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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 2021 and for the period from 1 January to 30 June 2022.

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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 2021 and for the period from 1 January to 30 June 2022

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Letters of transmittal

Letter dated 31 March 2022 from the Secretary-General to the Chair of the Board of Auditors

In accordance with financial regulation 6.2, I have the honour to submit herewith the financial statements of the United Nations Compensation Commission, for the year ended 31 December 2021, 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 31 August 2022 from the Secretary-General to the Chair of the Board of Auditors

In accordance with financial regulation 6.2, I have the honour to submit herewith the financial statements of the United Nations Compensation Commission, for the period from 1 January to 30 June 2022, 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 29 November 2022 from the Chair of the Board of Auditors addressed to the Secretary-General

I have the honour to transmit to you the report of the Board of Auditors, together with the Financial Report and the Audited Financial Statements of the United Nations Compensation Commission for the year ended 31 December 2021 and for the period from 1 January to 30 June 2022.

(*Signed*) Jorge **Bermúdez**
Comptroller General of the Republic of Chile
Chair of the Board of Auditors

Chapter I

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

Opinion

We have audited the financial statements of the United Nations Compensation Commission that comprise the statement of financial position (statement I) as at 31 December 2021 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 year then ended, as well as the notes to those financial statements, including a summary of significant accounting policies.

In addition, we have also audited the financial statements of the Commission that comprise the statement of financial position (statement I) as at 30 June 2022 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 2022, as well as the notes to those 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 Commission as at 31 December 2021 and 30 June 2022 and its financial performance and cash flows for the year and the period then ended, in accordance with the International Public Sector Accounting Standards (IPSAS).

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing. 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 Commission, in accordance with the ethical requirements relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

The Secretary-General is responsible for the other information, which comprises the financial reports for the year ended 31 December 2021 and for the period from 1 January to 30 June 2022, contained in chapters IV and VII, respectively, but does not include the financial statements and our auditor's report thereon.

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

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

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

The Secretary-General is responsible for the preparation and fair presentation of the financial statements in accordance with IPSAS and for such internal control as he 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 Commission to continue as a going concern, disclosing matters related to the going concern and using the going-concern basis of accounting unless he intends either to liquidate the Commission 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 Commission.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

(d) 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 identified during our audit.

Report on other legal and regulatory requirements

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

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

(*Signed*) Jorge **Bermúdez**
Comptroller General of the Republic of Chile
Chair of the Board of Auditors

(*Signed*) **Hou** Kai
Auditor-General of the People's Republic of China
(Lead Auditor)

(*Signed*) Pierre **Moscovici**
First President of the Court of Auditors of France

29 November 2022

Chapter 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 2021 and for the period from 1 January to 30 June 2022, 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 and the International Standards on Auditing.

Audit opinion

In the Board's opinion, the financial statements present fairly, in all material respects, the financial position of the Commission as at 31 December 2021 and 30 June 2022, and its financial performance and cash flows for the year and the period then ended, in accordance with IPSAS.

Overall conclusion

The Board did not identify any significant errors, omissions or misstatements from the review of the operations and financial records of the Commission. In both 2021 and the period from January to June 2022, the Commission's budgets were funded from the United Nations Compensation Fund rather than the operating reserve, in accordance with the directives of the Committee on Administrative Matters of the Governing Council of the Commission. As a result, the Commission's operating reserve increased by $2.16 million, from $3.40 million in 2020 to $5.56 million in 2022, representing a 63.52 per cent increase. The Board noted that the reserve was at a sufficient level to cover the post-closure expenses.

The Board noted that, in accordance with decision 276 (2017) of the Governing Council of the Commission, deposits into the Compensation Fund continued in 2021 and that, by the end of 2021, there was a sufficient balance in the Fund to pay the remaining award in full. Payments of compensation towards this outstanding award continued in 2021 with the final payment made in January 2022 in accordance with the payment mechanism set out in Council decision 267 (2009).

The Board also noted that the implementation of five liquidation activities had exceeded the timelines stipulated in the liquidation workplan.

Key audit findings

Some liquidation activities were not implemented as scheduled

As the mandate of the Commission is fulfilled, the secretariat of the Commission has been processing the liquidation activities. The Board noted that the eighty-eight session of Governing Council listed the "orderly wind-down" of the Commission on its agenda. The information note on liquidation, including a workplan with timelines, was provided to the Council at that session.

The Board reviewed the status of implementation of the liquidation workplan and noted that the implementation of five liquidation activities had exceeded the timelines, accounting for 17.24 per cent of the total planned 29 activities. This could lead to a potential risk that the Commission would not be closed as scheduled, which would also not meet the provisions of Security Council resolution 2621 (2022), in

which the Council directed the Commission to conclude the outstanding matters necessary for its closure and for the dissolution of the Fund by the end of 2022, and to return to the Government of Iraq any amounts remaining in the Fund at the point of dissolution.

Main recommendations

In the light of its findings, the Board recommends that the Commission continue to closely monitor the implementation of the liquidation activities plan and complete the liquidation activities as scheduled to ensure closure by year end.

Follow-up on previous recommendations

As at 31 August 2022, of the four outstanding recommendations up to the financial year ended 31 December 2020, one (25 per cent) had been implemented, one (25 per cent) was under implementation, one (25 per cent) was not implemented and one (25 per cent) had been overtaken by events. The Board acknowledges the efforts made by the Commission in implementing previous recommendations and encourages its secretariat to continue to work on implementing the remaining recommendations.

Key facts for 2021	
$646.85 million	Total assets
$642.45 million	Total liabilities
$4.41 million	Operating reserve
$0.95 million	Total expenses

Key facts for the period from 1 January to 30 June 2022	
$17.01 million	Total assets
$11.44 million	Total liabilities
$5.56 million	Operating reserve
$2.49 million	Total expenses

A. Mandate, scope and methodology

1. The Board of Auditors has audited the financial statements and reviewed the operations of the United Nations Compensation Commission for the year ended 31 December 2021 and for the period from 1 January to 30 June 2022 , 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 the International Standards on Auditing.

2. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements presented fairly the financial position of the Commission as at 31 December 2021 and 30 June 2022, respectively, and its financial performance and cash flows for the year and the period 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. In its resolution 2621 (2022), the Security Council directed the Commission to conclude the outstanding matters necessary for its closure and for the dissolution of the United Nations Compensation Fund by the end of 2022. The Board noted that the financial statements were prepared on a liquidation basis accordingly, which is also appropriately disclosed in the notes to the financial statements.

4. The audit also covered the liquidation activities of the Commission. Considering the importance of liquidation activities, the Board visited the Commission's headquarters in Geneva, and the audit was conducted in the field from 29 August to 24 September 2022.

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

B. Findings and recommendations

1. Follow-up on previous recommendations

6. The Board followed up on the implementation of its previous recommendations and verified the status of outstanding recommendations. There were four outstanding recommendations up to the financial year ended 31 December 2020, with one (25 per cent) having been implemented, one (25 per cent) under implementation, one (25 per cent) not implemented, and one (25 per cent) overtaken by events. The details are contained in the annex to the present report.

2. Financial overview

7. The Commission is a subsidiary organ of the Security Council and was established in accordance with Council resolution 687 (1991) to process claims and pay compensation for damages arising as a direct result of the invasion and occupation of Kuwait by Iraq (2 August 1990–2 March 1991). The Compensation Fund, from which the awarded claims would be paid, was also established pursuant to resolution 687 (1991). In a report submitted to the Council in compliance with resolution 687 (1991) (S/22559), the Secretary-General stipulated that the Fund would be established as a special account of the United Nations.

8. In total, the Commission received approximately 2.69 million claims seeking approximately $352.50 billion in compensation and approved awards of approximately $52.38 billion in respect of approximately 1.54 million of those claims (representing approximately 15 per cent of the amount claimed). As at 30 June 2022, the Commission had paid out the $52.38 billion in full.

9. Funds to pay compensation were drawn from the Compensation Fund, in which deposits were received from Iraq at a defined percentage of the proceeds generated by the export sales by Iraq of petroleum and petroleum products, pursuant to Security Council resolutions 1483 (2003) and 1956 (2010). In accordance with Governing Council decision 276 (2017), deposits, representing 3 per cent of the proceeds of the oil export sales of Iraq, were made into the Fund in 2021, and payments of compensation towards the outstanding award in accordance with the payment mechanism set out in Council decision 267 (2009) continued. In the period from 1 January 2021 to 30 June 2022, the Commission received deposits of $2.09 billion and made payments totalling $2.36 billion to the remaining claims.

10. Table II.1 depicts the key financial ratios for the Commission. With a ratio of total assets to total liabilities of 1.01 in 2021, the Commission remained in good financial health. In the light of the Commission’s planned wind-down by the end of 2022, all the investments are also classified as current assets of the Commission. As a result, the key financial ratios based on current assets to current liabilities are equal, and increased compared with 2020. The ratio of total assets to total liabilities further increased to 1.49 in 2022. However, given that the Commission participates in the main cash pool and all balances can be made available at any time, regardless of how the investments are classified, it does not have an impact on the solvency status of the Commission.

Table II.1
Ratio analysis

Description of ratio	*30 June 2022*	*31 December 2021*	*31 December 2020*
Cash ratio[a]			
Cash + investments: current liabilities	1.49	1.01	0.82
Quick ratio[b]			
Cash + investments + accounts receivable: current liabilities	1.49	1.01	0.82
Current ratio[c]			
Current assets: current liabilities	1.49	1.01	0.82
Solvency ratio[d]			
Assets: liabilities	1.49	1.01	1.01

Source: United Nations Compensation Commission financial statements.
[a] The cash ratio is an indicator of an entity's liquidity by measuring the amount of cash, cash equivalents or invested funds that is there in current assets to cover current liabilities.
[b] The quick ratio is more conservative than the current ratio because it excludes inventory and other current assets, which are more difficult to turn into cash. A higher ratio means a more liquid current position.
[c] A high ratio indicates an entity's ability to pay off its short-term liabilities.
[d] A high ratio is a good indicator of solvency.

11. The Commission's operating reserve increased by $1.01 million, from $3.40 million in 2020 to $4.41 million in 2021, and further increased by $1.15 million to $5.56 million in 2022. Both in 2021 and 2022, the Commission's budgets were drawn from the Compensation Fund, instead of the operating reserve, in accordance with the directives of the Committee on Administrative Matters of the Governing Council, which led to the transfer to the operating reserve of the surplus in financial performance. Integrated with actuarial gains on employee benefits liabilities, the reserve continued to rise and remained at a sufficient level to cover the post-closure expenses. Table II.2 depicts the status of operating reserve, surplus and gain added thereto from 2019 to 30 June 2022.

Table II.2
Status of operating reserve, surplus and gain added thereto
(Thousands of United States dollars)

Financial period	*Operating reserve at the end of each financial period*	*Surplus added to the operating reserve*	*Gain added to the operating reserve*
2019	4 437	342	(4 250)
2020	3 400	(957)	(80)
2021	4 406	336	670
1 January–30 June 2022	5 562	(1 204)	2 360

Source: United Nations Compensation Commission financial statements.

3. Liquidation activities

Exceeded timelines for the implementation of five liquidation activities

12. Following the direction of the Governing Council in recent years, the Commission has been preparing for the liquidation, updating its liquidation workplan

and periodically reporting to Council. At its eighty-eighth session, in October 2021, the Council took note of the updated information note in respect of liquidation.

13. The Board reviewed the status of implementation of the liquidation workplan in the aforementioned information note and noted that 5 of a total of 29 liquidation activities were still ongoing and had exceeded the scheduled timelines for completion, as set out in the liquidation workplan. The five activities and their scheduled timelines were as follows:

(a) Sampling a general note verbale to the permanent missions and international organizations in Geneva on the closure of the Commission, in March/April 2022;

(b) Finalizing the documentation requests/claim queries on successor (Office of Legal Affairs) arrangements in October 2021;

(c) Advising participating Governments and Iraq of post-Commission reporting requirements pursuant to the decision adopted in October 2021;

(d) Drafting post-Commission reporting guidance for participating Governments between January and June 2022;

(e) Ensuring that its website is maintained following closure in June 2022.

14. The Board noted that, in its resolution 2621 (2022), adopted in February 2022, the Security Council directed the Commission to conclude the outstanding matters necessary for its closure and for the dissolution of the Compensation Fund by the end of 2022.

15. The Board also noted that the secretariat of the Commission internally revised the closure task list, to adapt to evolving circumstances, and the timing for activities, leading the timelines set for the five activities mentioned above to be adjusted to October and December 2022.

16. The Board is of the view that, in order to proceed with the closure activities in an orderly manner and ensure completion by the end of 2022, the secretariat of the Commission needs to expedite the work related to the five activities in order to meet its workplan.

17. **The Board recommends that the Compensation Commission continue to closely monitor the implementation of the liquidation activities plan and complete the liquidation activities as scheduled to ensure closure by year end.**

18. The Commission secretariat accepted the recommendation.

C. Disclosures by management

Write-off of cash, receivables and property

19. The Commission informed the Board that there were no write-offs of losses of cash, receivables or property during the year ended 31 December 2021 and the period from 1 January to 30 June 2022.

Ex gratia payments

20. The Commission reported no ex gratia payments for the year ended 31 December 2021 and the period from 1 January to 30 June 2022.

Cases of fraud, presumptive fraud and financial mismanagement

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

22. During the audit, the Board made enquiries to 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 had identified or that had been brought to its attention. The Board also enquired as to whether management had any knowledge of any actual, suspected or alleged fraud.

23. The Commission reported no cases of confirmed fraud or presumptive fraud for the year ended 31 December 2021 and the period from 1 January to 30 June 2022.

D. Acknowledgement

24. 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 Commission.

(*Signed*) Jorge **Bermúdez**
Comptroller General of the Republic of Chile
Chair of the Board of Auditors

(*Signed*) **Hou** Kai
Auditor-General of the People's Republic of China
(Lead Auditor)

(*Signed*) Pierre **Moscovici**
First President of the Court of Auditors of France

29 November 2022

Annex

Status of implementation of recommendations up to the financial year ended 31 December 2020

No.	Audit report	Paragraph reference	Board's recommendation	Commission's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
1	S/2018/567	Chap. II, para. 12	Disclose the fact of its budget not being public in the notes to the financial statements.	The United Nations Compensation Commission reiterates its previous position on this. As has been confirmed by the Board of Auditors, statement V is not required as the budget is not public. There is no requirement under the International Public Sector Accounting Standards (IPSAS) for a note stating that the budget is not public, and the Commission maintains that it is not practical and would be confusing to put a note in the financial statements related to a non-existent statement. If statement V is not there and the financial statements are in compliance with IPSAS, then it is known that the budget is not public. The Commission has placed this information in the most appropriate place in the publicly available statement package, that is, in the financial report, which is an overview of the statements. The Commission views this recommendation as implemented.	The Commission has disclosed the fact of its budget not being public in the financial report and not in the notes to the financial statements. This recommendation is therefore considered not implemented.			X	

						Status after verification			
No.	*Audit report*	*Paragraph reference*	*Board's recommendation*	*Commission's response*	*Board's assessment*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
2	S/2020/740	Chap. II, para. 14	Have a contingency plan in the context of a drop in oil prices and the possibility of extension beyond 2021 to address its costs until closure.	The Commission secretariat accepted the recommendation and stated that the Commission regularly assessed the sufficiency of the operating reserve and would continue to do so until closure. As the final compensation payment has been made and all activities fully funded, the United Nations Compensation Fund was closed on 30 June 2022 with a balance remaining in the operating reserve at closure. The Commission therefore considers this recommendation to be overtaken by events.	The Board noted that the Compensation Fund was closed as at 30 June. Given that the post-closure expenses have been withdrawn, the operating reserve has a balance of $5.5 million, which is considered to be sufficient. This recommendation is therefore considered overtaken by events.				X
3	S/2021/691	Chap. II, para. 16	The Board recommends that the Commission continue to communicate with the Government of Iraq and take measures to obtain its formal position on post-closure arrangements.	The Commission secretariat accepted the recommendation and stated that the Commission would continue to seek the views of the Government of Iraq on those issues, as and when directed by the Governing Council. As for discussion on the post-closure reserve, in its report of 28 October 2020, the Committee on Administrative Matters recommended that the secretariat defer its discussion with Iraq on this issue until the Committee had confirmed its preferred option. The Committee approved the expense option at the subsequent Council session and directed the secretariat to	The Board noted that the secretariat had informed the Government of Iraq by note verbale of post-closure arrangements, in accordance with the decision of the Governing Council at its eighty-eight session, by which the Committee directed the secretariat to inform the Government of Iraq as to its decision. This recommendation is therefore considered implemented.	X			

No.	Audit report	Paragraph reference	Board's recommendation	Commission's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				inform Iraq of the decision, which was done in a note verbale dated 14 October 2021.					
4	S/2021/691	Chap. II, para. 22	The Board recommends that the Commission establish clear handover documents for all relevant parties of the post-closure environmental reporting issue, with respect to the procedure for the submission, distribution and archiving of the annual reports.	The Commission secretariat agreed that, should the decision be made for the reports to be submitted to the Security Council following the dissolution of the Commission, a document would be established and circulated to all relevant parties that would detail the procedure for the submission, distribution and archiving of the annual reports. In its resolution 2621 (2022), the Council decided that the reports should be submitted to the United Nations Secretariat. The Iraq Desk of the Middle East Division, Department of Political And Peacebuilding Affairs, at United Nations Headquarters in New York has been designated as the focal point for those reports. The submission process has been agreed with the Division. Correspondence advising the stakeholders of the submission process will follow in due course. The Commission therefore considers this recommendation as "under implementation" and expect to complete in the coming months.	The Board noted the communication between the Commission and Department of Political and Peacebuilding Affairs and considered the recommendation to be under implementation.		X		
	Total number of recommendations				**4**	**1**	**1**	**1**	**1**
	Percentage of the total number of recommendations				**100**	**25**	**25**	**25**	**25**

Chapter III

Certification of the financial statements for the year ended 31 December 2021

Letter dated 25 March 2022 from the Assistant Secretary-General, Controller, addressed to the Chair of the Board of Auditors

The financial statements of the United Nations Compensation Commission for the year ended 31 December 2021 have been prepared in accordance with regulation 6.1 of the Financial Regulations and Rules of the United Nations.

The summary of significant accounting policies applied in the preparation of these statements is included as notes to the financial statements. These notes provide additional information on and clarification of the financial activities undertaken by the 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 Commission, numbered I to IV, are correct in all material respects.

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

Chapter IV
Financial report for the year ended 31 December 2021

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 2021.

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

3. The Commission is a subsidiary organ of the Security Council. It was established in accordance with Security 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 policymaking 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 by Iraq of petroleum and petroleum products. In its resolution 1483 (2003), the Security Council reduced this percentage from 25 per cent to 5 per cent. In its resolution 1956 (2010), it reaffirmed the 5 per cent level and decided that 5 per cent of the value of any non-monetary payments of petroleum, petroleum products and natural gas made to service providers would also be deposited into the Fund.

5. Following the Governing Council's postponements of the deposit obligations of and payments by Iraq towards the outstanding compensation from 2015 to 2017, decision 276 (2017) provided for deposits to resume in 2018, with the percentage of proceeds from oil export sales to be deposited into the Compensation Fund changed from 5 per cent under resolution 1483 (2003) to 0.5 per cent for 2018, 1.5 per cent for 2019 and 3 per cent for 2020, where it is to remain until such time as the outstanding compensation has been paid in full.

6. In 2021, the Government of Iraq made deposits in the amount of $2.1 billion to the Compensation Fund, and the Commission disbursed a total of $1.7 billion for the remaining claims. As at 31 December 2021, the Commission had cumulatively paid approximately $51.7 billion in compensation to successful claimants in all categories, leaving a balance of $0.63 billion outstanding. The balance was paid in full in January 2022 towards the last outstanding award.

7. In view of the above, the Governing Council held a special session on 9 February 2022 and adopted decision 277 (2022), by which it declared that the Government of Iraq had fulfilled its international obligations to compensate all claimants awarded compensation by the Commission for losses and damages suffered

as a direct result of the invasion of Kuwait by Iraq. On 22 February 2022, the Security Council adopted resolution 2621 (2022), by which it decided that the Commission had fulfilled its mandate under relevant Security Council resolutions. By the same resolution, it also decided to terminate its mandate and, in accordance with Governing Council decision 277 (2022), directed it to conclude the outstanding matters necessary for its closure and for the dissolution of the Compensation Fund by the end of 2022, and to return to the Government of Iraq any amounts remaining in the Fund at the point of dissolution.

8. Accordingly, the financial statements of the Commission have not been prepared on a going-concern basis, given the Commission's planned wind-down by the end of 2022. The total investment in the main cash pool and the total amount of post-employment liabilities are therefore 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.

B. Overview of the financial statements for the year ended 31 December 2021

9. Financial statements I to 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. Given that the budget of the Commission is not publicly available, the Commission is not required under IPSAS to include statement V, statement of comparison of budget and actual amounts.

Revenue

10. In 2021, the Commission's budget was funded from the Compensation Fund, in accordance with the directives of the Committee on Administrative Matters of the Governing Council, and recognized as revenue, in compliance with IPSAS.

Expenses

11. Under IPSAS, expenses are recorded in the financial statements on an accrual basis when goods and/or services have been received. The expenses for 2021 totalled $0.950 million. The main expense category was staff costs, at $0.548 million, which constituted 57.7 per cent of the total expenses. Other expenses included contractual services of $0.025 million (2.6 per cent) and supplies and consumables and other operating expenses of $0.377 million (39.7 per cent). Because of restrictions related to the coronavirus disease (COVID-19) leading to the cancellation of duty travel, there were no travel costs. Total expenses remained stable between 2020 and 2021, as expenditure incurred in 2020 amounted to $0.957 million.

Operating result

12. As a result of the Commission's budget being funded from the Compensation Fund with a recognition of the corresponding revenue, and with the incurred expenses during 2021 below budget, the statement of financial performance shows a surplus of $0.336 million for the year.

Assets

13. Assets as at 31 December 2021 totalled $646.85 million, compared with $294.68 million as at 31 December 2020. The increase in assets is due to the amount

available for payment of the final remaining compensation award as a result of the increase in deposits during 2021 (2021: $2.1 billion, 2020: $1.14 billion).

14. The assets are classified as current assets and comprise investment and cash and cash equivalents held in the main cash pool. They will be used for the settlement of the final outstanding compensation award, as well as to cover liabilities associated with employee benefits and the operating reserve during the winding-down of the Commission in 2022.

Liabilities

15. Liabilities as at 31 December 2021 totalled $642.45 million, compared with the balance of $291.28 million as at 31 December 2020. The increase relates mainly to the increase in deposits by the Government of Iraq into the Compensation Fund, from $280.97 million in 2020 to $633.01 million in 2021.

16. The other significant liability is the employee benefits earned by staff members and retirees amounting to $9.43 million, relating primarily to after-service health insurance. The defined employee benefits liabilities decreased by 8.5 per cent, mainly as a result of the increase in discount rates used for actuarial valuation (2021: 0.15 per cent, 2020: 0.03 per cent).

17. Owing to the winding-down of the Commission in 2022, the liabilities for employee benefits are classified as current liability.

Net assets

18. The increase of $1.01 million in net assets during the year is mainly due to the actuarial gain on employee benefits liabilities of $0.67 million and the surplus for the year of $0.34 million, as the Commission’s budget for 2021was drawn from the Compensation Fund. The net asset position of $4.41 million reflects the operating reserve of the Commission, which is to be used to finance the Commission’s administrative expenses until the completion of its mandate in 2022. The Commission’s budget will be funded from the Fund in 2022.

Liquidity position

19. The Commission has at its disposal the amount remaining in the accounts payable for compensation awards of $633.01 million and the amount remaining in the operating reserve of $4.41 million. The liquidity is therefore assured for the last payment of compensation awards of $629.32 million, made in January 2022, and to establish a reserve, estimated at $2 million , to cover any costs incurred in relation to the Commission following the conclusion of the Commission’s mandate and the closure of the Compensation Fund. This amount is subject to any adjustments when the real costs are known at the time of the conclusion of the Commission’s mandate and the closure of the Fund.

Chapter V

Financial statements for the year ended 31 December 2021

United Nations Compensation Commission

I. Statement of financial position as at 31 December 2021

(Thousands of United States dollars)

	Note	*31 December 2021*	*31 December 2020*
Assets – funds held in trust			
Current assets			
Cash and cash equivalents	4, 5	70 971	32 191
Investments	4, 5	575 868	262 485[a]
Other assets	3	15	–
Total, current assets		**646 854**	**294 676**
Non-current assets			
Investments		–	–
Total, non-current assets		**–**	**–**
Total, assets		**646 854**	**294 676**
Liabilities and funds held in trust			
Current liabilities			
Accounts payable: compensation awards	4, 6	633 010	280 968
Other accounts payable and accrued liabilities	4	4	–
Employee benefits liabilities	7	9 434	10 308[a]
Total current liabilities		**642 448**	**291 276**
Non-current liabilities			
Employee benefits liabilities		–	–
Total non-current liabilities		**–**	**–**
Total liabilities		**642 448**	**291 276**
Net of total assets and total liabilities		**4 406**	**3 400**
Net assets			
Operating reserve	8	4 406	3 400
Net assets		**4 406**	**3 400**

[a] Restated to conform to the current presentation. See note 2.

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 2021

(Thousands of United States dollars)

	Note	*31 December 2021*	*31 December 2020*
Revenue			
Revenue	9	1 286	–
Other revenue	9	–	–
Total, revenue		**1 286**	**–**
Expenses			
Employee salaries, allowances and benefits	10	548	626
Contractual services	10	25	13
Travel	10	–	–
Supplies and consumables	10	1	–
Other operating expenses	10	376	318
Total, expenses		**950**	**957**
Surplus/(deficit) for the year		**336**	**(957)**

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 2021

(Thousands of United States dollars)

	Note	*Operating reserve*
Net assets as at 1 January 2020		**4 437**
Changes in net assets during 2020		
Actuarial losses on employee benefits liabilities	7	(80)
Deficit for the year		(957)
Total		**(1 037)**
Net assets as at 31 December 2020		**3 400**
Changes in net assets during 2021		
Actuarial gains on employee benefits liabilities	7	670
Surplus for the year		336
Total		**1 006**
Net assets as at 31 December 2021		**4 406**

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

United Nations Compensation Commission

IV. Statement of cash flows for the year ended 31 December 2021

(Thousands of United States dollars)

Cash flows from operating activities	*Note*	*31 December 2021*	*31 December 2020*
Surplus/(deficit) for the period		**336**	**(957)**
Non-cash movements			
Actuarial gains/(losses) on employee benefits liabilities	7	670	(80)
Changes in assets			
(Increase)/decrease in deferred expenditure		(15)	–
Changes in liabilities			
Increase/(decrease) in accounts payable: compensation awards	6	352 042	17 895
Increase/(decrease) in other accounts payable and accrued liabilities	4	4	(4)
Increase/(decrease) in employee benefits liabilities	7	(874)	(45)
Net cash flows from/(used in) operating activities		**352 163**	**16 809**
Cash flows from investing activities			
Net change in the main cash pool investments		(313 383)	(58 996)
Net cash flows from/(used in) investing activities		**(313 383)**	**(58 996)**
Cash flows from financing activities			
Net cash flows from/(used in) financing activities		–	–
Net increase/(decrease) in cash and cash equivalents		**38 780**	**(42 187)**
Cash and cash equivalents – beginning of year		32 191	74 378
Cash and cash equivalents – end of year		**70 971**	**32 191**

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

United Nations Compensation Commission
Notes to the 2021 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, which was signed on 26 June 1945 and became effective on 24 October 1945, sets out the primary objectives of the United Nations as follows:

(a) The maintenance of international peace and security;

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

(c) The universal observance of human rights;

(d) The administration of international justice and law.

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

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

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

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

(d) The International Court of Justice, which 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, Vienna and Nairobi. It has 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. The mandate under the Programme was considered fulfilled in late 2013.

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. The present statements therefore relate only to the operations of the Commission.

7. The Commission 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 have been 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:

(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 using the indirect method;

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

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

Going concern and wind-down of the Commission

9. Pursuant to Governing Council decision 276 (2017), 3 per cent of the proceeds from oil export sales were deposited into the United Nations Compensation Fund in 2021. As at 21 December 2021, there was a sufficient balance in the Fund to pay the amount of $629.324 million in compensation that remained outstanding. This amount was paid on 13 January 2022 and, with that payment, all claimants awarded compensation by the Commission had received the full amount of their respective awards.

10. In view of the above, the Governing Council held a special session on 9 February 2022 and adopted decision 277 (2022), by which it declared that the Government of Iraq had fulfilled its international obligations to compensate all claimants awarded compensation by the Commission for losses and damages suffered as a direct result of the invasion of Kuwait by Iraq. On 22 February 2022, the Security Council adopted resolution 2621 (2022), by which it decided that the Commission had fulfilled its mandate under relevant Security Council resolutions. By the same resolution, it also decided to terminate its mandate and, in accordance with Governing Council decision 277 (2022), directed it to conclude the outstanding matters necessary for its closure and for the dissolution of the Compensation Fund by the end of 2022, and to return to the Government of Iraq any amounts remaining in the Fund at the point of dissolution.

11. Accordingly, the financial statements of the Commission have not been prepared on a going-concern basis, given the Commission's planned wind-down by the end of 2022. Its secretariat is not aware of any fact, condition or event that would put the continuation of the Commission at risk until its dissolution.

12. Taking into account the termination of the Commission in less than 12 months, the total investment in the main cash pool and the total amount of post-employment liabilities are therefore classified as current assets and current liabilities, respectively. The comparative amount for 2020 has also been reclassified accordingly. The balances presented on the face of the statement of financial position are representative of fair value.

Authorization for issue

13. The present financial statements are certified by the Controller and approved by the Secretary-General. In accordance with regulation 6.2 of the Financial Regulations and Rules of the United Nations, the Secretary-General transmitted the financial statements as at 31 December 2021 to the Board of Auditors by 31 March 2022. 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.

Measurement basis

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

Functional and presentation currency

15. 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.

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

17. 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 judgment and estimation

18. 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.

19. 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 some assets, liabilities, revenue and expenses.

20. 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 the actuarial measurement of employee benefits; the selection of useful lives and the depreciation/amortization methods for property, plant and equipment/intangible assets; the impairment of assets; the classification of financial instruments; the valuation of inventory; inflation and discount rates used in the calculation of the present value of provisions; and the classification of contingent assets/liabilities.

Future accounting pronouncements

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

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

(b) Non-exchange expenses: the aim of the project is to develop a standard or standards that provide recognition and measurement requirements applicable to providers of non-exchange transactions, except for social benefits. The IPSAS Board is expected to issue the standard by June 2022. It is possible that this new standard on transfer expenses would result in a prospective change in accounting policy for the recognition of some categories of non-exchange expenses of the United Nations, including transfers to implementing partners;

(c) Revenue: the scope of the project is to develop new standard-level requirements and guidance on revenue to amend or supersede those currently located in IPSAS 9: Revenue from exchange transactions, IPSAS 11: Construction contracts and IPSAS 23: Revenue from non-exchange transactions (taxes and transfers). The IPSAS Board is expected to issue the standard by September 2022;

(d) Leases: the objective of the project is to replace IPSAS 13 for lease accounting with IPSAS 43 in order to maintain alignment with International Financial Reporting Standard 16. IPSAS 43 was issued in January 2022;

(e) Public sector measurement: the objectives of this project include: (i) issuing amended IPSAS standards with revised requirements for measurement at initial recognition, subsequent measurement and measurement-related disclosure; (ii) providing more detailed guidance on the implementation of replacement cost and cost of fulfilment and the circumstances under which these measurement bases will be used; and (iii) addressing transaction costs, including the specific issue of the capitalizing or expensing of borrowing costs;

(f) Infrastructure assets: the objective of the project is to research and identify issues that preparers have when applying IPSAS 17: Property, plant and equipment to infrastructure assets. Informed by this research, the aim is to provide additional guidance on accounting for infrastructure assets.

Recent and future requirements of the International Public Sector Accounting Standards

22. The IPSAS Board issued the following standards: IPSAS 41: Financial instruments in August 2018 and effective 1 January 2023; and IPSAS 42: Social benefits in January 2019 and effective 1 January 2023. These standards do not affect

the Commission's financial statements for 2021, given that the Commission's activities do not come under the scope of these standards.

Standard	*Anticipated impact in the year of adoption*
IPSAS 41	IPSAS 41: Financial instruments substantially improves the relevance of information for financial assets and financial liabilities. It will replace IPSAS 29: Financial instruments: recognition and measurement, and improves the standard's requirements by introducing simplified classification and measurement requirements for financial assets, a forward-looking impairment model and a flexible hedge accounting model. The effective date of IPSAS 41 was deferred to 1 January 2023 owing to the COVID-19 pandemic and the challenges that it has created. IPSAS 41 has no impact on the Commission's financial statements because its implementation date is beyond the orderly winding-down of the Commission.
IPSAS 42	IPSAS 42: Social benefits provides guidance on accounting for social benefits expenditure. It defines social benefits as cash transfers paid to specific individuals and/or households to mitigate the effect of social risk. Specific examples include State retirement benefits, disability benefits, income support and unemployment benefits. The new standard requires an entity to recognize an expense and a liability for the next social benefit payment. The effective date of IPSAS 42 was deferred to 1 January 2023 owing to the COVID-19 pandemic and the challenges that it has created. Currently, there are no such social benefits applicable to the Commission.

Note 3
Significant accounting policies

Financial assets classification

23. The classification of financial assets depends primarily on the purpose for which the financial assets are acquired. 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	*Financial assets*
Fair value through surplus or deficit	Investments in cash pools
Loans and receivables	Cash and cash equivalents and receivables

24. 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 on which the Commission becomes party to the contractual provisions of the instrument.

25. 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.

26. Financial assets at fair value through surplus or deficit are those that have been designated in this category at initial recognition, are held for trading or are acquired principally for the purpose of selling in the short term. These assets are measured at fair value at each reporting date, and any gains or losses arising from changes in the fair value are recorded as a variation to the investment proceeds, given that any gains are neither available nor utilizable by the Commission other than for the purposes of the payment of compensation awards (see note 6).

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 relevant 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 the permanent reduction in value of the asset. Impairment losses are recognized in the statement of financial performance in the year in which they arise.

29. 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. 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.

Investment in cash pools

30. The United Nations Treasury invests funds pooled from the United Nations Secretariat entities 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. Given that the funds are commingled and invested on a pool basis, each participant is exposed to the overall risk of the investment portfolio to the extent of the amount of cash invested.

31. The Commission’s investment in the 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 the maturity period of the investments.

Cash and cash equivalents

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

Receivables

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

Property, plant and equipment

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

and mobile buildings; communications and information technology equipment; machinery and equipment; furniture and fixtures; and real estate assets (building, infrastructure and assets under construction). Property, plant and equipment are capitalized when their cost per unit is greater than or equal to the threshold of $5,000. The Commission has not acquired any item exceeding this threshold.

Other assets

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

Financial liabilities: classification

36. Financial liabilities classified as "other financial liabilities" are initially recognized at fair value and subsequently measured at amortized cost. They include accounts payable, transfer payables, unspent funds held for future refunds and other liabilities, such as balances payable to other United Nations reporting entities. Financial liabilities with a duration of less than 12 months are recognized at their nominal value. The Commission re-evaluates the classification of financial liabilities at each reporting date and derecognizes financial liabilities when its contractual obligations are discharged, waived, cancelled or expired.

Financial liabilities: accounts payable and accrued liabilities

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

Financial liabilities: compensation awards

38. A percentage of the proceeds from oil sold by Iraq is deposited into the Compensation Fund pursuant to Governing Council decision 276 (2017), which superseded percentages previously set by various Security Council resolutions, and is used to pay compensation to successful claimants. The United Nations, through the Commission, is considered to be an agent responsible solely for the administration of the Fund (see para. 85 below). Accordingly, 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 Fund for the administrative cost of the Commission.

Operating leases: the Commission as "lessee"

39. The Commission occupies premises through a lease agreement. Leases in which all 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 term of the lease.

Employee benefits

40. Employees comprise staff members, as described under 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, 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

41. Short-term employee benefits are employee benefits (other than termination benefits, described in para. 50 below) that are payable within 12 months after the end of the year in which the employee renders the related services. Short-term employee benefits comprise first-time employee benefits (assignment grants), regular daily/weekly/monthly benefits (wages, salaries and allowances), compensated absences (paid sick leave and maternity/paternity leave) and other short-term benefits (death grant, education grant, reimbursement of taxes and home leave) provided to current employees on the basis of 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

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

Defined benefit plans

43. The following benefits are accounted for as defined benefit plans: after-service health insurance, repatriation benefits (post-employment benefits) and accumulated annual leave that is commuted to cash upon separation from the Organization (other long-term benefits). 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, excluding actuarial gains and losses, are recognized in the statement of financial performance in the year in which they occur. The Organization has chosen to recognize changes in the liability for defined benefit plans from actuarial gains and losses directly through the statement of changes in net assets. As at the end of the reporting year, the Commission held no plan assets as defined by IPSAS 39: Employee benefits.

44. 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.

45. **After-service health insurance**. Worldwide coverage for medical expenses of eligible former staff members and their dependants is provided through after-service health insurance. Upon end of service, staff members and their dependants may elect to participate in a defined benefit health insurance plan of the United Nations, provided they have met some 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 before 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, together with a portion of the contributions from active staff, to arrive at the Commission's residual liability in accordance with cost-sharing ratios authorized by the General Assembly.

46. **Repatriation benefits**. Upon end of service, staff who meet some eligibility requirements, including residency outside their country of nationality at the time of separation, are entitled to a 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.

47. **Annual leave**. The liabilities for annual leave represent unused accumulated leave days that are projected to be settled through a monetary payment to employees upon their separation from the Commission. The Commission 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 have access to current period leave entitlements before they gain access to accumulated annual leave balances relating to prior periods. Effectively, the accumulated annual leave benefit is accessed more than 12 months after the end of the reporting period in which the benefit arose and, overall, there is an increase in the level of accumulated annual leave days, pointing to the commutation of accumulated annual leave to a cash settlement at end of service as the true liability of the Commission. The accumulated annual leave benefit reflecting the outflow of economic resources from the Commission at end of service is therefore classified under the category of other long-term benefits, 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 39, other long-term benefits must be valued similarly to post-employment benefits; therefore, the Commission 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

48. 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 in article 3 (b) of the Regulations of the Pension Fund, membership in 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.

49. 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 organizations participating in the plan. The Commission and the Pension Fund, in line with the other organizations participating in the Fund, are 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. The Commission has therefore treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 39. The Commission's contributions to the Pension Fund during the financial period are recognized as expenses in the statement of financial performance.

Termination benefits

50. Termination benefits are recognized as an expense when the Commission is demonstrably committed, without a realistic possibility of withdrawal, to a plan to terminate the employment of a staff member before the normal retirement date.

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

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

Provisions

52. 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 expenditure 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.

Contingent liabilities

53. Any possible obligations that arise from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Commission, are disclosed as contingent liabilities. Contingent liabilities are also disclosed where present obligations that arise from past events cannot be recognized because it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligations, or the amount of the obligations cannot be reliably measured.

54. Provisions and contingent liabilities are assessed continually to determine whether an outflow of resources embodying economic benefits or service potential has become more or less probable. If it becomes more probable that such an outflow will be required, a provision is recognized in the financial statements of the year in which the change of probability occurs. Similarly, where it becomes less probable that such an outflow will be required, a contingent liability is disclosed in the notes to the financial statements. An indicative threshold of $10,000 applies in recognizing provisions and/or disclosing contingent liabilities in the notes to the financial statements.

Contingent assets

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

Commitments

56. Commitments are future expenses to be incurred by the Commission with respect to open contracts for which 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 are not delivered by the end of the reporting period, non-cancellable minimum lease payments and other non-cancellable commitments.

Investment revenue

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

Expenses

58. 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.

59. Employee salaries include international, national and general temporary staff salaries, post adjustments and staff assessments. The allowances and benefits include other staff entitlements, such as pension and insurance subsidies and staff assignment, repatriation and other allowances. Operating expenses include costs of conferencing, office rental costs, foreign exchange loss, supplies and consumables, audit fees by the Board and the Office of Internal Oversight Services and other immaterial expenses.

Note 4
Financial instruments

Table V.1
Summary of financial instruments
(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
Financial assets		
Fair value through surplus or deficit		
Investments – main cash pool	575 868	262 485[a]
Subtotal, investments	**575 868**	**262 485**
Total, fair value through surplus or deficit investments	**575 868**	**262 485**
Cash and cash equivalents		
Cash and cash equivalents – main cash pool	70 971	32 191
Subtotal, cash and cash equivalents	**70 971**	**32 191**
Total, carrying amount of financial assets	**646 839**	**294 676**
Of which relates to financial assets held in main cash pool	646 839	294 676
Financial liabilities at amortized cost		
Accounts payable and accrued liabilities – accounts payable	4	–
Subtotal, accounts payable and accrued liabilities	**4**	**–**
Accounts payable – compensation awards (note 6)	633 010	280 968
Total, carrying amount of financial liabilities	**633 014**	**280 968**

[a] Restated to conform to the current presentation. See note 2.

Note 5
Financial risk management and the cash pool

60. The Commission participates in the United Nations Treasury main cash pool. The main cash pool comprises operational bank account balances in a number of currencies and investments in United States dollars.

61. 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 main cash pool assets (cash and cash equivalents and short-term and long-term investments) and revenue is based on each participating entity's principal balance.

62. As at 31 December 2021, the Commission participated in the main cash pool, which held total assets of $11,799.724 million (2020: $10,652.389 million), of which $646.839 million was due to the Commission (2020: $294.676 million), and its share of revenue from the main cash pool was $1.130 million (2020: $4.726 million). The summary of financial instruments in the main cash pool is shown in table 2.

Table V.2
Summary of assets and liabilities of the main cash pool as at 31 December 2021
(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
Fair value through surplus or deficit		
Short-term investments	8 839 722	7 120 427
Long-term investments	1 654 439	2 349 880
Total, fair value through surplus or deficit investments	**10 494 161**	**9 470 307**
Loans and receivables		
Cash and cash equivalents	1 294 660	1 163 684
Accrued investment income	10 903	18 398
Total, loans and receivables	**1 305 563**	**1 182 082**
Total, carrying amount of financial assets	**11 799 724**	**10 652 389**
Cash pool liabilities		
Payable to the Compensation Commission	646 839	294 676
Payable to other cash pool participants	11 152 885	10 357 713
Total, liabilities	**11 799 724**	**10 652 389**
Net assets	–	–

Table V.3
Summary of net revenue and expenses of the main cash pool for the year ended 31 December 2021
(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
Investment revenue	46 322	113 031
Unrealized gains/(losses)	(37 495)	54 145
Investment revenue from main cash pool	**8 827**	**167 176**
Foreign exchange gains/(losses)	(1 626)	5 837
Bank fees	(1 805)	(578)
Operating expenses from main cash pool	**(3 431)**	**5 259**
Net revenue and expenses from main cash pool	**5 396**	**172 435**

Financial risk management

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

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

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

Financial risk management: credit risk

66. 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 papers, 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.

67. The Guidelines require that investments not be made in issuers with credit ratings below specifications and provide for maximum concentrations with given issuers. These requirements were met at the time the investments were made.

68. The credit ratings used for the main cash pool are those determined by major credit-rating agencies. S&P Global Ratings , 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 shown in table V.4.

Table V.4
Investments of the main cash pool by credit ratings as at 31 December 2021
(Percentage)

Main pool	*Ratings as at 31 December 2021*				*Ratings as at 31 December 2020*			
Bonds (long-term ratings)								
	AAA/AAAu	*AA+u/AA+/AA*	*A+*	*NA*	*AAA*	*AA+/AA/AA-*	*A+*	*Not rated/WD*
S&P Global Ratings	47.8	48.1	0.4	3.7	44.0	53.2		2.8
	AAA	*AA+/AA/AA-*		*NA/NR*				
Fitch	61.3	15.7		23.0	61.4	15.5		23.1
	Aaa	*Aa1/Aa2/Aa3*	*A1*	*NA*	*Aaa*	*Aa1/Aa2/Aa3*	*A1*	
Moody's	61.1	34.9	0.4	3.6	61.1	34.9	0.4	3.6
Commercial papers/certificates of deposit (short-term ratings)								
	A-1+/A-1				*A-1+/A-1*			
S&P Global Ratings	100.0				100.0			
	F1+/F1			*NR*	*F1+/F1*			*NR*
Fitch	96.7			3.3	98.0			2.0
	P-1/P2				*P-1*			
Moody's	100.0				100.0			
Reverse repurchase agreement (short-term ratings)								
	A-1+u							
S&P Global Ratings	100.0							
	F1+							
Fitch	100.0							
	WR							
Moody's	100.0							
Term deposits/demand deposit account (Fitch viability ratings)								
	aa	*a+/a/a-*		*NA*	*aaa*	*aa/aa-*	*a+/a*	
Fitch	34.1	65.9			–	27.5	72.5	

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

Financial risk management: liquidity risk

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

Financial risk management: interest rate risk

71. The main cash 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 cash pool had invested primarily in securities with shorter terms to maturity, with the maximum being less than three years (2020: four years). The average duration of the main cash pool on 31 December 2021 was 0.49 years (2020: 0.72 years), which is considered to be an indicator of low risk.

Cash pool interest rate risk sensitivity analysis

72. This analysis shows how the fair value of the main cash 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 in the surplus or deficit and net assets. The impact of a shift up or down of up to 200 basis points in the yield curve is shown in table V.5 (100 basis points equals 1 per cent). The basis point shifts are illustrative.

Table V.5
Main cash pool interest rate risk sensitivity analysis as at 31 December 2021
(Millions of United States dollars)

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

Main cash pool interest rate risk sensitivity analysis as at 31 December 2020
(Millions of United States dollars)

Shift in yield curve (basis points)	*-200*	*-150*	*-100*	*-50*	*0*	*+50*	*+100*	*+150*	*+200*
Increase/(decrease) in fair value									
Main pool total	**148.41**	**111.30**	**74.20**	**37.10**	–	**(37.10)**	**(74.18)**	**(111.26)**	**(148.34)**

Other market price risk

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

Accounting classifications and fair value

74. 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

75. Table V.6 presents financial instruments carried at fair value, by fair value hierarchy levels. The levels are defined as follows:

(a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

(b) Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

(c) Level 3: inputs for the assets or liabilities that are not based on observable market data (i.e. unobservable inputs).

76. 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 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.

77. 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.

78. The fair value hierarchy in table V.6 presents the main pool assets that are measured at fair value at the reporting date. There were no level 3 financial assets nor any liabilities carried at fair value or any significant transfers of financial assets between fair value hierarchy classifications.

Table V.6
Fair value hierarchy for investments as at 31 December
(Thousands of United States dollars)

	31 December 2021			*31 December 2020*		
	Level 1	*Level 2*	*Total*	*Level 1*	*Level 2*	*Total*
Financial assets at fair value through surplus or deficit						
Bonds – corporate	29 997	–	29 997	15 379	–	15 379
Bonds – non-United States agencies	1 595 405	–	1 595 405	1 368 666	–	1 368 666
Bonds – supranational	812 539	–	812 539	847 288	–	847 288
Bonds – United States treasuries	197 390	–	197 390	502 462	–	502 462
Bonds – non-United States sovereigns	90 163	–	90 163	90 910	–	90 910
Main pool – commercial papers	–	3 033 880	3 033 880	–	2 062 987	2 062 987
Main pool – certificates of deposit	–	2 824 787	2 824 787	–	2 762 615	2 762 615
Main pool – term deposits	–	1 910 000	1 910 000	–	1 820 000	1 820 000
Total	**2 725 494**	**7 768 667**	**10 494 161**	**2 824 705**	**6 645 602**	**9 470 307**
Euro pool						
Bonds – corporate	963	–	963	1 194	–	1 194
Bonds – non-United States sovereigns	458	–	458	570	–	570
Subtotal, euro pool	**1 421**	**–**	**1 421**	**1 764**	**–**	**1 764**
Total	**2 726 915**	**7 768 667**	**10 495 582**	**2 826 469**	**6 645 602**	**9 472 071**

Note 6
Accounts payable: compensation awards

Background

79. Funds to pay successful awards are drawn from the Compensation Fund, which receives a percentage of the proceeds generated by the export sales by Iraq of petroleum and petroleum products. This percentage has changed over the years and, under the terms of Security Council resolution 1483 (2003), was set at 5 per cent. In its resolution 1956 (2010), the Council also provided 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 Fund. These requirements are binding on the Government of Iraq, unless the Government and the Governing Council of the Commission decide otherwise.

80. 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 revenue into the Fund. From 2015 to 2017, the Council adopted decisions granting three successive one-year postponements of the obligation of the Government of Iraq to make deposits, owing to the extraordinarily difficult security circumstances facing the country during those years.

81 Following the adoption of Governing Council decision 276 (2017), deposits into the Compensation Fund resumed on 1 January 2018 at 0.5 per cent of proceeds from the export sales of petroleum, petroleum products and natural gas and of the value of any non-monetary payments of petroleum, petroleum products and natural gas made to service providers. The amount increased to 1.5 per cent effective 1 January 2019 and to 3 per cent effective 1 January 2020, where it is to remain until such time as the outstanding compensation award has been paid in full.

Accounting for the oil proceeds

82. Under IPSAS, other than any agreed proportion retained to fund the administration of the Commission, oil revenue received is not reflected as income on the Commission’s financial statements but as a liability. The obligation to pay the outstanding award rests with the Government of Iraq, not with the United Nations. The United Nations, through the Commission, is therefore 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 therefore recorded as cash (asset), with a corresponding recognition of accounts payable (liability), in favour of the outstanding claim.

83. During 2021, the Government of Iraq made deposits in the amount of $2,092.199 million (2020: 1,143.030 million) to the Compensation Fund, as provided for in Governing Council decision 276 (2017).

84. Table V.7 shows the movements of the Compensation Fund in 2021. Investment proceeds accrued are an increase in the liability but are not available for disbursement until the associated cash is received.

Table V.7
Accounts payable: compensation awards
(Thousands of United States dollars)

Movement in the accounts payable: Compensation Fund	*2021*	*2020*
Net liability as at 1 January	**280 968**	**263 073**
Unrealized gain/(loss) on investment reversal	(1 269)	247
Subtotal, gross liability as at 1 January	**279 699**	**263 320**

Movement in the accounts payable: Compensation Fund	*2021*	*2020*
Deposits from the Government of Iraq	2 092 199	1 143 030
Claim payments	(1 740 000)	(1 130 000)
Administrative budget	(1 286)	–
Gross investment proceeds	1 879	3 349
Subtotal, gross liability as at 31 December	**632 491**	**279 699**
Unrealized gain/(loss) on investment	519	1 269
Net liability as at 31 December	**633 010**	**280 968**

Accounting for claim payments

85. Pursuant to Governing Council decision 267 (2009), payments are made on a quarterly basis utilizing all available funds in the Compensation Fund, rounding down to the nearest $10 million. Under IPSAS, claim payments made by the Commission are reflected as a direct reduction in the liability recorded to offset the cash deposits made by Iraq, rather than as an expenditure. In accordance with that decision, the Commission disbursed four payments for compensation awards in 2021, for a total of $1,740 million (2020: $1,130 million).

Compensation awards approved but not yet paid as at year end

86. As at 31 December 2021, compensation awards approved by the Governing Council but not yet paid stood at approximately $629.324 million (2020: $2,369.324 million).

Note 7
Employee benefits liabilities

Table V.8
Employee benefits liabilities
(Thousands of United States dollars)

2021			
	Current	*Non-current*	*Total as at 31 December 2021*
After-service health insurance	8 957	–	8 957
Annual leave	86	–	86
Repatriation benefits	158	–	158
Subtotal, defined benefit liabilities	**9 201**	**–**	**9 201**
Termination benefits	222	–	222
Other employee benefits	11	–	11
Total, employee benefits liabilities	**9 434**	**–**	**9 434**
2020			
	Current	*Non-current*	*Total as at 31 December 2020*
After-service health insurance	9 940[a]	–	9 940
Annual leave	31[a]	–	31
Repatriation benefits	103	–	103
Subtotal, defined benefit liabilities	**10 074**	**–**	**10 074**

Termination benefits	220	–	220
Other employee benefits	14	–	14
Total, employee benefits liabilities[a]	**10 308**	**–**	**10 308**

[a] Restated to conform to the current presentation. See note 2.

87. The liabilities arising from end-of-service/post-employment benefits are determined by independent actuaries and are established in accordance with IPSAS 39. Full actuarial valuation is usually undertaken every two years, with the most recent full valuation conducted as at 31 December 2021.

88. The total defined employee benefits liabilities decreased by $0.873 million in 2021, owing to a large extent to the changes in financial assumptions used in the recent actuarial valuation. It resulted in an actuarial gain of $0.670 million, mainly as a result of the increase in the discount rate and the decrease in the Swiss health-care long-term cost trend rate. The difference of $0.203 million is constituted of service costs and interest on obligation amounting to $0.051 million, which is offset by benefits paid of $0.254 million.

89. Other employee benefits consist of accruals for home leave allowance and settlement of employee taxes.

Actuarial valuation: assumptions

90. The Commission follows the United Nations Secretariat in selecting 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 year end are set out in table V.9.

Table V.9
Actuarial assumptions used to determine employee benefits obligations
(Percentage)

Actuarial assumptions	*After-service health insurance*	*Repatriation benefits*	*Annual leave*
Discount rates: 31 December 2020 valuation	0.03	0.43	2.26
Discount rates: 31 December 2021 valuation	0.15	1.06	2.51
Inflation: 31 December 2020 valuation	3.64–5.31	2.20	–
Inflation: 31 December 2021 valuation	3.44–5.17	2.50	–

91. For the 2021 actuarial valuations, the yield curves used in the calculation of the discount rates in respect of the United States dollar, the euro and the Swiss franc are those developed by Aon Hewitt, consistent with the decision of the Task Force on Accounting Standards of the United Nations to harmonize actuarial assumptions throughout the United Nations system.

92. The salary increase rate and the demographic assumptions used for the 2021 full valuation are the same as those used for the latest United Nations Joint Staff Pension Fund valuation. As at 31 December 2021, the salary increase assumptions for the Professional staff category were 9.27 per cent for the age of 19, grading down to 3.97 per cent for the age of 65. The salaries of the General Service staff category were assumed to increase by 6.84 per cent for the age of 19, grading down to 3.97 per cent for the age of 65.

93. 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 rates are based on Aon Hewitt long-term assumptions for different currencies, as shown below, with the rates updated for the 2021 full valuation.

	2021			*2020*		
Cost trend assumptions	*Initial (percentage)*	*Final (percentage)*	*Grade down*	*Initial (percentage)*	*Final (percentage)*	*Grade down*
United States non-Medicare	5.17	3.95	10 years	5.31	3.65	14 years
United States Medicare	5.03	3.95	10 years	5.15	3.65	14 years
United States dental	4.53	3.95	10 years	4.59	3.65	14 years
Non-United States – Switzerland	3.44	2.25	7 years	3.64	2.75	8 years
Non-United States – eurozone	3.75	3.75	none	3.73	3.25	6 years

94. With regard to the valuation of repatriation benefits as at 31 December 2021, inflation in travel costs was assumed to be 2.50 per cent (2020: 2.20 per cent).

95. Annual leave balances were assumed to increase at the following annual rates during the staff members' projected years of service: 0 to 3 years: 9.1 per cent; 4 to 8 years: 1.0 per cent; 9 years and over: 0.1 per cent. The attribution method continues to be used for annual leave actuarial valuation.

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

Movement in employee benefits liabilities accounted for as defined benefit plans

Table V.10
Movement in employee benefits liabilities accounted for as defined benefit plans
(Thousands of United States dollars)

	2021	*2020*
Net defined benefit liability as at 1 January	**10 074**	**10 143**
Current service cost	47	49
Interest cost	4	18
Total, net costs recognized in the statement of financial performance	**51**	**67**
Benefits paid	(254)	(216)
Actuarial (gains)/losses recognized directly in the statement of changes in net assets	(670)	80
Net defined benefit liability as at 31 December	**9 201**	**10 074**

97. The total amount of current service and interest costs recognized in the statement of financial performance was $0.051 million (2020: $0.067 million).

Discount rate sensitivity analysis

98. The changes in discount rates are driven by the discount curve, which is calculated on the basis of corporate bonds. The bond markets varied over the reporting year, and volatility affects the discount rate assumption. Should the discount rate

assumption vary by 0.5 per cent, its impact on the obligations would be as shown in table V.11.

Table V.11
Discount rate sensitivity to end-of-year employee benefits liabilities
(Thousands of United States dollars)

	After-service health insurance	*Repatriation benefits*	*Annual leave*
For the year ended 31 December 2021			
Increase of discount rate by 0.5 per cent	(783)	–	(1)
As a percentage of end-of-year liability	(9)	–	1
Decrease of discount rate by 0.5 per cent	898	–	2
As a percentage of end-of-year liability	10	–	2
For the year ended 31 December 2020			
Increase of discount rate by 0.5 per cent	(940)	(1)	(1)
As a percentage of end-of-year liability	(9)	(1)	(3)
Decrease of discount rate by 0.5 per cent	1 086	–	1
As a percentage of end-of-year liability	11	–	3

Medical costs sensitivity analysis

99. 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 resulting from changes in medical cost rates while holding other assumptions, such as the discount rate, constant. Should the medical cost trend assumption vary by 0.5 per cent, the impact on the measurement of the defined benefit obligations would be as shown in table V.12.

Table V.12
Effect of movements in assumed medical cost trend rates
(Thousands of United States dollars)

	Increase	*Decrease*
0.5 per cent movement in the assumed medical costs trend rates: 31 December 2021		
Effect on the defined benefit obligation	848	(750)
Effect on the aggregate of the current service cost and interest cost	6	(5)
0.5 per cent movement in the assumed medical costs trend rates: 31 December 2020		
Effect on the defined benefit obligation	1 021	(897)
Effect on the aggregate of the current service cost and interest cost	9	(8)

Other defined benefits plan information

100. Benefits paid for 2021 are estimates of what would have been paid to separating staff and/or retirees during the year on the basis of the pattern of rights acquisition under each scheme: after-service health insurance, repatriation and commutation of accrued annual leave. The estimated defined benefits payments (net of participants’ contributions in these schemes) are shown in table V.13 and historical information on liabilities for after-service health insurance, repatriation benefits and annual leave is shown in table V.14.

Table V.13
Estimated defined benefits payments, net of participants' contributions
(Thousands of United States dollars)

	After-service health insurance	*Repatriation benefits*	*Annual leave*	*Total*
2021	180	69	5	254
2020	162	52	2	216

Historical information

Table V.14
Liabilities for after-service health insurance, repatriation benefits and annual leave, 2016–2021
(Thousands of United States dollars)

	2016	*2017*	*2018*	*2019*	*2020*	*2021*
Present value of the defined benefit obligations	6 091	6 027	5 938	10 143	10 074	9 201

United Nations Joint Staff Pension Fund

101. In the Regulations of the United Nations Joint Staff Pension Fund, it is stated that the Pension Board shall have an actuarial valuation made of the Pension 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.

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

103. The latest actuarial valuation for the Pension Fund was completed as at 31 December 2019, and the valuation as at 31 December 2021 is currently being performed. A roll forward of the participation data as at 31 December 2019 to 31 December 2020 was used by the Fund for its 2020 financial statements.

104. The actuarial valuation as at 31 December 2019 resulted in a funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, of 144.4 per cent. The funded ratio was 107.1 per cent, when the current system of pension adjustments was taken into account.

105. After assessing the actuarial sufficiency of the Pension Fund, the consulting actuary concluded that there was no requirement, as at 31 December 2019, for deficiency payments under article 26 of the Regulations of the Pension Fund, given that the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the plan. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as at the valuation date. At the time of the preparation of the present report, the General Assembly had not invoked the provision of article 26.

106. Should article 26 be invoked owing to an actuarial deficiency, either during the ongoing operation or due to the termination of the Pension Fund, deficiency payments required from each member organization would be based on the proportion of that member organization's contributions to the total contributions paid to the Pension Fund during the preceding three years (2018, 2019 and 2020), which amounted to $7,933.15 million.

107. During 2021, contributions paid by the Commission to the Pension Fund amounted to $0.097 million (2020: $0.094 million). Expected contributions due in 2022 are approximately $0.099 million.

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

109. The Board carries out an annual audit of the Pension Fund and reports to the Pension Board and to the General Assembly on the audit annually. The Pension Fund publishes quarterly reports on its investments, which can be viewed on the Pension Fund's website at www.unjspf.org.

Termination benefits

110. 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 $0.222 million (2020: $0.220 million).

Note 8
Net assets

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

Operating reserve

112. 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. As at 31 December 2021, the balance of the operating reserve was $4.388 million (2020: $3.382 million).

113. A separate operating reserve exists for the Follow-up Programme for Environmental Awards that represents a small amount of residual interest earned on the funds in the Programme. This small reserve ($0.018 million) will be retained until completion of the orderly wind-down of the Commission to cover any post-closure costs associated with the Programme.

Note 9
Revenue

Amount charged for administration of claims

114. Under IPSAS, revenue is recognized when funds are drawn from the Compensation Fund for the administrative costs of the Commission. At its 39th

meeting, held in October 2020, the Committee on Administrative Matters directed that the administrative budget for 2021 be drawn from the Fund, rather than from the operating reserve, to ensure that the reserve continues to remain at a sufficient level to cover the budget of the Commission up until closure, as well as any post-closure costs.

115. For the Follow-up Programme for Environmental Awards, revenue consists of interest and investment income on the balance of cash in the Programme fund.

116. As a result of the budget being deducted from the Compensation Fund, the statement of financial performance shows a surplus for the year, which is incorporated into the operating reserve in the statement of financial position.

Note 10
Expenses

Table V.15
Expenses for the year
(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
Salaries and wages	553	568
Pension and insurance benefits	61	84
Other benefits	(66)	(26)
Total, employee salaries, allowances and benefits	**548**	**626**
Consultants and contractors	25	13
Total, contractual services	**25**	**13**
Travel	–	–
Total, travel	–	**–**
Contracted services	262	257
Rent – offices and premises	35	28
Other/miscellaneous operating expenses	79	33
Total, other operating expenses	**376**	**318**
Supplies and consumables	1	–
Total, supplies and consumables	**1**	–
Total	**950**	**957**

117. Employee salaries, allowances and benefits include Professional, General Service and temporary staff salaries, post adjustments, staff assessments and reimbursement of income tax. Other benefits include the repatriation grant, leave benefits and termination costs.

118. Contractual services expenses include non-employee compensation, allowances and travel.

119. Travel expenses include all staff and non-staff travel that is not considered to be an employee or contractual allowance or benefit. Travel expenses were nil in 2021 as a result of the cancellation of duty travel due to the COVID-19 pandemic.

120. Other operating expenses are comprised primarily of conferencing, information technology and administrative services contracted with the United Nations Office at

Geneva; the costs associated with the audit by the Board and the Office of Internal Oversight Services; the rental charge for the Commission's office space at the United Nations Office at Geneva, which includes maintenance, utilities and security services; and foreign exchange loss.

121. Supplies and consumables relate to the purchasing of information technology spare parts.

Note 11
Segment reporting

122. 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.

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

124. With the mandate of the Follow-up Programme for Environmental Awards having been declared fulfilled by the Governing Council in late 2013, the Programme segment focuses on post-closure matters relating to ongoing projects formerly subject to the Programme.

125. The segment statements of financial position and financial performance are provided in tables V.16 and V.17.

Table V.16
Segment statements of financial position as at 31 December 2021
(Thousands of United States dollars)

	Compensation Fund	*Follow-up Programme for Environmental Awards*	*Total*
Assets			
Current assets			
Cash and cash equivalents	70 969	2	70 971
Investments	575 852	16	575 868
Other assets	15	–	15
Total current assets	**646 836**	**18**	**646 854**
Non-current assets			
Investments	–	–	–
Total non-current assets	–	–	–
Total assets	**646 836**	**18**	**646 854**

	Compensation Fund	*Follow-up Programme for Environmental Awards*	*Total*
Liabilities			
Current liabilities			
Accounts payable: Compensation Fund/ environmental awards	633 010	–	633 010
Accounts payable and accrued liabilities	4	–	4
Employee benefits	9 434	–	9 434
Total current liabilities	**642 448**	**–**	**642 448**
Non-current liabilities			
Employee benefits	–	–	–
Total non-current liabilities	**–**	**–**	**–**
Total liabilities	**642 448**	**–**	**642 448**
Net of total assets and total liabilities	**4 388**	**18**	**4 406**
Net assets			
Operating reserve	4 388	18	4 406
Net assets	**4 388**	**18**	**4 406**

Table V.17
Segment statements of financial performance for the year ended 31 December 2021
(Thousands of United States dollars)

	Compensation Fund	*Follow-up Programme for Environmental Awards*	*Total*
Revenue			
Revenue	1 286	–	1 286
Other revenue	–	–	–
Total revenue	**1 286**	**–**	**1 286**
Expenses			
Employee salaries, allowances and benefits	548	–	548
Contractual services	25	–	25
Travel	–	–	–
Supplies and consumables	1	–	1
Other operating expenses	376	–	376
Total expenses	**950**	**–**	**950**
Surplus for the year	**336**	**–**	**336**

Note 12
Related parties

Key management personnel

126. 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 the Commission's activities.

127. The aggregate remuneration paid to key management personnel includes net salaries, post adjustment and other entitlements, such as grants, subsidies and employer pension and health insurance contributions.

128. The Commission had one staff member in the key management personnel category, with a total remuneration of $0.271 million over the financial year; such payments are in accordance with the Staff Regulations and Rules of the United Nations, 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

129. 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 V.18.

Table V.18
Transactions with third parties
(Thousands of United States dollars)

	Note	*31 December 2021*	*31 December 2020*
United Nations Office at Geneva			
Information technology and administrative services		121	123
Conference services		72	56
Charges in relation to health insurance		99	95
Rental	13	35	28
Total, United Nations Office at Geneva		**327**	**302**
Office of Internal Oversight Services		10	10
Total, United Nations Offices at Geneva and Headquarters		**337**	**312**

Note 13
Operating leases and commitments

130. The Commission has entered into an operating lease arrangement with the United Nations Office at Geneva for the use of offices at the Palais des Nations. The total lease payments recognized in expenditure for the year were $0.04 million (2020: $0.03 million). The arrangement has a six-month early termination clause and the future minimum lease payments for this six-month period are $0.02 million (2020: $0.02 million).

131. As at the reporting date, there were no contractual commitments for goods and services contracted but not delivered (2020: none).

Note 14
Contingent liabilities and contingent assets

132. In the ordinary course of its operations, the Commission may be subject to claims that can be categorized as commercial claims, administration of justice claims, and any other claims. Consistent with IPSAS 19: Provisions, contingent liabilities and contingent assets, contingent liabilities are disclosed for pending claims where the probability of an obligation and the potential outflow of resources cannot be measured with sufficient reliability.

133. At its 40th meeting, held in October 2021, the Committee on Administrative Matters decided to establish a reserve to cover any costs incurred in relation to the Commission following the conclusion of the latter's mandate and the closure of the Compensation Fund. The Committee considered the post-closure activities and associated costs and agreed in principle to the estimated amount of $2 million. This amount is subject to any adjustments when the real costs are known at the time of the conclusion of the Commission's mandate and the closure of the Fund.

134. In accordance with IPSAS 19, the Organization discloses contingent assets when an event gives rise to a probable inflow of economic benefits or service potential to the Organization and there is sufficient information to assess the probability of that inflow. The Commission had no contingent assets as at 31 December 2021.

Note 15
Events after the reporting date

135. 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.

136. It is important to note that the last payment of compensation awards approved by the Governing Council but not yet paid as at 31 December 2021 was processed on 13 January 2022 in the amount of $629.324 million. With this payment, all compensation awarded by the Commission has been paid in full.

137. In view of the above, the Governing Council held a special session on 9 February 2022, at which it adopted decision 277 (2022), marking the fulfilment of the Commission's mandate. On 22 February 2022, the Security Council adopted resolution 2621 (2022), by which it decided that the Commission had fulfilled its mandate under resolutions 687 (1991) and 692 (1991) and other relevant resolutions of the Security Council. By the same resolution, it also decided to terminate its mandate and directed it to conclude the outstanding matters necessary for its closure and for the dissolution of the Compensation Fund by the end of 2022.

Chapter VI

Certification of the financial statements for the period from 1 January to 30 June 2022

Letter dated 29 August 2022 from the Assistant Secretary-General, Controller, addressed to the Chair of the Board of Auditors

The financial statements of the United Nations Compensation Commission for the period from 1 January to 30 June 2022 have been prepared in accordance with regulation 6.1 of the Financial Regulations and Rules of the United Nations.

The summary of significant accounting policies applied in the preparation of these statements is included as notes to the financial statements. These notes provide additional information on and clarification of the financial activities undertaken by the 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 Commission, numbered I to IV, are correct in all material respects.

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

Chapter VII
Financial report for the period from 1 January to 30 June 2022

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 period from 1 January to 30 June 2022.

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

3. The Commission is a subsidiary organ of the Security Council. It was established in accordance with Security 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 policymaking 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 were drawn from the United Nations Compensation Fund, which received a percentage of the proceeds generated by the export sales by Iraq of petroleum and petroleum products. This percentage was originally set at 30 per cent and was reduced over the years under various Security Council resolutions and Governing Council decisions. It was most recently set at 3 per cent by the Governing Council in its decision 276 (2017).

5. On 13 January 2022, the Commission disbursed the last outstanding compensation payment, in the amount of $629.32 million, to the one remaining claim. As at 30 June 2022, the Commission had cumulatively paid $52.4 billion, corresponding to the total compensation awarded to successful claimants.

6. In view of the above, the Governing Council held a special session on 9 February 2022 and adopted decision 277 (2022), by which it declared that the Government of Iraq had fulfilled its international obligations to compensate all claimants awarded compensation by the Commission for losses and damages suffered as a direct result of the invasion of Kuwait by Iraq. On 22 February 2022, the Security Council adopted resolution 2621 (2022), by which it decided that the Commission had fulfilled its mandate under relevant Security Council resolutions. By the same resolution, it also decided to terminate its mandate and, in accordance with Governing Council decision 277 (2022), directed it to conclude the outstanding matters necessary for its closure and for the dissolution of the Compensation Fund by the end of 2022, and to return to the Government of Iraq any amounts remaining in the Fund at the point of dissolution.

7. Accordingly, the financial statements of the Commission have been prepared on a liquidation basis, given that the Compensation Fund was closed as at 30 June 2022 and all operations will cease by the end of 2022. The total investment in the main cash pool and the total amount of post-employment liabilities are therefore 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.

B. Overview of the financial statements for the period from 1 January to 30 June 2022

8. Financial statements I to 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. Given that the budget of the Commission is not publicly available, the Commission is not required under IPSAS to include statement V, statement of comparison of budget and actual amounts.

Revenue

9. In 2022, the Commission's budget was funded from the Compensation Fund in accordance with the directives of the Committee on Administrative Matters of the Governing Council, and recognized as revenue, in compliance with IPSAS.

Expenses

10. Under IPSAS, expenses are recorded in the financial statements on an accrual basis when goods and/or services have been received. For the period from 1 January to 30 June 2022, expenses of the Commission totalled $2.49 million. As per the decision of the Committee on Administrative Matters, an amount of $2.00 million was approved for the post-closure reserve to cover any costs incurred in relation to the Commission following the closure of the Compensation Fund on 30 June 2022 and the closure of the Commission at the end of 2022. The short-term post-closure costs, from July to December 2022, include staff salary and office expenses, costs for the preparation of these final financial statements, audit fees and the costs for the final Governing Council session in December 2022. The long-term post-closure activities relate mainly to the management of the Commission's records that are to be retained indefinitely. This post-closure expense represents 80 per cent of the total expense of the period. The other main expenses are staff costs of $0.27 million and contracted services of $0.16 million.

Operating result

11. For the period from 1 January to 30 June 2022, the Commission's budget was funded from the Compensation Fund with a recognition of the corresponding revenue of $1.29 million. With a total amount of $2.00 million recorded for the post-closure expense, the statement of financial performance shows a deficit of $1.20 million for the period.

Assets

12. With the closure of the Commission, the assets are classified as current assets and are comprised of investment and cash and cash equivalents held in the main cash pool, for a total amount of $17.00 million as at 30 June 2022. These assets will be used to settle all liabilities existing as at that date.

Liabilities

13. Liabilities as at 30 June 2022 are classified as short-term liabilities and amounted to $11.44 million. Their main component is the employee benefits liabilities earned by staff members and retirees, amounting to $6.94 million, relating primarily to the after-service health insurance liabilities. These decreased by 27 per cent, mainly as a result of the increase in the discount rates used for the actuarial valuation (2022: 1.98 per cent, 2021: 0.15 per cent). The other liabilities are mainly the accounts payable of $2.00 million relating to the post-closure activities and the accounts payable for the Compensation Fund in the amount of $2.38 million, which will be returned to the Government of Iraq by 31 December 2022.

Net assets

14. The net asset position of $5.56 million reflects the operating reserve of the Commission. The increase of $1.16 million during the period from 1 January to 30 June 2022 is mainly due to the actuarial gain on employee benefits liabilities of $2.36 million offset by the deficit for the period of $1.20 million.

Events after the reporting date

15. In compliance with the Commission's liquidation plan, as at 31 August 2022, accounts payable and accrued liabilities, including employee benefits, had been finalized and transferred to the United Nations to be settled in due course, leaving a cash balance of $7.95 million (corresponding to the Compensation Fund and the operating reserve), which will be transferred to the Government of Iraq by 31 December 2022.

Chapter VIII
Financial statements for the period from 1 January to 30 June 2022

United Nations Compensation Commission

I. Statement of financial position as at 30 June 2022

(Thousands of United States dollars)

	Note	*30 June 2022*	*31 December 2021*
Assets – funds held in trust			
Current assets			
Cash and cash equivalents	4, 5	3 116	70 971
Investments	4, 5	13 889	575 868
Other assets		–	15
Total current assets		**17 005**	**646 854**
Non-current assets			
Investments		–	–
Total non-current assets		–	–
Total assets		**17 005**	**646 854**
Liabilities and funds held in trust			
Current liabilities			
Accounts payable: Compensation Fund	4, 6	2 384	633 010
Other accounts payable and accrued liabilities	4	2 115	4
Employee benefits liabilities	7	6 944	9 434
Total current liabilities		**11 443**	**642 448**
Non-current liabilities			
Employee benefits liabilities		–	–
Total non-current liabilities		–	–
Total liabilities		**11 443**	**642 448**
Net of total assets and total liabilities		**5 562**	**4 406**
Net assets			
Operating reserve	8	5 562	4 406
Net assets		**5 562**	**4 406**

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 period from 1 January to 30 June 2022

(Thousands of United States dollars)

	Note	*30 June 2022*	*31 December 2021*
Revenue			
Revenue	9	1 286	1 286
Total revenue		**1 286**	**1 286**
Expenses			
Employee salaries, allowances and benefits	10	266	548
Contractual services	10	16	25
Travel	10	20	–
Supplies and consumables	10	–	1
Other operating expenses	10	188	376
Post-closure expenses	11	2 000	–
Total expenses		**2 490**	**950**
Surplus/(deficit) for the period		**(1 204)**	**336**

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 period from 1 January to 30 June 2022

(Thousands of United States dollars)

	Note	*Operating reserve*
Net assets as at 1 January 2021		**3 400**
Changes in net assets during 2021		
Actuarial gains on employee benefits liabilities	7	670
Surplus for the year		336
Total		**1 006**
Net assets as at 31 December 2021		**4 406**
Changes in net assets from 1 January to 30 June 2022		
Actuarial gains on employee benefits liabilities	7	2 360
Deficit for the period		(1 204)
Total		**1 156**
Net assets as at 30 June 2022		**5 562**

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

United Nations Compensation Commission

IV. Statement of cash flows for the period from 1 January to 30 June 2022

(Thousands of United States dollars)

Cash flows from operating activities	*Note*	*30 June 2022*	*31 December 2021*
Surplus/(deficit) for the period		**(1 204)**	**336**
Non-cash movements			
Actuarial gains/(losses) on employee benefits liabilities	7	2 360	670
Changes in assets			
(Increase)/decrease in deferred expenditure		15	(15)
Changes in liabilities			
Increase/(decrease) in accounts payable: Compensation Fund	6	(630 626)	352 042
Increase/(decrease) in other accounts payable and accrued liabilities	4	2 111	4
Increase/(decrease) in employee benefits liabilities	7	(2 490)	(874)
Net cash flows from/(used in) operating activities		**(629 834)**	**352 163**
Cash flows from investing activities			
Net change in the main cash pool investments		561 979	(313 383)
Net cash flows from/(used in) investing activities		**561 979**	**(313 383)**
Cash flows from financing activities			
Net cash flows from/(used in) financing activities		–	–
Net increase/(decrease) in cash and cash equivalents		**(67 855)**	**38 780**
Cash and cash equivalents – beginning of period		70 971	32 191
Cash and cash equivalents – end of period		**3 116**	**70 971**

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

United Nations Compensation Commission
Notes to the financial statements for the period from 1 January to 30 June 2022

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, which was signed on 26 June 1945 and became effective on 24 October 1945, sets out the primary objectives of the United Nations as follows:

(a) The maintenance of international peace and security;

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

(c) The universal observance of human rights;

(d) The administration of international justice and law.

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

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

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

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

(d) The International Court of Justice, which 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, Vienna and Nairobi. It has 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. The mandate under the Programme was considered fulfilled in late 2013.

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. The present statements therefore relate only to the operations of the Commission.

7. The Commission 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 have been 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 period, consist of 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 using the indirect method;

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

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

Basis of accounting

9. Pursuant to Governing Council decision 276 (2017), 3 per cent of the proceeds from oil export sales were deposited into the United Nations Compensation Fund in 2021. As at 31 December 2021, there was a sufficient balance in the Fund to pay the amount of $629.324 million in compensation that remained outstanding. This amount was paid on 13 January 2022.

10. In view of the above, the Governing Council held a special session on 9 February 2022 and adopted decision 277 (2022), by which it declared that the Government of Iraq had fulfilled its international obligations to compensate all claimants awarded compensation by the Commission for losses and damages suffered as a direct result of the invasion of Kuwait by Iraq. On 22 February 2022, the Security Council adopted resolution 2621 (2022), by which it decided that the Commission had fulfilled its mandate under relevant Security Council resolutions. By the same resolution, it also decided to terminate its mandate and, in accordance with Governing Council decision 277 (2022), directed it to conclude the outstanding matters necessary for its closure and for the dissolution of the Compensation Fund by the end of 2022, and to return to the Government of Iraq any amounts remaining in the Fund at the point of dissolution.

11. Accordingly, the Compensation Fund, as well as the accounts of the Commission, were closed as at 30 June 2022, and the financial statements have been prepared on a liquidation basis. The Commission secretariat is not aware of any fact, condition or event that would put the continuation of the Commission at risk until its dissolution.

12. Taking into consideration the complete dissolution of the Commission, the total investment in the main cash pool and the total amount of post-employment liabilities are therefore 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.

Liquidation plan

13. At its 40th meeting, held in October 2021, the Committee on Administrative Matters decided to establish a reserve to cover any costs incurred in relation to the Commission following the conclusion of the Commission's mandate and the closure of the Compensation Fund. The Committee considered the post-closure activities and associated costs and agreed to the estimated amount of $2 million.

14. All assets and liabilities as at 30 June 2022 will be settled by 31 December 2022, with the remaining funds to be returned to the Government of Iraq.

Authorization for issue

15. The present financial statements are certified by the Controller and approved by the Secretary-General. In accordance with regulation 6.2 of the Financial Regulations and Rules of the United Nations, the Secretary-General transmitted the closing financial statements to the Board of Auditors by 31 August 2022. 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 oversees the financial activities of the Commission.

Functional and presentation currency

16. 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.

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

18. 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 judgment and estimation

19. 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.

20. 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 some assets, liabilities, revenue and expenses.

21. 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 the actuarial measurement of employee benefits; the selection of useful lives and the depreciation/amortization methods for property, plant and equipment/intangible assets; the impairment of assets; discount rates used in the calculation of the present value of provisions; and the classification of contingent assets/liabilities.

Note 3
Significant accounting policies

Financial assets classification

22. The classification of financial assets depends primarily on the purpose for which the financial assets are acquired. 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	*Financial assets*
Fair value through surplus or deficit	Investments in cash pools
Loans and receivables	Cash and cash equivalents and receivables

23. 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 on which the Commission becomes party to the contractual provisions of the instrument.

24. 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.

25. Financial assets at fair value through surplus or deficit are those that have been designated in this category at initial recognition, are held for trading or are acquired principally for the purpose of selling in the short term. These assets are measured at fair value at each reporting date, and any gains or losses arising from changes in the fair value are recorded as a variation to the investment proceeds, given that any gains are neither available nor utilizable by the Commission other than for the purposes of the payment of compensation awards (see note 6).

26. 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 relevant financial asset.

27. 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 the permanent reduction in value of the asset. Impairment losses are recognized in the statement of financial performance in the year in which they arise.

28. 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. 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.

Investment in cash pools

29. The United Nations Treasury invests funds pooled from the United Nations Secretariat entities 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. Given that the funds are commingled and invested on a pool basis, each participant is exposed to the overall risk of the investment portfolio to the extent of the amount of cash invested.

30. The Commission's investment in the cash pool is included as part of cash and cash equivalents and short-term investments in the statement of financial position, depending on the maturity period of the investments. By virtue of the liquid nature of the overall cash pool investments, withdrawal of the Commission's share of investment is assured.

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.

Receivables

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

Other assets

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

Financial liabilities: classification

34. Financial liabilities classified as "other financial liabilities" are initially recognized at fair value and subsequently measured at amortized cost. They include accounts payable, transfer payables, unspent funds held for future refunds and other liabilities, such as balances payable to other United Nations reporting entities. Financial liabilities with a duration of less than 12 months are recognized at their nominal value. The Commission re-evaluates the classification of financial liabilities

at each reporting date and derecognizes financial liabilities when its contractual obligations are discharged, waived, cancelled or expired.

Financial liabilities: accounts payable and accrued liabilities

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

Financial liabilities: Compensation Fund

36. A percentage of the proceeds from oil sold by Iraq was deposited into the Compensation Fund pursuant to Governing Council decision 276 (2017), which superseded percentages previously set by various Security Council resolutions, and was used to pay compensation towards successful claimants. The United Nations, through the Commission, is considered to be an agent responsible solely for the administration of the Fund (see para. 77 below). Accordingly, oil proceeds received were used solely for the purpose of payment of compensation awards and therefore did not meet revenue recognition criteria. Similarly, main pool investment proceeds are applied solely towards the payment of compensation awards and do not meet revenue recognition criteria. Accordingly, the Commission recognizes an accounts payable balance for the investment proceeds, less any revenue drawn from the Fund for the administrative cost of the Commission.

Operating leases: the Commission as "lessee"

37. The Commission occupies premises through a lease agreement. Leases in which all 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 term of the lease.

Employee benefits

38. Employees comprise staff members, as described under 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, paragraph 1, of the Charter. Employee benefits are classified as short-term benefits, post-employment benefits, and termination benefits.

Short-term employee benefits

39. Short-term employee benefits are employee benefits (other than termination benefits, described in para. 48 below) that are payable within 12 months after the end of the year in which the employee renders the related services. Short-term employee benefits comprise first-time employee benefits (assignment grants), regular daily/weekly/monthly benefits (wages, salaries and allowances), compensated absences (paid sick leave and maternity/paternity leave) and other short-term benefits (death grant, education grant, reimbursement of taxes and home leave) provided to current employees on the basis of 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

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

41. **Repatriation benefits**. Upon end of service, staff who meet some eligibility requirements, including residency outside their country of nationality at the time of separation, are entitled to a 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 current value of the estimated liability for settling these entitlements that will happen within one year after the closure of the Commission.

42. **Annual leave**. The liabilities for annual leave represent unused accumulated leave days that are to be settled through a monetary payment to employees upon their separation from the Commission. The Commission recognizes as a liability the 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. This settlement will also happen within one year after the closure of the Commission.

Defined benefit plans

43. 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, excluding actuarial gains and losses, are recognized in the statement of financial performance in the year in which they occur. The Organization has chosen to recognize changes in the liability for defined benefit plans from actuarial gains and losses directly through the statement of changes in net assets. As at the end of the reporting period, the Commission held no plan assets as defined by IPSAS 39: Employee benefits.

44. 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.

45. **After-service health insurance**. Worldwide coverage for medical expenses of eligible former staff members and their dependants is provided through after-service health insurance. Upon end of service, staff members and their dependants may elect to participate in a defined benefit health insurance plan of the United Nations, provided they have met some 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 before that date. The after-service health insurance liability represents the present value of the share of the Commission's medical insurance costs for retirees. 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, to arrive at the Commission's residual liability in accordance with cost-sharing ratios authorized by the General Assembly.

Pension plan: United Nations Joint Staff Pension Fund

46. 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 in article 3 (b) of the Regulations of the Pension Fund, membership in 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.

47. 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 organizations participating in the plan. The Commission and the Pension Fund, in line with the other organizations participating in the Fund, are 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. The Commission has therefore treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 39. The Commission's contributions to the Pension Fund during the financial period are recognized as expenses in the statement of financial performance.

Termination benefits

48. Termination benefits are recognized as an expense when the Commission is demonstrably committed, without a realistic possibility of withdrawal, to a plan to terminate the employment of a staff member before the normal retirement date. Termination benefits to be settled within 12 months are reported at the amount expected to be paid.

Contingent liabilities

49. Any possible obligations that arise from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Commission, are disclosed as contingent liabilities. Contingent liabilities are also disclosed where present obligations that arise from past events cannot be recognized because it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligations, or the amount of the obligations cannot be reliably measured.

50. Provisions and contingent liabilities are assessed continually to determine whether an outflow of resources embodying economic benefits or service potential has become more or less probable. If it becomes more probable that such an outflow will be required, a provision is recognized in the financial statements of the year in which the change of probability occurs. Similarly, where it becomes less probable that such an outflow will be required, a contingent liability is disclosed in the notes to the financial statements. An indicative threshold of $10,000 applies in recognizing provisions and/or disclosing contingent liabilities in the notes to the financial statements.

Contingent assets

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

Investment revenue

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

Investment revenue is considered to be related to the Compensation Fund liability and recognized as accounts payable.

Expenses

53. 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.

54. Employee salaries include international, national and general temporary staff salaries, post adjustments and staff assessments. The allowances and benefits include other staff entitlements, such as pension and insurance subsidies and staff assignment, repatriation and other allowances. Operating expenses include costs of conferencing, office rental costs, foreign exchange loss and other immaterial expenses.

Note 4
Financial instruments

Table VIII.1
Summary of financial instruments as at 30 June 2022
(Thousands of United States dollars)

	30 June 2022	*31 December 2021*
Financial assets		
Fair value through surplus or deficit		
Investments – main cash pool	13 889	575 868
Subtotal, investments	**13 889**	**575 868**
Total, fair value through surplus or deficit investments	**13 889**	**575 868**
Cash and cash equivalents		
Cash and cash equivalents – main cash pool	3 116	70 971
Subtotal, cash and cash equivalents	**3 116**	**70 971**
Total, carrying amount of financial assets	**17 005**	**646 839**
Of which relates to financial assets held in main cash pool	17 005	646 839
Financial liabilities at amortized cost		
Accounts payable and accrued liabilities – accounts payable	2 115	4
Subtotal, accounts payable and accrued liabilities	**2 115**	**4**
Accounts payable – Compensation Fund (note 6)	2 384	633 010
Total, carrying amount of financial liabilities	**4 499**	**633 014**

Note 5
Financial risk management and the cash pool

55. The Commission participates in the United Nations Treasury main cash pool. The main cash pool comprises operational bank account balances in a number of currencies and investments in United States dollars.

56. 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 main cash pool assets (cash and cash equivalents and short-term and long-term investments) and revenue is based on each participating entity's principal balance.

57. As at 30 June 2022, the Commission participated in the main cash pool, which held total assets of $10,468.8 million (2021: $11,799.724 million), of which $17.0 million was due to the Commission (2021: $646.839 million), and its share of revenue from the main cash pool was ($0.016) million (2021: $1.130 million). The summary of financial instruments in the main cash pool is shown in table VIII.2.

Table VIII.2
Summary of assets and liabilities of the main cash pool as at 30 June 2022
(Thousands of United States dollars)

	30 June 2022	*31 December 2021*
Fair value through surplus or deficit		
Short-term investments	6 356 835	8 839 722
Long-term investments	2 199 060	1 654 439
Total fair value through surplus or deficit investments	**8 555 895**	**10 494 161**
Loans and receivables		
Cash and cash equivalents	1 890 255	1 294 660
Accrued investment income	22 620	10 903
Total loans and receivables	**1 912 875**	**1 305 563**
Total carrying amount of financial assets	**10 468 770**	**11 799 724**
Cash pool liabilities		
Payable to the Compensation Commission	17 005	646 839
Payable to other cash pool participants	10 451 765	11 152 885
Total liabilities	**10 468 770**	**11 799 724**
Net assets	–	–

Table VIII.3
Summary of net revenue and expenses of the main cash pool for the period from 1 January to 30 June 2022
(Thousands of United States dollars)

	30 June 2022	*31 December 2021*
Investment revenue	41 247	46 322
Unrealized gains/(losses)	(96 268)	(37 495)
Investment revenue from main cash pool	**(55 021)**	**8 827**
Foreign exchange gains/(losses)	(2 171)	(1 626)
Bank fees	(914)	(1 805)
Operating expenses from main cash pool	**(3 085)**	**(3 431)**
Net revenue and expenses from main cash pool	**(58 106)**	**5 396**

Financial risk management

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

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

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

Financial risk management: credit risk

61. 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 papers, 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.

62. The Guidelines require that investments not be made in issuers with credit ratings below specifications and provide for maximum concentrations with given issuers. These requirements were met at the time the investments were made.

63. The credit ratings used for the main cash pool are those determined by major credit-rating agencies. S&P Global Ratings, Moody's and Fitch are used to rate bonds and discounted instruments, and the Fitch viability rating is used to rate bank term deposits.

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

Financial risk management: liquidity risk

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

Financial risk management: interest rate risk

66. The main cash 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 cash pool had invested primarily in securities with shorter terms to maturity, with the maximum being less than three years (2021: three years). The average duration of the main cash pool on 30 June 2022 was 0.62 years (2021: 0.49 years), which is considered to be an indicator of low risk.

Other market price risk

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

Accounting classifications and fair value

68. 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

69. The financial instruments are carried at fair value, by fair value hierarchy levels. The levels are defined as follows:

(a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

(b) Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

(c) Level 3: inputs for the assets or liabilities that are not based on observable market data (i.e. unobservable inputs).

70. 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 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.

71. 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.

72. The fair value hierarchy in table VIII.4 presents the cash pool assets that are measured at fair value at the reporting date. There were no level 3 financial assets nor any liabilities carried at fair value or any significant transfers of financial assets between fair value hierarchy classifications.

Table VIII.4
Fair value hierarchy for investments as at 30 June 2022
(Thousands of United States dollars)

	30 June 2022			*31 December 2021*		
	Level 1	*Level 2*	*Total*	*Level 1*	*Level 2*	*Total*
Financial assets at fair value through surplus or deficit						
Bonds – corporate	29 323	–	29 323	29 997	–	29 997
Bonds – non-United States agencies	1 802 942	–	1 802 942	1 595 405	–	1 595 405
Bonds – supranational	896 140	–	896 140	812 539	–	812 539
Bonds – United States treasuries	771 507	–	771 507	197 390	–	197 390
Bonds – non-United States sovereigns	99 294	–	99 294	90 163	–	90 163
Main pool – commercial papers	–	1 809 539	1 809 539	–	3 033 880	3 033 880
Main pool – certificates of deposit	–	1 622 150	1 622 150	–	2 824 787	2 824 787
Main pool – term deposits	–	1 525 000	1 525 000	–	1 910 000	1 910 000
Total	**3 599 206**	**4 956 689**	**8 555 895**	**2 725 494**	**7 768 667**	**10 494 161**

Note 6
Accounts payable: Compensation Fund

Background

73. Funds to pay successful awards are drawn from the Compensation Fund, which receives a percentage of the proceeds generated by the export sales by Iraq of petroleum and petroleum products. This percentage has changed over the years and, under the terms of Security Council resolution 1483 (2003), was set at 5 per cent. In its resolution 1956 (2010), the Council also provided 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 Fund. These requirements are binding on the Government of Iraq, unless the Government and the Governing Council of the Commission decide otherwise.

74. By its decision 276 (2017), the Governing Council set the percentage at 3 per cent effective from 1 January 2020, where it was to remain until such time as the outstanding compensation award had been paid in full. As at 31 December 2021, the Compensation Fund had sufficient balance to pay the remaining amount owed for compensation awarded by the Commission.

75. By its resolution 2621 (2022), the Security Council confirmed that the Government of Iraq was no longer required to deposit a percentage of proceeds from export sales of petroleum, petroleum products and natural gas into the Compensation Fund, as Iraq had fulfilled its international obligations to compensate all claimants awarded by the Commission.

Accounting for the oil proceeds

76. Under IPSAS, other than any agreed proportion retained to fund the administration of the Commission, oil revenue received is not reflected as income on the Commission’s financial statements but as a liability. The obligation to pay the outstanding award rests with the Government of Iraq, not with the United Nations. The United Nations, through the Commission, is therefore 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 therefore recorded as cash (asset), with a corresponding recognition of accounts payable (liability), in favour of the outstanding claim. The Government of Iraq made its last deposit into the Fund in 2021, and there was no deposit made in 2022.

Accounting for claim payments

77. Pursuant to Governing Council decision 267 (2009), payments are made on a quarterly basis utilizing all available funds in the Compensation Fund, rounding down to the nearest $10 million. Under IPSAS, compensation award payments made by the Commission are reflected as a direct reduction in the liability recorded to offset the cash deposits made by Iraq, rather than as an expenditure. In accordance with that decision, the Commission disbursed one final payment for compensation awards of $629.324 million (2021: $1,740 million), in January 2022.

78. Table VIII.5 shows the movements of the Compensation Fund in 2022. Investment proceeds accrued are an increase in the liability. The net liability amount in the Fund will be returned to the Government of Iraq by 31 December 2022.

Table VIII.5
Accounts payable: Compensation Fund
(Thousands of United States dollars)

Movement in the accounts payable: Compensation Fund	*30 June 2022*	*31 December 2021*
Net liability as at 1 January	**633 010**	**279 699**
Deposits from the Government of Iraq	–	2 092 199
Claim payments	(629 324)	(1 740 000)
Administrative budget	(1 286)	(1 286)
Gross investment proceeds	(16)	2 398
Net liability as at end of period	**2 384**	**633 010**

Note 7
Employee benefits liabilities

Table VIII.6
Employee benefits liabilities
(Thousands of United States dollars)

Period from 1 January to 30 June 2022

	Current	*Non-current*	*Total as at 30 June 2022*
After-service health insurance	6 522	–	6 522
Subtotal, defined benefit liabilities	**6 522**	**–**	**6 522**
Annual leave	82	–	82
Repatriation benefits	123	–	123
Termination benefits	217	–	217
Other employee benefits	–	–	–
Total, employee benefits liabilities	**6 944**	**–**	**6 944**

2021

	Current	*Non-current*	*Total as at 31 December 2021*
After-service health insurance	8 957	–	8 957
Annual leave	86	–	86
Repatriation benefits	158	–	158
Subtotal, defined benefit liabilities	**9 201**	**–**	**9 201**
Termination benefits	222	–	222
Other employee benefits	11	–	11
Total, employee benefits liabilities	**9 434**	**–**	**9 434**

79. The liabilities arising from after-service health insurance benefit is determined by independent actuaries and is established in accordance with IPSAS 39. Full actuarial valuation was conducted as at 30 June 2022 for the Commission. All other end of service/post-employment benefits are on an actual basis as at 30 June 2022.

80. The liabilities arising from after-service health insurance benefit decreased by $2.435 million, mainly as the result of an actuarial gain of $2.360 million as at 30 June 2022. The gain is primarily due to the increase in the discount rate, partially offset by the increase in medical trends cost rates. The difference of $0.075 million is constituted of service costs and interest on obligation amounting to $0.020 million, which is offset by benefits paid of $0.095 million.

81. Other employee benefits amounted to nil as at 30 June 2022. The balance of $0.011 million as at 31 December 2021 consisted of accruals for home leave allowance and settlement of employee taxes.

Actuarial valuation: assumptions

82. The Commission follows the United Nations Secretariat in selecting assumptions and methods used by the actuaries in the 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 2022 are set out in table VIII.7.

Table VIII.7
Actuarial assumptions used to determine employee benefits obligations
(Percentage)

Actuarial assumptions	*After-service health insurance*	*Repatriation benefits*	*Annual leave*
Discount rates: 31 December 2021 valuation	0.15	1.06	2.51
Discount rates: 30 June 2022 valuation	1.98	n/a	n/a

83. For the actuarial valuations as at 30 June 2022, the yield curves used in the calculation of the discount rates are those developed by Aon Hewitt, consistent with the decision of the Task Force on Accounting Standards of the United Nations to harmonize actuarial assumptions throughout the United Nations system.

84. 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 rates are based on Aon Hewitt long-term assumptions for different currencies, as shown below, with the rates updated for the full valuation as at 30 June 2022:

	30 June 2022			*31 December 2021*		
Cost trend assumptions	*Initial (percentage)*	*Final (percentage)*	*Grade down*	*Initial (percentage)*	*Final (percentage)*	*Grade down*
Non-United States – Switzerland	3.47	2.45	7 years	3.44	2.25	7 years

85. For defined benefit plans, assumptions regarding future mortality are based on published statistics and mortality tables. Salary increases, retirement, withdrawal and mortality assumptions are consistent with those used by the United Nations Joint Staff Pension Fund in making its actuarial valuation. In line with recommendations of the Task Force on Accounting Standards, weighted headcount mortality tables provided by the Buck consultancy were used for post-retirement mortality assumption in the valuation as at 30 June 2022.

Movement in employee benefits liabilities accounted for as defined benefit plans

Table VIII.8
Movement in employee benefits liabilities accounted for as defined benefit plans
(Thousands of United States dollars)

	30 June 2022	*2021*[a,b]
Net defined benefit liability, beginning of period	**8 957**	**9 940**
Current service cost	13	42
Interest cost	7	3
Total, net costs recognized in the statement of financial performance	**20**	**45**
Benefits paid	(95)	(180)
Actuarial (gains)/losses recognized directly in the statement of changes in net assets	(2 360)	(848)
Net defined benefit liability, end of period	**6 522**	**8 957**

[a] From 1 January to 31 December 2021.
[b] Modified to show only after-service health insurance as defined benefit liability.

86. The total amount of current service and interest costs recognized in the statement of financial performance is $0.020 million (2021: $0.045 million).

Discount rate sensitivity analysis

87. The changes in discount rates are driven by the discount curve, which is calculated on the basis of corporate bonds. The bond markets varied over the reporting period, and volatility affects the discount rate assumption. Should the discount rate assumption vary by 0.5 per cent, its impact on the obligations would be as shown in table VIII.9.

Table VIII.9
Discount rate sensitivity to employee benefits liabilities as at 30 June 2022
(Thousands of United States dollars)

	After-service health insurance	*Repatriation benefits*	*Annual leave*
For the period from 1 January to 30 June 2022			
Increase of discount rate by 0.5 per cent	(472)	n/a	n/a
As a percentage of period liability	(7)	n/a	n/a
Decrease of discount rate by 0.5 per cent	530	n/a	n/a
As a percentage of period liability	8	n/a	n/a
For the year ended 31 December 2021			
Increase of discount rate by 0.5 per cent	(783)	–	(1)
As a percentage of end-of-year liability	(9)	–	1
Decrease of discount rate by 0.5 per cent	898	–	2
As a percentage of end-of-year liability	10	–	2

Medical costs sensitivity analysis

88. 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 resulting from changes in medical cost rates while holding other assumptions, such as the discount rate, constant. Should the medical cost trend assumption vary by 0.5 per cent, the impact on the measurement of the defined benefit obligations would be as shown in table VIII.10.

Table VIII.10
Effect of movements in assumed medical cost trend rates
(Thousands of United States dollars)

	Increase	*Decrease*
0.5 per cent movement in the assumed medical costs trend rates: 30 June 2022		
Effect on the defined benefit obligation	507	(456)
Effect on the aggregate of the current service cost and interest cost	10	(9)
0.5 per cent movement in the assumed medical costs trend rates: 31 December 2021		
Effect on the defined benefit obligation	848	(750)
Effect on the aggregate of the current service cost and interest cost	6	(5)

United Nations Joint Staff Pension Fund

89. In the Regulations of the United Nations Joint Staff Pension Fund, it is stated that the Pension Board shall have an actuarial valuation made of the Pension 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.

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

91. The actuarial valuation performed as at 31 December 2021 resulted in a funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, of 158.2 per cent (2019: 144.4 per cent). The funded ratio was 117.0 per cent (2019: 107.1 per cent) when the current system of pension adjustments was taken into account.

92. After assessing the actuarial sufficiency of the Pension Fund, the consulting actuary concluded that there was no requirement, as at 31 December 2021, for deficiency payments under article 26 of the Regulations of the Pension Fund, given that the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the plan. In addition, the market value of assets also exceeded the actuarial value

of all accrued liabilities as at the valuation date. At the time of the preparation of the present report, the General Assembly had not invoked the provision of article 26.

93. Should article 26 be invoked owing to an actuarial deficiency, either during the ongoing operation or due to the termination of the Pension Fund, deficiency payments required from each member organization would be based on the proportion of that member organization's contributions to the total contributions paid to the Pension Fund during the preceding three years (2019, 2020 and 2021), which amounted to $8,505.27 million.

94. For the period from 1 January to 30 June 2022, contributions paid by the Commission to the Pension Fund amounted to $0.049 million (2021: $0.097 million).

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

96. The Board carries out an annual audit of the Pension Fund and reports to the Pension Board and to the General Assembly on the audit annually. The Pension Fund publishes quarterly reports on its investments, which can be viewed on the Pension Fund's website at www.unjspf.org.

Termination benefits

97. With the closure of the Commission, some staff members are entitled to a termination indemnity. The Commission's liability for these costs as at 30 June 2022 was $0.217 million (2021: $0.222 million).

Note 8
Net assets

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

Operating reserve

99. 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. As at 30 June 2022, the balance of the operating reserve was $5.562 million (2021: $4.388 million). The balance of this operating reserve will be settled and returned to the Government of Iraq.

100. The separate operating reserve as at 31 December 2021 ($0.018 million) for the Follow-up Programme for Environmental Awards was used to cover post-closure costs associated with the Programme. The post-closure expenses included an amount equal to the reserve and therefore this operating reserve was reduced to zero as at 30 June 2022 (see table VIII.12).This decision is aligned with Security Council resolution 2621 (2022), in which the Council encouraged recipients of environmental remediation and restoration awards issued by the Commission to continue to carry out projects consistent with existing commitments and to keep Iraq appropriately informed of progress on the projects through the United Nations Secretariat.

Note 9
Revenue

Amount charged for administration of claims

101. Under IPSAS, revenue is recognized when funds are drawn from the Compensation Fund for the administrative costs of the Commission. At its 40th meeting, held in October 2021, the Committee on Administrative Matters directed that the administrative budget for 2022 be drawn from the Fund, rather than from the operating reserve, to ensure that the reserve continues to remain at a sufficient level to cover the budget of the Commission up until closure, as well as any post-closure costs.

102. As a result of the post-closure expenses, the statement of financial performance shows a deficit for the period, which is incorporated into the operating reserve in the statement of financial position.

Note 10
Expenses

Table VIII.11
Expenses for the period from 1 January to 30 June 2022
(Thousands of United States dollars)

	30 June 2022	*31 December 2021*
Salaries and wages	282	553
Pension and insurance benefits	23	61
Other benefits	(39)	(66)
Total, employee salaries, allowances and benefits	**266**	**548**
Consultants and contractors	16	25
Total, contractual services	**16**	**25**
Travel	20	–
Total, travel	**20**	**–**
Contracted services	160	262
Rent – offices and premises	17	35
Other/miscellaneous operating expenses	11	79
Total, other operating expenses	**188**	**376**
Supplies and consumables	–	1
Total, supplies and consumables	**–**	**1**
Total, post-closure expenses	**2 000**	–
Total	**2 490**	**950**

103. Employee salaries, allowances and benefits include Professional and General Service salaries, post adjustments, staff assessments and reimbursement of income tax. Other benefits include the repatriation grant, leave benefits and termination indemnity costs.

104. Contractual services expenses include non-employee compensation and travel.

105. Travel expenses include all staff and non-staff travel that is not considered to be an employee or contractual allowance or benefit.

106. Other operating expenses are comprised primarily of conferencing, information technology and administrative services contracted with the United Nations Office at Geneva; the rental charge for the Commission's office space at the United Nations Office at Geneva, which includes maintenance, utilities and security services; and foreign exchange loss.

Note 11
Post-closure expenses

107. The post-closure expenses was created to cover any costs incurred in relation to the Commission following the fulfilment of its mandate in February 2022 and the closure of the Compensation Fund from 1 July 2022. The short-term post-closure activities cover staff salary and office expenses, costs for the preparation of these final financial statements, audit fees and the costs for the final Governing Council session during the period from July to December 2022. The long-term post-closure activities include mainly the management of the Commission archives. The amount of the post-closure reserve has been approved by the Committee on Administrative Matters at $1,999,800. This amount was charged as an expense in the statement of financial performance, as decided by the Committee.

Note 12
Segment reporting

108. 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.

109. The Compensation Fund segment contains the Fund and related activities of the Commission's secretariat, which include the payment of compensation awards, addressing issues concerning the final deposit by Iraq into the Fund, servicing of the Governing Council, financial and general administrative activities of the secretariat and audit matters. The secretariat has been focusing its efforts on liquidation-related activities to ensure the orderly closure of the Commission.

110. With the mandate of the Follow-up Programme for Environmental Awards having been declared fulfilled by the Governing Council in late 2013, the Programme segment has been focusing on post-closure matters relating to ongoing projects formerly subject to the Programme.

111. The segment statements of financial position and financial performance are provided in tables VIII.12 and VIII.13.

Table VIII.12
Segment statements of financial position as at 30 June 2022
(Thousands of United States dollars)

	Compensation Fund	*Follow-up Programme for Environmental Awards*	*Total*
Assets			
Current assets			
Cash and cash equivalents	3 113	3	3 116
Investments	13 874	15	13 889
Other assets	–	–	–
Total, current assets	**16 987**	**18**	**17 005**

	Compensation Fund	*Follow-up Programme for Environmental Awards*	*Total*
Non-current assets			
Investments	–	–	–
Total, non-current assets	**16 987**	**18**	**17 005**
Total assets	**16 987**	**18**	**17 005**
Liabilities			
Current liabilities			
Accounts payable: Compensation Fund/environmental awards	2 384	–	2 384
Accounts payable and accrued liabilities	2 097	18	2 115
Employee benefits	6 944	–	6 944
Total, current liabilities	**11 425**	**18**	**11 443**
Non-current liabilities			
Employee benefits	–	–	–
Total, non-current liabilities	–	–	–
Total, liabilities	**11 425**	**18**	**11 443**
Net of total assets and total liabilities	**5 562**	–	**5 562**
Net assets			
Operating reserve	5 562	–	5 562
Net assets	**5 562**	–	**5 562**

Table VIII.13

Segment statements of financial performance for the period from 1 January to 30 June 2022

(Thousands of United States dollars)

	Compensation Fund	*Follow-up Programme for Environmental Awards*	*Total*
Revenue			
Revenue	1 286	–	1 286
Other revenue	–	–	–
Total, revenue	**1 286**	**–**	**1 286**
Expenses			
Employee salaries, allowances and benefits	266	–	266
Contractual services	16	–	16
Travel	20	–	20
Supplies and consumables	–	–	–
Other operating expenses	188	–	188
Post-closure expenses	1 982	18	2 000
Total, expenses	**2 472**	**18**	**2 490**
Surplus/(deficit) for the period	**(1 186)**	**(18)**	**(1 204)**

Note 13
Related parties

Key management personnel

112. 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 the Commission's activities.

113. The aggregate remuneration paid to key management personnel includes net salaries, post adjustment and other entitlements, such as grants, subsidies and employer pension and health insurance contributions.

114. The Commission had one staff member in the key management personnel category, with a total remuneration of $0.133 million over the period from 1 January to 30 June 2022; such payments are in accordance with the Staff Regulations and Rules of the United Nations, 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. During the period from 1 January to 30 June 2022, 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

115. 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 VIII.14.

Table VIII.14
Transactions with third parties
(Thousands of United States dollars)

	Note	*30 June 2022*	*31 December 2021*
United Nations Office at Geneva			
Information technology and administrative services		104	121
Conference services		46	72
Charges in relation to health insurance		49	99
Rental	13	17	35
Total, United Nations Office at Geneva		**216**	**327**
Office of Internal Oversight Services		–	10
Post-closure expenses	11	2 000	–
Total, United Nations Offices at Geneva and Headquarters		**2 216**	**337**

Note 14
Operating leases and commitments

116. The Commission has entered into an operating lease arrangement with the United Nations Office at Geneva for the use of offices at the Palais des Nations. The

total lease payments recognized in expenditure for the period from 1 January to 30 June 2022 were $0.017 million (2021: $0.035 million).

117. As at the reporting date, there were no contractual commitments for goods and services contracted but not delivered (2021: none).

Note 15
Contingent liabilities and contingent assets

118. In accordance with IPSAS 19: Provisions, contingent liabilities and contingent assets, the Organization discloses contingent assets and contingent liabilities. The Commission had no contingent assets and no contingent liabilities as at 30 June 2022.

Note 16
Events after the reporting date

119. Assets, accounts payable and accrued liabilities, including employee benefits, which are reported in the statement of financial position, had been fully settled/transferred by 31 August 2022. An amount of $7.946 million (corresponding to the Compensation fund and the operating reserve) will be transferred to the Government of Iraq by 31 December 2022.