June 2017

(Thousands of United States dollars)

	Note	*Total*
Net assets as at 1 January 2016		**151 545**
Changes in net assets		
Actuarial losses on employee benefits liabilities		(7)
Surplus for the year ended 31 December 2016		424
Net assets as at 31 December 2016		**151 962**
Changes in net assets		
Actuarial losses on employee benefits liabilities	9	(62)
Deficit for the period ended 30 June 2017		(136 124)
Net assets as at 30 June 2017		**15 776**

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

United Nations escrow account established under the provisions of Security Council resolution 1958 (2010)

IV. Statement of cash flows for the period from 1 January to 30 June 2017

(Thousands of United States dollars)

	Note	*2017*	*2016*[a]
Cash flows from operating activities			
Surplus/(deficit) for the year		**(136 124)**	**424**
Changes in assets			
Decrease in other assets		61	–
Changes in liabilities			
Increase in accounts payable and accrued liabilities		136 546	6
Increase in employee benefits liabilities, net of actuarial losses		20	59
Provision of liquidation reserve		171	–
Investment revenue presented as investing activities		(949)	(1 081)
Net cash flows used in operating activities		**(275)**	**(592)**
Cash flows from investing activities			
Investments in/(withdrawals from) main cash pool, net		(21 743)	16 888
Investment revenue		887	1 550[b]
Unrealized gains (losses)		62	(469)[b]
Net cash flows (used in)/from investing activities		**(20 794)**	**17 969**
Net (decrease)/increase in cash and cash equivalents		**(21 069)**	**17 377**
Cash and cash equivalents — beginning of year		**42 071**	**24 694**
Cash and cash equivalents — end of year	5	**21 002**	**42 071**

[a] From 1 January to 31 December 2016.
[b] Restated to conform to the current presentation.

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

United Nations escrow account established under the provisions of Security Council resolution 1958 (2010)

Notes to the financial statements
Note 1

Reporting entity

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:

(a) The maintenance of international peace and security;

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

(c) The universal observance of human rights;

(d) The administration of international justice and law.

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

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

(b) 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;

(c) 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;

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

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

United Nations escrow account established under the provisions of Security Council resolution 1958 (2010)

4. These financial statements relate to the United Nations escrow account established under the provisions of Security Council resolution 1958 (2010).

5. In that resolution, the Security Council requested the Secretary-General to take all actions necessary to terminate all residual activities under the oil-for-food programme. It authorized the Secretary-General to establish an escrow account and to ensure that an amount of $20.0 million was retained in the escrow account until 31 December 2016, exclusively for the expenses of the United Nations related to the

orderly termination of the programme, including the Organization's support to Member State investigations and Member State proceedings related to the programme, and the expenses of the office of the High-level Coordinator created pursuant to Council resolution 1284 (1999).

6. In the same resolution, the Security Council authorized the Secretary-General to ensure that an amount of up to $131.0 million was retained in the escrow account for the purpose of providing indemnification to the United Nations, its representatives, agents and independent contractors for a period of six years with regard to all activities in connection with the oil-for-food programme since its inception.

7. Furthermore, the Security Council requested that all funds remaining in the escrow account be transferred to the Government of Iraq by 31 December 2016. In its resolution 2335 (2016), the Council requested that the funds in the escrow accounts be retained until 30 June 2017, at which time all remaining funds should be transferred to the Government of Iraq, and that a final report be submitted three months after the transfer of any remaining funds.

8. The Government of Iraq agreed with all relevant aspects of resolution 1958 (2010) on 29 June 2017. Accordingly, the escrow account had been terminated as at 30 June 2017, and all remaining funds are to be transferred to the Government of Iraq.

9. The escrow account is regarded as an autonomous financial reporting entity which neither controls nor is controlled by any other United Nations reporting entity. Owing to the uniqueness of the governance and budgetary process of each of the United Nations reporting entities, the entities are not deemed to be subject to common control for the purposes of IPSAS-compliant reporting. The escrow account has no interests in associates or joint ventures.

10. The operations of the escrow account are administered by the Secretariat at United Nations Headquarters.

Note 2
Basis of preparation and authorization for issue

Basis of preparation

11. In accordance with the Financial Regulations and Rules of the United Nations, the financial statements are prepared on an accrual basis in accordance with IPSAS. The accounting policies, as summarized in note 3, have been applied consistently in the preparation and presentation of the financial statements. In accordance with the requirements of IPSAS, the financial statements, which present fairly the assets, liabilities, revenue and expenses of the escrow account, comprise the following:

(a) Statement I: statement of financial position;

(b) Statement II: statement of financial performance;

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

(d) Statement IV: statement of cash flows;

(e) A summary of significant accounting policies and other explanatory notes.

As the budget of the escrow account is not made publicly available, a comparison of budget and actual amounts is not presented.

12. As the escrow account had been terminated as at 30 June 2017 (see para. 8 above), these financial statements are the last set of financial statements of the escrow account and have been prepared for the six-month period from 1 January to 30 June 2017.

Basis of accounting

13. The financial statements of the escrow account have been prepared using a liquidation basis of accounting, as the escrow account had been terminated as at 30 June 2017. The Administration is not aware of any fact, condition or event that would hinder the orderly dissolution of the escrow account and the return of all remaining funds.

14. Taking into account the complete dissolution of the escrow account by 30 September 2017, all assets and liabilities, including the total investment in the main cash pool and the total amount of post-employment liabilities, are classified as current assets and current liabilities, respectively. The balances presented on the face of the statement of financial position are representative of fair value.

Plan of liquidation

15. All assets and liabilities as at 30 June 2017 will be settled by 30 September 2017. A liquidation reserve has been set up for the staff salary expenses and benefits liabilities incurred during the period from July to September 2017 and for the fee for the audit of these financial statements (see note 10). The remaining funds after these settlements will be returned to the Government of Iraq.

Authorization for issue

16. The financial statements are certified by the Controller and approved by the Secretary-General. In accordance with Security Council resolution 1958 (2010), the Secretary-General transmits the financial statements to the Board of Auditors. The reports of the Board of Auditors shall be transmitted to the Council, together with the audited financial statements.

Functional and presentation currency

17. The functional currency and the presentation currency of the escrow account is the United States dollar. The financial statements are expressed in thousands of United States dollars.

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

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

Materiality and use of judgment and estimation

20. Materiality is central to the preparation and presentation of the escrow account's financial statements; the escrow account's materiality framework provides a systematic method in guiding accounting decisions relating to presentation, disclosure, aggregation and offsetting. 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.

21. Preparing financial statements in accordance with IPSAS requires the use of estimates, judgments and assumptions in the selection and application of accounting policies and in the reported amounts of certain assets, liabilities, revenues and expenses. Accounting estimates and underlying assumptions are reviewed on an ongoing basis until the date of issuance of the final financial statements, which is 30 September 2017.

Note 3
Significant accounting policies

Adoption of the liquidation basis of accounting

22. As a result of the culmination of resolution 1958 (2010), the Administration adopted the liquidation basis of accounting effective as from 30 June 2017. Under the liquidation basis of accounting, assets are measured and presented at their net realizable values, which are the amounts expected to be collected in the settlement or disposal of the assets. Liabilities are stated at their estimated settlement amounts. Estimates for future costs expected to be incurred during the liquidation period have been accrued.

Financial assets: classification

23. The escrow account classifies its financial assets in one of the following categories at initial recognition and re-evaluates the classification at each reporting date; the classification of financial assets depends primarily on the purpose for which the financial assets are acquired:

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

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

25. 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.

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

27. 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.

28. Financial assets are assessed at each reporting date to determine whether there is objective evidence of impairment. Evidence of impairment includes default or delinquency of the counterparty or permanent reduction in the value of the asset. Impairment losses are recognized in the statement of financial performance in the year in which they arise. Financial assets are derecognized when the rights to receive cash flows have expired or have been transferred and the escrow account has transferred substantially all risks and rewards of the financial asset.

29. 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

30. The United Nations Treasury invests funds pooled from the Secretariat and other participating entities. 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. By virtue of the liquid nature of the overall cash pool investments, withdrawal of the Iraq escrow account's share of investment is assured.

Financial assets: cash and cash equivalents

31. 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

32. Receivables comprise amounts receivable for goods or services provided to other entities, and receivables from staff. Receivables from other United Nations reporting entities are also included in this category. Receivables are subject to specific review, and an allowance for doubtful receivables is assessed on the basis of recoverability and ageing.

Other assets

33. 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

34. Financial liabilities are classified as "other financial liabilities" and include accounts payable and accruals. Financial liabilities so classified 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 escrow account re-evaluates the classification of financial liabilities at each reporting date and derecognizes financial liabilities when its contractual obligations are discharged, waived, cancelled or expired.

35. Other accounts payable 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, given that they are generally due within 12 months.

Employee benefits

36. Employees comprise staff members, as described in Article 97 of the Charter of the United Nations, whose employment and contractual relationship are defined by a letter of appointment subject to regulations promulgated by the General Assembly pursuant to Article 101 (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

37. 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 regular monthly benefits (wages, salaries and allowances) and reimbursement of taxes provided to current employees on the basis of services rendered. Balances which are accrued but not paid are recognized as current liabilities in the statement of financial position.

Post-employment benefits

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

Defined benefit plans

39. Defined benefit plans are those where the escrow account's obligation is to provide agreed benefits and therefore the escrow account bears the actuarial risks. The liability for defined benefit plans is measured at the present value of the defined benefit obligation. Changes in the liability for defined benefit plans, excluding actuarial gains and losses, are recognized in the statement of financial performance in the year in which they occur. The escrow account has elected to recognize changes in the liability for defined benefit plans from actuarial gains and losses directly through the statement of changes in net assets. As at the reporting date, the escrow account did not hold any plan assets as defined by IPSAS 25: Employee benefits.

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

After-service health insurance

41. After-service health insurance provides worldwide coverage of 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 meet certain eligibility requirements, including 10 years of participation in a United Nations health plan for those recruited after 1 July 2007 and 5 years for those recruited prior to that date. The after-service health insurance liability represents the present value of the share of the escrow account's medical insurance costs for retirees and the post-retirement benefit accrued to date by active staff. A factor in the after-service health insurance valuation is to consider the contributions of all plan participants in determining the escrow account'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 escrow account's residual liability in accordance with the cost-sharing ratios authorized by the General Assembly.

Repatriation benefits

42. Upon end of service, staff members who meet certain eligibility requirements, including residency outside their country of nationality at the time of separation, are entitled to a repatriation grant, which is based on length of service, and travel and removal expenses. A liability is recognized from when the staff member joins the escrow account and is measured as the present value of the estimated liability for settling such entitlements.

Annual leave

43. The liabilities for annual leave represent unused accumulated leave days that are projected to be settled through a monetary payment to employees upon their separation from the Organization. The United Nations recognizes as a liability the actuarial value of the total accumulated unused leave days of all staff members, up to a maximum of 60 days (18 days for temporary staff), as at the date of the statement of financial position. The methodology applies a last-in, first-out assumption in the determination of the annual leave liabilities whereby staff members access current-period leave entitlements before they access accumulated annual leave balances relating to prior periods. Effectively, the accumulated annual leave benefit is accessed more than 12 months after the end of the reporting period in which the benefit arose, and overall there is an increase in the level in accumulated annual leave days, pointing to the commutation of accumulated annual leave into a cash settlement at end of service as the true liability of the Organization. The accumulated annual leave benefit reflecting the outflow of economic resources from the Organization at end of service is therefore classified as "other long-term benefit", it being noted that the portion of the accumulated annual leave benefit that is expected to be settled through monetary payment within 12 months after the reporting date is classified as a current liability. In line with IPSAS 25: Employee benefits, other long-term benefits must be valued similarly as post-employment benefits; therefore, the United Nations values its accumulated annual leave benefit liability as a defined post-employment benefit that is actuarially valued.

Pension plan: United Nations Joint Staff Pension Fund

44. The escrow account 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 in article 3 (b) of its regulations, membership in the Fund shall be open to the specialized agencies and to any other international, intergovernmental organization which participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.

45. 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 participating organizations. The escrow account, in line with other participating organizations, is not in a position to identify its 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 escrow account has treated this plan as if it were a defined contribution plan, in line with the requirements of IPSAS 25: Employee benefits. The escrow account's

contributions to the Joint Staff Pension Fund during the financial year are recognized as employee benefit expenses in the statement of financial performance.

Termination benefits

46. Termination benefits are recognized as an expense only when the escrow account 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. No termination benefits liabilities are recognized as current staff of the escrow account will be retained in the Organization.

Other long-term employee benefits

47. 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 the employee provides the related services. As the current staff are employed for three months after the reporting date, such liabilities are not applicable.

Investment revenue

48. Investment revenue is the escrow account's share of net main cash pool income and other interest incomes. The net main cash pool income includes any gains and losses on the sale of investments, which are calculated as the difference between the sale proceeds and the 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 main cash pool participants on the basis of their daily balances. The main cash pool income also includes unrealized market gains and losses on securities, which is distributed proportionately to all participants on the basis of their end-of-year balances.

Expenses

49. Expenses are decreases in economic benefits or service potential during the 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.

50. Employee salaries include international, national and general temporary staff salaries, post adjustments and staff assessments. The allowances and benefits include other staff entitlements, namely, pension and insurance, assignment, repatriation, hardship and other allowances. Contractual services relate to consultancy services, and other operating expenses include any maintenance, security, rental, insurance and allowance for bad debt or write-off expenses.

Note 4
Segment reporting

51. The escrow account consists of two funds: the administration fund for the termination of residual activities of the oil-for-food programme and the indemnification reserve fund for the escrow account (see paras. 5 and 6 above).

Segment revenue, expenses, assets and liabilities

Segment statement of financial position as at 30 June 2017

(Thousands of United States dollars)

	Administration	*Indemnification reserve*	*Total*
Assets			
Cash and cash equivalents	2 063	18 939	21 002
Investments	12 980	119 118	132 098
Other assets	6	–	6
Total assets	**15 049**	**138 057**	**153 106**
Liabilities			
Accounts payable — other	42	136 525	136 567
Employee benefits payable	592	–	592
Total liabilities	**634**	**136 525**	**137 159**
Liquidation reserve	**171**	**–**	**171**
Net of total assets, total liabilities and liquidation reserve	**14 244**	**1 532**	**15 776**
Fund balances and reserves			
Accumulated surplus	14 244	1 532	15 776
Total net assets	**14 244**	**1 532**	**15 776**

Segment statement of financial performance for the period from 1 January to 30 June 2017

(Thousands of United States dollars)

	Administration	*Indemnification reserve*	*Total*
Revenue			
Interest revenue	95	854	949
Other revenue	4	39	43
Total revenue	**99**	**893**	**992**
Expenses			
Transfer to Government of Iraq	–	136 525	136 525
Employee salaries, allowances and benefits	531		531
Other operating expenses	60	–	60
Total segment expense	**591**	**136 525**	**137 116**
Surplus/(deficit) for the year	**(492)**	**(135 632)**	**(136 124)**

Segment statement of financial position as at 31 December 2016

(Thousands of United States dollars)

	Administration	*Indemnification reserve*	*Total*
Assets			
Cash and cash equivalents	4 213	37 858	42 071
Investments	11 049	99 306	110 355
Other assets	67	–	67
Total assets	**15 329**	**137 164**	**152 493**
Liabilities			
Accounts payable — other	21	–	21
Employee benefits payable	510	–	510
Total liabilities	**531**	–	**531**
Net assets	**14 798**	**137 164**	**151 962**
Fund balances and reserves			
Accumulated surplus	14 798	137 164	151 962
Total fund balances and reserves	**14 798**	**137 164**	**151 962**

Segment statement of financial performance for the year ended 31 December 2016

(Thousands of United States dollars)

	Administration	*Indemnification reserve*	*Total*
Revenue			
Interest revenue	112	969	1 081
Total revenue	**112**	**969**	**1 081**
Employee salaries, allowances and benefits	612	–	612
Other operating expenses	45	–	45
Total segment expense	**657**	**–**	**657**
Surplus/(deficit) for the year	**(545)**	**969**	**424**

Note 5
Financial instruments

(Thousands of United States dollars)

	30 June 2017	*31 December 2016*
Financial assets		
Fair value through surplus or deficit		
Investments — main cash pool	132 098	110 355
Total fair value through surplus or deficit	**132 098**	**110 355**
Cash and cash equivalents		
Cash and cash equivalents — main cash pool	21 002	42 071

	30 June 2017	31 December 2016
Total cash and cash equivalents	**21 002**	**42 071**
Total carrying amount of financial assets	**153 100**	**152 426**
Amount of which relates to financial assets held in main cash pool	153 100	152 426
Financial liabilities		
Other accounts payable and accrued liabilities	136 567	21
Total carrying amount of financial liabilities	**136 567**	**21**
Summary investment revenue		
Investment revenue	887	1 550[a]
Unrealized gains (losses)	62	(469)[a]
Investment revenue from main cash pool	**949**	**1 081**

[a] Restated to conform to the current presentation.

Note 6
Financial risk management and the main cash pool

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

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

54. As at 30 June 2017, the escrow account participated in the main cash pool, which held total assets of $7,527.7 million (December 2016: $7,220.8 million), of which $153.1 million was due to the escrow account (December 2016: $152.4 million), and its share of revenue from the main cash pool from January to June 2017 was $0.9 million (January–December 2016: $1.1 million).

Summary of assets and liabilities of the main cash pool as at 30 June 2017

(Thousands of United States dollars)

	Main cash pool
Fair value through surplus or deficit	
Short-term investments	4 909 918
Long-term investments	1 559 034
Total fair value through surplus or deficit investments	**6 468 951**
Loans and receivables	
Cash and cash equivalents	1 032 659
Accrued investment revenue	26 076
Total loans and receivables	**1 058 735**
Total carrying amount of financial assets	**7 527 687**

	Main cash pool
Cash pool liabilities	
Payable to the escrow account	153 100
Payable to other cash pool participants	7 374 587
Total liabilities	**7 527 687**
Net assets	–

Summary of revenue and expenses of the main cash pool for the period from 1 January to 30 June 2017

(Thousands of United States dollars)

	Main cash pool
Investment revenue	50 805
Unrealized gains	7 388
Investment revenue from main cash pool	**58 193**
Foreign exchange gains	2 492
Bank fees	(405)
Operating revenue of main cash pool	**2 087**
Total revenue and expenses from main cash pool	**60 280**

Summary of assets and liabilities of the main cash pool as at 31 December 2016

(Thousands of United States dollars)

	Main cash pool
Fair value through surplus or deficit	
Short-term investments	4 389 616
Long-term investments	2 125 718
Total fair value through surplus or deficit investments	**6 515 334**
Loans and receivables	
Cash and cash equivalents	2 493 332
Accrued investment revenue	24 961
Total loans and receivables	**2 518 293**
Total carrying amount of financial assets	**9 033 627**
Cash pool liabilities	
Payable to the escrow account	152 426
Payable to other cash pool participants	8 881 201
Total liabilities	**9 033 627**
Net assets	–

Summary of revenue and expenses of the main cash pool for the year ended 31 December 2016

(Thousands of United States dollars)

	Main cash pool
Investment revenue	73 903
Unrealized losses	(13 474)
Investment revenue from main cash pool	**60 429**
Foreign exchange losses	(5 105)
Bank fees	(646)
Operating expenses of main cash pool	**(5 751)**
Total revenue and expenses from main cash pool	**54 678**

Financial risk management

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

56. 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.

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

Financial risk management: credit risk

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

59. The Investment Management Guidelines require that investments not be made in issuers whose credit ratings are below specifications; they also provide for maximum concentrations with given issuers. These requirements were met at the time of investment.

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

Investments of the main pool by credit ratings as at 30 June 2017

Investment	*Ratings as at 30 June 2017*	*Ratings as at 30 June 2016*
Bonds (long-term ratings)	S&P: 30.1% AAA, 66.1% AA+/AA/AA- and 3.8% A+; Fitch: 65.8% AAA, 26.6% AA+/AA/AA- and 7.6% A+; Moody's: 52.6% Aaa and 47.4% Aa1/Aa2/Aa3	S&P: 41.4% AAA, 41.3% AA+/AA/AA- and 17.3% not rated by S&P; Fitch: 48.2% AAA, 41.4% AA+/AA/AA- and 10.4% not rated by Fitch; Moody's: 41.4% Aaa and 58.6% Aa1/Aa2/Aa3
Commercial papers (short-term ratings)	None	S&P: 77.0% A-1+ and 23.0% A-1; Fitch: 53.9% F1+, 23.0% F1 and 23.1% not rated by Fitch; Moody's: 100% P-1
Reverse repurchase agreement (short-term ratings)	S&P: 100.0% A-1+; Fitch: 100.0% F1+; Moody's: 100.0% P-1	S&P: 100.0% A-1+; Fitch: 100.0% F1+; Moody's: 100.0% P-1
Term deposits (Fitch viability ratings)	Fitch: 49.2% aa/aa- and 50.8% a+/a/a-	Fitch: 39.1% aa/aa- and 60.9% a+/a
Certificates of deposits	S&P: 100.0% A-1; Fitch: 100.0% not rated by Fitch Moody's: 100.0% P-1	None

61. The United Nations Treasury actively monitors credit ratings, and, given that the main cash pool 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

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

Financial risk management: interest rate risk

63. The main cash pool fixed-rate cash, cash equivalents and investments are the escrow account's interest-bearing financial instruments, which are exposed to interest rate risk. As at the reporting date, the main cash pool invested primarily in securities with shorter terms to maturity, with the maximum being less than five years (December 2016: five years). The average duration was 0.70 years (December 2016: 0.71 years), which is considered to be an indicator of low risk.

Interest rate risk sensitivity analysis

64. As shown, the fair value of the main cash pool as at the reporting date will increase or decrease should the overall yield curve shift in response to changes in interest rates. As these investments are accounted for at fair value through surplus or deficit, the change in fair value represents the increase or decrease in the surplus or deficit and net assets. The impact of a shift up or a shift down of up to 200 basis points in the yield curve is shown below (100 basis points equals 1 per cent). The basis point shifts should be considered to be illustrative.

Main cash pool interest rate risk sensitivity analysis

(Millions of United States dollars)

Shift in yield curve (basis points)	*-200*	*-150*	*-100*	*-50*	*0*	*+50*	*+100*	*+150*	*+200*
Increase/(decrease) in fair value									
30 June 2017	103.15	77.36	51.57	25.78	–	(25.78)	(51.55)	(77.32)	(103.09)
31 December 2016	124.35	93.26	62.17	31.08	–	(31.08)	(62.14)	(93.21)	(124.27)

Other market price risk

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

Accounting classifications and fair value hierarchy

66. 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.

67. The fair value hierarchy 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 (as prices) or indirectly (derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

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

69. The fair value of financial instruments that are not traded on an active market is determined by using valuation techniques which 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.

70. The following fair value hierarchy presents the main cash pool assets measured at fair value at the reporting date. There were no level 3 financial assets, nor any liabilities carried at fair value or any significant transfers of financial assets between fair value hierarchy classifications.

Fair value hierarchy for investments: main cash pool

(Thousands of United States dollars)

	30 June 2017			*31 December 2016*		
	Level 1	*Level 2*	*Total*	*Level 1*	*Level 2*	*Total*
Financial assets at fair value through surplus or deficit						
Bonds — corporates	499 529	–	499 529	697 676	–	697 676
Bonds — non-United States agencies	1 191 278	–	1 191 278	1 903 557	–	1 903 557
Bonds — non-United States sovereigns	124 816	–	124 816	124 854	–	124 854
Bonds — supranational	213 833	–	213 833	213 224	–	213 224
Bonds — United States treasuries	589 482	–	589 482	586 739	–	586 739
Commercial papers	–	–	–	149 285	–	149 284
Term deposits/certificates of deposit	–	3 850 013	3 850 013	–	2 840 000	2 840 000
Main cash pool total	**2 618 938**	**3 850 013**	**6 468 951**	**3 675 334**	**2 840 000**	**6 515 334**

Note 7
Other assets

(Thousands of United States dollars)

	30 June 2017	*31 December 2016*
Advances to staff	6	67
Total other assets	**6**	**67**

Note 8
Accounts payable and accrued liabilities

(Thousands of United States dollars)

	30 June 2017	*31 December 2016*
Transfer to the Government of Iraq	136 525	–
Payable to staff member	–	16
Accounts payable to vendor	42	5
Total accounts payable and accrued liabilities	**136 567**	**21**

Note 9
Employee benefits liabilities

(Thousands of United States dollars)

	30 June 2017	*31 December 2016*
After-service health insurance	392	292
Annual leave	96	97
Repatriation benefits	104	111
Subtotal, defined benefit liabilities	**592**	**500**
Accrued home leave entitlements	–	10
Total employee benefits liabilities	**592**	**510**

71. The liabilities arising from post-employment benefits are determined by independent actuaries and are established in accordance with the Staff Regulations and Rules of the United Nations. Full actuarial valuations are usually undertaken every two years. The most recent actuarial valuation was conducted as at 31 December 2015, and the valuation was rolled forward to 30 June 2017.

Actuarial valuation — assumptions

72. Management 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 as at 30 June 2017 are shown in the table below.

Actuarial assumptions

(Percentage)

	After-service health insurance	*Repatriation benefits*	*Annual leave*
Discount rates, 31 December 2015 valuation	3.49	3.67	3.73
Discount rates, 30 June 2017 roll-forward	3.25	3.33	3.39
Inflation, 31 December 2015 valuation	4.0–6.4	2.25	–
Inflation, 30 June 2017 roll-forward	4.0–6.0	2.25	–

73. 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 (corporate bond yield curve) and Swiss francs (Federation bonds yield curve). Consistent with the decrease observed since 31 December 2015 in the interest rates of all maturities in the three areas, lower discount rates were assumed for the 30 June 2017 roll-forward.

74. 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's cost increases and economic environment. Medical cost trend assumptions used for the valuation as at 31 December 2015 were: a flat health-care yearly escalation rate of 4.0 per cent for non-United States medical plans, and health-care escalation rates of 6.4 per cent for all other medical plans (except 5.9 per cent for the United States Medicare plan and 4.9 per cent for the United States dental plan), grading down to 4.5 per cent over nine years.

75. With regard to the valuation of repatriation benefits as at 31 December 2015, inflation in travel costs was assumed at 2.25 per cent, based on the projected United States inflation rate over the next 10 years.

76. Annual leave balances were assumed to increase at the following annual rates during the staff member's projected years of service: 1–3 years, 10.9 days; 4 8 years, 1 day; and over 8 years, 0.5 days up to a maximum of 60 days.

77. 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, from 1 January to 30 June 2017

(Thousands of United States dollars)

	2017	*2016*[a]
Net defined benefits liabilities, beginning of period	**510**	**444**
Current service cost	27	45
Interest cost	9	15
Benefits paid	(6)	(6)
Total net costs recognized in the statement of financial performance	**30**	**54**
Actuarial losses recognized directly in the statement of changes in net assets	62	131
Net defined benefits liabilities, end of period	**602**	**505**
Accrued employee benefits	(10)	5
Total employee benefits liabilities, end of period	**592**	**510**

[a] From 1 January to 31 December 2016.

78. The cumulative amount of actuarial gains and losses recognized in the statement of changes in net assets is a net loss of $200,000 (2016: net loss of $138,000).

Medical costs sensitivity analysis

79. The principal assumption in the valuation of 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 due 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, this would have an impact on the measurement of the defined benefit obligations as shown in the table below.

(Thousands of United States dollars)

	Increase	*Decrease*
1 per cent movement in the assumed medical costs trend rates: 30 June 2017		
Effect on the defined benefit obligation	145	(103)
Effect on the aggregate of the current service cost and interest cost	10	(28)
1 per cent movement in the assumed medical costs trend rates: 31 December 2015		
Effect on the defined benefit obligation	90	(65)
Effect on the aggregate of the current service cost and interest cost	17	(12)

Discount rate sensitivity analysis

80. The changes in discount rates are driven by the discount curve, which is calculated on the basis of corporate or government bonds. The bonds markets have been volatile over the reporting period, and the volatility has an impact on the discount rate assumption. Should the discount rate assumption vary by 1 per cent, its impact on the obligations would be as shown in the table below.

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

(Thousands of United States dollars)

	After-service health insurance	*Repatriation benefits*	*Annual leave*
As at 30 June 2017			
Increase of discount rate by 1 per cent	(101)	(10)	(8)
as a percentage of end-of-year liability	(26%)	(10%)	(8%)
Decrease of discount rate by 1 per cent	142	11	9
as a percentage of end-of-year liability	36%	11%	9%
As at 31 December 2015			
Increase of discount rate by 1 per cent	(63)	(11)	(9)
as a percentage of end-of-year liability	(26%)	(11%)	(9%)
Decrease of discount rate by 1 per cent	90	12	11
as a percentage of end-of-year liability	37%	12%	12%

United Nations Joint Staff Pension Fund

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

82. The escrow account's financial obligation to the Pension Fund consists of its mandated contribution, at the rate established by the General Assembly (currently 7.9 per cent for participants and 15.8 per cent for member organizations), together with any share of any actuarial deficiency payments under article 26 of the Regulations of the Pension Fund. Such deficiency payments are payable only 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 Pension 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.

83. The actuarial valuation performed as at 31 December 2013 revealed an actuarial deficit of 0.72 per cent (a deficit of 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 will be conducted as of 31 December 2017.

84. As at 31 December 2013, the funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, was 127.5 per cent (130.0 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.

85. After assessing the actuarial sufficiency of the 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 exceeded the actuarial value of all accrued liabilities as at the valuation date. At the time of reporting, the General Assembly had not invoked the provision of article 26.

86. 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 the Fund's website.

Note 10
Liquidation reserve

87. The liquidation reserve was created for the expenses of staff salary and benefits from July to September 2017 and for the fee for the audit of these financial statements.

(Thousands of United States dollars)

	30 June2017
Reserve for staff salary, allowances and benefits, July–September 2017	151
Fee for the audit of 1 January–30 June 2017 financial statements	20
Total liquidation reserve	**171**

Note 11
Net assets

88. Net assets, which amounted to $15.8 million as at 30 June 2017 (31 December 2015: $151.9 million), represent the residual interest in the assets of the escrow account after the deduction of all liabilities and liquidation reserve. The financial statements reflect the aggregation of two funds, the administration fund and the indemnification reserve fund (see note 4).

Note 12
Expenses

89. Expenses of $137.1 million represent those related to the termination of residual activities of the oil-for-food programme in the amount of $0.6 million (2016: $0.7 million) and to the transfer of remaining funds to the Government of Iraq in the amount of $136.5 million (2016: none). There was no expense related to the Office of the Independent Inquiry Committee to support the investigations and proceedings of Member States (2016: none).

Note 13
Related parties

Key management personnel

90. Key management personnel are those with the ability to exercise significant influence over financial and operating decisions of the escrow account and comprise the Secretary-General, the Deputy Secretary-General and certain officials at the Under-Secretary-General and Assistant Secretary-General levels in the Department of Management of the Secretariat. During the year, the escrow account paid no remuneration or other benefits to key management personnel or close family members. As at the reporting date, there were no advances or loans issued to key management personnel from the escrow account.

Note 14
Contingent liabilities and contingent assets

91. The Government of Iraq agreed on 29 June 2017 to provide appropriate indemnification to the United Nations and its representatives, agents and independent contractors with regard to all activities undertaken in connection with the oil-for-food

programme since its inception. Under the agreement, the Government of Iraq also agreed to provide a waiver of any future claims that it may have against the United Nations, its representatives, agents and independent contractors with regard to all activities undertaken in connection with the oil-for-food programme since its inception. There are no contingent assets.

Note 15
Events after the reporting date

92. Advances, accounts payable and accrued liabilities, including employee benefits, which are reported in statement I, had been fully settled by 30 September 2017. The liquidation reserve was utilized for staff salaries, allowances and benefits for the period from July to September 2017. The reserve for the audit fee was retained for the settlement of the fee.

93. In addition to the transfer of $136.5 million reported in these financial statements, an amount of $16.2 million more had been transferred to the Government of Iraq by 30 September 2017. The total transfer to the Government of Iraq amounted to $152.7 million.

Changes in net assets for the period from 1 July to 30 September 2017

(Thousands of United States dollars)

Net assets, 1 July 2017	**15 776**
Changes in net assets	
Reversal of the unrealized loss in cash pool investment	407
Transfer to the Government of Iraq	(16 183)
Net assets, 30 September 2017	**–**