

**United Nations**

**Corporate Guidance**

**for**

**International Public Sector Accounting  
Standards**

**Related Party Disclosures**

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# 1. INTRODUCTION

Related party disclosures are addressed by IPSAS 20: Related Party Disclosures. The objective of this accounting standard is to provide guidance on the identification of related parties and specify disclosure requirements with regards to such related parties and transactions with them. Related party disclosures are included in an organization's financial statements, primarily to facilitate a better understanding of the financial position and performance of the reporting entity.

The goal of this document is to present relevant guidance on the identification of related parties including key management personnel and related party disclosure requirements at the United Nations.

The key aspect of implementing IPSAS 20 is the identification of related parties including key management personnel, which often will require significant judgment by management as facts and circumstances will have to be analyzed for each reporting entity. Accordingly, each reporting entity may come to different conclusions regarding the existence of related parties including key management personnel (KMP). Another key aspect is to determine what information should be disclosed about the related party transactions. When deciding the scope of information to be disclosed, it is important to consider the concepts of transparency and materiality.

**Section 3 of this document compiles the approach of identification of KMP for selected reporting entities at the United Nations Secretariat.**

## 2. DEFINITIONS

**Related party** means parties are considered to be related if one party has the ability to (a) control the other party, or (b) exercise significant influence over the other party in making financial and operating decisions, or if the related party entity and another entity are subject to common control. Related parties include:

- a. Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by, the United Nations reporting entity;
- b. Associates;
- c. Individuals owning, directly or indirectly, an interest in the reporting entity that gives them significant influence over the entity, and close members of the family of any such individual;
- d. Key management personnel, and close members of the family of key management personnel; and
- e. Entities in which a substantial ownership interest is held, directly or indirectly, by any person described in (c) or (d), or over which such a person is able to exercise significant influence.

**Key management personnel** are:

- a. All directors or members of the governing body of the United Nations reporting entity; and
- b. Other persons having the authority and responsibility for planning, directing, and controlling the activities of the United Nations reporting entity. Where they meet this requirement, key management personnel include:
  - Where there is a member of the governing body of a whole-of-government entity who has the authority and responsibility for planning, directing, and controlling the activities of the reporting entity, that member;
  - Any key advisors of that member; and
  - Unless already included in (a), the senior management group of the reporting entity, including the chief executive or permanent head of the United Nations reporting entity.

**Close members of the family of an individual** are close relatives of the individual or members of the individual's immediate family who can be expected to influence, or be influenced by, that individual in their dealings with the United Nations.

**Remuneration of key management personnel** is any consideration or benefit derived directly or indirectly by key management personnel from the United Nations reporting entity for services provided in their capacity as members of the governing body, or otherwise as employees of the United Nations reporting entity.

**Related party transaction** is a transfer of resources or obligations between related parties, regardless of whether a price is charged. Related party transactions exclude transactions with any other entity that is a related party solely because of its economic dependence on the United Nations reporting entity of which it forms part.

**Oversight** means the supervision of the activities of an entity, with the authority and responsibility to control, or exercise significant influence over, the financial and operating decisions of the entity.

## 3. IDENTIFICATION OF A RELATED PARTY

### 3.1. Related party

A related party can be a person, an entity, or an unincorporated organization. The standard's definition is in two parts. The first part of the definition identifies general criteria that result in a party being considered a related party of the reporting entity. The second part of the definition specifically identifies conditions that result in an entity being related to the reporting entity. Based on the definition above, potential categories of related parties and their applicability at the United Nations are summarized in this section.

#### 3.1.1. GENERAL CRITERIA

Parties are considered to be related if:

- One party has the ability to control or exercise significant influence over the other party in making financial and operating decisions, or
- The entities are subject to common control.

**Control** is the power to govern the financial and operating policies of another entity so as to benefit from its activities. **Significant influence** is the power to participate in the financial and operating policy decisions of the other entity but not control those policies. The existence of control or significant influence can usually be identified and evidenced by analyzing:

- Representation on the governing body of the entity.
- Participation in policy-making process, decisions to establish or amend the mission or mandate, etc.
- Inter-change or common managerial personnel.
- Result of contractual arrangements between two parties.

#### *Example – Significant influence by UN and WTO over ITC*

ITC is a joint technical cooperation agency of the United Nations Conference on Trade and Development and the World Trade Organization (WTO) for business aspects of trade development. Both the United Nations and WTO have power to exercise significant influence on operations and functioning of ITC. ITC's regular budget is financed jointly and equally by the United Nations and WTO.

Accordingly both the United Nations and WTO should be considered related party in ITC's IPSAS financial statements.

#### 3.1.2. SPECIFIC RELATIONSHIPS

Categories of potential related parties and their applicability for the United Nations secretariat reporting entities can be summarized as follows:

Category	Assessment
<ul style="list-style-type: none"> <li>Entity controls or exercises significant influence (directly or indirectly) i.e. subsidiary, entities subject to joint control or associate.</li> </ul>	<p>So far, no entity, outside the United Nations system, has been identified over which the United Nations Secretariat reporting entities exercise control or significant influence.</p> <p>While no such reporting entity has been identified, each United Nations Secretariat reporting entity should assess whether there are any situations or arrangements which should be considered related party transactions by virtue of control or significant influence exercised over the other party.</p> <p>Information on any arrangements where such a situation could also arise is provided in Corporate Guidance Paper # 13 Joint arrangements.</p>
<ul style="list-style-type: none"> <li>Entities under common control</li> </ul>	<p>Considering the structure of the United Nations framework, all United Nations entities including the United Nations Secretariat entities are considered to be under common control and therefore treated as related parties.</p> <p>When it comes to disclosing related party transactions in the financial statements, IPSAS 20 offers certain exceptions, which are applicable to the United Nations reporting entities. Refer to sections 4.3 and 4.4 for further information.</p>
<ul style="list-style-type: none"> <li>Individuals owning, directly or indirectly, an interest in the United Nations that gives them significant influence over United Nations</li> </ul>	<p>Not applicable to the United Nations.</p>
<ul style="list-style-type: none"> <li>Key management personnel (KMP)</li> </ul>	<p>KMP includes those people having authority and responsibility for planning, directing, and controlling the activities of an entity, either directly or indirectly. This also includes an entity's member of governing body. Refer to section 3.2 for further information and KMP identified for each United Nations Secretariat reporting entity.</p>
<ul style="list-style-type: none"> <li>Close members of the family of KMP</li> </ul>	<p>Close family members of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity. Refer to section 4.1.4 for the process to be followed to identify transactions with close members of the family of KMP.</p>



Category	Assessment
<ul style="list-style-type: none"> <li>Entities in which substantial ownership is held (directly or indirectly) by KMP and close members of the family of KMP or over which such person is able to exercise significant influence.</li> </ul>	<p>The standard does not specify what would be considered substantial ownership; however, it has been interpreted to be more than half of the ownership in an entity. Refer to section 5.2 for the confirmation to be obtained from KMP to identify transactions with such entities.</p>

For the United Nations secretariat reporting entities, all other United Nations reporting entities, KMP, close members of the family of KMP and entities where KMP (including close members of family) have substantial ownership or significant influence are considered to be potential related parties.

### 3.1.3. PARTIES NOT MEETING THE DEFINITION OF RELATED PARTIES

As the definition of related parties is relatively generic, it could potentially, if interpreted literally, include implementing partners as the United Nations may control or exercise significant influence over an implementing partner. To avoid such interpretation issues, IPSAS 20 provides additional guidance on the identification of a related party, which has been applied to the context of the United Nations:

- **Economic dependency:** The fact that an entity is dependent on the United Nations such that it relies on the United Nations for a significant volume of its revenue from sale of its goods and services, would unlikely, on its own, result in the United Nations having control or significant influence over that entity leading to a related party relationship. A party will not be a related party merely by virtue of economic dependency. However, economic dependency, together with other factors, may give rise to significant influence, and therefore create a related party relationship.
- The following are deemed **not** to be a related party if transactions are in the course of normal business:
  - Employee unions;
  - Providers of finance; or
  - Agency principal relationship, where the relationship is solely that of an agency.
- The mere fact that a **KMP** provides services to two organizations does not necessarily create a related party relationship amongst the entities; however, it is necessary to assess whether that individual can affect policies of both entities in their mutual transactions.

Whenever assessing or identifying a related party relationship, it is necessary that the determination of whether a party is related or not is based on substance of the relationship and not merely the legal form.

***Example - Key provider of finance***

An entity might be heavily dependent on the United Nations Human Settlement (UN-HABITAT) as provider of finance for a housing project. But, as set out in IPSAS 20 that does not, by itself, result in the entity becoming a related party of UN-HABITAT.

However if UN-HABITAT has significant influence over the entity by virtue of its representation in governing body, which will be accounted as an associate, this relationship causes UN-HABITAT and the entity to be related parties. In UN-HABITAT's financial statements, transactions with the entity should be disclosed.

### 3.2. Key management personnel

As defined by IPSAS 20, KMP at the United Nations include:

- (a) All members of the governing body of the entity; and
- (b) Other persons having the authority and responsibility for planning, directing, and controlling the activities of the reporting entity. Other persons can include key senior management group of the reporting entity, chief executive of the reporting entity or key advisor of member of governing body.

Where an entity is subject to the **oversight** of an elected or appointed representative of the governing body, that person is included in key management personnel, if the oversight function includes the authority and responsibility for planning, directing, and controlling the activities of the entity.

**Oversight means** the supervision of the activities of an entity, with the authority and responsibility to control, or exercise significant influence over the financial and operating decisions of the entity.

To demonstrate the concept of key management personnel and identification of related party, an assessment of key management personnel at the International Trade Centre (ITC) is provided as an example.

***Example – Identification of KMP at ITC******Background:***

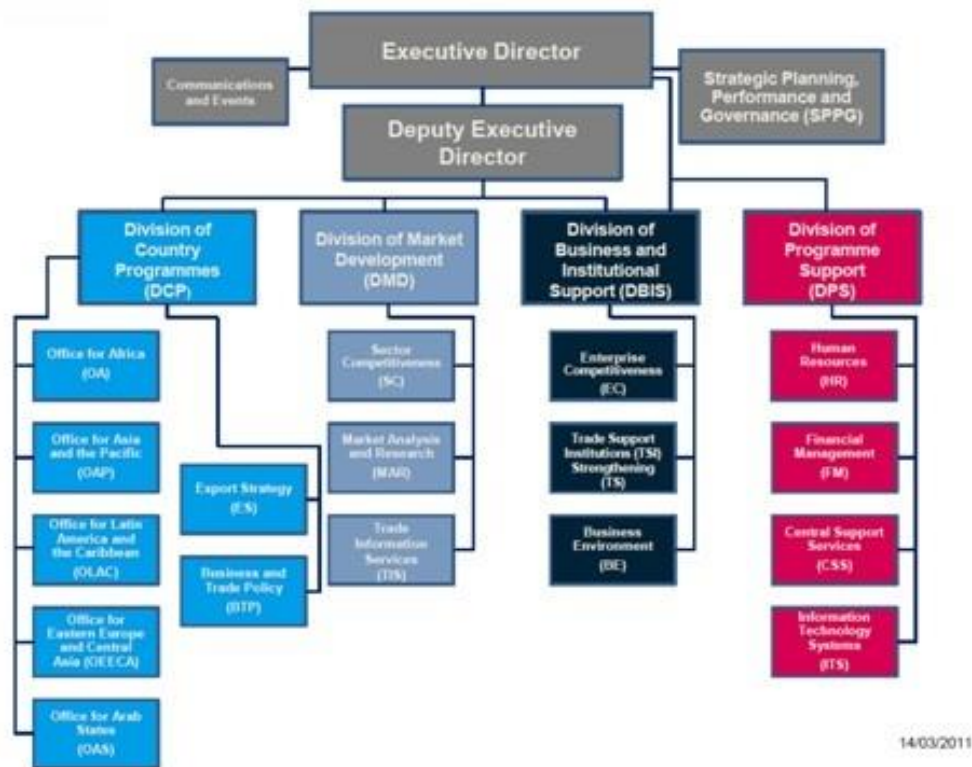
ITC is a joint technical cooperation agency of the United Nations Conference on Trade and Development (UNCTAD) and the World Trade Organization (WTO) for business aspects of trade development. ITC's mission is to contribute to sustainable development through technical assistance in export promotion and international business development. ITC's regular budget is financed jointly and equally by the United Nations and WTO, and technical cooperation projects are financed by voluntary contributions.

ITC's **Senior Management Committee** (SMC) is made up of the two executive officers and the heads of ITC's four divisions. ITC is headed by an Executive Director, who reports to the Secretary General of

UNCTAD and the Director General of WTO. In addition, there is the office of the Deputy Executive Director, and four divisions with Divisional Directors as their heads.

- The Office of the Executive Director is in charge of strategic planning, external relations and communications;
- The Division of Country Programmes coordinates ITC's projects at the country level and serves as the focal point for coordinating with client countries;
- The Division of Market Development provides market analysis and research, trade information services and coordinates ITC's sector-specific work;
- The Division of Business and Institutional Support focuses on enhancing the competitiveness of exporters and the effectiveness of trade support institutions; and
- The Division of Programme Support provides administrative support activities, such as budget preparation and implementation control, accounting, human resources management, building management, procurement, travel and registry services and information technology services to the organization.

The SMC is supported by a Chief Advisor and a Chief of Strategic Planning.



**The Joint Advisory Group (JAG)** on the International Trade Centre meets annually to examine the activities of ITC on the basis of an ITC Annual Report and to make recommendations to the UNCTAD Trade and Development Board and the World Trade Organization on ITC's programme of work.

The JAG meeting is open to the United Nations specialized agencies and bodies and to other intergovernmental organizations with observer status and non-governmental organizations having an interest in export development.

The 46th meeting of the ITC JAG was held in Geneva on 21–22 May 2012. The 2012 meeting was chaired by Ambassador Francisco Pérez Gordillo from Uruguay. Some 143 delegates from 70 countries, four international organizations, three intergovernmental organizations and two NGOs attended the meeting.

JAG endorsed the ITC Strategic Plan 2012–2015 and its new Strategic Framework, with particular support for the organization’s commitment to move towards socioeconomic impact measurement and gender mainstreaming at the level of corporate indicators of achievement.

Assessment:

1) Does the Joint Advisory Group qualify as KMP?

JAG members will not be considered KMP because of the following:

- As explained in the above background section, JAG meets annually to examine the activities of ITC on the basis of an ITC Annual Report and to make recommendations to the UNCTAD Trade and Development Board and the World Trade Organization on ITC’s programme of work. Thus, JAG is not responsible for planning, directing, and controlling the activities of ITC; and
- JAG members attend in their capacity as representatives of their Member States and not as an individual person and are not remunerated by their Member States.

2) Does the Senior Management Committee (SMC) qualify as KMP?

SMC comprises of two executive directors and the heads of ITC’s four divisions and acts as the governing body for ITC. SMC headed by the Executive Director is responsible and accountable for guiding ITC towards its mission, setting strategic objectives for ITC; providing leadership in the planning, coordination and direction of ITC activities and setting organizational priorities. This description fits clearly within the definition of planning, directing and controlling the activities of ITC as a whole, accordingly SMC can be considered KMP for ITC.

Similarly, the other persons with the authority and responsibility for planning, directing and controlling the activities of the reporting entity, the Chief Advisor and a Chief of Strategic Planning, are also considered to be KMP. The definition specifically gives the example of key advisors of governing body.

**Note:**

- If the organizational structure in the biennial support budget is updated or restructured then the updated or restructured organizational structure in the biennial support budget should be considered for identification of KMP.

- If any changes are made to the structure and composition of how the entity organizes its management structure that is applied determine who are KMP, it should be assessed whether this alters the application of KMP for the entity.

Refer to sections 3.2.1 to 3.2.2.7.2 for an analysis of key management personnel for each reporting entity.

### 3.2.1. VOLUME I AND II

The UN system is structured based on a defined staffing hierarchy. When the United Nations was established in 1946, its organizational and operational structure was designed based on a chain of command – led by a Secretary General and supported by a Deputy Secretary-General, Under- Secretaries General and Assistant Secretaries General through to differing levels of professional and general service staff.

- The Secretary-General of the United Nations (S-G) is the head of the United Nations Secretariat, one of the principal organs of the United Nations. The Secretary-General also acts as the de facto spokesperson and leader of the United Nations.
- The Deputy Secretary-General of the United Nations (DSG) is the deputy to the Secretary-General of the United Nations. The Deputy Secretary-General is the second highest ranking official in the United Nations System after the S-G.
- An Under-Secretary-General of the United Nations (USG) is a senior official within the United Nations System. The majority of USGs are appointed by the General Assembly on the recommendation of the Secretary-General. Others (normally special envoys, Secretariat-appointees and non-programme management positions) are appointed directly by the S-G on his own authority. All USGs, except for Internal Oversight Services, report to the United Nations General Assembly (GA) through the S-G.
- Assistant Secretary-General of the United Nations (ASG) is beneath an USG within the United Nations hierarchy. ASGs are often deputies within Departments or Programmes, reporting to their respective USG and through to the Secretary-General.

Per paragraph 24.4.2 of the IPSAS policy framework, KMP, as defined by IPSAS 20, generally but not necessarily includes **officials at** Secretary-General, Deputy Secretary-General, Under-Secretary-General, Assistant Secretary-General levels and below as long as they are vested with the authority and responsibility in one or the other form to plan, direct and control the activities of Volume I and II.

#### *Example – Advisory Committee on Administrative & Budgetary Questions*

The Advisory Committee on Administrative and Budgetary Questions, (*ACABQ*) a subsidiary organ of the GA, consists of 16 members appointed by the GA in their individual capacity. The major functions of the ACABQ are:

- (a) to examine and report on the budget submitted by the S-G to the GA;
- (b) to advise the GA concerning any administrative and budgetary matters referred to it;
- (c) to examine on behalf of the GA the administrative budgets of the specialized agencies and proposals for financial arrangements with such agencies; and

(d) to consider and report to the GA on the auditors' reports on the accounts of the United Nations and of the specialized agencies.

The programme of work of the ACABQ is determined by the requirements of the GA and the other legislative bodies to which the ACABQ reports.

### Analysis

The ACABQ is a subsidiary organ of the GA. ACABQ's advises and supports the GA. Since the ACABQ is neither a governing body nor has authority and responsibility for planning, directing and controlling the activities of the United Nations Secretariat reporting entities, ACABQ members are not considered KMP.

However, the Chair of the ACABQ is at the ASG level, and, therefore, like other ASG-level staff members, should be assessed under the IPSAS 20 KMP definition.

## 3.2.2. OTHER UNITED NATIONS SECRETARIAT REPORTING ENTITIES

Identification of KMP for larger reporting entities like Volume I and II is relatively straight forward based on the policy decision made by the United Nations in its policy framework. In general, UN officials at ASG level and above will be considered KMP depending on the authority and responsibility attributed to them.. However, for other United Nations Secretariat reporting entities, it is possible that some of the officials below ASG have authority and responsibility for planning, directing, and controlling activities of the reporting entity. It is therefore important that the reporting structure of the organizations be individually analyzed as well as the roles and responsibilities assigned at various levels to identify their KMP.

Based on the guidance in section 3.2, each reporting entity identified its KMP as part of its IPSAS implementation. As discussed earlier, identification of KMP requires significant professional judgment which should be based on facts and circumstances of each reporting entity. As a starting point, this guidance provides the approach for the identification of KMP for each reporting entity other than Volume I and II (covered above). Refer to section 3.2.2.1 to section 3.2.2.7 for a discussion of each entity.

For example: **Based on an assessment of the governance structure, roles and responsibilities at ITC, ITC decided, with the BoA concurrence, that the key management personnel of the ITC are the Executive Director, Deputy Director, Divisional Directors Chief Advisor and the Chief of Strategic Planning, who have the authority and responsibility for planning, directing and controlling the activities of the ITC and influencing its strategic direction. Members of SMC should be considered KMP although the grades of SMC members are below ASG. As earlier indicated, this assessment is entity specific and may not be applicable for all other United Nations Secretariat reporting entities.**

### 3.2.2.1. International Trade Centre

#### Background:

Refer to example in section 3.2 for detailed analysis of KMP at ITC.



Analysis of KMP:

Summary of KMP at ITC based on analysis and discussion with BoA:

<b>Title</b>	<b>Grade at the United Nations</b>	<b>Number</b>
Executive Director	USG	1
Deputy Director	ASG ?	1
Divisional Directors	Below ASG	4
Chief Adviser	Below ASG	1
Chief of Strategic Planning	Below ASG	1

**3.2.2.2. United Nations Environment Programme**Background:

The United Nations Environment Programme (UNEP) is an international institution that coordinates United Nations environmental activities, assisting developing countries in implementing sound environmental policies and practices. It was founded as a result of the United Nations Conference on the Human Environment in June 1972.

UNEP's mandate and focus are determined by its Governing Council. Member States to the Governing Council are elected by the UN General Assembly for four-year terms, taking into account the principle of equitable regional representation.

**The Committee of Permanent Representatives (CPR), made up of government delegates assigned to monitor UNEP's work**, is a subsidiary of the Governing Council. The mandate of the CPR includes reviewing, monitoring and assessing the implementation of Governing Council decisions, reviewing the UNEP Programme of Work and budget and its subsequent implementation, and preparing draft decisions for consideration by the Governing Council.

The Senior Management Team (SMT) is chaired by the **Executive Director** and includes **Deputy Executive Director**; Global Environment Facility (GEF) Coordinator; **Director**, Division of Environmental Law and Conventions (DELIC); **Director**, Division of Technology, Industry and Economics (DTIE); **Director**,

Division of Communications & Public Information (DCPI) and UNEP spokesperson; **Director**,

Division of Early Warning and Assessment (DEWA), **Director**, Division of Environmental Policy Implementation (DEPI); **Director**, Division of Regional Cooperation (DRC); **Chief**, Executive Office & Principal Advisor to the Executive Director; **Chief**, Office for Operations; and Chief Scientist.

Analysis of KMP:

Based on the information included in the background section, an analysis of KMP by UNEP is as follows:

<b>Title</b>	<b>Grade at the United Nations</b>	<b>Number</b>
Executive Director (ED)	USG	1
Deputy Executive Director (DED)	ASG	1

UNEP does not treat senior management team (SMT) as KMP as they, other than the ED and DED, are not considered to have the authority and responsibility for planning, directing, and controlling UNEP's activities.

**3.2.2.3. United Nations Human Settlements Programme**Background:

UN-HABITAT is the United Nations agency for human settlements. It is mandated by the UN General Assembly to promote socially and environmentally sustainable towns and cities with the goal of providing adequate shelter for all. The plan's overall strategic goal is to support governments and their development partners to achieve more sustainable urbanization.

UN-HABITAT's work and relationships with its partners are periodically examined in detail by the Governing Council, which is subsidiary to the General Assembly and serves as the intergovernmental decision-making body of UN-HABITAT.

UN-HABITAT's organization is structured into the offices of the Executive Director, the Deputy Executive Director, and various liaisons, regional and project offices and various branches.

The monitoring of the implementation of work programmes and evaluating the activities of the UN-HABITAT are coordinated by a dedicated unit - the Monitoring and Evaluation Unit. The Unit is located in the Office of the Executive Director (OED) and reports directly to UN-HABITAT Governing Bodies (Committee of Permanent Representatives (CPR) and the Governing Council (GC) through the Executive Director.

Analysis of KMP:

Based on IPSAS information included in the background section, an analysis of KMP by UN-HABITAT is as follows:

<b>Title</b>	<b>Grade at the United Nations</b>	<b>Number</b>
Executive Director	USG	1
Deputy Executive Director	ASG	1



UN-HABITAT does not treat the Head of Monitoring and Evaluation Unit or any other management team members KMP as they are not considered to have the authority and responsibility for planning, directing, and controlling UN-HABITAT’s activities.

### 3.2.2.4. United Nations Institute for Training and Research

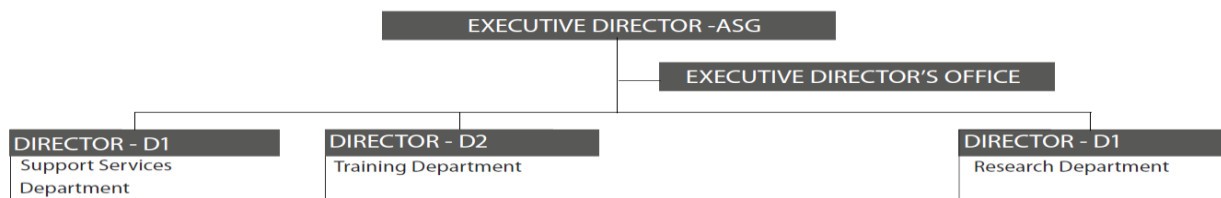
#### Background:

The United Nations Institute for Training and Research (UNITAR) was established in 1965 as an autonomous body within the United Nations with the purpose of enhancing the effectiveness of the Organization through appropriate training and research.

UNITAR is governed by a Board of Trustees and is headed by an Executive Director. The Institute is supported by voluntary contributions from governments, intergovernmental organizations, foundations, and other non-governmental sources.

The Board of Trustees is the Institute’s governing body. Composed of a small yet highly diverse group of distinguished trustees, the Board approves the work programme and budget and formulates principles and policies that govern the Institute’s activities and operations. The Board meets in session at least once per year. Board members are appointed by the United Nations Secretary-General, in consultation with the Presidents of the General Assembly and the Economic and Social Council.

UNITAR’s organizational structure in brief is as follows:



A Training Department regroups the bulk of UNITAR’s operational activities. It is organized around three thematic units based on the rationalization of existing programmes: Diplomacy, Peace & Security; Environment; and Governance.

A Research Department has been put in place to streamline UNITAR’s research activities on knowledge system innovation and application of new technologies to training.

#### Analysis of KMP:

KMP has been identified in the following table based on the IPSAS policy framework:

<b>Title</b>	<b>Grade at the United Nations</b>	<b>Number</b>
Executive Director	ASG	1
Director of Research Department	D1	1
Senior Managers	D1	2

Department heads and members of the Board of Trustees are not considered KMP as they do not have the authority and responsibility for planning, directing, and controlling UNITAR's activities.

### 3.2.2.5. United Nations Office on Drugs and Crime

#### Background:

The United Nations Office on Drugs and Crime (UNODC) was established in 1997 as the Office for Drug Control and Crime Prevention by combining the United Nations International Drug Control Program (UNDCP) and the Crime Prevention and Criminal Justice Division in the United Nations Office at Vienna. The agency is led by an Executive Director appointed by the United Nations Secretary-General. He holds the rank of Under-Secretary-General of the United Nations.

The United Nations Office at Vienna (UNOV) manages and implements the United Nations programme on the peaceful uses of outer space and provides common services for the organizations located at the Vienna International Centre. The Director-General of UNOV also serves as the Executive Director of UNODC.

UNOV is closely associated with UNODC. A shared Division for Management, in addition to the common services listed above, supports both organizations with financial resources management services, human resources management services and information technology and communications services. There is a Division for Management in UNOV and one in UNODC. Both are headed by the same Director, who also serves as Deputy Director-General of UNOV and as acting Deputy Executive Director of UNODC.

UNODC's organizational structure in brief is as follows:



The Commission on Narcotic Drugs (CND) and the Commission on Crime Prevention and Criminal Justice (CCPCJ) are the Governing Bodies of UNODC. Their resolutions and decisions provide guidance in their respective areas to Member States and UNODC. The CND and CCPCJ are functional commissions of the Economic and Social Council.

Analysis of KMP:

KMP have been identified in the following table based on the IPSAS policy framework:

<b>Title</b>	<b>Grade at the United Nations</b>	<b>Number</b>
Executive Director	USG	1
Divisional Directors	D2	4
Director of UNICRI	D2	1

Departmental heads and CND and CCPCJ members are not considered to be KMP as they do not have the authority and responsibility for planning, directing, and controlling UNODC's activities.

### **3.2.2.6. United Nations Compensation Commission**

Background:

The United Nations Compensation Commission (UNCC) 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.

The Compensation Commission is currently composed of the Governing Council and the Secretariat. The Governing Council is the policy making organ of the Compensation Commission and its membership is the same as that of the Security Council, of which the Commission is a subsidiary body. The Secretariat, headed by the Executive Head, services and provides assistance to the Governing Council.

The Secretariat of the Commission services the Governing Council and the panels of Commissioners, providing administrative, technical and legal support. The Secretariat also administers the Compensation Fund. The Secretariat is headed by the Executive Secretary, who is appointed by the UN Secretary-General after consultation with the Governing Council.

In addition to the Office of the Executive Secretary, the Secretariat comprises: the Legal Services Branch, made up of various claims sections and units; the Verification and Valuation Support Branch; the Claims Registry; the Claims Payment Section; the Executive Office, dealing with general administration; the Information Systems Section, providing computerized systems to support claims processing and payment; and the Governing Council Secretariat.

Analysis of KMP:

Based on the information included in the background, an analysis of KMP:

<b>Title</b>	<b>Grade at the United Nations</b>	<b>Number</b>
Executive Head	D1	1

The Executive Secretary, even though is below ASG level, is a KMP as the responsibility to plan, direct and control of activities rests with that position.

**3.2.2.7. International Tribunals****3.2.2.7.1. International Residual Mechanism for Criminal Tribunals (the Mechanism)**Background:

The Mechanism was established by the Security Council in its resolution 1966 (2010) to carry out a number of essential functions of the International Criminal Tribunal for Rwanda (ICTR) and the International Tribunal for the Former Yugoslavia (ICTY) after the completion of their respective mandates. The Mechanism comprises two branches:

- (a) One which inherited functions from the ICTR (which commenced operations on 1 July 2012); and
- (b) One which inherited functions from the ICTY (which commenced operations on 1 July 2013).

In accordance with resolution 1966 (2010), the Mechanism consists of three organs:

- (a) The Chambers, comprising a trial chamber for each branch of the Mechanism and an appeals chamber common to both branches of the Mechanism. The Mechanism has a roster of 25 independent judges, not more than two of whom are nationals of the same state. Each Trial Chamber is composed of three judges from the roster. In the event of an appeal against a decision by a Trial Chamber, the Appeals Chamber shall be composed of five judges.
- (b) The Office of the Prosecutor, common to both branches of the Mechanism, is responsible for the investigation and prosecution of persons responsible for serious violations of international humanitarian law committed in the territory of the former Yugoslavia since 1991, and serious violations of international humanitarian law committed in the territory of Rwanda and Rwandan citizens responsible for such violations committed in the territory of neighbouring States between 1 January and 31 December 1994. The Prosecutor acts independently as a separate organ of the Mechanism.
- (c) The Registry, common to both branches of the Mechanism, is responsible for the administration and servicing of the Mechanism, including the Chambers and the Office of the Prosecutor.

Analysis of KMP:

The Registry is responsible for the overall administration and management of the Mechanism. The Registry is headed by the Registrar, who is the Representative of the Secretary General of the United Nations at the ASG level. The Registrar and the two Under-Secretary-General-level roles, President and Prosecutor, together constitute the Coordination Council of the Mechanism.

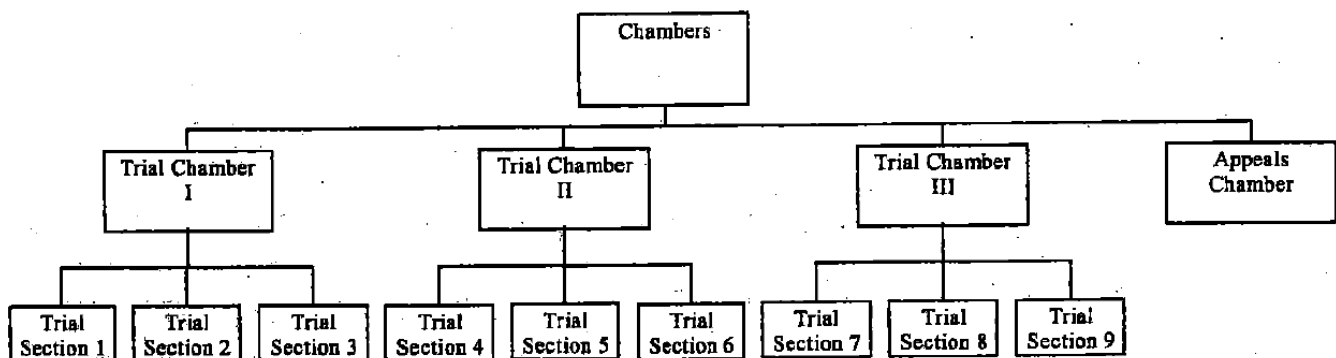
The Registrar provides judicial and legal support services for the work of the Chambers and the Office of the Prosecutor. The Registry also performs other legal functions assigned to it by the Mechanism’s Rules of Procedure and Evidence, and is the Mechanism’s channel of communication.

The Mechanism’s KMP comprises the President, Prosecutor and Registrar roles who each have the relevant authority and responsibility for planning, directing and controlling the Mechanism’s activities.

**3.2.2.7.2. International Criminal Tribunal for Rwanda**Background:

The ICTR was established by the Security Council in its resolution 955 (1994) and was established for the prosecution of persons responsible for genocide and other serious violations of international humanitarian law committed in the territory of Rwanda between 1 January 1994 and 31 December 1994. It consists of the following organs: (i) The Chambers, by statute, comprising three Trial Chambers and an Appeals Chamber, (ii) The Office of the Prosecutor and (iii) The Registry, which services both the Chambers and the Prosecutor and is responsible for the administration and servicing of the ICTR.

ICTR organization structure:

Analysis of KMP:

The Registry is responsible for the overall administration and management of the ICTR. The Registry is headed by the Registrar, who is the Representative of the Secretary General of the United Nations at the ASG level. The Registrar and the two Under-Secretary-General-level roles, President and Prosecutor, together constitute the Coordination Council of the ICTR.

The Registrar provides judicial and legal support services for the work of the Trial Chambers and the Prosecution. The Registry also performs other legal functions assigned to it by the ICTR's Rules of Procedure and Evidence, and represents the ICTR's channel of communication. The Registry comprises two principal Divisions: the Judicial and Legal Services Division and the Division of Administration.

The ICTR's KMP comprises the President, Prosecutor and Registrar roles as each has the relevant authority and responsibility for planning, directing and controlling the ICTR's activities.

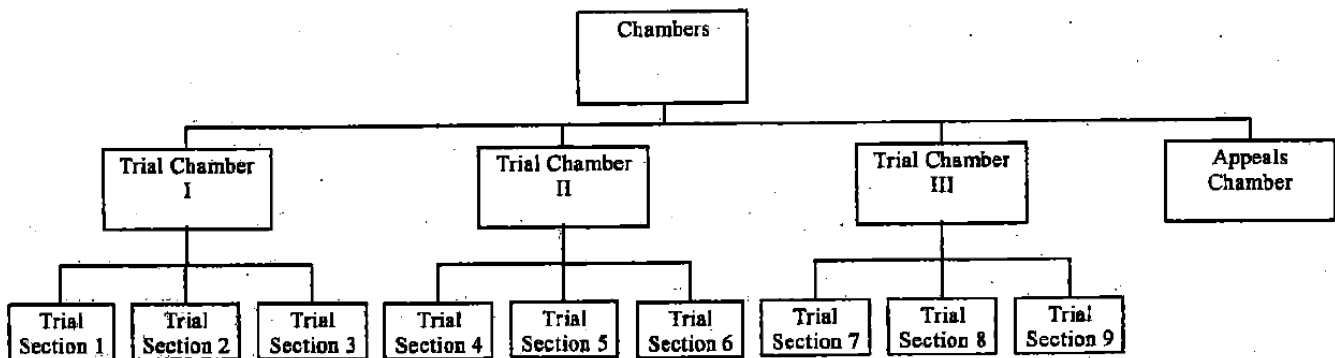
### 3.2.2.7.3. International Tribunal for the Former Yugoslavia

#### Background:

The ICTY was established by the Security Council in its resolutions 808 (1993) and 827 (1993). The Tribunal consists of the following organs:

(i) The Chambers comprise three Trial Chambers and an Appeals Chamber, (ii) The Office of the Prosecutor and (iii) The Registry. The mandate of the ICTY is to bring to justice those responsible for serious violations of international humanitarian law committed in the former Yugoslavia since 1991.

Organization structure of ICTY is as follows:



#### Analysis of KMP:

The unique character of an international criminal judicial institution puts the Registry at the center of a complex set of responsibilities in running the ICTY. In addition to the administration of the courtrooms, the Registry assumes duties that are often afforded to ministries in national systems. Finally, the Registry fulfils the tasks of the administrative body of a United Nations organ.

The Registry is headed by the Registrar, who is the Representative of the Secretary General of the United Nations at the ASG level. The Registrar and the two Under-Secretary-General-level roles, President and Prosecutor, together constitute the Coordination Council of the ICTY.

The ICTY's KMP comprises the President, Prosecutor and Registrar roles who each have the relevant authority and responsibility for planning, directing and controlling the ICTY's activities.

## 4. RELATED PARTY DISCLOSURES

Once an organization's related parties have been determined, certain disclosures need to be provided in the organization's financial statements.

Related party disclosures under IPSAS 20 can be summarized as follows:

Disclosure related to	Disclosure requirement in brief	Exemption from disclosure	Refer section
KMP	Transactions with KMP	None	4.1- <i>Disclosure – Key management personnel</i>
Control relationships	<u>Relationships</u> where control exists	None	4.2 - <i>Disclosure – Existence of Control</i>
Related party transactions including transaction with entities under common control	Nature of relationship, type of transaction and significance of transactions	<p><b>Exempted, if transactions with related party are:</b></p> <ul style="list-style-type: none"> <li>Consistent with normal operating relationship between entities and</li> <li>Undertaken on terms and conditions that are normal for such transactions in those circumstances</li> </ul>	4.3 - <i>Disclosure – Related Party Transactions</i> and 4.4 - <i>Additional recommended related party transaction disclosure</i>

### 4.1. Disclosure – Key management personnel

KMP hold positions of responsibility within an entity. They are responsible for the strategic direction and operational management of an entity and are entrusted with significant authority. Their responsibilities may enable them to influence the benefits of offices that flow to them or their related parties. IPSAS 20 requires disclosures to be made about the aggregate remuneration of KMP during the reporting period, loans made to them and the consideration provided to them for services they provide to the entity other than as a member of the governing body or an employee. The disclosures required are to ensure that appropriate minimum levels of transparency are applied to the remuneration of KMP.

For all KMP, the United Nations shall disclose:

- The aggregate **remuneration of KMP** and the **number of individuals**, determined on a full-time equivalent basis, receiving remuneration within this category, showing separately major classes of KMP and include a description of each class;
- The total amount of all **other remuneration and compensation** provided to:
  - KMP; and
  - Close members of the family of KMP (refer to section 4.1.4).
- **Loans** to KMP and close members of the family of KMP that are not widely available to persons who are not KMP and whose availability is not widely known by members of the public.



### 4.1.1. REMUNERATION OF KMP

**Remuneration of KMP** includes remuneration derived by individuals **from the reporting entity** for services provided to the United Nations **in their capacity** as KMP i.e. members of the governing body or employees. For measurement purpose, remuneration of KMP can be classified into monetary remuneration, non-monetary remuneration and other remuneration:

- **Monetary remuneration:**

- Cost that can be determined should be added to remuneration, i.e. salary, bonus.
- Cost that cannot be determined should be added to remuneration based on a best estimate of the cost to the United Nations, e.g. certain post-employment benefits, health insurance, etc..

*Example – Employee benefits*

- For defined contribution post-employment benefit schemes - the most appropriate disclosure is of the aggregate contributions payable in the period by the entity to schemes for members of KMP.
- For defined benefit schemes - the most appropriate disclosure is the total cost of the defined benefit scheme recognized in the year with regards to KMP (including recognized actuarial gains and losses). Where a defined benefit pension scheme is not operated solely for KMP, calculation of the total recognized cost in respect of KMP may not be practicable. Under these circumstances, disclosure of the current service cost attributable to KMP is an acceptable alternative.
- For other long-term employee benefits like post-employment defined benefits - the most appropriate amount to be included in the disclosure of KMP compensation is the total cost of the scheme or the relevant current service cost of the persons of the scheme. This is because it could be a reasonable indicator of the amount earned by the KMP in the period.

Refer to corporate guidance paper # 8 Employee Benefits for detailed guidance on measurement of employee benefits.

Information on monetary remuneration would be generally obtained from the payroll unit of the UN Accounts division (for Volume I & II) and the equivalent payroll offices for other UN Secretariat reporting entities. If monetary remuneration cannot be accurately determined, estimates can be provided based on reliable and auditable assumptions. Refer to case study in section 5.1 for situation where a KMP spends time for more than one reporting entity.

- **Non-monetary remuneration:**

- Non-monetary remuneration i.e. chauffeur driven car for personal use, rent free accommodation (such as the Secretary-General's accommodation in New York), household help for family, that can be reliably measured, should be disclosed in the aggregate amount of remuneration of KMP,



including the basis of measurement. Or else provide explanations as to why the non-monetary remuneration cannot be reliably measureable.

**Non-monetary compensation:** Unlike monetary compensation, data for non-monetary compensation is generally not readily available in the accounting systems. The key source to collate the data points on non-monetary compensation is the **employment contract**. A process should be established to identify non-monetary compensation from employment contracts for all KMP. For Volumes I & II, the Executive Office would be requested to assist in collecting such data.

*Example – Car provided to KMP for personal use*

One benefit in kind granted as key management personnel compensation is the personal use of the organization's car as per the employment contract. Such cars may be leased or owned by the organization. If the organization owns the vehicle, there will be no cash cost to the organization on an ongoing basis. When considering the benefit to KMP, it is appropriate to determine the rental value equivalent of a similar vehicle in a normal market. Alternatively, if the car is leased by the organization, there will be a cost to the organization. This cost should be included in the numerical information as benefit to the KMP.

Note: Below are some examples of what would not be considered remuneration of KMP as they are provided to render safe and efficient working condition to the United Nations personnel:

- Car provided to KMP for official use;
- Security and protection provided to KMP.

IPSAS 20 requires that the aggregate remuneration of KMP and the number of individuals receiving remuneration within this category, be shown **separately for major classes** of KMP including a description of each class. Identifying major class is a **matter of judgment**. For example, ITC may classify its SMC into **Executives** representing Executive Director and Deputy Executive Director as they overlook entire organization, and **Leadership** representing head of individual departments as they are primarily responsible for a particular department. Or ITC may group executives and leadership together as all SMC members represent senior leadership team. When determining major classes of KMP, the objective is to maintain appropriate levels of transparency.

It has been determined for Volume I & II to disclose information for all the grades on an aggregate basis for the entire KMP group.

#### **4.1.2. OTHER REMUNERATION AND COMPENSATION PROVIDED TO KMP AND CLOSE MEMBERS OF FAMILY**

**Other remuneration** and Compensation includes benefits derived directly or indirectly from the United Nations for services in any capacity, other than as an employee or a member of the governing body.

***Example – Education grant to KMP******Background:***

KMP received education grant of \$5,000 for tuition fees for dependent children. Will this be considered benefits received by KMP or close member of KMP’s family?

***Analysis:***

Education grant has been provided to KMP for a close family member; however, since it is provided as part of the benefit package provided to the KMP, it would be disclosed under the KMP and not the close family member.

**Note:** Remuneration of key management personnel excludes any consideration provided solely as a reimbursement for expenditure incurred by those individuals for the benefit of the reporting entity, such as the reimbursement of accommodation costs associated with work-related travel.

**4.1.3. LOANS PROVIDED TO KMP OR THEIR CLOSE MEMBERS OF FAMILY OF KMP**

IPSAS 20 also requires that information about **loans provided to KMP** or their close family members be disclosed for the purpose of transparency where the following criteria are met:

- Loans are not widely available to staff who are not KMP; and
- Details on the specific loans are not widely known by members of the public.

Please note that the loans provided to the United Nations staff are included as part of the United Nations staff rules, and therefore are widely available to staff including KMP. Since the United Nations staff rules are published, it can be argued that availability of loan to KMP is known to the members of the public, consequently the disclosure requirement is not applicable.

***Example – Loan to KMP***

Due to a natural calamity, house of KMP had to be demolished. As an immediate relief, a special approval was obtained to give a special interest free loan of \$100,000 for one year.

Since such a loan will not meet the exception criteria of widely available and widely known by the public, the information about the loan should be disclosed.

However since the objective of this disclosure requirement is transparency, outstanding loan balances (if any) should be disclosed along with disclosures for remuneration of KMP. Please refer to sample disclosure in this section.

***Example – Sample disclosure for Key management personnel at ITC***

The members of the Senior Management Committee are the key management personnel of ITC as they have the authority and responsibility for planning, directing and controlling the activities of ITC and influencing its strategic direction. The Senior Management Committee (SMC) is made up the two executive officers and the heads of four divisions.

Class	Number of individuals	Aggregate remuneration	Other compensations	Total Remuneration for the year ended 31 December 2014	Outstanding advances and loan as at 31 December 2014
Executive	2	Xx	Xx	Xx	Xx
Leadership	4	Xx	-	Xx	Xx
Close family members of KMP	-	-	Xx	Xx	Xx

Even though the position of Executive Director was covered by two different staff members during the period, at the end of the period the total computation accounts only for one full-time staff member. A Director from the leadership works on a part time basis for the organization; hence the aggregate remuneration includes 60% of an equivalent full time director's remuneration.

The aggregate remuneration paid to key management personnel includes: salaries, allowances, rental subsidies, personal effect shipment costs, home leave, pension and health insurance contributions and other post-employment benefits like repatriation benefits and death benefit.

Other compensations include market value of rent-free accommodation provided to Executive director in the ITC owned apartment and private use of vehicle owned by ITC.

Advances are those made against entitlements in accordance with staff rules and regulations. Advances against entitlements are widely available to all ITC staff.

No close family member of the key management personnel was employed by ITC during the year.

***Note:***

- ITC or other reporting entities may change the format of the above sample disclosure based on facts and circumstances. For instance, the entity can present pension benefits as a separate column or group executive and leadership as SMC.
- If other post-employment benefits are based on an estimate, the method of estimation should be disclosed. Normally post-employment benefits would be based on actuarial valuation method. If death benefit not based on actuarial valuation method, weighted average method can be used to compute cost attributable to KMP if death benefit is linked to the compensation at the time of death.

Note: Information about loans and other remuneration and compensation for KMP and KMP’s close members of family should be provided separately.

***Example - Additional disclosure related to governing body***

Note: The United Nations reporting entities may conclude based on the facts and circumstances for each reporting entity that the Governing body consisting of representatives of Member States will not qualify as KMP. However, it may be useful to provide brief information about the Governing structure of the United Nations reporting entity as it will be helpful to the readers of financial statements. The following example can be used as a starting point for such disclosure.

*Governing Body:*

The entity is governed by a Governing Body, consisting of [xx] representatives of the Member States of the Organization. The Governing Body is the main deliberative, policymaking and representative organ of the entity. The Governing Body meets in regular session from September to December each year, and thereafter as required. Members of the Governing Body are not regarded as KMPs.

The members of Governing Body do not receive any remuneration from the Organization. The Organization pays for travel costs, subsistence allowance and office expenses to cover costs incurred by the representatives of the Member States in the execution of their duties as Members.

#### **4.1.4. KMP’S CLOSE FAMILY MEMBERS**

Close members of the family of an individual are close relatives of the individual or members of the individual’s immediate family who can be **expected to influence, or be influenced** by, that individual in their dealings with the entity.

Judgment will be necessary in determining whether an individual should be identified as a close member of the family of an individual for purposes of application of this Standard.

The following immediate family members and close relatives are **presumed** to satisfy the definition of close members of the family of an individual:

- (a) A spouse, domestic partner, dependent child, or relative living in a common household;
- (b) A grandparent, parent, nondependent child, grandchild, brother, or sister; and
- (c) The spouse or domestic partner of a child, a parent-in-law, a brother-in-law, or a sister-in-law.

***Example – Divorce proceedings***

Generally, it is presumed that a spouse will qualify as a close family member. However, if personal circumstances (such as divorce proceedings under progress) that prevents a family member from being influenced or influencing a KMP, the family member will not be considered a “close family member” as per IPSAS 20.

**Note:** Refer to section 5.2 for a template which can be provided to KMP annually to identify transaction with:

- Close members of family of KMP; and
- Entities in which substantial ownership is held (directly or indirectly) by KMP or close members of the family of KMP or over which KMP or close members of the family of KMP is able to exercise substantial influence.

## 4.2. Disclosure – Existence of Control

Based on IPSAS 20, related party relationships where control exists shall be disclosed, irrespective of whether there have been transactions between the related parties. The disclosure should include the names of any controlled entities, the name of the immediate controlling entity, and the name of the ultimate controlling entity, if any.

### *Example – Sample disclosure for names of the United Nations Secretariat Reporting Entities*

The United Nations Secretariat is one of the main bodies of the United Nations. The Secretariat carries out the day-to-day administrative work of the United Nations. It services the principal organs and carries out tasks as varied as the issues dealt with by the United Nations: administering peacekeeping operations, surveying economic and social trends, preparing studies on human rights, among others. The United Nations prepares separate financial statements for the following entities.

- Volume I
- Volume II - United Nations peacekeeping operations
- International Trade Centre
- United Nations Compensation Commission
- United Nations Environment Programme
- United Nations Human Settlements Programme
- United Nations Institute for Training and Research
- United Nations Office on Drugs and Crime
- Tribunal Residual Mechanism

## 4.3. Disclosure – Related Party Transactions

In respect of transactions between related parties other than KMP, the United Nations shall disclose:

- The **nature of the related party relationships**, for example transactions with controlled entity, entity under common control, associates or key management persons;
- The **types of transactions** that have occurred, for example rendering of services, purchases of goods, guarantees, investments; and

- The elements of the transactions necessary to clarify the **significance of these transactions** to its operations.

Items of a similar nature may be disclosed in aggregate, except when separate disclosure is necessary to provide relevant and reliable information for decision-making and accountability purposes.

Disclosure of related party transactions **between members of an economic entity is unnecessary in consolidated financial statements**, because the transactions are eliminated on consolidation; however, transactions with associated entities accounted for under the equity method are not eliminated, and, therefore, require separate disclosure as related party transactions.

Please note that IPSAS 20 **does not** require disclosures of related party transactions where the transactions are:

- Consistent with normal operating relationships between the entities, and
- Undertaken on terms and conditions that are normal for such transactions in these circumstances.

### ***Example – Transactions with United Nations Joint Staff Pension Fund***

#### Background

The United Nations Joint Staff Pension Fund (UNJSPF) is a fund that was established by the United Nations General Assembly in 1949 to provide retirement, death, disability and related benefits for staff of the United Nations and the other organizations admitted to membership in the Fund. As of 31 December 2010, the Fund was serving 23 member organizations (which include the United Nations Secretariat, UNICEF, UNDP, UNHCR as well as the various specialized agencies such as WHO and ILO in Geneva, IAEA in Vienna, ICAO in Montreal, UNESCO). The UNJSPF is a multiple employer defined benefit plan. All participating organizations and employees contribute to the UNJSPF based on pensionable remuneration.

#### Analysis:

Step 1: Is UNJSPF a related party for the United Nations Secretariat reporting entities?

Yes, UNJSPF is a related party for all the United Nations Secretariat reporting entities as all the entities are under common umbrella of the United Nations. The United Nations Charter established six principal organs of the United Nations. The United Nations umbrella, however, is much larger, encompassing 15 agencies and several programmes and bodies. The General Assembly is the main deliberative, policymaking and representative organ of the United Nations comprising all 193 Members of the United Nations. Accordingly all the entities that are part of the United Nations System can be considered entities under common umbrella of United Nations.

Step 2: Is the contribution to UNJSPF by United Nations Secretariat reporting entities to be disclosed as a related party transaction?

No, this is not mandatory under IPSAS 20 as the contribution is deemed to be under normal operating relationship and normal terms and conditions which are specified in the UNJSPF regulations.

Questions generally arise as to what transactions are disclosable where the parties are **related for only part of the year**. Under IPSAS 20, disclosure is only required in respect of transactions during the period for which the entities are related. A related party transaction is a transaction between a reporting entity and a related party; it follows that a transaction with a party that is unrelated at the time of the transaction is not a related party transaction.

***Example – Disclosure for related party transactions***

Note: At the United Nations it is generally expected that the related party transactions would be consistent with normal operating relationships between the entities, and undertaken on terms and conditions that are not normal for such transactions in these circumstances. Therefore, there would not be a disclosure requirement for such transactions.

The sample disclosure is for illustrative purposes, in case the United Nations reporting entities have to provide or voluntarily decide to disclose related party transactions.

<b>Type of transaction</b>	<b>United Nations Secretariat Reporting Entities</b>	<b>Other United Nations entities</b>
Rendering of services		
Transfers/sales of goods		
Receiving of services		
Purchases of goods		
Contribution to pension fund (see below)		
Provision of management support services		
Receiving of management support services		
Transfers/sales of property and other assets		
Purchases of property and other assets		
License agreements		
Grants (in cash or in kind including cost-sharing arrangements)		
Leasing arrangements		
Guarantees and collaterals		
<b>Closing balance as at 31 December 2014</b>	<b>United Nations Secretariat Reporting Entities</b>	<b>Other United Nations entities</b>
Receivable		
<ul style="list-style-type: none"> <li>• Current</li> <li>• Non-current</li> </ul>		
Payable		

Type of transaction	United Nations Secretariat Reporting Entities	Other United Nations entities
• Current		
• Non-current		

#### 4.4. Additional recommended related party transaction disclosure

To be transparent, it has been determined that certain disclosures regarding transactions with related party should be provided even if they are exempted by IPSAS 20.

Based on the current thinking, such disclosure information is to be provided for transactions **amongst all the United Nations Secretariat Reporting Entities** i.e. Transactions between Volume I or II and UNEP or transactions between ITC and UNODC, etc. should be disclosed.

Gathering and tracking information that needs to be included in the related party disclosure note can be a time-consuming and complex task. Often organizations tackle this by labeling all related parties as such in the accounting system so that the system can support the process of identifying any transactions with such parties and reconciling them at the year-end.



## 5. APPENDICES – CASE STUDY

### 5.1. KMP working for more than one entity

*Background:*

Mr. XYZ is an Executive Director at the United Nations Secretariat. Mr. XYZ is at Under Secretary General level within the United Nations hierarchy. Based on his work portfolio, Mr. XYZ spends 90% of his time on work related to the UNEP and 10% of his time on work related to ITC. It has been determined that Mr. XYZ is KMP for both UNEP and ITC for the year 2014.

During the year 2014 Mr. XYZ got following remuneration from the United Nations:

Remuneration	Includes	Other facts	Amount
Aggregate remuneration	Salaries, allowances, rental subsidies, personal effect shipment costs, home leave, pension and health insurance contributions and other post-employment benefits	Aggregate remuneration is debited in the books of UNEP	\$ 200,000
Other remuneration	Market value of rent-free car provided to Mr. XYZ	The car is capitalized in the books of ITC	\$25,000

Additional facts about ITC's KMP:

- ITC has 1 Deputy executive director at ASG level with aggregate remuneration of \$150,000
- ITC's leadership team has 4 members with aggregate remuneration of \$500,000

*Related party disclosure question:*

What would be the related party disclosures in ITC's IPSAS financial statements?

*Analysis:*

Related party disclosures in ITC's IPSAS financial statements can be on following lines:

The members of Senior Management Committee are the key management personnel of ITC as they have the authority and responsibility for planning, directing and controlling the activities of ITC and influencing its strategic direction. The Senior Management Committee (SMC) is made up the two executive officers and the heads of four divisions.

Class	Number of individuals	Aggregate remuneration	Other compensations	Total Remuneration for the year ended 31 December 2014	Outstanding advances and loan as at 31 December 2014
Executive	2	150,000	25,000	175,000	-
Leadership	4	500,000	-	500,000	-

The aggregate remuneration paid to key management personnel by the ITC includes: salaries, allowances, rental subsidies, personal effect shipment costs, home leave, pension and health insurance contributions and other post-employment benefits.

The Executive Director, included the number of individuals in the above table, oversees the activities of ITC. He dedicates approximately 10% of his time on activates related to ITC and the remaining balance on activities related to UNEP. His annual aggregate remuneration of \$200,000 is paid and recorded by UNEP as is therefore not included in the table above. Other compensations include \$25,000 pertaining to the market value of rent-free car provided to Executive director in the vehicle owned by ITC.

No close family member of the key management personnel was employed by ITC during the year.

Note: If ITC has following transactions with KMP during the year:

- ITC procured 4 cars for \$100,000 from PQR Inc. The Executive Director and his close family members have controlling stake in PQR Inc.
- ITC paid \$50,000 to Mr. DEF for professional services towards engineering services. Mr. DEF is a close family member of one of the leadership team member.

ITC can disclose this transaction as follows:

Type of transaction	Entity controlled by KMP	Close family member of KMP
Purchase of assets	\$100,000	
Remuneration to consultant		\$50,000

## 5.2. Template for confirmation from KMP

<i>Example – Confirmation from KMP</i>				
[Name of the organization]	<b>Confirmation of transactions with close members of family of key management personnel</b>			Confirmation for the year ended:
<p><b>What is the purpose of this confirmation:</b> To comply with disclosure requirements of International Public Sector Accounting Standards (IPSAS) 20 <i>Related Party Disclosures</i>, the purpose of this confirmation is to identify and report transactions between the organization and:</p> <ul style="list-style-type: none"> <li>• Close members of family of Key Management personnel (KMP); and</li> <li>• Entities (a) in which substantial ownership is held (directly or indirectly) by KMP or close members of KMP family or (b) over which KMP or close family members of KMP is able to exercise substantial influence.</li> </ul>				
<p><b>Who should complete this confirmation:</b> This confirmation should be completed by KMP as identified in accordance with criteria provided under IPSAS 20 <i>Related Party Disclosures</i> and communicated by the Organization.</p>				
<p><b>Who should be considered close member of family by KMP:</b> Close members of the family are close relatives of the KMP or members of the KMP’s immediate family who can be expected to influence, or be influenced by, that individual in their dealings with the Organization.</p>				
<p>The following immediate family members and close relatives are <b>presumed</b> to satisfy the definition of close members of the family of an individual:</p> <p>(a) A spouse, domestic partner, dependent child, or relative living in a common household;</p> <p>(b) A grandparent, parent, nondependent child, grandchild, brother, or sister; and</p> <p>(c) The spouse or domestic partner of a child, a parent-in-law, a brother-in-law, or a sister-in-law.</p>				
<p><b>Confirmation from KMP for transactions with close members of family:</b> I, the undersigned KMP of the Organization hereby confirm that during the year close members of my family have received remuneration or compensation or loans from the organization. The transactions are summarized in the following table: [add rows if necessary]</p>				
Name	Relationship	Payment purpose (e.g. salary, compensation, etc.)	Amount Received during current year	Loan amount received / repaid / closing balance

**Or**

I, the undersigned KMP of the Organization, hereby confirm that during the year none of my close family members has received any remuneration or compensation or loans from the organization.

**Confirmation from KMP for transactions with close members of family:**

I, the undersigned KMP of the Organization, hereby confirm transactions summarized in the following table between the Organization and the entities in which I or close members of my family own substantial ownership or over which I was / they were able to exercise substantial influence during the year. [add rows if necessary]

Name of entity	Ownership percentage	Nature of transaction	Amount	Outstanding balance
1				
2				

**Or**

I, the undersigned KMP of the Organization, hereby confirm that there are no transactions between the Organization and the entities in which I or close members of my family own substantial ownership or over which I was / they were able to exercise substantial influence during the year.

**Officer:**

\_\_\_\_\_

**(print name)**

\_\_\_\_\_

**(signature)**