General Assembly
Official Records
Seventy-first Session
Supplement No. 5

A/71/5 (Vol. III)

Financial report and audited financial statements

for the year ended 31 December 2015

and

Report of the Board of Auditors

Volume III
International Trade Centre

United Nations • New York, 2016

Note

Symbols of United Nations documents are composed of letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

ISSN 0257-0815

Contents

Letters of transmittal

Letter dated 31 May 2016 from the Secretary-General addressed to the Chair of the Board of Auditors

In accordance with financial regulation 6.2, I have the honour to transmit the financial statements of the International Trade Centre for the year ended 31 December 2015, which I hereby approve. The financial statements have been certified by the Controller.

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

(*Signed*) **BAN** Ki-moon

Letter dated 19 September 2016 from the Chair of the Board of Auditors addressed to the President of the General Assembly

I have the honour to transmit to you the report of the Board of Auditors on the financial statements of the International Trade Centre for the year ended 31 December 2015.

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

Chapter I

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

We have audited the accompanying financial statements of the International Trade Centre (ITC), which comprise the statement of financial position as at 31 December 2015 (statement I), the statement of financial performance (statement II), the statement of changes in net assets (statement III), the statement of cash flows (statement IV) and the statement of comparison of budget and actual amounts (statement V) for the year then ended, and the notes to the financial statements.

Responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing (ISA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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

Report on other legal and regulatory requirements

Further to our opinion, the transactions of ITC that have come to our notice, or which 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 ITC.

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

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

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

19 September 2016

Chapter II
Long-form report of the Board of Auditors

Summary

Audit opinion

The Board of Auditors has audited the financial statements and reviewed the operations of the International Trade Centre (ITC) for the year ended 31 December 2015. In the Board's opinion, the financial statements present fairly, in all material respects, the financial position of ITC as at 31 December 2015 and its financial performance and cash flows for the year then ended, and have been prepared in accordance with the International Public Sector Accounting Standards (IPSAS).

Overall conclusion of the Board

The Centre reported a deficit of $32 million and net liabilities of $0.4 million in 2015. Although some of this is explained by the recognition of revenue from long-term agreements in 2014, there has been a significant decline in voluntary contributions which represents a financial risk to ITC. Although the Board considers that the liquidity of ITC in the medium term is sound, it needs to deliver on its resource mobilization strategy, seek cost efficiencies and use the more granular information from its new financial and project systems to better understand its costs.

The Centre implemented the new enterprise resource system, Umoja. Overall the data migration was successful, but the exercise to review and validate data was resource intensive, creating pressures on the finance team which affected in-year reporting. While Umoja should ultimately bring business benefits if used well, there has been some short-term weakening of internal control related to management reporting resulting in diminished financial visibility of extrabudgetary activity during the final quarter of 2015. The Centre has a project portal to enhance its ability to report, and it will be important that it uses both systems to build a coherent set of reports to support data driven management decisions in a more constrained donor environment.

Key findings

Financial management and reporting

The Centre reported a deficit on the statement of financial performance (statement I) of $32 million (2014: $7.7 million surplus). The deficit arose due to a significant decline in the revenue recognized for voluntary contributions from $67.9 million in 2014 to $31.8 million in 2015. The Centre has many long-term agreements for which revenue was recognized in prior years and expenses on these agreements were incurred in 2015 at a time when voluntary contributions fell. The reduction in net assets arising from these circumstances has been offset by an actuarial gain of $15.04 million, resulting from changes in actuarial assumptions and experience adjustments. Revenues from voluntary contributions recognized in 2014 were unusually high, as a result of recognizing long-term income in accordance with IPSAS.

Despite the deficit in 2015, the Board considers that the Centre's overall liquidity remains sound. Management has initiated a fundraising strategy, the resource mobilization strategy, to actively seek donors to provide more flexible extrabudgetary resources. Management has reported positive interest from donors and it will be important for management to continue these efforts and closely monitor and evaluate the results.

Transition to the new enterprise resource planning system, Umoja

In common with the wider United Nations Secretariat, ITC implemented the Umoja enterprise resource planning system in November 2015. The implementation was a significant change for ITC, requiring increased management effort and process changes. Along with other United Nations entities, ITC experienced significant issues in implementing the system and in producing the reports necessary to support the financial statements. This resulted in a delay in the presentation of the full financial statements by two months. Despite high levels of manual adjustment, ITC managed the migration of data in a controlled manner. With additional audit effort the Board was able to obtain the necessary assurance to support the audit opinion. However, it will be important for ITC, with the assistance of the Accounts Division of the United Nations Secretariat, to build a clear project plan for the 2016 audit, drawing upon the greater familiarity of Umoja reporting to ensure timely submission and to provide efficient supporting records.

Umoja is providing greater clarity and discipline in respect of the segregation of duties; however the Board noted that there was a diminution of some control processes such as the Umoja payroll and clearing account reconciliations. While mitigating processes have been put in place, these are inefficient and should not detract from a full reconciliation process. The Board also noted that finance teams were continuing to make additional checks on data from programme officers, reflecting the fact that at the time of our audit Umoja processes had not become fully optimized, with users needing ongoing training and support.

System transition and preparation for the implementation meant that the regular financial reporting against budgets and programmes did not take place for the third and final quarters of 2015. Similarly, there were delays in the submissions of management reports in 2016, the first report being produced in May. While the Board recognizes that there is a steep learning curve when transitioning to the new enterprise resource planning system, it believes that it is important for ITC to carefully consider its reporting needs and to develop a set of timely management reports which will support management decision-making using the new functionality. This is particularly important given the financial pressures faced by ITC.

For the past 10 years, ITC has been relying on a project portal to provide information to support extrabudgetary activities and to provide functionality which was not available in the Integrated Management Information System (IMIS) and is not currently available in Umoja. To date, costs incurred for the upgrade amount to $767,000 and there is a further phase due in 2016 which was budgeted for within funding for corporate efficiencies. While the portal will bring benefits to ITC, the Board considers it important for ITC to undertake a full assessment of the cost and benefits of the portal and an evaluation of its effectiveness. It is also important to confirm that the portal can be fully integrated with Umoja data, ensuring that, wherever possible, there is a single data source for information.

Previous recommendations

Of the eight recommendations made by the Board in its report on the 2014 financial statements, ITC had fully implemented four (50 per cent), while three (37.5 per cent) were under implementation and one (12.5 per cent) was overtaken by recent events. The Board followed up on the implementation of 10 recommendations from the 2010-2011 and 2012-2013 audit reports that were reported as outstanding in the 2014 report. Of these, six (60 per cent) were fully implemented, one (10 per cent) was under implementation and three (30 per cent) were closed by the Board and followed up through subsequent recommendations that reiterated the points raised by the Board. The Board has noted in particular the further progress required in respect of full cost recovery as means of better understanding the cost of the projects ITC undertakes and the need for a fraud risk assessment.

The Board has made the following key recommendations, namely that ITC should:

(a) **Formally evaluate the success of its resource mobilization strategy and further consider other options such as cost reduction and ensuring that programme support costs are sufficient to cover the full costs of project activity;**

(b) **In line with instructions issued by the United Nations Secretariat, trial new accounts production processes in advance of year end to ensure robust closure procedures are in place, and establish a clear schedule of reports that will be required to support the financial statements;**

(c) **Provide specific training for programme staff to ensure they understand the rules and procedures for processing Umoja transactional workflows for which they now have responsibility;**

(d) **Review the reporting needs of the business and develop a clear schedule for the timely production of regular and extrabudgetary financial reports from Umoja and ensure the reconciliation of clearing and control accounts;**

(e) **Record the costs and benefits of upgrading the project portal and ensure that, if information is produced from the portal, it is reconciled to project information in Umoja.**

A. Mandate, scope and methodology

1. The International Trade Centre (ITC) is a technical cooperation agency jointly funded by the United Nations and the World Trade Organization (WTO), to stimulate exports by small and medium-sized enterprises in developing countries and countries with economies in transition. It employs over 300 staff.

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

3. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements present fairly the financial position of ITC as at 31 December 2015 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS). This included an assessment as to whether the expenditure recorded in the financial statements had been incurred for the purposes approved by the governing bodies and whether revenue and expenses had been properly classified and recorded in accordance with the Financial Regulations and Rules of the United Nations. 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.

4. The Board also reviewed ITC operations under United Nations financial regulation 7.5, with a focus on the introduction of the Umoja enterprise resource management system in November 2015. In the course of the audit, the Board visited ITC headquarters in Geneva. The Board continued to work collaboratively with the Office of Internal Oversight Services (OIOS) of the Secretariat to provide coordinated coverage, which highlighted the need for ITC to become a data-driven organization and improve its monitoring and reporting on performance, as well as to focus on a strategic alignment of its programmes and projects. The Board would support those observations.

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

B. Findings and recommendations

Key facts	
$70.6 million	Total revenue in 2015, down from $109.6 million in 2014
$102.6 million	Total expenses in 2015, up from $101.9 million in 2014
$31.8 million	Voluntary contributions in 2015, down from $67.9 million in 2014
$40 million	Expenses incurred in 2015 relating to project agreements signed before 2015 for which revenue was recognized in prior years

1. Follow-up of previous recommendations

6. Of the eight recommendations made by the Board in its report on the 2014 financial statements, ITC had fully implemented four (50 per cent), while three (37.5 per cent) were under implementation and one (12.5 per cent) was overtaken by recent events. The Board followed up on the implementation of 10 recommendations from the 2010-2011 and 2012-2013 reports that were reported as outstanding in the report of the Board in 2014. Of these, six (60 per cent) were fully implemented, one (10 per cent) was under implementation and three (30 per cent) were closed by the Board and followed up through subsequent recommendations that reiterated the points raised by the Board. The annex to the present report contains a detailed commentary on the status of implementation of previous recommendations.

7. The earlier recommendation that ITC should review its methodology for charging programme support and cost recoveries charged to all projects is currently under implementation and has been reiterated in the present report, taking into account the introduction of Umoja and the new project portal. The outstanding recommendation from the Board's report on the 2012-2013 biennium (A/69/5 (Vol. III)) on the need for ITC to develop a funding plan for end-of-service liabilities has also been reiterated in the present report in the context of future funding challenges.

2. Financial overview

8. At 31 December 2015, ITC had net liabilities of $414,000 (2014: $16.6 million net assets), a reduction of assets of some net $17 million. Total assets decreased from $134.6 million (2014) to $99.3 million (2015) as a result of the considerable decline in long-term voluntary contributions receivable from $47.9 million in 2014 to $19.3 million in 2015. Short-term voluntary contributions receivable also decreased from $35.8 million in 2014 to $31.2 million in 2015. This change has reflected a significant overall decline in voluntary contributions. Cash and cash equivalents and investments remained broadly in line with the previous year at $44.4 million as at 31 December 2015 compared with $47.6 million as at 31 December 2014, as core business activities continued at similar levels.

9. ITC reported $99.7 million of total liabilities as at 31 December 2015 (2014: $118 million). This significant decrease was caused by an actuarial gain on employee benefits liabilities amounting to about $15 million, due to changes in financial assumptions and experience adjustments for after-service health insurance liabilities. This resulted in an overall reduction of employee benefits liabilities from $90.3 million in 2014 to $78.8 million at the 2015 year end. Advance receipts decreased significantly from $19.3 million to $12 million due to the recognition of revenue in line with project implementation and the reduction in the number of donor agreements signed in the year when income was deferred.

Financial performance

10. The Centre reported a deficit of $32 million[1] for the year ended 31 December 2015 (2014: surplus of $7.7 million). Revenues for the year totalled $70.6 million (2014: $109.6 million), the majority of which was earned from assessed contributions of $37.2 million, with further revenues from voluntary contributions of $31.8 million, the latter previously forming the majority of the resources raised annually by ITC ($40.5 million and $67.9 million respectively in 2014). This represents a significant decline in the overall financial performance of ITC. The reported deficit was mainly due to timing differences in the recognition of revenue and expenses whereby revenue was recognized in the prior year while the projects were executed and expenses accounted for in 2015.

11. Revenue from voluntary contributions is recognized upfront when the agreement is signed with the donor or deferred if there are enforceable conditions in the agreement for the use of funds. ITC signed several multi-year agreements which were recognized in full in 2014, which resulted in a significant increase in revenue and receivables in that year reflecting the donor funding cycle. Most of the Centre's agreements with donors allow for upfront revenue recognition. As such, some expenses in 2015 were funded through the income recognized in 2014 in line with the requirements of IPSAS 23. The table below shows the trend over a three year period on voluntary contributions receivable.

Table II.1
Voluntary contributions receivable, 2013-2015
(Thousands of United States dollars)

Voluntary contributions receivable	*2015*	*2014*	*2013*
Current	31 203	35 761	31 745
Non-current	19 301	47 864	39 496
Total	50 504	83 625	71 241

Source: Assessment by the Board of Auditors of ITC voluntary contributions receivable in 2015 and 2014 financial statements.

12. Given the reduction in net assets and the deficit for the period, ITC will need to consider the risk that this trend could pose to its operations and whether this might be sustained. The Board has noted that ITC has a three-year resource

[1] The deficit represents total expenses less total revenue for 2015 disclosed in the statement of financial performance.

mobilization strategy, coordinated by a steering committee, which aims to secure an adequate level of funding from donors. The strategy is to diversify and expand funding sources for more predictable, sustainable revenues, to better market the Centre's programmatic offer, and to be more responsive to a changing environment.

13. In order to operationalize the strategy, ITC is deepening partnerships with current funders, diversifying its funding base and establishing resource mobilization governance structures. The resource mobilization steering committee is a high-level coordination body, responsible for coordination, monitoring and implementation of the resource mobilization strategy. Furthermore, ITC has appointed donor focal points who lead relations with all major ITC funders. Management considers that these developments will make the resource mobilization efforts more coherent and efficient and stabilize the resources from voluntary contributions in the medium to long term.

14. The Board has noted that the resource mobilization strategy does not outline the level of funding required or how the success of the strategy might be evaluated. It will be important for ITC to provide regular updates on progress and combine this with improved information on the level of voluntary contributions and the profile for their delivery. The Board's analysis of the latest values identified in the report of the Executive Director accompanying the financial statements showed that $262 million had been identified as the potential future funding pipeline. This breaks down as:

- Fundraising in progress (likelihood <50 per cent): $137 million (52 per cent)
- Discussion with donors (likelihood >50 per cent): $90 million (34 per cent)
- Donor commitment (likelihood >90 per cent): $31 million (12 per cent)
- Donor agreement signed or funding already received (likelihood >99 per cent): $4 million (2 per cent)

15. Given the level of donor funding available at this stage, it is important for ITC to continue its efforts and explore other options such as the potential for reducing costs. In its previous report (A/70/5 (Vol III)), the Board noted the need for ITC to understand its cost base better and as part of this it is important for ITC to further review its full cost recovery rates, so as to ensure that project activity provides an appropriate contribution to overheads. The Centre will continue to monitor these costs through new information now obtained from the new project portal. As the Board reported in 2014, this data is essential for providing a richer analysis of project cost drivers and to ensure that the costs of project activity are fully recovered. Given that the new project portal has only recently become operational, it is too early to tell whether the data collected is being fully utilized by management. Pressures on the finance teams and delays in reporting owing to a lack of Umoja functionality have also hindered further progress.

16. **The Board recommends that ITC should formally evaluate the success of its resource mobilization strategy and further consider other options such as cost reduction to ensure programme support costs are sufficient to cover the full costs of project activity.**

17. The Centre reported expenses of $102.7 million for the year ended 31 December 2015 (2014: $101.9 million). As in previous years, the majority of the costs for ITC relate to employee salaries, allowances and benefits ($54.8 million).

Non-employee costs (consultant and contractor costs) were reported as $18.2 million and other operating expenses were $15.1 million. Remaining costs totalled $14.5 million and included training, travel, foreign exchange expenses, grants and depreciation and amortization. Table II.2 below shows the Board's analysis of ITC expenses.

Table II.2
Expenses of the International Trade Centre for the year ended 31 December 2015

Expense type	*2015 (Thousands of United States dollars)*	*2015 (Percentage of total)*	*2014 (Thousands of United States dollars)*	*2014 (Percentage of total)*
Employee salaries, allowances and benefits	54 821	53.4	55 152	54.1
Non-employee compensation and allowances	18 228	17.8	15 957	15.7
Training	4 984	4.9	5 437	5.4
Travel	4 242	4.1	4 738	4.7
Foreign exchange expenses	3 757	3.7	6 532	6.4
Grants and other transfers	1 075	1	1 163	1.1
Depreciation and amortization	431	0.4	213	0.2
Other operating expenses	15 116	14.7	12 680	12.4
Total	102 654	100	101 872	100

Source: Analysis by the Board of Auditors of ITC statements of financial performance for 2014 and 2015.

18. The functional currency of ITC is the United States dollar, but it often receives contributions in a donor's currency and incurs expenditure in Swiss francs (SwF) because of its location. The year 2015 saw a continued adverse movement in the currencies used by ITC, creating a total of $3.8 million in foreign exchange losses during the year. These losses occur when a transaction is settled in a foreign currency (realized losses) and when monetary items on the statement of financial position are translated at the reporting date exchange rate (unrealized losses).

19. The Centre prepares the budget on a modified cash basis for each biennium, and the approved budget is compared with actual results in statement V. This comparison of budget and actual amounts is presented only for activities funded through the regular budget, mainly assessed contributions from the United Nations and WTO. When converted to the IPSAS basis, activity funded from the regular budget represented 57 per cent of total revenue and 40 per cent of total expenses (note 16 to the financial statements provides further detail).

20. The actual regular budget expenditure reported in 2015 was $432,000 lower than anticipated (1.1 per cent). This is lower than the underspend in previous years, reflecting the more challenging financial environment which meant regular funds were drawn upon more significantly. For the biennium 2014-2015, actual revenue and expenses of ITC represented, respectively, 97.5 per cent and 96.6 per cent of the final budget. These represent high levels of budget implementation. Explanations

for the variances between budgeted and actual amounts for 2015 are provided in the financial report of the Executive Director. The main areas highlighted were the overspend under non-post expenses due to additional building renovations, the hiring of temporary assistance for Umoja implementation and the optimization/ redeployment of available resources to deliver substantive activities.

21. The ITC regular budget is presented in Swiss francs to the United Nations and WTO in line with the administrative arrangements approved by the General Assembly in its resolution 59/276. The Board noted that ITC is currently facing additional budgetary challenges arising from the reduction in the regular budget for the 2016-2017 biennium. The ITC management informed the Board that the budget was adjusted downward by SwF 2.7 million to SwF 72.3 million by the United Nations to reflect "recosting" and exchange rate variances in converting the United Nations share from United States dollars to Swiss francs. The Centre had planned its approved programme of work based on a budget of SwF 75 million and the reduction will create further operational pressures which ITC will need to address in the 2016-2017 biennium. The exact extent of the "recosting" that should be applied is being disputed by ITC and the reduction was not imposed by any of the budget review bodies. The Board encourages ITC to work with the Office of Programme Planning, Budget and Accounts of the Secretariat to understand and negotiate adjustments to its budget so that the original budget considered and adopted by WTO member States is not changed.

Financial analysis

22. As part of the financial analysis, the Board assessed the Centre's financial ratios and key assets and liabilities (table II.3).

Table II.3
Financial ratios

	31 December 2015	*31 December 2014*
Current ratio[a] (current assets to current liabilities)	2.76	2.84
Total assets: total liabilities[b] (assets to liabilities)	0.995	1.14
Cash ratio[c] (cash + short-term investments to current liabilities)	1.29	1.26
Quick ratio[d] (cash + investments + accounts receivable to current liabilities)	2.66	2.76
End-of-service liabilities (thousands of United States dollars)	78 767	90 272
End-of-service liabilities as a percentage of liabilities	79%	76.5%

Source: ITC 2015 financial statements.

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

[b] A high ratio is a good indicator of solvency.

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

[d] 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.

23. The Board notes that the current and cash ratios remain sound, despite a small reduction when compared with the previous year. However, there has been a marked deterioration in the total assets to total liabilities. ITC now has only $0.99 of liquidity to discharge each $1 of total liability. End-of-service employee benefits represented some 79 per cent of the total liabilities of ITC in 2015 (76 per cent in 2014), and continue to rise as a percentage of total liabilities. Given their longer-term nature, the Board does not consider that there is any immediate risk to liquidity within ITC and is content with management's assessment that ITC remains a going concern.

24. The end-of-service liabilities have decreased from $90.3 million at 31 December 2014 to $78.8 million at 31 December 2015. The liability is currently unfunded and represents future payments to employees for benefits arising from current and past service. ITC has adopted the United Nations position (see General Assembly resolution 68/244) to continue to pay the employee benefits when they become due. For regular budget staff, benefits accrued in the period are not funded through assessed contributions. For extrabudgetary staff, these costs are recovered from donors as part of the project budget. ITC is in the process of determining whether the approach to the funding of this liability may change. It will be important to ensure that there is a fair attribution of these costs between the regular and extrabudgetary contributions.

3. Transition to the new enterprise resource planning system, Umoja

Overview of the transition

25. In November 2015, ITC implemented the United Nations enterprise resource planning system, Umoja. This new software was introduced as part of a roll-out together with the United Nations Secretariat and many other Secretariat related entities. Umoja supports the following business processes: finance and budget management, human resources and workforce management, procurement and central support services. The Board has separately reported to the General Assembly on the implementation of Umoja.

26. The transition to the Umoja system at ITC has been a very demanding project, due to the Centre's dependence on the project timetable and system specifications which were determined by the United Nations Secretariat. The implementation has been particularly challenging in respect of the migration of financial information and accounts production, which the Secretariat determined should take place in November 2015, less than two months before the end of the financial year. As a consequence, the financial statements were compiled using 10 months of transactional data held in the legacy system, IMIS, and transactional data for the final two periods of 2015 held in Umoja. This resulted in the Secretariat delaying the closure of the general ledgers and the start of the accounts production process for 2015.

27. As a consequence, the United Nations Secretariat decided that ITC, in common with other migrating entities, would defer the submission of its financial statements to the Board of Auditors by two months. The Board had to expend additional effort to agree the audit trail back to the financial statements; while this was difficult and complex, the Board was able to confirm a suitable trail between the financial records for ITC.

Data migration

28. Balances transferred from the legacy system to Umoja had a clear audit trail in the form of manual spreadsheets that reconciled IMIS closing balances and Umoja opening balances post-conversion. ITC performed data validation exercises for non-current assets, payables and receivables, and general ledger and management information. The Board welcomed the additional checks that ITC finance staff undertook to verify the accuracy of the balances transferred, which represented a sound and well-managed approach.

29. Data migration required certain preparatory work to ensure the full functionality of Umoja financial modules could be utilized. This involved, for example, setting up grants for voluntary contribution agreements and transferring unliquidated obligations as purchase orders. Prior to Umoja implementation, ITC used offline spreadsheets and manual journal adjustments to record voluntary contributions in the ledger, which increased the risk of error. ITC now has functionality within Umoja to record agreements with donors and to automate ledger entries related to voluntary contributions for income recognition in line with IPSAS. The Board recognizes that the preparatory work was a very time consuming process for ITC.

Impact on the accounts production process

30. Transition to Umoja had a significant impact on the timeliness and complexity of the accounts production process and formal submission of the financial statements to the Board was delayed to 31 May 2016. In part this was due to a lack of familiarity with the reporting tools available in Umoja. As ITC staff become more familiar with the system in 2016, the accounts production process should be more manageable. However, ITC will need to continue to assess the ongoing training requirements for users of the system and ensure that it continues to liaise closely with the Umoja user groups.

31. In compiling the 2015 financial statements there were complexities in mapping IMIS revenue and expense codes to those in the Umoja system, as the coding structures differed. Umoja seeks to harmonize account code structures across all United Nations entities, so the issue identified this year should be unique to the 2015 transition. Similarly, there was additional complexity arising from the significant use of manual adjustments, resulting from several automated batch data input failures, for example reallocation of short-term and long-term voluntary contribution receivables, which should have used the information already stored in the system.

32. The Board noted that there were over 2,000 journals (nearly 5,000 individual lines) posted after 31 December 2015, including manual adjustments and reclassifications. The scale of the adjustments exceeded the Board's expectations and reflected the inefficiencies in the accounts production process. There were also large numbers of Umoja conversion journals (nearly 4,000 individual lines).

33. The United Nations is planning to roll out a project for automating accounts production for the 2016 financial statements. This presents an opportunity to ensure that mapping of the trial balance codes is more automated and consistent between United Nations entities. While the Board recognizes that the project is led by the United Nations, ITC will need to ensure that it has sufficient confidence that

automation will work successfully to minimize the risk that the process will fail and cause business disruption to the finance team and a repeated delay in the submission of financial statements. The Board noted that the United Nations Secretariat has recently started engaging with entities affected by the project by issuing instructions and providing support in preparation for the roll-out.

34. **The Board recommends that ITC continue to review the scale and nature of manual adjustments and journals to identify training needs and process efficiencies.**

35. **The Board further recommends that ITC, in line with instructions issued by the United Nations Secretariat, trial any new accounts production process in advance of year end and ensure robust closure procedures and a clear schedule of reports which will be required to support the financial statements.**

Changes to processes and controls

36. Umoja has replicated many of the processes and controls in financial management which operated under the IMIS system. This includes payroll and procurement processes, posting of journals and processing of payments. However, in the early stages of implementation the Umoja operating environment has led to some weakening of internal control. For example, ITC experienced difficulties in reconciling data extracted from Umoja for payroll and clearing accounts. These are key controls which help management to detect errors in the accounting record. ITC has introduced additional payroll checks, performed by certifying officers for their projects, and is relying on support from the United Nations Office at Geneva, which is exploring a more efficient and viable option for future payroll reconciliations.

37. For clearing accounts, the reports from Umoja require significant levels of manual adjustments to enable them to be reconciled to the trial balance. For example, a lack of adequate descriptors made it difficult for ITC to reconcile different types of staff advances. ITC will need to work with the Umoja teams in New York to ensure these controls can be operated on a more regular and efficient basis.

38. **The Board recommends that ITC develop clear plans to ensure that payroll clearing and control accounts are reconciled on a timely basis with a full supporting trail.**

39. There are also new processes and controls arising from the additional functionalities provided by Umoja. For ITC, these are in the area of setting up and processing voluntary contributions and recording non-current assets. Umoja has additionally enforced the separation of duties and access controls, the parameters for which are set through the Umoja team in New York. Greater discipline in the separation of duties should serve to mitigate fraud risks if the access controls are kept under regular review. This should serve to enhance the control framework.

40. Some new functionalities, such as the receipting of goods and services or travel, are now decentralized to programme staff, who have not previously used systems to perform these functions. This approach represents a significant cultural change for ITC programme staff. The ITC finance team have identified this as a risk and introduced additional controls to make sure transaction postings by programme staff are appropriate and, where necessary, corrected. While noting additional checks are useful to ensure users understand the new processes, ITC should ensure

that additional and duplicative controls do not become permanent, as this would mitigate the efficiencies which Umoja was intended to deliver. They should instead be used to identify and target feedback and training needs.

41. **The Board recommends that ITC provide a specific training course for programme staff to ensure they understand the rules and procedures for processing Umoja transactional workflows for which they now have responsibility.**

42. The Board has observed that programme staff consider Umoja to be less efficient for them, and that there has been resistance from users who are concerned that previously centralized functions are now being devolved to them. For example, budget monitoring and cost recovery processes are much more complex in the new system. This further underlines the need to consider the impact Umoja is having on ITC business and processes and to further support staff during the transition. Part of this will involve communicating the business benefits which Umoja will create for ITC. Cultural change is always a key risk in the implementation of any new significant change in business processes.

43. During the transition ITC made a decision not to produce financial reports for the final two quarters of 2015. This weakened the overall control environment in respect of monitoring the overall spend and actuals against the budget. Despite this, ITC only had a small underspend of 1.1 per cent on its regular budget expenditure in 2015 (statement V). The senior management team recognized potential issues arising from reduced donor funding for unearmarked activities and took action to reduce spending. There was little financial visibility of costs related to projects funded through extrabudgetary resources for the last two months of 2015. ITC is now looking at combining corporate information with financial data for reporting to management in 2016. The Board believes it is important for ITC to carefully consider its reporting needs and to develop a set of business data which will support management decision-making using the new functionality. This is particularly important given the financial pressures faced by ITC.

44. **The Board recommends that ITC clearly communicate the business benefits of Umoja and allow sufficient resources to continue to support staff to ensure the new system becomes embedded in normal business processes and that there is full utilization of the Umoja functionalities.**

45. **The Board recommends that ITC review the reporting needs of the business and develop a clear schedule for the timely production of regular and extrabudgetary financial reports from Umoja.**

Business information

46. In common with other United Nations users of the Umoja system, ITC experienced problems with the reporting functionality. Only a few ITC users were able to access the business intelligence module that enables more granular business information and to provide the detailed listings to support balances and transactions. ITC has confirmed that a number of staff in the Division of Programme Support have now gained access to the business intelligence module, but the roll-out to the rest of the business has been slow, as staff need to undertake training before access is granted. Until business intelligence is available and utilized more widely the key reporting benefits will not be realized.

47. The availability of the business intelligence module is central to the ability of ITC to use the additional information held within Umoja and to provide data to better inform management decision-making. The absence of business intelligence reporting led to additional difficulties in ITC providing efficient audit trails to support the financial statements. The Board recognizes that it will take time for users to become familiar with a major new information technology system and the reporting functionality which it provides. There is significant scope to make the processes for accounts preparation more efficient as use of the business intelligence module matures.

48. ITC informed the Board that, due to pressures on United Nations Secretariat staff in New York, there had been more limited support for ITC in accessing the relevant report scripts to enable it to produce standard business reports, reducing the scope to improve financial management. While budget monitoring at the project level is in place, the Board is concerned that budget monitoring at the ITC level has not taken place. Noting the increasing financial pressures and the reduction in voluntary contributions, it will be increasingly important for ITC to have regular monitoring of its financial position. The use of business intelligence can also help ITC to monitor trends and outliers, which might indicate unusual patterns of expenditure or allowances.

49. **The Board recommends that, to further strengthen internal control, the business intelligence functionality should be used to identify exceptions and patterns of expenditure so as to provide insight and focus for management validation and review.**

50. ITC has a different financing model to many United Nations entities as it receives around half of its funding from donors. As a consequence, it needs to have data to support the monitoring of its extrabudgetary activities. In the Board's discussions with ITC, management highlighted the difficulties in obtaining the necessary access and report solutions to provide the data they consider essential to monitor these activities. ITC is discussing with the Umoja team providing ITC with a suitable solution to replicate the information previously available through the project portal, which pulled live data on project expenditure, budget and obligations from the IMIS legacy system. Following some other United Nations Secretariat entities using Umoja that have extrabudgetary activities, ITC decided to enhance the project portal and to complement Umoja reporting.

51. The portal provides detailed information that is not currently available from Umoja reports and facilitates improved project management discipline. This includes providing greater ability to report on a results based basis and to enhance project management and control. The costs of the portal have been capitalized at $767,000, and the final phase of the portal will be introduced in 2016. The Board noted that ITC did not establish a detailed budget breakdown for the enhancement of the existing portal and that the remaining tasks and workplans will be presented to the senior management team in August 2016. The Board notes that the Senior Management Committee approved the proposal to develop the portal in September 2014.

52. The enhancement of the portal provides additional functionalities such as programmatic and results based management reporting that are not available currently in the Umoja system. In order to demonstrate the value provided by the portal it is important for ITC to assess the benefits derived from it and confirm that

it has delivered the objectives which were anticipated. It is also important to ensure that the portal can be integrated with the Umoja system to ensure that it draws upon a single data set. The United Nations Secretariat is aware of the reporting deficiencies in Umoja and some of the issues are planned to be resolved in 2016 by sending an expert to ITC. The reporting functionality in Umoja and the enhanced project portal will be an area which will remain a focus for the Board once it has become embedded in the ITC processes.

53. **The Board recommends that ITC records the costs and benefits of the upgrade of the project portal and ensure that, if information is produced from the portal, it is reconciled to project information in Umoja.**

C. Disclosures by management

1. Write-off of losses of cash, receivables and property

54. ITC reported that it had formally written off equipment in an amount of $51,791 and non-recoverable receivables in an amount of $146,474 in the year ended 31 December 2015. The write-offs of non-recoverable receivables were mainly in relation to contributions from donors and overpayments of rental subsidy to several staff members due to an administrative error. In 2014, ITC wrote off $3,872 of property, plant and equipment. No other write-offs were identified through the Board's audit work.

2. Ex gratia payments

55. ITC reported no ex gratia payments for the year ended 31 December 2015. None were identified through the Board's audit work.

3. Cases of fraud, presumptive fraud and financial mismanagement

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

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

58. ITC reported no cases of confirmed fraud or presumptive fraud for the year ended 31 December 2015. None were identified through the Board's audit work. ITC brought to the Board's attention one case of misuse of funds by one of the ITC implementing partners, who received advance funding of $105,000 for the delivery of a project. ITC commissioned a review into the circumstances of the alleged misuse of funds and the review confirmed that some $7,000 out of the total paid had been misappropriated on items of expenditure not related to the delivery of the project. ITC has undertaken a number of actions to initiate recovery of these funds

and has suspended future payments to the implementing partner involved. ITC informed the Board that it has further strengthened the monitoring of such projects through more regular contact with implementing partners to assess project progress and to obtain reports on expenditure undertaken to date so that any risks to project delivery can be assessed.

59. In common with other United Nations entities the Board considers that the level of fraud awareness and the mechanisms through which fraud might be reported are not well developed. The identified instance of misuse of funds underlines the importance of being proactive in identifying fraud risks. The Board has further noted the need to improve arrangements for fraud awareness, including training and the availability of a fraud response plan, to highlight how staff can report fraud. ITC should also consider how it might use Umoja data to identify exceptions and trends to better identify unusual or exceptional transaction patterns. This will enable it to better target management resources or OIOS efforts on higher risk areas. Consequently the Board considers that, in line with many other United Nations entities, there are risks that the level of fraud may be underreported. In its previous report (A/70/5 (Vol. III)), the Board highlighted the need to undertake fraud risk assessments.

60. **The Board recommends that ITC should update its fraud policy and response plan and circulate it to reinvigorate fraud awareness both internally and within its implementing partners, consider a programme of training and explore the potential of Umoja to identify unusual transaction trends and patterns.**

D. Acknowledgement

61. The Board wishes to express its appreciation for the cooperation and assistance extended to its staff by the Executive Director and members of the staff of ITC.

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

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

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

19 September 2016

Annex

Status of implementation of recommendations

Of the eight recommendations made by the Board in its report on the 2014 financial statements, ITC had fully implemented four (50 per cent), while three (37.5 per cent) were under implementation and one (12.5 per cent) was overtaken by recent events. The Board followed up on the implementation of 10 recommendations from the 2010-2011 and 2012-2013 reports that were reported as outstanding in the 2014 report. Of these, six (60 per cent) were fully implemented, one (10 per cent) was under implementation and three (30 per cent) were closed by the Board and followed up through subsequent recommendations that reiterated the points raised by the Board.

Financial period first made and reference	*Summary of recommendation*	*Administration's comment on status — March 2016*	*Board's comment on status — March 2016*	*Fully implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*	*Closed by the Board*
2014 (A/70/5 (Vol. III), chap. II, para. 13)	Establish sufficient management review processes to ensure accurate and complete data transfer between Umoja and IMIS, and that adequate audit trails are created to support the preparation of financial statements in 2015	The processes were well coordinated by the United Nations Office at Geneva and successfully implemented	Although the process for implementing Umoja has been difficult and the audit trail has been complex, ITC had good, disciplined processes around data transfer. This recommendation is now fully implemented	X				
2014 (A/70/5 (Vol. III), chap. II, para. 16)	Further embed the understanding of IPSAS within the business through further targeted training, in particular ensuring that year-end transactions are appropriately dated so that they are accounted for in the correct reporting period	Through continuous in-house presentations, briefing sessions and technical discussions, ITC was able to improve the IPSAS knowledge of its staff. Donor agreements and related grants are recorded in a timely manner, which represents the basis for revenue recognition. Managers are more aware of the impact of legal provisions contained in the donor agreements (conditionality). Outstanding unliquidated obligations are carefully reviewed based on the delivery principle by the managers for their validity.	ITC organized training on IPSAS, as recommended by the Board. Our audit has identified the need for further work to embed IPSAS processes within the business, particularly among programme staff in relation to Umoja workflows. The Board made a recommendation in the 2015 report for such training. Based on the evidence provided, this specific recommendation is considered to be implemented	X				

Financial period first made and reference	*Summary of recommendation*	*Administration's comment on status — March 2016*	*Board's comment on status — March 2016*	*Fully implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*	*Closed by the Board*
		This has resulted in the successful preparation of 2014 and 2015 financial statements in accordance with IPSAS						
2014 (A/70/5 (Vol. III), chap. II, para. 21)	Use the benefits realization plan and the improved financial information derived from IPSAS to inform and manage financial risk	Benefits realization is an ongoing process coordinated by the United Nations in New York and ITC is required to report regularly	Reporting of benefit realization improved since last year. However, ITC needs to embed IPSAS information in decision-making. Therefore, the recommendation is considered to be under implementation		X			
2014 (A/70/5 (Vol. III), chap. II, para. 24)	Develop a fraud risk assessment to identify areas susceptible to fraud risk, and consider the current mitigations to manage this risk. Further, management should utilize improved functionality in Umoja and the consultant's database to produce exception reports to support management review	ITC identified a case of financial mismanagement (misuse of funds by the implementing partner). This resulted in strengthened monitoring of similar projects	The Board noted that ITC is looking into strengthening its monitoring processes but more can be done to identify potential fraud and plan how to respond to it through fraud risk assessments and review of exceptions in Umoja. Therefore, the recommendation is considered to be under implementation		X			
2014 (A/70/5 (Vol. III), chap. II, para. 44)	Further review of costs attributable to projects and to identify valid costs that can be directly allocated to projects in line with a clear methodology. ITC should use the new functionalities of Umoja and the next phase of the project portal programme to build better data to inform management's decisions on how programme support costs are identified and the rate at which they should be recovered, and to inform a costing strategy	Over the past year, ITC has advanced with cost allocation at the level of the six focus areas. ITC also introduced output based budgeting as mandatory for all new projects. This is enforced through the new project portal templates and the project quality review process. Regarding programme support costs, ITC applies rates that are decided by the United Nations Secretariat	ITC uses new functionalities in Umoja to record transactions. However, the level of detail is not sufficient and ITC decided to create a new project portal to obtain information for review of costs attributable to the projects. The recent evaluation report has highlighted the need to be a better data-driven organization and a better understanding of project costs is central to this. This recommendation remains		X			

Financial period first made and reference	*Summary of recommendation*	*Administration's comment on status — March 2016*	*Board's comment on status — March 2016*	*Fully implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*	*Closed by the Board*
			under implementation as application of the current United Nations recovery rates does not help ITC ensure full costs are passed on to donors					
2014 (A/70/5 (Vol. III), chap. II, para. 46)	Clear aged balances held on projects through repayment or reinvestment of funds, as agreed with the donors on a timely basis	Considerable progress has been made in reducing the balance, which now amounts to $876,700. It is expected that this balance will be cleared in 2016	Due to the progress made in 2015 and planned work to clear the balance in 2016, the Board considers this implementation to be fully implemented	X				
2014 (A/70/5 (Vol. III), chap. II, para. 52)	Develop a strategy to ensure that information in the e-performance system and Umoja is used in an integrated way to aid efficiency and enhance reporting on a consistent basis	ITC has developed a new e-Roster (hiring) tool with an integrated e-Performance tool which allows ITC to keep track of and consolidate consultant and individual contractor performance against specific assignment terms of reference. This is not duplicated in Umoja so it provides an efficient knowledge base	ITC took action to ensure there was no duplication in the process due to implementation of Umoja. The Board considers that this recommendation is now fully implemented	X				
2014 (A/70/5 (Vol. III), chap. II, para. 55)	Develop a reporting tool within the database, in particular the e-performance module, and use it to provide broader management information on consultants, focusing on the level of performance and any risks to project delivery	ITC does not yet have access to the business intelligence module in Umoja which is the detailed reporting part. Once obtained, ITC will make an assessment on whether it is adequate or whether there is a need to develop something more robust on the reporting side in the consultants database. This is also to ensure efficiencies and avoid any duplication	Due to migration to Umoja, some functions of the database were moved to the new system. Therefore, the Board considers this recommendation was not implemented as it was overtaken by recent events				X	

Financial period first made and reference	Summary of recommendation	Administration's comment on status — March 2016	Board's comment on status — March 2016	Fully implemented	Under implementation	Not implemented	Overtaken by events	Closed by the Board
2012-2013 (A/69/5 (Vol. III), chap. II, para. 14)	Regularly inform both the General Assembly and the General Council of WTO of the projected future level of funding required to support end-of-service liabilities	After-service health insurance liabilities are shown in the financial statements of ITC, which are transmitted to the United Nations General Assembly and to the General Council of WTO. The financial statements are now prepared on an annual basis and include these liabilities. If required, ITC could include in note 13 the amount relating to the actuarial valuation of the after-service health insurance liabilities for the General Fund, programme supports costs and extrabudgetary resources	This recommendation remains under implementation. The financial statements show the current level of obligation, but do not anticipate the future funding needs of ITC, in particular in light of reduced funding from donors. This recommendation is under implementation and the Board considers the analysis proposed by ITC would be useful in future years		X			
2012-2013 (A/69/5 (Vol. III), chap. II, para. 19)	Review whether the current rates for programme support recover the full costs of projects	Through the enforcement of output-based costing across all new ITC projects (starting in 2015), cost calculations have become much more transparent. While ITC is not able to set programme support cost rates itself (they are determined by the Secretariat), the output based costing allows negotiation of additional cost items under specific budget lines, in addition to the programme support cost rates	This recommendation has been closed by the Board as the recovery of project costs has been raised as a recommendation in the 2014 long-form report. Progress will be followed up through a subsequent recommendation, which is currently under implementation					X
2012-2013 (A/69/5 (Vol. III), chap. II, para. 21)	(a) Further develop the project plan for the continuing costing methodology work and include key milestones and outputs to enable active monitoring of the project; and (b) thoroughly analyse ITC regular budget costs to enable full costing of projects	Regular budget costs of ITC have been thoroughly analysed. Regular budget costs have been attributed to focus areas for 2015 reporting to donors. A costing approach has been developed. How Umoja can best support the application of this approach will still need to be further explored	ITC needs to consider whether the functionality built into Umoja or the project portal can provide sufficient information on the costs of projects. The Board decided to close this recommendation and report on the progress through the recommendation on costing of the projects reiterated in the 2014 long-form report, which is currently under implementation					X

Financial period first made and reference	*Summary of recommendation*	*Administration's comment on status — March 2016*	*Board's comment on status — March 2016*	*Fully implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*	*Closed by the Board*
2012-2013 (A/69/5 (Vol. III), chap. II, para. 37)	Evidence more thoroughly the evaluation of three candidates [within the consultancy database]	ITC currently deploys the same level of organizational scrutiny as the United Nations Secretariat in terms of oversight of the managerial evaluation of three candidates. Notwithstanding the ongoing push towards personal and professional accountability for hiring managers, ITC will amend its process of hiring consultants to ensure that the names of any potential consultants who were considered, but not ultimately selected, are made explicit together with the reasons for their non-selection	We found evidence of more thorough evaluation of the candidates. This recommendation has now been fully implemented.	X				
2012-2013 (A/69/5 (Vol. III), chap. II, para. 40)	Seek to quality assure performance evaluations of consultants	ITC rolled out a new online consultant appraisal tool that incorporates a quality assurance element	We reviewed the performance tool incorporated into the consultants database and found it satisfactory. This recommendation has now been fully implemented	X				
2010-2011 (A/67/5 (Vol. III), chap. II, para. 31)	Review the methodology for charging programme support and ensure that the full costs of staff are charged to all projects. ITC will review the amount accrued and consider increasing the rate to include the funding of end-of-service liabilities	The General Assembly, in its resolution 68/244, endorsed the recommendation of the Advisory Committee on Administrative and Budgetary Questions to continue the pay-as-you-go approach for the after-service health insurance liabilities for the regular budget at the present time. ITC follows the United Nations Secretariat's lead for extrabudgetary funded staff	This recommendation has been closed by the Board as the funding of end-of-service liabilities and costing of projects have been raised as recommendations in the 2012-2013 and 2014 long-form reports. Progress will be followed up through the subsequent recommendations, which are currently under implementation					X

Financial period first made and reference	*Summary of recommendation*	*Administration's comment on status — March 2016*	*Board's comment on status — March 2016*	*Fully implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*	*Closed by the Board*
2010-2011 (A/67/5 (Vol. III), chap. II, para. 59)	(a) When reporting its achievement indicators, provide accompanying commentary and data that illustrates the extent to which the number of entities reporting improvements attributable to ITC are located in priority or less developed countries; (b) integrate its selected performance indicators with published synthesis reporting of its periodic detailed evaluation of programmes, to provide deeper insight and assurance on the existence of improvements and their attribution to ITC input; and (c) reduce the inconsistency and variation in the reported achievement indicators by producing detailed data definitions and guidance notes as soon as possible after the agreement of the indicators and well before 1 January 2014	(a) In reporting achievement indicators, data on least developed countries has been provided. However, due to the word limitations for biennial programme performance reports by ITC, some of the information is dropped/edited out in the final report versions. In the annual report narratives, ITC also provides information about results in priority countries. The ITC project portal tracks where results are achieved, which makes the information also easily accessible on demand; (b) since the publication of the 2014 annual evaluation synthesis report, the analysis attempts to address the question of to what extent the evaluated programmes and functions have contributed to achieving the corporate objectives of ITC. Reference is made to the annual evaluation synthesis documents from 2014 (p. 5) and 2015 (pp. 1 and 2) available on the ITC website at: http://www.intracen.org/itc/about/how-itc-works/evaluation-publications-and-synthesis/. Detailed data definitions for both outcome and output indicators as well as a guidance note were produced in 2011, to aid in the reporting on corporate strategic objectives and indicators of achievement. Equally, for the new indicators for the biennium	The Board considers that satisfactory progress has been made on reporting on indicators. The Board has also noted the results from the recent OIOS evaluation report on ITC (E/AC.51/2015/8). This recommendation is now fully implemented	X				

Financial period first made and reference	*Summary of recommendation*	*Administration's comment on status — March 2016*	*Board's comment on status — March 2016*	*Fully implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*	*Closed by the Board*
		2016-2017, guidance sheets outlining the methodology, periodicity, sources and responsibilities were produced. In the Integrated Monitoring and Documentation Information System platform definitions for all biennial outcomes and output indicators are provided						
2010-2011 (A/67/5 (Vol. III), chap. II, para. 60)	Consult with its stakeholders and other trade promotion agencies to ensure harmonization of reporting, and that the burdens implied by its own requirements are sustainable	ITC has defined the results indicators across its programmes in view of the Donor Committee for Enterprise Development results measurement indicators and the World Bank indicators on private sector development. The new ITC project portal is structured in a manner that also allows project managers to adopt the results indicators that were set for national development programmes or multi-agency projects (e.g. United Nations Development Assistance Framework). For trade and investment support institutions, a benchmarking system was developed in close cooperation with stakeholders for such institutions. Thereby, ITC reduces the burdens for project stakeholders	The Board considers that this recommendation is now fully implemented due to improved consultation with stakeholders on reporting of indicators. However, the Board notes the need for continued improvement in the capacity for reporting results as highlighted by the OIOS evaluation of ITC	X				
2010-2011 (A/67/5 (Vol. III), chap. II, para. 65)	Establish a link between achievements and the resources allocated, and use data on underachievement to inform the reallocation of funds	ITC has organized its trade-related technical assistance strategy into six focus areas and 15 programmes. For all 15 programmes theories of change were developed, which considered lessons learned in the past. They allow the tracking of results	While noting the scope for improvement highlighted above, ITC is making progress on this recommendation and it is now considered to be implemented	X				

Financial period first made and reference	*Summary of recommendation*	*Administration's comment on status — March 2016*	*Board's comment on status — March 2016*	*Fully implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*	*Closed by the Board*
		at the programme level and at the corporate level. The allocation of funds to these programmes is based on the strategy. It is also influenced by funder preferences that are steered based on the strategy						
2010-2011 (A/67/5 (Vol. III), chap. II, para. 80)	With immediate effect, require both peer reviews and senior management to seek evidence of detailed planning for at least the early phases of work following initiation	The ITC project design process requires both logical frameworks and workplans. This is supported by the new project portal and reviewed in the project approval process. During project implementation, project managers are asked to prepare annual detailed workplans	This recommendation has now been fully implemented	X				

Chapter III
Certification of the financial statements

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

The financial statements of the International Trade Centre for the year ended 31 December 2015 have been prepared in accordance with financial rule 106.1.

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

I certify that the appended financial statements of the International Trade Centre, numbered I to V, are correct, in all material respects.

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

Chapter IV
Financial report for the year ended 31 December 2015

A. Introduction

1. The Executive Director of the International Trade Centre (ITC) has the honour to submit the financial report on the accounts of the Centre for the year ended 31 December 2015.

2. The present report is designed to be read in conjunction with the financial statements. Attached to the report is an annex with supplementary information which is required to be reported to the Board of Auditors under the Financial Regulations and Rules of the United Nations.

3. The Centre is the joint technical cooperation agency of the United Nations and the World Trade Organization (WTO) for trade and international business development. Its aim is to improve the international competitiveness of small and medium-sized enterprises from developing countries, especially least developed countries, and countries with economies in transition through the delivery of trade-related technical assistance.

4. The Centre's 2015 portfolio of work centred around its six focus areas: (a) providing trade and market intelligence; (b) building a conducive business environment; (c) strengthening trade and investment support institutions; (d) connecting to international value chains; (e) promoting and mainstreaming inclusive and green trade; and (f) supporting regional economic integration and South-South links.

5. In 2015, ITC delivered 5.0 per cent more technical assistance, capacity-building and market intelligence than the year before, with gross extrabudgetary expenditures reaching an all-time high of over $55.262 million (gross). Performance was well above the outcome targets that were set for the 2014-2015 biennium. The Centre continued its commitment to prioritize the most vulnerable countries, least developed countries, land-locked developing countries, small island developing States and sub-Saharan Africa, with over 70.0 per cent of its region-specific extrabudgetary expenditure dedicated to these groups of countries in 2015 (against 64.0 per cent planned expenditure).

6. The delivery performance of ITC remains strongly supported by corporate initiatives for innovation and fundraising. In 2015, the pipeline of ITC projects under development was valued at over $262.882 million, demonstrating a healthy growth perspective. The Centre responded to increased demands for assistance by boosting investment in needs assessment and project design. During the year, $1.213 million was approved for innovative projects from the Business Development Fund. The refugee crisis in 2015 has made fundraising for trade-related technical assistance more challenging. Moreover, it has shifted long-term development aid priorities towards this rapidly growing, vulnerable population. In a rapid response to this crisis, two new ITC initiatives are targeted towards refugees and economic migrants and will become fully operational in the coming year.

7. In accordance with its workplan (see A/68/70, para. 60), the Office of Internal Oversight Services (OIOS) of the Secretariat evaluated the performance of ITC and issued an evaluation of the Centre (E/AC.51/2015/8) in March 2015. The evaluation

found that during the period under evaluation (2006-2014), ITC had successfully delivered project activities and outputs in the areas of specialized trade research, capacity-building, policy support and export competitiveness and that the products and services of the Centre had reached beneficiaries in developing countries, post-conflict States and transitional economies and these were regarded by both beneficiaries and donors as relevant. The OIOS evaluation followed an independent external evaluation of ITC commissioned by a group of ITC funders, which covered the period 2006-2013 and was completed in 2014. Like the OIOS evaluation, the independent evaluation found ITC to be providing high-quality, practical support to developing countries seeking to drive development through trade. The independent evaluation made four strategic recommendations to ITC management, governing bodies and supporters. The response from ITC management was endorsed by the ITC Joint Advisory Group in January 2015. The recommendations of the two evaluations overlapped and ITC has been addressing all of them. The recommendations covered the areas of strategic planning, protection of the Centre's distinctive working assets (its special capacity to deal with the private sector in trade and its excellence in technical expertise and appropriate technical assistance), pragmatic strengthening of governance and results-based management, visibility, acceleration in mainstreaming cross-cutting issues and, in the OIOS evaluation, the development of a management response and action plan in response to the independent evaluation of the Centre. The Centre has been implementing all evaluation recommendations and reports progress in implementing them to its governance bodies twice a year.

8. In 2015, ITC continued to increase its efficiency and effectiveness through a number of initiatives, including the following:

(a) The Centre has strengthened its impact focus by moving towards a programme-based approach. The Centre has agreed on 15 programmes within its six focus areas. Principles guiding the programme development process included the development of a theory for change in each focus area or set of programmes within a harmonized organizational results framework; a standardized approach to measuring results; and an inclusive consultative process involving external stakeholders;

(b) In June 2015, ITC adopted a revised evaluation policy. The new policy is designed to better leverage independent evaluations and project self-evaluations in measuring and reporting on development results. Aligned to the corporate strategy of ITC for measuring and demonstrating results, the revised policy for the Centre's evaluation function was endorsed by the 2016 professional peer review by the United Nations Evaluation Group and the Development Assistance Committee of the Organization for Economic Cooperation and Development, comprised of evaluation experts from multiple United Nations organizations and from a donor Government;

(c) The Centre launched its new project portal as a fully integrated project management application that not only ensures quality controlled project design, multi-year planning and project monitoring and reporting, but also enables performance tracking across the project portfolio and reporting on cross-cutting markers for gender, youth and the environment. The platform was introduced following a phased implementation plan; subsequent phases will focus on integration with Umoja, the development of advanced reporting features and additional customization of functionalities;

(d) By investing further in its e-learning initiative, ITC expanded outreach and reduced costs and its carbon footprint. The Trade Academy for Small and Medium-sized Enterprises trained over 4,900 participants in 2015, with the numbers expected to grow at double-digit rates in 2016;

(e) As an expertise-driven organization, ITC has invested in technical skills training for its staff, and also conducted a new staff engagement survey at the end of 2015;

(f) The Centre has been particularly successful in strengthening existing partnerships and pursuing new ones with international and regional organizations, foundations, economic communities and academia. By proactively partnering with renowned private sector counterparts, ITC provided innovative technical assistance and boosted its impact on the ground. Following the recommendation of the independent ITC evaluation in 2014, the organization also increased its visibility through representation in over 60 events, delivering keynote and other speeches, and through increased media outreach;

(g) With the support of OIOS, ITC has set the foundations for development of an integral risk management framework and associated tools and processes to improve and further standardize existing corporate risk management practices.

9. At the forty-ninth session of the annual meeting of the Joint Advisory Group, convened in Geneva on 26 June 2015, member States expressed strong support and interest for the clear and specific mandate of ITC and its unique role in ensuring that the benefits of trade opening are fully used by beneficiaries in developing countries, and especially among vulnerable groups such as women and youth. The Centre was commended for its ability to galvanize partnerships, including with the private sector, and its work to complement traditional aid for trade with investment for trade and other private sector contributions.

B. Adoption of International Public Sector Accounting Standards

10. The production of financial statements that are compliant with the International Public Sector Accounting Standards (IPSAS) for the second year running for the year ended 31 December 2015, during this IPSAS post-implementation phase, is a confirmation of the ability and agility of ITC to support long-term sustainability of IPSAS compliance. Following on the successful production of the Centre's first IPSAS-compliant financial statements for the year ended 31 December 2014, this second successful achievement is a testimony to the power of cooperation among many stakeholders to deliver and place change on a sustainable platform.

Highlights of key changes to the financial statements

11. As presented in the latest progress report of the Secretary-General on IPSAS implementation (A/70/329), the IPSAS sustainability concept and approach encompasses five major components identified as the core pillars of IPSAS sustainability, namely: (a) IPSAS benefits management, which entails tracking, monitoring and compiling regular reports, including to the General Assembly, on

IPSAS benefits; (b) strengthening internal controls organization-wide; (c) managing the IPSAS regulatory framework to implement changes in IPSAS standards and drive related changes to systems, which entails monitoring and tracking the development of new standards by the IPSAS Board and changes to old standards and keeping the Organization abreast of these developments, as well as keeping the IPSAS policy framework up to date; (d) supporting the transition to Umoja as the system and book of record for IPSAS-compliant accounting and reporting, including asset accounting and automating financial statements through Umoja; and (e) continued IPSAS training and the deployment of a skills strategy.

12. All of the above activities are currently ongoing and will continue through 2017.

C. Overview of the financial statements for the year ended 31 December 2015

13. Financial statements I, II, III, IV and V show the financial results of the activities of ITC and its financial position as at 31 December 2015. The notes to the financial statements explain the Centre's accounting and financial reporting policies and provide additional information on the individual amounts contained in the statements.

Revenue

14. The financial results for the year 2015 which amounted to a deficit of $32.027 million, based on the results as follows:

Financial results

(Thousands of United States dollars)

	2015	*2014*
Total revenue	70 627	109 574
Total expense	102 654	101 872
Surplus (deficit)	(32 027)	7 702

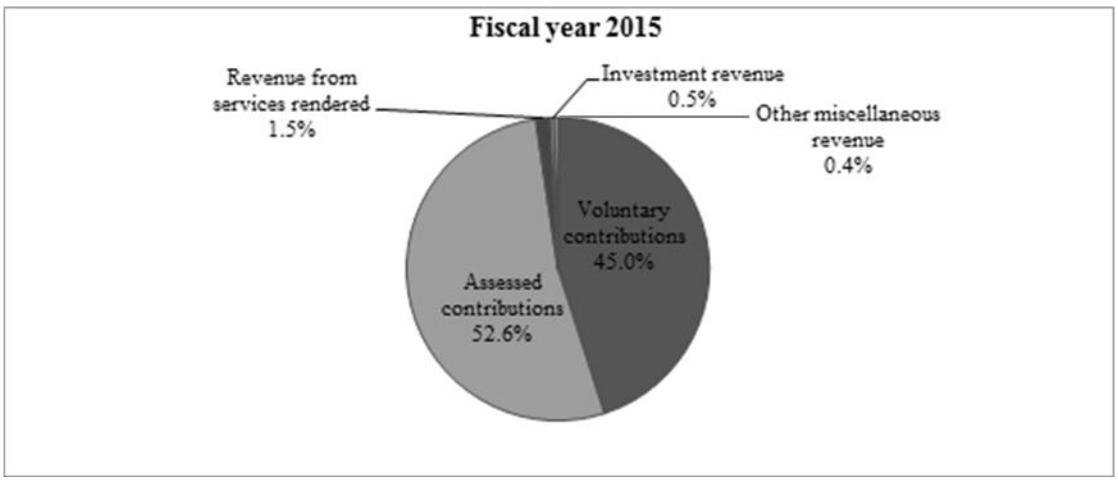
15. In 2015, revenue amounted to $70.627 million. The main sources of revenue were assessed contributions of $37.156 million, or 52.6 per cent; voluntary contributions received from donors of $31.808 million, or 45.0 per cent; revenue received for rendering services of $1.065 million, or 1.5 per cent; investment revenue of $0.310 million, or 0.5 per cent and other revenue of $0.288 million, or 0.4 per cent. Total revenue also includes an in-kind contribution comprising a rental subsidy of $2.782 million for the year, which represents the difference between the market value and the actual amount paid for the rental of the building occupied by ITC.

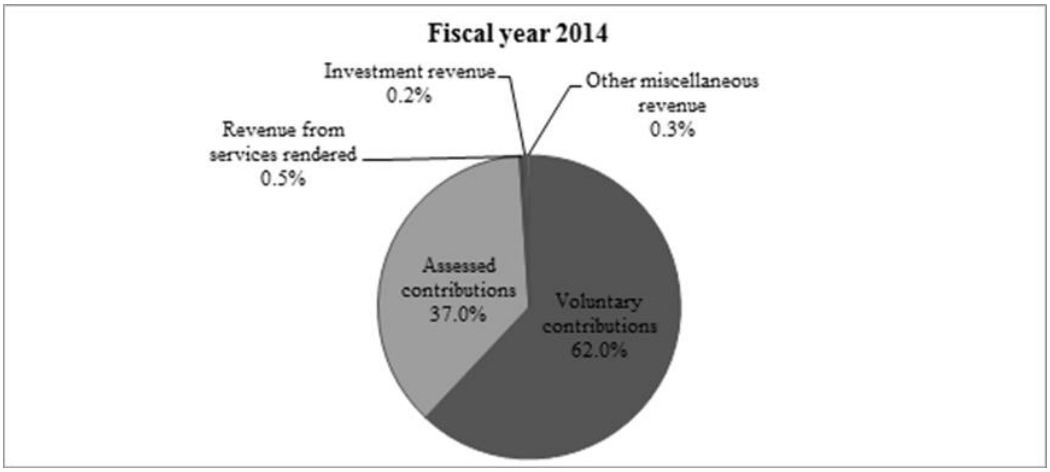
16. As shown in figure I, the decrease in revenue resulted from a decline in the amount of voluntary contributions recognized as revenue in 2015 when compared with 2014.

17. This is attributable in part to the introduction of IPSAS, which required the recognition of voluntary contributions receivable as revenue in the year in which the agreement with the donor is signed, rather than when the cash is received as had been the policy under the United Nations system accounting standards. Voluntary contributions often cover multi-year periods, however, which means that part of the revenue recognized in previous years is used for current or future year activities. The value of multi-year agreements (with the Department for International Development of the United Kingdom of Great Britain and Northern Ireland, Denmark, Norway, the World Bank, Switzerland and others) signed in 2014 was higher than those signed in 2015. This resulted in the one-time recognition in 2014 of an estimated $45.000 million in revenue from voluntary contributions to be delivered in future periods. In 2015, revenue related to multi-year agreements (approximately $12.000 million) was lower than in 2014.

18. Overall, on a year to year basis, the value of voluntary contribution agreements signed with donors in 2015 was $31.800 million, demonstrating a continuing level of ongoing support from donors for ITC activities.

Figure I
Total revenue (IPSAS basis), by fiscal year

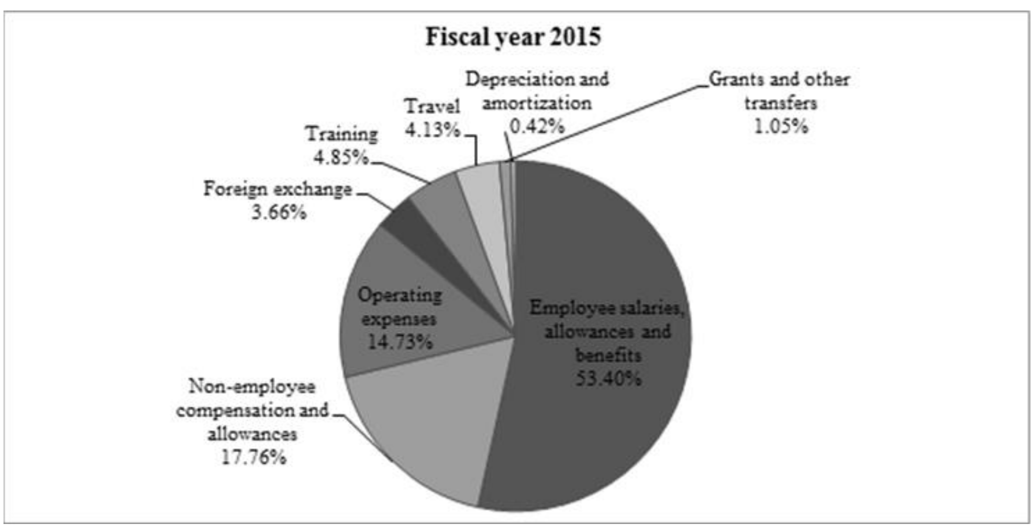


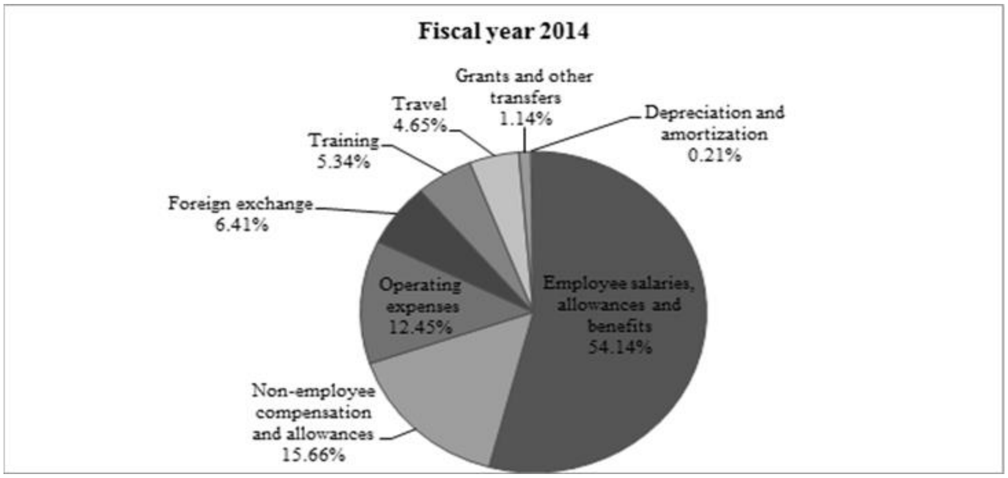


Expenses

19. For the year ended 31 December 2015, expenses totalled $102.654 million. The main expense categories were staff costs of $54.821 million, or 53.4 per cent, non-employee compensation and allowances of $18.228 million, or 17.76 per cent, general operating expenses of $15.116 million, or 14.73 per cent, foreign exchange losses of $3.757 million, or 3.66 per cent, training of $4.984 million, or 4.85 per cent, travel expenses of $4.242 million, or 4.13 per cent, grants and other transfers of $1.075 million, or 1.05 per cent, and depreciation of $0.431 million, or 0.42 per cent (see figure II). Staff costs include $5.677 million of interest costs and current service costs related to defined benefit obligations (after-service health insurance, annual leave and repatriation grant and travel). In accordance with the policy set by the United Nations Controller, programme support costs on expenses generated by the implementation of project activities are charged based on rates ranging from 7.0 per cent to 13.0 per cent. These costs are included in the project expenses.

Figure II
Total expenses (IPSAS basis), by fiscal year





20. Total personnel costs for 2015, which includes staff costs and non-employee compensation and allowances, totalled $73.049 million; this amount represents 103 per cent of the total revenue, which was reported at $70.627 million for the year.

Operating results

21. The net deficit of revenue over expense in 2015 is $32.027 million. The principle of matching revenue and expenses does not apply to revenue received from voluntary contributions, however, with the result that revenue from voluntary contributions is recognized when the donor executes a binding agreement with ITC, not when the cash is received from the donor, while expenses resulting from the delivery of the services covered by the contribution are recorded in the financial period when the expense was incurred. This means that contributions received in one financial year may not be spent until a future financial period, in particular where agreements are signed late in the financial year and span over several future years.

22. It is estimated that approximately $40.000 million of 2015 expenses relate to agreements signed prior to 2015.

Assets

23. Assets as at 31 December 2015 totalled $99.311 million compared with the balance at 31 December 2014 of $134.592 million.

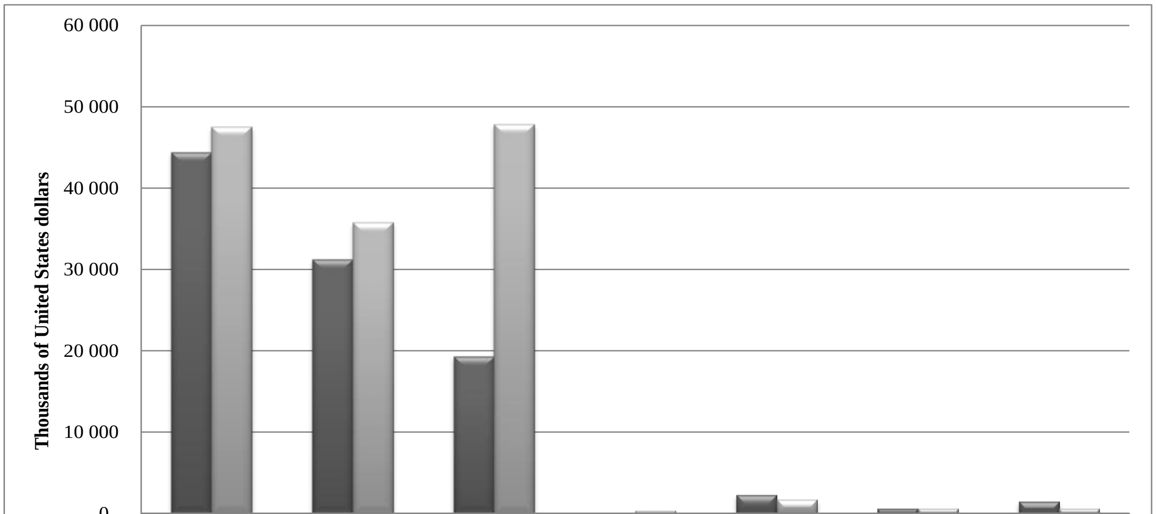
24. The main assets at 31 December 2015 are cash and cash equivalents and investments totalling $44.396 million representing 44.7 per cent of the total assets, and voluntary contributions receivable from donors for technical cooperation projects of $50.504 million, or 50.9 per cent. The remaining assets consist of staff advances, other accounts receivable, property, plant and equipment and intangible assets.

25. Cash and cash equivalents and investments of $44.396 million as at 31 December 2015 are held in the United Nations cash pool. This represents a decrease of $3.160 million over the balance held at the end of 2014, owing primarily to the increased delivery of technical cooperation activities in 2015.

26. Under IPSAS, accounts receivable from voluntary contributions may be recognized in full on signature of an agreement, including amounts due in future financial periods. One exception is agreements, such as those with the European Union, that contain conditions requiring return of the contribution if funds spent are not in accordance with the terms and conditions specified by the donor. Of the total of $50.504 million due as at 31 December 2015, $31.203 million is expected to be received in 2016 and the balance of $19.301 million is expected after 2016.

27. As noted in figure III, long-term voluntary contributions receivable show a decline from $47.864 million to $19.301 million, while short-term voluntary contributions receivable show a decline from $35.761 million to $31.203 million. The overall reduction in voluntary contributions receivable, $33.121 million, is due to the upfront recognition of settlement received during 2015 and the lower level of new multi-year agreements signed in 2015.

Figure III
Summary of assets, by fiscal year



	Cash available	Voluntary contributions receivable — current	Voluntary contributions receivable — non-current	Other accounts receivable	Other assets	Property, plant and equipment	Intangible assets
2015	44 396	31 203	19 301	40	2 304	587	1 480
2014	47 556	35 761	47 864	369	1 730	654	658

Liabilities

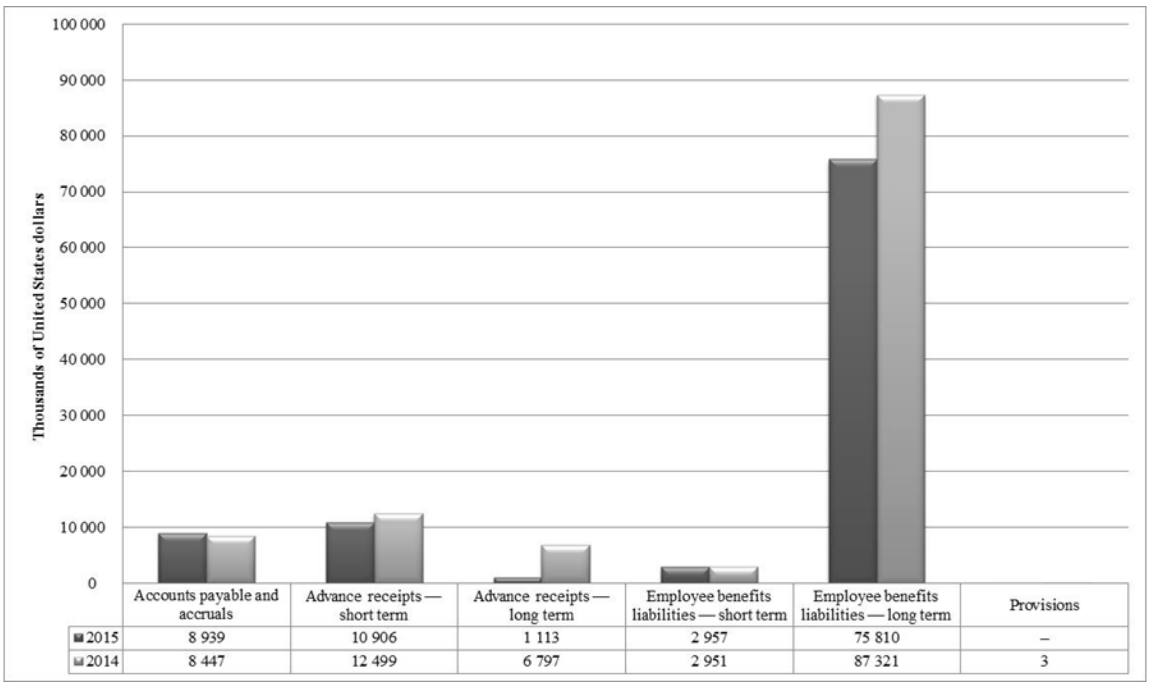
28. Liabilities as at 31 December 2015 amounted to $99.725 million compared with the balance at 31 December 2014 of $118.018 million.

29. The most significant liability (see figure IV) was the employee benefits earned by staff members and retirees but not paid at the reporting date, primarily liabilities for after-service health insurance. These liabilities accounted for $78.767 million, representing 78.9 per cent of total liabilities of ITC in 2015 and are explained in note 12 to the financial statements. The decrease in employee benefits liabilities by $11.505 million is primarily the result of recognized actuarial gains amounting to

$15.039 million arising due to changes in financial assumptions and experience and demographic adjustments.

30. The other significant liability was advance receipts, which relate mainly to voluntary contributions from the European Union under agreements that contain conditions requiring the return of any funds that are not spent in accordance with the terms of the agreement. These amounts represent the portion of the contribution that has not been recognized as revenue since it has not been delivered by ITC as at 31 December 2015. The remaining amounts under advance receipts are contributions received in advance where agreements had not been signed as at 31 December 2015. Advance receipts decreased by $7.277 million from $19.296 million reported in 2014 to $12.019 million in 2015 due to an increase in service delivery and a smaller level of conditional agreements in 2015.

Figure IV
Summary of liabilities, by fiscal year



Net assets

31. The movement in net assets during the year reflects a decrease of $16.988 million from $16.574 million in 2014 to $0.414 million in 2015 due to the positive actuarial change of $15.039 million offset by the operating deficit of $32.027 million. Net assets include the operating reserves, which decreased from $6.577 million in 2014 to $1.944 million in 2015. The decrease in the operating reserve results from short-term borrowing to cover delays in the payment of pledged contributions. Once donor funds are received the operating reserve is reimbursed and the funds are again available to meet a future need of the same nature.

Liquidity position

32. At 31 December 2015, the liquidity position of ITC was healthy; the entity had sufficient liquid assets to settle its obligations. Liquid funds totalled $60.709 million (cash and cash equivalents of $7.286 million, short-term investments of $22.180 million and account receivables of $31.243 million), whereas total current liabilities amounted to $22.802 million and total liabilities amounted to $99.725 million. Total cash resources of ITC remain fairly stable at $44.396 million. Of the total cash resources, $51.100 million represent funds received in cash from donors which will be expended in 2016 and future financial periods to deliver services covered by the agreements with the donor.

33. The table below summarizes key liquidity indicators for the financial year ended 31 December 2015 with comparatives for the year ended 31 December 2014.

	Year end 31 December	
Liquidity indicator	*2015*	*2014*
Ratio of liquid assets to current liabilities	2.7:1	2.8:1
Ratio of liquid assets less accounts receivable to current liabilities	1.3:1	1.3:1
Ratio of liquid assets to total assets	0.6:1	0.5:1
Average months of liquid assets less accounts receivable on hand	3.5	3.5

34. The ratio of liquid assets to current liabilities indicates the ability of ITC to pay its short-term obligations from its liquid resources. The ratio of 2.7:1 indicates that current liabilities are covered in excess of 2.7 times by liquid assets and, therefore, there are sufficient liquid assets available to fully pay liabilities should the need arise. When accounts receivable are excluded from the analysis, the coverage of current obligations is at 1.3 for both the current and the previous year.

35. At 31 December 2015, the liquid assets of ITC were about 60.8 per cent of its total assets and it held sufficient cash and cash equivalents and short-term investments to cover its estimated average monthly expenses of $8.519 million for 3.5 months.

36. As at the reporting date, ITC had employee benefits liabilities of $78.767 million. With total cash and cash equivalents and investments of $44.396 million, 56.4 per cent of the employee benefits liability is covered; no amounts were reserved in the accounts to cover employee benefits liabilities to be paid in the future.

Budgetary comparison

37. The original budget is adopted in Swiss francs; the final budget takes into consideration the result of exchange rate changes between the Swiss franc and the United States dollar taking place between the adoption of the original budget and the reporting date. Budget comparison and reconciliation details have been disclosed in note 16 to the financial statements.

38. Statement V, Comparison of budget and actual amounts, compares the final budget to actual amounts calculated on the same basis as the corresponding budgetary amounts. The comparison is made only in respect of the publically available regular budget as shown below.

	2015			*2014*		
	Final annual	*Actual (budget basis)*	*Difference (percentage)*	*Final annual*	*Actual (budget basis)*	*Difference (percentage)*
Revenue						
Assessed contributions from the United Nations	20 216	18 647	(7.7)	19 727	20 249	2.6
Assessed contributions from WTO	20 216	18 509	(8.4)	19 727	20 262	2.7
Miscellaneous revenue	210	307	46.1	211	292	38.4
Total revenue	40 642	37 463	(7.8)	39 665	40 803	2.9
Regular budget						
Posts	32 197	29 964	(6.9)	31 423	29 626	(5.7)
Non-post	8 445	10 246	21.3	8 242	7 733	(6.2)
Total expenses	40 642	40 210	(1.1)	39 665	37 359	(5.8)
(Deficit)/surplus for year	–	(2 747)	–	–	3 444	–

39. The surplus of $3.444 million for fiscal year 2014 and the deficit of $2.747 million for fiscal year 2015 results in the overall biennium budgetary surplus of $0.697 million.

40. Pursuant to IPSAS 24, Presentation of budget information in financial statements, material differences between the final budget and actual expenses that are greater than 10 per cent should be explained. The United Nations contribution to the ITC budget is approved as a grant. During the biennium, funds were redeployed between budget components. Spending under the non-post heading is attributable to higher spending on building renovations, general temporary assistance for Umoja implementation and optimization and redeployment of available resources to deliver substantive activities. This translated into a variance of 21.3 per cent between the final budget and actual expenses for fiscal year 2015.

Annex

Supplementary information

1. The present annex includes the information the Executive Director is required to report.

Write-off of losses of cash and receivables

2. Pursuant to financial rule 106.7 (a), an amount of non-recoverable receivables equivalent to $0.146 million has been written off during 2015.

Write-off of losses of property

3. Pursuant to financial rule 106.7 (a), total write-offs of non-expendable property for ITC with respect to the financial statements during 2015 comprised three information technology items and three non-information technology items with a total original acquisition value of $0.052 million. These write-offs resulted from malfunction and obsolescence.

Ex gratia payments

4. There were no ex gratia payments during 2015.

Chapter V

Financial statements for the year ended 31 December 2015

International Trade Centre

I. Statement of financial position as at 31 December 2015

(Thousands of United States dollars)

	Reference	*31 December 2015*	*31 December 2014*
Assets			
Current assets			
Cash and cash equivalents	Note 4	7 286	10 229
Investments	Note 5	22 180	19 826
Voluntary contributions receivable	Note 6	31 203	35 761
Other accounts receivable	Note 6	40	369
Other assets	Note 7	2 304	1 730
Total current assets		**63 013**	**67 915**
Non-current assets			
Investments	Note 5	14 930	17 501
Voluntary contributions receivable	Note 6	19 301	47 864
Property, plant and equipment	Note 8	587	654
Intangible assets	Note 9	1 480	658
Total non-current assets		**36 298**	**66 677**
Total assets		**99 311**	**134 592**
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	Note 10	8 939	8 447
Advance receipts	Note 11	10 906	12 499
Employee benefits liabilities	Note 12	2 957	2 951
Provisions	Note 13	–	3
Total current liabilities		**22 802**	**23 900**
Non-current liabilities			
Advance receipts	Note 11	1 113	6 797
Employee benefits liabilities	Note 12	75 810	87 321
Total non-current liabilities		**76 923**	**94 118**
Total liabilities		**99 725**	**118 018**
Net of total assets and total liabilities		**(414)**	**16 574**

	Reference	*31 December 2015*	*31 December 2014*
Net assets			
Accumulated surplus/(deficit)		(2 358)	9 997
Operating reserves	Note 3.16	1 944	6 577
Total net assets		**(414)**	**16 574**

The accompanying notes form an integral part of these financial statements.

International Trade Centre

II. Statement of financial performance for the year ended 31 December 2015

(Thousands of United States dollars)

	Reference	*31 December 2015*	*31 December 2014*
Revenue			
Assessed contributions	Note 14	37 156	40 511
Voluntary contributions	Note 14	31 808	67 943
Revenue from services rendered	Note 14	1 065	542
Investment revenue	Note 14	310	265
Other revenue	Note 14	288	313
Total revenue		**70 627**	**109 574**
Expenses			
Employee salaries, allowances and benefits	Note 15	54 821	55 152
Non-employee compensation and allowances	Note 15	18 228	15 957
Training	Note 15	4 984	5 437
Travel	Note 15	4 242	4 738
Foreign exchange expenses	Note 15	3 757	6 532
Grants and other transfers	Note 15	1 075	1 163
Depreciation and amortization	Notes 8 and 9	431	213
Other operating expenses[a]	Note 15	15 116	12 680
Total expenses		**102 654**	**101 872**
(Deficit)/surplus for the year		**(32 027)**	**7 702**

[a] Other operating expenses for 2014 have been restated for comparison purposes.

The accompanying notes form an integral part of these financial statements.

International Trade Centre

III. Statement of changes in net assets for the year ended 31 December 2015

(Thousands of United States dollars)

	Accumulated surplus — restricted	*Reserves*	*Total*
Net assets as at 31 December 2013 (United Nations system accounting standards)	**(18 249)**	**6 171**	**(12 078)**
Adoption of IPSAS	42 805	–	42 805
Restated net assets as at 1 January 2014 (IPSAS)	**24 556**	**6 171**	**30 727**
Actuarial losses on employee benefits liabilities	(21 855)	–	(21 855)
Surplus for the year	7 702	–	7 702
Transfers	(406)	406	–
Total recognized changes in net assets	**(14 559)**	**406**	**(14 153)**
Net assets as at 1 January 2015	**9 997**	**6 577**	**16 574**
Actuarial gain on employee benefits liabilities (note 12)	15 039	–	15 039
(Deficit) for the year	(32 027)	–	(32 027)
Transfers	4 633	(4 633)	–
Total recognized changes in net assets	**(12 355)**	**(4 633)**	**(16 988)**
Net assets as at 31 December 2015	**(2 358)**	**1 944**	**(414)**

The accompanying notes form an integral part of these financial statements.

International Trade Centre

IV. Statement of cash flows for the year ended 31 December 2015

(Thousands of United States dollars)

	Reference	*31 December 2015*	*31 December 2014 (restated)*
Cash flows from operating activities			
(Deficit)/surplus for the year		(32 027)	7 702
Non-cash movements			
Depreciation and amortization	Notes 8 and 9	431	213
De-recognition of intangible assets	Note 9	59	–
Current service cost and interest cost of employee benefits[a] liabilities	Note 12	5 677	5 000
Changes in assets			
Decrease/(increase) in voluntary contributions receivable	Note 6	33 121	(12 384)
Decrease/(increase) in other accounts receivable	Note 6	329	(88)
(Increase)/decrease in other assets	Note 7	(574)	493
Changes in liabilities			
Increase/(decrease) in accounts payable and accrued liabilities	Note 10	492	(3 605)
(Decrease) in advance receipts	Note 11	(7 277)	(3 172)
(Decrease) in employee benefits liabilities[a]	Note 12	(2 143)	(1 652)
(Decrease) in provisions	Note 13	(3)	(108)
Investment revenue presented as investing activities		(310)	(265)
Net cash flows used in operating activities		**(2 225)**	**(7 866)**
Cash flows from investing activities			
Contribution from main cash pool (net)	Note 5	217	7 023
Investment revenue		310	265
Purchases of property, plant and equipment	Note 8	(184)	(249)
Purchases of intangible assets	Note 9	(1 061)	(673)
Disposal of property, plant and equipment		–	3
Net cash flows from/(used in) investing activities		**(718)**	**6 369**
Net (decrease) in cash and cash equivalents		**(2 943)**	**(1 497)**
Cash and cash equivalents — beginning of year		**10 229**	**11 726**
Cash and cash equivalents — end of year	**Note 4**	**7 286**	**10 229**

[a] The changes in the movements of employee benefits liabilities are restated to align with the United Nations IPSAS policy framework of recognizing actuarial gains/(losses) in net assets. This is a change in presentation from the prior year where actuarial gains/(losses) were presented in the statement of cash flows.

The accompanying notes form an integral part of these financial statements.

International Trade Centre

V. Statement of comparison of budget and actual amounts for the year ended 31 December 2015

(Thousands of United States dollars)

	Publicly available budget				
	Original biennial	*Original annual*[a]	*Final annual*[b]	*Actual (budget basis)*	*Difference (percentage)*[c]
Revenue					
Assessed contributions from the United Nations	39 893	21 491	20 216	18 647	(7.7)
Assessed contributions from WTO	39 893	21 491	20 216	18 509	(8.4)
Other revenue	432	210	210	307	46.1
Total revenue	**80 218**	**43 192**	**40 642**	**37 463**	**(7.8)**
Expenses					
Post	63 550	34 217	32 197	29 964	(6.9)
Non-post	16 668	8 975	8 445	10 246	21.3
Total expenses	**80 218**	**43 192**	**40 642**	**40 210**	**(1.1)**
(Deficit) for the year	**–**	**–**	**–**	**(2 747)**	**–**

[a] The original biennial budget is the lower of the budget approved by the General Assembly of the United Nations (resolution 68/248 A) or by the General Council of WTO (WT/BFA/139 and WT/GC/M/149). The original budget for the second year of the biennium is the portion of the appropriations for the biennium approved by the General Assembly derived from the estimate of resources for use in the second year plus the carry forward from the first year in Swiss francs converted to United States dollars using the first performance report rate.

[b] The final budget is the amount approved by the General Assembly in the second performance report less the actual expenditure amount included in the 2014 financial statements. Differences between the original budget and final budget are the result of changes in the United States dollar-Swiss franc exchange rate and the revised estimate of expenses included in the second performance report.

[c] Actual expenditure (comparable budget basis) less final budget. Differences greater than 10 per cent and material are considered in the financial report of the Executive Director.

The accompanying notes form an integral part of the financial statements.

International Trade Centre
Notes to the financial statements

Note 1
Reporting entity

International Trade Centre and its activities

1. The International Trade Centre (ITC) is the joint technical cooperation agency for trade-related technical assistance of the World Trade Organization (WTO) and the United Nations through the United Nations Conference on Trade and Development (UNCTAD). Originally created by the General Agreement on Tariffs and Trade (GATT) in 1964, it has operated since 1968 under the joint aegis of WTO (which assumed the GATT responsibilities) and the United Nations.

2. The mission of ITC is to foster inclusive and sustainable growth and development through trade and international business development. The strategic objectives of the Centre are:

(a) Strengthening the integration of the business sector into the global economy through trade intelligence and enhanced support to policymakers;

(b) Strengthening the export capacity of enterprises to respond to market opportunities;

(c) Enhancing trade support institutions and policies for the benefit of exporting enterprises.

3. The Centre is headed by an Executive Director, who is appointed by and reports to the Director General of WTO and the Secretary-General of UNCTAD. A Senior Management Committee comprises the Executive Director, the Deputy Executive Director, the heads of the centre’s four divisions, the Chief Adviser in the Office of the Executive Director and the Chief of Strategic Planning. The ITC Joint Advisory Group meets annually to examine the activities of ITC on the basis of the ITC annual report and to make recommendations to the UNCTAD Trade and Development Board and the WTO General Council, which review the Centre’s programme of work. Both UNCTAD and WTO are represented in the Joint Advisory Group supervising the work of ITC and have a number of joint technical assistance activities with ITC. The ITC regular budget is financed equally by the United Nations and WTO, while technical cooperation projects are financed by voluntary contributions from trust fund donors and by allocations from the United Nations Development Programme (UNDP). The Centre is regarded as a separate reporting entity and is not deemed to be subject to common control for the purposes of IPSAS compliant reporting.

4. The Centre’s share of the United Nations system joint venture operations of the United Nations system-wide safety and security is not included in the financial statements as it is immaterial.

5. The headquarters of ITC is in Geneva and it maintains leased offices in nine countries.

Note 2
Basis of preparation and authorization for issue

6. The accounts of ITC are maintained in accordance with the Financial Regulations of the United Nations as adopted by the General Assembly of the United Nations, the rules formulated by the Secretary-General as required under the Regulations, and administrative instructions issued by the Under-Secretary-General for Management or by the Controller. The financial statements of ITC are prepared on the accrual basis of accounting in accordance with the International Public Sector Accounting Standards (IPSAS). In accordance with the requirements of IPSAS, these financial statements, which present fairly the assets, liabilities, revenue and expenses of ITC 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) Statement V: statement of comparison of budget and actual amounts;

(f) Summary of significant accounting policies and other explanatory notes.

Going concern

7. The financial statements have been prepared on a going concern basis and the accounting policies, as summarized in note 3, have been applied consistently in the preparation and presentation of these financial statements. The going concern assertion is based on the approval by the General Assembly of the regular budget appropriations for the biennium 2016-2017 and the programme budget outline for the biennium 2016-2017, the positive historical trend of collection of assessed and voluntary contributions over the past years, and that the General Assembly of the United Nations and the General Council of WTO have not made any decision to cease the operations of ITC.

Functional and presentation currency

8. The financial statements are presented in United States dollars, which is the functional and presentation currency of ITC. The financial statements are expressed in thousands of United States dollars unless otherwise stated.

9. The regular budget of ITC is approved and assessed in Swiss francs.

10. Non-monetary items that are measured in terms of historical cost or fair value in a foreign currency are translated using the United Nations operational rate of exchange prevailing at the date of the transaction or when the fair value was determined. Monetary assets and liabilities that are denominated in foreign currencies are translated into United States dollars at the United Nations operational rate of exchange year-end closing rate. Foreign currency transactions are translated into United States dollars using the United Nations operational rate of exchange prevailing at the date of the transaction.

11. Foreign exchange gains and losses resulting from the settlement of transactions in currencies other than the functional currency of ITC and from the

translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of financial performance on a net basis.

Materiality and use of judgment and estimation

12. Consideration of materiality is central in the development of accounting policies and the preparation of financial statements. In general, an item is considered material if its omission or its aggregation would affect the conclusions or decisions of the users of the financial statements.

13. The preparation of financial statements in accordance with IPSAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses for the year. Accruals, property, plant and equipment and employee benefits liabilities are the most significant items where estimates are used. Actual results could differ from these estimates. Changes in estimates are reflected in the year in which they become known.

Measurement basis

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

Authorization for issue

15. These financial statements are certified by the United Nations Assistant Secretary-General, Controller, and approved by the Secretary-General of the United Nations. In accordance with United Nations financial regulation 6.2, the Secretary-General is required to transmit these financial statements as at 31 December 2015 to the Board of Auditors by 31 March 2016. These financial statements are exceptionally transmitted by 31 May 2016. Sequentially, in accordance with financial regulation 7.12, the reports of the Board of Auditors, together with the audited financial statements, are transmitted to the General Assembly through the Advisory Committee on Administrative and Budgetary Questions, together with the audited financial statements authorized for issue on 19 September 2016.

Future accounting pronouncements

16. The IPSAS Board has a work programme that includes the following projects that could have an impact on future financial statements of ITC:

(a) Reporting service performance information: to use a principles-based approach so as to develop a consistent framework for reporting service performance information of public sector programmes and services that focuses on meeting the needs of users;

(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;

(c) Revenue: the aim of the project is to develop one or more IPSAS standards covering revenue transactions (exchange and non-exchange) in IPSAS.

The scope is to develop new standard-level requirements and guidance on revenue to amend or supersede that which is currently located in IPSAS 9, Revenue from exchange transactions, IPSAS 11, Construction contracts, and IPSAS 23, Revenue from non-exchange transactions (taxes and transfers);

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

(e) Public sector combinations: the project will prescribe the accounting treatment for public sector combinations and develop a new standard setting out the classification and measurement of public sector combinations, i.e. transactions or other events that bring two or more separate operations into a single public sector entity;

(f) Public sector specific financial instruments: to develop this accounting guidance, the project will focus on issues related to public sector specific financial instruments that are outside the scope of IPSAS 28, Financial instruments: presentation, IPSAS 29, Financial instruments: recognition and measurement, and IPSAS 30: Financial instruments: disclosures.

Future requirements of IPSAS

17. On 30 January 2015, the IPSAS Board published IPSAS 34, Separate financial statements, IPSAS 35, Consolidated financial statements, IPSAS 36, Investments in associates and joint ventures, IPSAS 37, Joint arrangements, and IPSAS 38, Disclosure of interests in other entities. These new standards will become effective in 2017. The effect of these standards on the ITC financial statements is not expected to be material.

Note 3
Significant accounting policies

Assets

3.1 Financial assets

Classification

18. ITC classifies its financial assets either at fair value through surplus or deficit or in the case of receivables at amortized cost. ITC determines the classification of its financial assets at initial recognition.

Financial assets at fair value through surplus or deficit

19. Financial assets at fair value through surplus or deficit include the investments of ITC held in the main cash pool managed by the United Nations Treasury, which centrally invests these funds on behalf of ITC.

20. The main cash pool comprises participating entity shares of cash and term deposits and short-term and long-term investments, all of which are managed by the United Nations Treasury. The share of ITC of the main cash pool is disclosed in the notes to the financial statements and in the statement of financial position, categorized as investments at fair value through surplus or deficit or cash and cash equivalents if they had original maturities of less than three months. Detailed

information on the holdings of the main cash pool may be obtained from the financial statements of the United Nations.

Recognition and measurement of assets held in the main cash pool

21. Gains or losses arising from changes in the fair value of the financial assets held in the main cash pool at fair value through surplus or deficit are presented in the statement of financial performance in the year in which they arise as part of finance costs if there is a net loss, or investment revenue if there is a net gain.

Recognition and measurement of receivables

22. Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The receivables of ITC comprise contributions receivable and other accounts receivable recognized in the statement of financial position. Receivables are measured at amortized cost taking into account a provision for impairment.

Impairment of receivables

23. ITC assesses receivables at the end of the reporting year for impairment. Receivables are considered impaired and impairment losses are incurred only if there is objective evidence, based on a review of outstanding amounts at the reporting date, that ITC will not be able to collect amounts due according to the original terms as a result of one or more events that occurred after initial recognition. In such a case, the carrying amount of the asset is reduced and any loss is recognized in the statement of financial performance. The amount of the loss is measured as the difference between the asset's carrying amount and the estimated future receipts.

24. A provision equal to 50 per cent of the carrying value is established to offset receivables other than those related to voluntary contributions aged 12-24 months and equal to 100 per cent of the carrying value for those aged more than 24 months at the reporting date. If, in a subsequent year, the amount of the impairment loss decreases, the reversal of the previously recognized impairment loss is recognized in the statement of financial performance.

3.2 Advances or prepayments

25. Advances are recognized as an asset until goods are delivered or services are rendered in accordance with binding agreements with suppliers or in accordance with the United Nations Staff Regulations and Rules for staff advances. ITC recognizes an expense once it has received proof of delivery of goods or the rendering of services.

26. ITC advances funds to implementing partners (e.g. other United Nations system organizations, trade support institutions) in order for them to provide services to a target population in accordance with binding agreements with ITC. The implementing partner reports to ITC on its progress towards fulfilling the project or programme for which the agreement was signed. Expenses are recognized on receipt of expenditure or service delivery reports. If reports from implementing partners are not available at the reporting date, expense recognition is based on an estimate of the project's progress.

3.3 Property, plant and equipment

27. Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost comprises the purchase price, any costs directly attributable to bringing the asset to its location and condition and the initial estimate of dismantling and site restoration costs. Assets which fall under the category of property, plant and equipment but are not under the direct control of ITC, are expensed when acquired. ITC is deemed to control an asset if it can use or otherwise benefit from its use in the pursuit of its objectives and can exclude or regulate the access of third parties to the asset.

28. Property, plant and equipment are capitalized when their cost is greater than or equal to $5,000 for equipment and $100,000 for leasehold improvements.

Subsequent costs

29. Costs incurred subsequent to initial acquisition are capitalized only when it is probable that future economic benefits or service potential associated with the item will flow to ITC and the subsequent costs can be measured reliably.

Depreciation of property, plant and equipment

30. Depreciation is recognized for property, plant and equipment over their estimated useful life using the straight-line method. The estimated useful life for property, plant and equipment classes is as follows:

Class	*Estimated useful life (years)*
Communications and information technology equipment	4-7
Vehicles	6
Machinery and equipment	5
Furniture and fixtures	3-10
Leasehold improvements	5 (or lease term, whichever is shorter)

31. Impairment reviews are undertaken for property, plant and equipment at least annually and any impairment losses are recognized in the statement of financial performance. The residual values and useful lives of assets are reviewed at least annually and adjusted if applicable.

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

3.4 Intangible assets

33. Intangible assets are valued at historical cost less accumulated amortization and any impairment losses. Externally acquired software is capitalized if its cost exceeds $5,000 including costs incurred to acquire and bring the software to use. Internally developed software is capitalized where the accumulated cost is greater than or equal to $100,000 excluding research and maintenance costs and including directly attributable costs such as employees, subcontractors and consultants.

Amortization of intangible assets

34. Amortization of intangible assets is recognized over the estimated useful life using the straight-line method. The estimated useful lives for intangible asset classes are as follows:

Class	*Estimated useful life (years)*
Software acquired externally	3 (or the period of the licence, whichever is shorter)
Software developed internally	3-5

35. Impairment reviews are undertaken for all intangible assets at least annually and any impairment losses are recognized in the statement of financial performance.

Liabilities

3.5 Financial liabilities

36. Financial liabilities are classified as "other financial liabilities". They include accounts payable, transfer payables, unspent funds held for future refunds and other liabilities.

37. Financial liabilities classified as other financial liabilities are initially recognized at fair value and subsequently measured at amortized cost. Financial liabilities with a duration of less than 12 months are recognized at their nominal value. ITC 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.

38. Accounts payables and accrued expenses arise from the purchase of goods and services that have been received but not paid for as at the reporting date. They are stated at invoice amounts, less payment discounts at the reporting date. Payables are recognized and subsequently measured at their nominal value as they are generally due within 12 months.

3.6 Employee benefits liabilities

39. ITC recognizes the following employee benefits:

Short-term employee benefits

40. Short-term employee benefits comprise first-time employee benefits (assignment grants), regular monthly benefits (wages, salaries, allowances), compensated absences (paid sick leave, maternity/paternity leave) and other short-term benefits (education grant, reimbursement of taxes). Short-term employee benefits are expected to be settled within 12 months of the reporting date and are measured at their nominal values based on accrued entitlements at current rates of pay. All short-term employee benefits that are earned but not taken as at the reporting date are treated as current liabilities.

Post-employment benefits

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

Defined benefit plans

42. The following benefits are accounted for as defined benefit plans: after-service health insurance, repatriation benefits, pensions through the Pension Fund (post-employment benefits) as well as accumulated annual leave that is commuted to cash upon separation from the Organization (other long-term benefit). The liability recognized for the post-employment benefit plans is the present value of the defined benefit obligations at the reporting date. Defined benefit plans are those where the obligation of ITC is to provide agreed benefits and therefore ITC bears the actuarial risks. The defined benefit obligations are calculated by an independent actuary 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. Changes in the liability for defined benefit plans, including interest costs and current service costs, are recognized in the statement of financial performance in the year in which they occur. At the end of the reporting year, ITC did not hold any plan assets as defined by IPSAS 25, Employee benefits. Upon end of service, staff members may be compensated for accumulated unused annual leave days up to a maximum of 60 working days for those holding a fixed term or continuing appointment.

43. Accrued liabilities for post-employment benefits of after-service health insurance, repatriation grant and accumulated annual leave are presently not fully funded and are shown as employee benefits liabilities in the statement of financial position and the statement of changes in net assets.

44. Actuarial gains and losses are recognized in the year in which they occur in the statement of changes in net assets as a separate item under net assets/equity.

Other long-term benefits

45. Other long-term employee benefits are benefits that do not fall due wholly within 12 months after the end of the year in which the employee renders the service giving rise to the benefit, such as home leave. Home leave benefits are calculated at nominal value and are not discounted as the effect of discounting is not material.

Termination benefits

46. Termination benefits generally include indemnities for voluntary redundancy.

United Nations Joint Staff Pension Fund

47. ITC is a member organization participating in the United Nations Joint Staff Pension Fund, which was established by the General Assembly to provide retirement, death, disability and related benefits to employees. The Pension Fund is a funded, multi-employer defined benefit plan. As specified by article 3 (b) of the Regulations of the Fund, membership in the Fund shall be open to the specialized agencies and to any other international, intergovernmental organization which

participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.

48. The plan exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual organizations participating in the plan. ITC and the Pension Fund, in line with the other participating organizations in the Fund, are not in a position to identify the proportionate share of ITC of the defined benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence ITC has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 25. The contributions of ITC to the plan during the financial year are recognized as expenses in the statement of financial performance.

3.7 Provisions

49. Provisions are recognized for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event and it is probable that ITC will be required to settle the obligation and the value can be reliably measured. The amount of the provision is the best estimate of the expenditure required to settle the present obligation at the reporting date.

3.8 Operating leases

50. Leases where the lessor retains a significant portion of the risks and rewards inherent in ownership are classified as operating leases. Payments made under operating leases are recognized in the statement of financial performance as an expense on a straight-line basis over the period of the lease.

3.9 Contingent liabilities and contingent assets

Contingent liabilities

51. 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 ITC or where value cannot be reliably estimated, are disclosed as contingent liabilities. Contingent liabilities are assessed continually to determine whether an outflow of resources embodying economic benefits or service potential has become probable. If it becomes probable that an outflow of resources embodying economic benefits or service potential will be required, a provision is recognized in the financial statements of the year in which change of probability occurs.

Contingent assets

52. Any probable assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of ITC are disclosed as contingent assets.

Revenue

3.10 Non-exchange revenue and receivables

53. The administrative arrangements of ITC (see A/59/405) provide that the budget of ITC must be equally shared by WTO and the United Nations. Assessed contributions from the United Nations and WTO to the regular budget of ITC are recognized at the beginning of the year to which the assessment relates. The revenue is determined based on the approved programme budget for the biennium. In the event that the General Assembly and the General Council of WTO approve different amounts, ITC assesses the lower of the two amounts.

54. Voluntary contributions are recognized as revenue upon the signing of a binding agreement that does not contain conditions requiring specific performance and an obligation to return the assets to the contributing entity if such conditions are not met. If such conditions are included, revenue is recognized as the conditions are satisfied and a liability is recognized until the conditions have been satisfied.

55. Goods in kind are recognized at their fair value, measured as at the date the donated assets are acquired. Services in kind are not recognized but are disclosed in the notes to the financial statements.

3.11 Exchange revenue

56. Revenue from the sale of publications and CD-ROMs is recognized upon shipment to the customer. Licence fee revenue is recognized over the period of the licence. Revenue from rendering services to Governments and other entities is recognized as services are performed in accordance with the agreements.

3.12 Investment revenue

57. Investment revenue and costs associated with the operation of investments in the main cash pool are allocated to ITC based on its participating share in the main cash pool. All realized and unrealized gains and losses are included as investment revenue recognized on a time proportion basis as it accrues, taking into account the effective yield.

3.13 Expenses

58. In accordance with the accrual basis of accounting, expense recognition occurs at the time of delivery of goods or services by the supplier or service provider. Expenses are recorded and recognized in the financial statements of the periods to which they relate.

3.14 Segment reporting

59. 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.

60. Established in 1964, ITC is a joint agency of WTO and the United Nations, fully dedicated to supporting the internationalization of small and medium-sized enterprises. This means that the agency enables small and medium-sized enterprises in developing and transition economies to become more competitive and connect to

international markets for trade and investment, thus raising incomes and creating job opportunities, especially for women, young people and poor communities. It therefore falls into one operating segment for IPSAS purposes.

3.15 Related party disclosures

61. Related parties that have the ability to control or exercise significant influence over ITC in making financial and operating decisions, as well as transactions with such parties unless occurring within or consistent with a normal relationship and on arms-length terms between such parties, are disclosed in the notes to the financial statements. In addition, ITC discloses specific transactions with key management personnel and their family members.

3.16 Operating reserves

62. The trust fund operating reserve of ITC is maintained to cover delays in payment of voluntary contributions and to meet shortfalls of revenue over final expense of trust funds. In addition, the operating reserve is also maintained by the programme support fund of an amount equal to 20 per cent of estimated support cost revenue in accordance with administrative instruction ST/AI/285. Both the reserves are presented in the statement of financial position and statement of changes in net assets as a separate component of net assets.

Note 4
Cash and cash equivalents

Cash and cash equivalents

(Thousands of United States dollars)

	31 December 2015	*31 December 2014*
Main cash pool	7 286	10 225
Cash held in field offices	–	4
Total cash and cash equivalents	**7 286**	**10 229**

63. Cash required for immediate disbursement is maintained in the main cash pool. Cash in field offices is held in imprest accounts for the purpose of meeting financial needs at field locations.

Note 5
Financial instruments and financial risk management

(Thousands of United States dollars)

	31 December 2015	*31 December 2014*
Financial assets		
Fair value through surplus or deficit		
Investments — main cash pool (short-term)	22 180	19 826
Investments — main cash pool (long-term)	14 930	17 501
Total fair value through surplus or deficit	**37 110**	**37 327**

	31 December 2015	31 December 2014
Loans and receivables		
Cash and cash equivalents — main cash pool (note 4)	7 286	10 225
Cash and cash equivalents — other (note 4)	–	4
Accounts receivable (note 6)	50 544	83 994
Total loans and receivables	**57 830**	**94 223**
Total carrying amount of financial assets	**94 940**	**131 550**
of which relates to financial assets held in main cash pool	44 396	47 552
Financial liabilities		
Amortized cost		
Accounts payable and accrued liabilities	(8 939)	(8 447)
Total carrying amount of financial liabilities	**(8 939)**	**(8 447)**

64. ITC participates only in the main pool. The main pool comprises operational bank account balances in a number of currencies and investments in United States dollars.

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

66. As at 31 December 2015, the main pool held total assets of $7.784 billion; of this amount, $44.396 million was due to ITC and its share of net revenue from cash pools was $0.310 million (see note 14).

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

(Thousands of United States dollars)

	31 December 2015	31 December 2014
Fair value through surplus or deficit		
Short-term investments	3 888 712	3 930 497
Long-term investments	2 617 626	3 482 641
Total fair value through surplus or deficit investments	**6 506 338**	**7 413 138**
Loans and receivables		
Cash and cash equivalents	1 265 068	2 034 824
Accrued investment revenue	12 462	14 842
Total loans and receivables	**1 277 530**	**2 049 666**
Total carrying amount of financial assets	**7 783 868**	**9 462 804**

	31 December 2015	31 December 2014
Main pool liabilities		
Payable to ITC	44 396	47 552
Payable to other main pool participants	7 739 472	9 415 252
Total liabilities	**7 783 868**	**9 462 804**
Net assets	–	–

Summary of net revenue and expenses of the main pool

(Thousands of United States dollars)

	31 December 2015	31 December 2014
Investment revenue	51 944	62 511
Foreign exchange gains/(losses)	(11 720)	(7 064)
Unrealized gains/(losses)	(10 824)	(3 084)
Bank fees	(525)	(214)
Net revenue from main pool	**28 875**	**52 149**

5.1 Financial risk management

67. The operations of ITC expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The United Nations Treasury is responsible for main cash pool investment and risk management, including conducting investment activities in accordance with the United Nations Investment Management Guidelines. 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.

68. An Investment Committee periodically evaluates investment performance, assesses compliance with the Guidelines and makes recommendations for updates.

5.2 Market risk

(a) Foreign exchange risk

69. Foreign exchange risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. ITC operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Swiss franc. Management requires that ITC manage its currency risk against its functional currency by structuring contributions from the United Nations and WTO in Swiss francs, which is the foreign currency needed for operational purposes related to the regular budget. The financial assets and financial liabilities of ITC are primarily denominated in United States dollars, thereby reducing its overall foreign currency exposure. Financial liabilities, including funds received in advance and funds held on behalf of donors, are carried in the accounts in United States dollars, although

some portion may be refunded in local currency at the donor's request. Currency risk related to technical cooperation projects is mitigated through contractual terms in agreements with donors that provide that ITC will not assume any financial liability in excess of the funds provided by the donor as calculated in the Centre's functional currency.

Currency exposure as at 31 December 2015

(Thousands of United States dollars)

	United States dollar	*Swiss franc*	*Euro*	*British pound sterling*	*Other*	*Total*
Main cash pool	43 951	21	88	5	331	44 396
Voluntary contributions receivable	9 376	949	9 952	23 333	6 894	50 504
Other receivables	8	20	10	–	2	40
Total financial assets	**53 335**	**990**	**10 050**	**23 338**	**7 227**	**94 940**

Currency exposure as at 31 December 2014

(Thousands of United States dollars)

	United States dollar	*Swiss franc*	*Euro*	*British pound sterling*	*Others*	*Total*
Main cash pool	47 331	1	16	1	203	47 552
Cash and cash equivalents — other	4	–	–	–	–	4
Voluntary contributions receivable	14 992	3 395	17 149	32 717	15 372	83 625
Other receivables	351	18	–	–	–	369
Total financial assets	**62 678**	**3 414**	**17 165**	**32 718**	**15 575**	**131 550**

70. As at 31 December 2015, if the United States dollar had weakened or strengthened by 10 per cent against the currencies other than the United States dollar in which ITC held voluntary contributions and other receivables, with all other variables held constant, the net surplus for the year would have been $3.960 million (2014: $6.094 million) mainly as a result of foreign exchange gains or losses on translation of British pounds sterling and higher/lower receivables denominated in euros, Swiss francs and Swedish kroners. Similarly, the impact on net assets would have been $3.960 million (2014: $6.094 million) higher or lower.

(b) Interest rate risk

71. Interest rate risk is the risk of variability in financial instruments' fair values or future cash flows due to a change in interest rates. In general, as the interest rate rises, the price of a fixed rate security falls, and vice versa. Interest rate risk is commonly measured by the fixed rate security's duration, with duration being a number expressed in years. The longer the duration, the greater the interest rate risk. The main pool comprises the Organization's main exposure to interest rate risk, with fixed-rate cash and cash equivalents and investments being interest-bearing financial instruments. As at the reporting date, the main pool had invested primarily

in securities with shorter terms to maturity, with the maximum being less than five years (2014: 5 years). The average duration of the main pool was 0.86 years (2014: 1.1 years), which is considered to be an indicator of low risk.

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

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

Shift in yield curve (basis points)	*-200*	*-150*	*-100*	*-50*	*0*	*+50*	*+100*	*+150*	*+200*
Increase/(decrease) in fair value									
(Millions of United States dollars)									
Main pool total	128.99	96.74	64.48	32.24	–	(32.23)	(64.46)	(96.69)	(128.91)

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

Shift in yield curve (basis points)	*-200*	*-150*	*-100*	*-50*	*0*	*+50*	*+100*	*+150*	*+200*
Increase/(decrease) in fair value									
(Millions of United States dollars)									
Main pool total	205.45	154.08	102.71	51.35	–	(51.34)	(102.67)	(154.00)	(205.31)

(c) Other market risk: price risk

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

5.3 Credit risk

74. Credit risk refers to the risk that a counterparty to a financial instrument will default on its contractual obligations resulting in a financial loss to ITC. Credit risk arises from cash and cash equivalents, investments and deposits with financial institutions, as well as credit exposures to outstanding receivables. The carrying value of financial assets equates to the maximum exposure to credit risk as at balance date. ITC does not hold any collateral as security.

Main cash pool related credit risk disclosures

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

76. The Guidelines require that investments are not to be made in issuers whose credit ratings are below specifications, and also provide for maximum

concentrations with given issuers. These requirements were met at the time the investments were made.

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

Investments of the main pool by credit ratings as at 31 December

(Percentage based on carrying value)

	Ratings as at 31 December 2015			*Ratings as at 31 December 2014*			
Bonds (long-term ratings)							
	AAA	*AA+/AA/AA-*	*Not rated*	*AAA*	*AA+/AA/AA-*	*A+*	*Not rated*
Standard & Poor's	37.7	54.2	8.1	31.2	59.8	1.3	7.7
Fitch	61.9	26.5	11.6	52.2	21.4	-	26.4
	Aaa	*Aa1/Aa2/Aa3*		*Aaa*	*Aa1/Aa2/Aa3*		
Moody's	65.8	34.2	-	69.3	30.7	-	-
Commercial papers (short-term ratings)							
	A-1+			*A-1+*			*Not rated*
Standard & Poor's	100.0			100.0			-
	F1+			*F1+*			
Fitch	100.0			90.0			10.0
	P-1			*P-1*			
Moody's	100.0			70.0			30.0
Reverse repurchase agreement (short-term ratings)							
	A-1+						
Standard & Poor's	100.0			No reverse repurchase agreements were held as at 31 December 2014			
	F1+						
Fitch	100.0						
	P-1						
Moody's	100.0						
Term deposits (Fitch viability ratings)							
	aaa	*aa/aa-*	*a+/a*	*aaa*	*aa/aa-*	*a+/a*	
Fitch	-	53.6	46.4	-	64.1	35.9	

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

79. The investment management objectives are to preserve capital and ensure sufficient liquidity to meet operating cash needs 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.

Other credit risk disclosures

80. Voluntary contributions from Governments representing the member States of the two parent organizations of ITC comprise the majority of the Centre's voluntary contributions receivable. Credit risk is considered minimal since most of its donors are sovereign entities. A provision for doubtful receivables of $0.737 million was made for other accounts receivables. The ageing of other accounts receivables is as follows:

(Thousands of United States dollars)

	31 December 2015		*31 December 2014*	
	Gross receivable	*Allowance*	*Gross receivable*	*Allowance*
Less than one year	40	–	118	–
One to two years	737	737	251	–
Total	**777**	**737**	**369**	**–**

5.4 Liquidity risk

81. Liquidity risk is the risk that ITC might not have adequate funds to meet its obligations as they fall due. Cash flow forecasting is performed by ITC in conjunction with the United Nations Office at Geneva which monitors rolling forecasts of liquidity requirements to ensure it has sufficient cash to meet operational needs.

Main cash pool related liquidity risk disclosures

82. Surplus cash held by ITC above the balance required for working capital management is transferred to the main cash pool managed by the United Nations Treasury. 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 one day's notice to support operational requirements. Main cash pool liquidity risk is therefore considered to be low.

Accounting classifications and fair value

83. The carrying value of investments carried at fair value through surplus or deficit is fair value. For cash and cash equivalents, receivables and accounts payable, carrying value is a fair approximation of fair value.

Fair value hierarchy

84. 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.

85. 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 asset or liability that are not based on observable market data (i.e unobservable inputs).

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

87. 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.

88. The fair value hierarchy in the table below presents the cash pool assets that are measured at fair value as at the reporting date. There were no level 3 financial assets or liabilities carried at fair value and there were no significant transfers of financial assets between fair value hierarchy classifications.

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

(Thousands of United States dollars)

	31 December 2015			*31 December 2014*		
	Level 1	*Level 2*	*Total*	*Level 1*	*Level 2*	*Total*
Financial assets at fair value through surplus or deficit						
Bonds — corporate	149 682	–	149 682	–	–	–
Bonds — non-United States agencies	2 190 965	–	2 190 965	2 154 956	–	2 154 956
Bonds — non-United States sovereigns	124 612	–	124 612	691 489	–	691 489
Bonds — supranational	139 828	–	139 828	440 169	–	440 169
Bonds — United States treasuries	1 092 139	–	1 092 139	1 297 290	–	1 297 290
Main pool — commercial papers	949 112	–	949 112	999 234	–	999 234
Main pool — term deposits	–	1 860 000	1 860 000	–	1 830 000	1 830 000
Total main pool	**4 646 338**	**1 860 000**	**6 506 338**	**5 583 138**	**1 830 000**	**7 413 138**

Note 6
Accounts receivable

89. Current voluntary contributions receivable are for confirmed contributions that are due within 12 months while non-current contributions receivable are those that are due after 12 months from the date of the financial statements.

Voluntary contributions receivable

(Thousands of United States dollars)

	31 December 2015	*31 December 2014*
Current	31 203	35 761
Non-current	19 301	47 864
Total voluntary contributions receivable	**50 504**	**83 625**

90. Other accounts receivable consist of the following:

Other accounts receivable

(Thousands of United States dollars)

	31 December 2015	*31 December 2014*
Receivables from sales	26	18
Other	751	351
Allowance for doubtful debts	(737)	–
Total other accounts receivable	**40**	**369**

Allowance for doubtful debts

(Thousands of United States dollars)

	2015	*2014*
At 1 January	–	–
Current year allowance	(737)	–
At 31 December	**(737)**	**–**

Note 7
Other assets

91. Advances to implementing partners are grants issued by ITC covered by binding agreements containing conditions that have not been fulfilled at the reporting date. Expenses are recognized as conditions contained in the agreement are fulfilled.

Other assets

(Thousands of United States dollars)

	31 December 2015	*31 December 2014*
Advances to implementing partners	149	371
Staff advances	998	1 031
Other	1 157	328
Total other assets	**2 304**	**1 730**

Note 8
Property, plant and equipment

(Thousands of United States dollars)

	Vehicles	*Communication and information technology equipment*	*Furniture and fixtures*	*Machinery and equipment*	*Leasehold improvements*	*Total*
Cost as at 1 January 2015	**176**	**721**	**282**	**442**	**235**	**1 856**
Additions	38	92	–	–	54	184
Disposals	(14)	(36)	–	(1)	–	(51)
Cost as at 31 December 2015	**200**	**777**	**282**	**441**	**289**	**1 989**
Accumulated depreciation as at 1 January 2015	**78**	**550**	**220**	**345**	**9**	**1 202**
Depreciation	32	97	24	42	56	251
Disposals	(14)	(36)	–	(1)	–	(51)
Accumulated depreciation as at 31 December 2015	**96**	**611**	**244**	**386**	**65**	**1 402**
Net carrying amount						
1 January 2015	98	171	62	97	226	654
31 December 2015	**104**	**166**	**38**	**55**	**224**	**587**

(Thousands of United States dollars)

	Vehicles	*Communication and information technology equipment*	*Furniture and fixtures*	*Machinery and equipment*	*Leasehold improvements*	*Total*
Cost as at 1 January 2014	**176**	**890**	**296**	**442**	**–**	**1 804**
Additions	–	7	7	–	235	249
Disposals	–	(176)	(21)	–	–	(197)
Cost as at 31 December 2014	**176**	**721**	**282**	**442**	**235**	**1 856**
Accumulated depreciation as at 1 January 2014	**51**	**628**	**217**	**302**	**–**	**1 198**
Depreciation	27	95	24	43	9	198
Disposals	–	(173)	(21)	–	–	(194)
Accumulated depreciation as at 31 December 2014	**78**	**550**	**220**	**345**	**9**	**1 202**
Net carrying amount						
1 January 2014	125	262	79	140	–	**606**
31 December 2014	**98**	**171**	**62**	**97**	**226**	**654**

92. Assets are reviewed annually to determine if there is any impairment in their value. The review that was undertaken for the 31 December 2015 reporting date did not result in any equipment being considered impaired. Total write-off of fully depreciated assets amounting to $0.052 million (2014: $0.004 million) occurred during the year.

Note 9
Intangible assets

(Thousands of United States dollars)

	Software developed internally	*Software under development*	*Total*
Opening cost as at 1 January 2015	**504**	**169**	**673**
Additions	807	254	1 061
Transfers	110	(110)	–
Assets de-recognized	–	(59)	(59)
Total cost as at 31 December 2015	**1 421**	**254**	**1 675**
Opening accumulated amortization as at 1 January 2015	**15**	**–**	**15**
Amortization	180	–	180
Closing accumulated amortization as at 31 December 2015	**195**	**–**	**195**
Net book value as at 1 January 2015	**489**	**169**	**658**
Net book value as at 31 December 2015	**1 226**	**254**	**1 480**

(Thousands of United States dollars)

	Software developed internally	*Software under development*	*Total*
Opening cost as at 1 January 2014	–	–	–
Additions	504	169	673
Total cost as at 31 December 2014	**504**	**169**	**673**
Opening accumulated amortization as at 1 January 2014	–	–	–
Amortization	15	–	15
Closing accumulated amortization as at 31 December 2014	**15**	**–**	**15**
Net book value as at 1 January 2014	**–**	**–**	**–**
Net book value as at 31 December 2014	**489**	**169**	**658**

93. During 2015, there were six projects for internal development of software, of which three were completed and put into service in 2015 amounting to

$0.917 million. Development of the remaining projects will continue into 2016 and are recognized as software under development, while one project has been de-recognized as the total costs did not meet the established capitalization threshold.

Note 10
Accounts payable and accrued liabilities

(Thousands of United States dollars)

	31 December 2015	*31 December 2014*
Vendor and other payables	4 620	1 327
Payables to donors	1 482	4 363
Accruals for goods and services	2 837	2 757
Total accounts payable and accrued liabilities	**8 939**	**8 447**

94. Payables to donors represent the balance of unspent contributions for closed projects pending refund or reprogramming.

Note 11
Advance receipts

95. ITC recognizes monetary voluntary contributions with conditions attached as a liability. Conditions are imposed by donors on the use of contributions and include both a performance obligation to use donations in a specified manner and an enforceable obligation to return the donation if it is not used in the specified manner. The amount recognized as a liability is the unexpended balance of the contribution at the reporting date. As ITC satisfies the conditions on voluntary contributions through expenditure of the funds in the specified manner, the carrying amount of the liability is reduced and an amount of revenue equal to the reduction is recognized.

96. ITC recognizes as a liability amounts received under voluntary contributions before an agreement is reached with the donor on the use of the contribution or contributions that are awaiting programming of specific project activities.

Advance receipts

(Thousands of United States dollars)

	31 December 2015	*31 December 2014*
Current liabilities		
Conditional voluntary contributions	10 871	11 803
Contributions in advance	35	696
Subtotal current liabilities	**10 906**	**12 499**
Conditional voluntary contributions	1 113	6 797
Subtotal non-current liabilities	**1 113**	**6 797**
Total advance receipts	**12 019**	**19 296**

Note 12
Employee benefits liabilities

97. The employee benefits liabilities are unfunded unless otherwise indicated below.

Employee benefits liabilities
(Thousands of United States dollars)

	31 December 2015	*31 December 2014*
Current liabilities		
United States of America tax reimbursement	259	819
Accumulated annual leave	550	319
Home leave	585	48
Repatriation grant	449	625
After-service health insurance	1 114	1 140
Subtotal, current liabilities	**2 957**	**2 951**
Accumulated annual leave	7 675	4 243
Repatriation grant	5 538	4 373
After-service health insurance	62 597	78 705
Subtotal, non-current liabilities	**75 810**	**87 321**
Total employee benefits liabilities	**78 767**	**90 272**

98. The methodology for estimating the amounts of each liability is as follows:

(a) *Home leave*. Non-locally recruited staff are entitled to reimbursement of the costs of travel to their home country in the second year after their initial appointment and every second year thereafter. The liability recorded relates to the value of home leave entitlements that have been earned by officials but not taken as at the reporting date;

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

(c) *Repatriation grant and travel*. In accordance with the United Nations Staff Regulations and Rules, non-locally recruited staff are entitled to a grant on separation from service if they have completed at least one year of service outside their home country. In addition, non-locally recruited ITC staff are entitled to reimbursement of travel and transport of personal effects on separation for themselves, their spouse and their dependent children.

(d) *After-service health insurance*. Staff members (and their spouses, dependent children and survivors) retiring from service at the age of 55 or older are eligible for after-service health insurance coverage if they have contributory health insurance coverage prior to retirement for at least five years of service for staff hired before 1 July 2007 and 10 years of service for staff hired after 1 July 2007. Staff hired before 1 July 2007 who retire with less than 10 years but more than five years of coverage receive unsubsidized coverage until they have been enrolled for 10 years, at which time the coverage is subsidized. Assumptions such as salary increases and retirement rates have been updated since the actuarial valuation carried out in 2013 to determine the estimated liability of ITC for after-service health insurance benefits at the reporting date. The liability of ITC for after-service health insurance is calculated as the residual liability after deducting contributions from retirees and a portion of the contribution from active staff in accordance with cost sharing ratios authorized by the General Assembly that require the Centre's share of the liability not to exceed one half of the total gross liability. For 2015, the gross liability for all post-employment defined benefit plans was calculated by the actuary as $141.605 million (2014: $168.848 million) offset by contributions from plan participants of $63.682 million (2014: $79.725 million) to equal the net liability of ITC of $77.923 million (2014: $89.123 million), of which $15.039 million of the reduced liability represents a net actuarial gain recognized in net assets offset by $3.839 million in service costs and interest net of benefit payments recognized on the statement of financial performance.

Movement in employee benefits liabilities accounted for as defined benefits plans: reconciliation of defined benefits obligations

(Thousands of United States dollars)

	After-service health insurance	*Repatriation grant*	*Accumulated annual leave*	*Total*
Defined benefit obligation as at 31 December 2014	**79 845**	**4 716**	**4 562**	**89 123**
Current service cost	3 402	388	648	**4 438**
Interest cost	930	156	153	**1 239**
Benefits paid (net of participant contributions)	(1 154)	(354)	(330)	**(1 838)**

	After-service health insurance	*Repatriation grant*	*Accumulated annual leave*	*Total*
Liability (gain)/losses due to actuarial assumptions and experience recognized in netassets	(19 312)	1 081	3 192	**(15 039)**
Defined benefit obligation as at 31 December 2015	**63 711**	**5 987**	**8 225**	**77 923**

99. The interest cost and the current service cost related to the defined benefit obligation for after-service health insurance liability, repatriation grant and travel and accumulated leave are recognized in the statement of financial performance as a component of staff costs. Any actuarial gains or losses for the defined benefits plan that result from changes in actuarial assumptions or experience adjustments, including experience adjustments related to other long-term benefits, are directly recognized in the statement of changes in net assets.

100. The total expense recognized in the statement of financial performance in 2015 and 2014 for each of the defined benefit obligations is as follows:

(Thousands of United States dollars)

	After-service health insurance	*Repatriation grant*	*Accumulated annual leave*	*Total*
Current service cost	3 402	388	648	4 438
Interest cost	930	156	153	1 239
Total expense recognized in statement of financial performance for 2015	**4 332**	**544**	**801**	**5 677**

(Thousands of United States dollars)

	After-service health insurance	*Repatriation grant*	*Accumulated annual leave*	*Total*
Current service cost	2 374	356	524	3 254
Interest cost	1 410	177	159	1 746
Total expense recognized in statement of financial performance for 2014	**3 784**	**533**	**683**	**5 000**

101. The cumulative actuarial loss recognized directly in net assets is shown in the following table:

(Thousands of United States dollars)

	After-service health insurance	*Repatriation grant*	*Accumulated annual leave*	*Total*
Gain/(loss) in 2015	(19 312)	1 081	3 192	(15 039)
Gain/(loss) in 2014	21 199	274	2 375	23 848
Total cumulative gain/(loss) recognized in net assets at year-end	**1 887**	**1 355**	**5 567**	**8 809**

Actuarial valuation: assumptions

102. Each year, ITC reviews and selects assumptions and methods that will be used by the actuaries in the valuation to determine the expense and contribution requirements for the Centre's after-service medical care plans. The following assumptions and methods have been used in the valuation of these liabilities.

(Percentage)

Assumption	*After-service health insurance*	*Repatriation grant*	*Accumulated annual leave*
Discount rate (31 December 2014)	1.17	3.45	3.50
Discount rate (31 December 2015)	1.27	3.73	3.89
Inflation (31 December 2014)	5.00	2.25	–
Inflation (31 December 2015)	4.00	2.25	–
Salary increase rate	Based upon age and calculated separately for Professional and General Service staff		

103. Discount rates are based on a weighted blend of three discount rate assumptions: United States dollars, euros and Swiss francs. Consistent with the changes observed since 31 December 2014 in interest rates of all maturities in the three areas, higher discount rates were assumed for roll-forward of the Swiss franc-based obligation for after-service health insurance and the United States dollar-based liabilities for repatriation benefits, annual leave and death benefits.

104. The per capita claim costs for the after-service health insurance plans are updated to reflect recent claims and enrolment experience. The health-care cost trend rate assumption reflects the current short-term expectations of the after-service health insurance plan cost increases and the economic environment. Medical cost trend assumptions that were used for the valuation as at 31 December 2015, which included escalation rates for 10 years, were modified for 2016 and future periods based on the evolution of medical trends observed. As at 31 December 2015, these escalation rates were a flat health-care yearly escalation rate of 4.0 per cent for non-United States medical plans and health-care escalation rates of 6.4 per cent for all other medical plans (except 5.9 per cent for the United States Medicare plan, and 4.9 per cent for the United States dental plan), grading down to 4.5 per cent over 10 years.

105. With regard to valuation of repatriation benefits as at 31 December 2013, inflation in travel costs was assumed at 2.15 per cent based on the projected United States inflation rate over the next 10 years. The expectation was 5 basis points higher as at 31 December 2014. Based on this information and to remain consistent

with the former valuation, an inflation assumption of 2.25 per cent was used (as the long-term expectation).

106. Annual leave balances were assumed to increase at the following annual rates during the staff member's projected years of service: 1-3 years: 9.1 days; 4-8 years: 1 day; and over 8 years: 0.1 days, up to the maximum 60 days for regular staff and 18 days for temporary staff. This assumption was maintained for roll-forward of the liability to 31 December 2015.

After-service health plan: sensitivity analysis

107. 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 due to changes in the medical cost rates while holding other principal assumptions constant; the assumption held constant is the discount rate used to determine the present value of benefits that will be paid from the plan in the future. Should the medical cost trend assumption vary by 1 per cent, this would affect the measurement of the defined benefit obligations as follows:

(Thousands of United States dollars)

	Increase	*Decrease*
1 per cent movement in the assumed medical costs trend rate		
Effect on the defined benefit obligation	16 202	(12 115)
Effect on the aggregate of the current service cost and interest cost	1 312	(911)

Other defined benefit plan information

108. The Centre's best estimate of future benefit payments net of participant contributions for the next 12 months for the after-service health insurance plan is $1.128 million (2014: $1.154 million), and for post-employment repatriation and separation entitlements the best estimate is $0.466 million (2014: $0.354 million) and for annual leave entitlements it is $0.571 million (2014: $0.330 million).

109. Under IPSAS 25, the liabilities for after-service health insurance, repatriation grant and travel and accumulated leave are considered unfunded and, therefore, no fair value of plan assets has been recognized and the entire after-service health insurance liability is recognized as a liability of ITC. Historical information is presented below:

Present value of liability for defined benefit obligations as at 31 December

(Thousands of United States dollars)

	2015	*2014*	*2013*	*2012*	*2011*
After-service health insurance	63 711	79 845	55 922	58 124	54 839
Repatriation benefits	5 987	4 716	4 358	3 654	3 496
Annual leave	8 225	4 562	1 866	1 864	1 781
Total	**77 923**	**89 123**	**62 146**	**63 642**	**60 116**

110. The changes in discount rates are driven by the discount curve, which is calculated based on corporate bonds. The bond markets have been volatile over the reporting period and the volatility affects the discount rate assumption. Should the discount rate assumption vary by 1 per cent, its impact on the liabilities would be as follows:

Discount rate sensitivity to end of year liability

	After-service health insurance	*Repatriation grant*	*Annual leave*
Increase of discount rate by 1 per cent (thousands of United States dollars)	(12 054)	(579)	(823)
As a percentage of end of year liability (percentage)	(19)	(10)	(10)
Decrease of discount rate by 1 per cent (thousands of United States dollars)	16 480	656	975
As a percentage of end of year liability (percentage)	26	11	12

United Nations Joint Staff Pension fund

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

112. The financial obligation of ITC to the Pension Fund consists of its mandated contribution, at the rate established by the General Assembly (currently 7.9 per cent for participants and 15.8 per cent for member organizations), together with its share of any actuarial deficiency payments under article 26 of the Regulations of the Fund. Such deficiency payments are only payable if and when the Assembly has invoked the provision of article 26, following a determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Fund as at the valuation date. Each member organization shall contribute to this deficiency an amount proportionate to the total contributions which each paid during the three years preceding the valuation date.

113. The latest actuarial valuation was performed as at 31 December 2013. The valuation revealed an actuarial deficit of 0.72 per cent (1.87 per cent in the 2011 valuation) of pensionable remuneration, implying that the theoretical contribution rate required to achieve balance as of 31 December 2013 was 24.42 per cent of pensionable remuneration, compared with the actual contribution rate of 23.7 per cent. The actuarial deficit was primarily attributable to the lower than expected investment experience in recent years. Assumptions such as salary increase and retirement rates have been updated since the actuarial valuation carried out in 2013 to determine the Centre’s estimated liability for after-service medical benefits at the reporting date.

114. At 31 December 2013, the funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, was 127.5 per cent (130 per cent in the 2011 valuation). The funded ratio was 91.2 per cent (86.2 per cent in the 2011 valuation) when the current system of pension adjustments was taken into account.

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

116. In December 2012 and April 2013, the General Assembly authorized an increase in the age of retirement and the mandatory age of separation, respectively, to 65 years for new participants of the Fund, with effect not later than from 1 January 2014. The related change to the Fund Regulations was approved by the General Assembly in December 2013. The increase in the normal retirement age is reflected in the actuarial valuation of the fund as at 31 December 2013.

117. During 2015, contributions paid to the Pension Fund by ITC amounted to approximately $6.444 million (2014: $6.299 million). Expected contributions due in 2016 are $6.531 million.

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

Impact of General Assembly resolutions on staff benefits

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

Change	*Details*
Increase in mandatory age of separation	The mandatory age of retirement for staff who joined the United Nations on or after 1 January 2014 is 65; for those who joined before 1 January 2014 it is 60 or 62. The General Assembly decided to increase the mandatory age of separation to 65 years for staff recruited by organizations of the United Nations common system before 1 January 2014, at the latest by 1 January 2018, taking into account the acquired rights of staff. Once implemented, this change is expected to affect future calculations of employee benefits liabilities

Change	*Details*
Unified salary structure	The current scales for internationally recruited staff (Professional and Field Service) are based on single or dependency rates, which affect the staff assessment and post adjustment amounts. The Assembly has approved a unified salary scale that eliminates single and dependency rates. The dependency rate will be replaced by allowances for staff members who have recognized dependants in accordance with the United Nations Staff Rules. The revised staff assessment and pensionable remuneration scales will be implemented along with the unified salary structure. The implementation of the unified salary scale is planned for 1 January 2017 and is not designed to result in reduced revenue for staff members It is expected, however, that once implemented, it will impact the calculation and valuation of the repatriation benefit and the commuted annual leave benefit. Currently, the repatriation benefit is calculated based on gross salary and staff assessment at the date of separation, whereas commuted annual leave is calculated based on gross salary, post adjustment and staff assessment at the date of separation
Repatriation benefit	Staff members are eligible to receive a repatriation grant upon separation provided they have been in service for at least one year in a duty station outside their country of nationality. The General Assembly has revised the eligibility to receive a repatriation grant from one year to five years for prospective employees while current employees retain the one-year eligibility. Once implemented, this change is expected to affect future calculations of employee benefits liabilities

120. As at the reporting date, the necessary information regarding implementation of the proposed changes was not available. This made it impossible for ITC to perform a detailed impact analysis of the proposed changes on employee benefits liabilities for the 2015 financial period. As required by IPSAS 1, ITC will determine such impact in the course of 2016 when substantial implementation information is likely to be available and, where material, disclose it in the financial statements for 2016.

Note 13
Provisions

(Thousands of United States dollars)

	Other	*Total*
Carrying amount as at 1 January 2015	**3**	**3**
Amounts released	(3)	(3)
Closing balance as at 31 December 2015	–	–

121. Provisions relate to legal claims, administrative claims before the United Nations Tribunals responsible for hearing claims brought by former and current

employees and provisions for refunds to donors of voluntary contributions for the unexpended balances of completed projects.

Note 14
Revenue

Assessed contributions

122. Assessed contributions are contributions received from the United Nations and WTO. Under the terms of General Assembly resolution 2297 (XXII) of 12 December 1967 and the decision of the Contracting Parties to GATT dated 22 November 1967, as well as the new administrative arrangements between the United Nations and WTO as endorsed by the Assembly in its decision 53/411 B and its resolution 59/276, the regular budget of ITC is assessed in Swiss francs and financed equally by the United Nations and WTO.

123. The contributions are based on a biennial budget adjusted for changes in exchange rates and post adjustment and are recorded as at the first day of the year to which they relate. Contributions are approved to be assessed for a one-year budget period, or a portion thereof or for multiple years. Where budgets and/or appropriations are approved for multiple years, the related contributions are apportioned between the years of the budget period for payment. Assessed contributions are considered to be without conditions. In those cases where multiple assessments are issued within a single annual period, revenue is recorded when due from the United Nations and WTO.

Voluntary contributions

(Thousands of United States dollars)

	31 December 2015	*31 December 2014*
Voluntary contributions	27 007	66 468
Inter-organizational arrangements	5 114	1 952
Subtotal	**32 121**	**68 420**
Refunds to donors for closed projects during the year	(313)	(477)
Total voluntary contributions net of refunds	**31 808**	**67 943**

124. Voluntary contributions through donor agreements are recognized as revenue at the point of signature except where such agreements contain a condition requiring specific performance and return of unexpended funds. Voluntary contributions include programme support revenue charged in accordance with United Nations financial procedures at 13 per cent on technical cooperation financed activities, 12 per cent for associate experts and between 7 per cent and 10 per cent for the European Commission, the Enhanced Integrated Framework, the “One United Nations” initiative and UNDP funded projects.

125. Inter-organizational arrangements include contributions received mainly from UNDP, projects under the Enhanced Integrated Framework trust fund and the “Delivering as One” fund.

126. As shown in the table above, the decrease in revenue resulted from a substantial decline in the amount of voluntary contributions recognized as revenue in 2015 as compared with 2014. This is due in part to the introduction of IPSAS, which required the recognition of voluntary contributions receivable as revenue in the year in which the agreement with the donor is signed rather than when the cash is received as had been the policy under the United Nations system accounting standards. However, voluntary contributions often cover multi-year periods, which means that part of the revenue recognized in previous years is used for current or future year activities.

Revenue from services rendered

(Thousands of United States dollars)

	31 December 2015	*31 December 2014*
Services rendered	723	512
Publication sales	342	30
Total revenue from exchange transactions	**1 065**	**542**

Investment revenue

(Thousands of United States dollars)

	31 December 2015	*31 December 2014*
Investment revenue	310	265
Total investment revenue	**310**	**265**

Other revenue

(Thousands of United States dollars)

	31 December 2015	*31 December 2014*
Parking fees	81	108
Refunds/savings from prior year expenditures	131	159
Other	76	46
Total other revenue	**288**	**313**

In-kind contributions

127. Other voluntary contributions include in-kind contributions, which consist of the rental subsidy from the Foundation for Buildings for International Organisations of $2.782 million (2014: $2.934 million), which is the difference between the market value of the rental and the actual rent paid. A matching in-kind rent is expensed at the same time as the contribution is recognized as revenue.

128. Services in kind, consisting mainly of contributions to conferences, workshops and training, were estimated at $2.069 million (2014: $1.625 million) received mainly from Governments, governmental agencies and non-governmental organizations in support of projects and field office operations during the year. The

amount is measured at fair value. The in-kind services are not recognized in the financial statements.

Note 15
Expenses

129. Employee salaries, allowances and benefits are for all international and national staff expenses such as salaries, post adjustment, entitlements and pension and health plan contributions for Professional and General Service category staff. It also includes staff expenses relating to the general temporary assistance.

(Thousands of United States dollars)

	31 December 2015	*31 December 2014*
Staff salaries, wages and allowances	40 064	40 697
Pension costs	5 982	6 121
After-service health insurance	4 126	3 673
Education grant	1 723	1 669
Medical insurance scheme	1 350	1 380
End-of-service entitlements	1 576	1 612
Total employee salaries, allowances and benefits[a]	**54 821**	**55 152**

[a] Employee salaries, allowances and benefits expenses for 2014 have been restated for comparison purposes.

Non-employee compensation and allowances

130. Non-employee compensation and allowances are costs of individual contractors and consultants, including related insurance and travel expenses.

Training

131. Training costs include expenses incurred for capacity-building workshops organized by ITC, which consist of travel, daily subsistence allowance, conference facilities, meals and accommodation costs.

Travel

132. Travel relates to staff regular travel on missions relating to official business.

Foreign exchange expense

133. 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 on a net basis.

Grants and other transfers

134. Grants and other transfers are financial contributions made to implementing partners and agencies and other entities.

Other operating expenses
(Thousands of United States dollars)

	31 December 2015	*31 December 2014*
Contracted services	3 322	2 661
Expense recognized for contributions in kind — premises	2 782	2 934
Joint activities	2 090	1 745
Consumables	2 673	1 860
Leases	1 511	1 603
Maintenance services	1 331	1 063
Other	1 407	814
Total other operating expenses[a]	**15 116**	**12 680**

[a] Other operating expenses for 2014 have been restated for comparison purposes.

Note 16
Budget comparison and reconciliation

135. The General Assembly and the General Council of WTO approve the biennial budget of ITC. The budget may be subsequently amended by the Assembly, by the Council or through the exercise of delegated authority.

136. The ITC budget is prepared on a modified cash accounting basis and the financial statements are prepared on a full accrual basis in accordance with IPSAS.

137. Statement V, Comparison of budget and actual amounts, compares the final budget to actual amounts calculated on the same basis as the corresponding budgetary amounts. The comparison is made only in respect of the publically available regular budget.

Movement between original and final budgets (regular budget)

138. Since the original budget is adopted in Swiss francs, the final budget takes into consideration the result of exchange rate changes between Swiss francs and United States dollars taking place between the adoption of the original budget and the reporting date.

Budget to actual variance analysis

139. Explanations of material differences between the original budget and the final budget and between the final budget and the actual amounts are presented in the report from the Executive Director on the financial year accompanying these financial statements.

Reconciliation between the actual amounts on a comparable basis and the statement of financial performance

140. The statement of comparison of budget and actual amounts (statement V) includes the original and final budget and the actual revenue and expense on the same basis as the budget.

141. As the basis used to prepare the budget and the one used to prepare the financial statements differ, this note provides reconciliation between the actual amounts presented in statement V and the actual amounts presented in the statement of financial performance and the statement of comparison of budget and actual amounts.

142. The actual amounts presented on a comparable basis in the statement of comparison of budget and actual amounts have been reconciled to the actual amounts presented in the statement of financial performance, identifying separately any basis, timing and entity differences, as follows:

(a) Basis differences capture the differences resulting from preparing the budget on a modified accrual basis. In order to reconcile the budgetary results, the non-cash elements such as unliquidated obligations, depreciation of fixed assets, amortization of intangible assets and deferral of conditional voluntary contributions are included as basis differences;

(b) Timing differences occur when the budget period differs from the reporting period reflected in the financial statements. For the purposes of comparison of budget and actual amounts, there are no timing differences for ITC;

(c) Entity differences represent fund groups other than the regular budget that are reported in the financial statements. The financial statements include results for all funds.

143. The reconciliation between the actual amounts presented in statement V and the actual amounts presented on the statement of financial performance is as follows:

Reconciliation of actual amounts on a comparable basis and actual amounts in the financial statements

(Thousands of United States dollars)

	31 December 2015	*31 December 2014*
Budget revenue	37 463	40 803
Basis differences	**2 782**	**2 931**
IPSAS adjustments:		
Revenue for contributions in kind	2 782	2 934
Adjustment for exchange revenue	–	(3)
Entity differences	**30 382**	**65 840**
Actual revenue in statement of financial performance (statement II)	**70 627**	**109 574**
Budget expenditure as per statement V	40 210	37 359
Basis differences	**1 151**	**3 092**
IPSAS adjustments		
Elimination of unliquidated obligations	(1 285)	2 224
Accruals of expenses	531	(1 977)
Expenses for contribution in kind	2 782	2 934

	31 December 2015	31 December 2014
Depreciation/amortization	283	179
Employee benefits expenses	98	(31)
Legal provisions and claims	(3)	(108)
Capitalization of property, plants and equipment and intangibles	(1 228)	(249)
Exchange gains/losses	(27)	120
Entity differences	**61 293**	**61 421**
Actual expenditure in statement of financial performance (statement II)	**102 654**	**101 872**

Note 17
Related parties: key management personnel

144. The key management personnel of ITC are the Executive Director, the Deputy Executive Director, the Directors of the divisions, the Chief Adviser in the Office of the Executive Director and the Chief of Strategic Planning, who have the authority and responsibility for planning, directing and controlling the activities of ITC and influencing its strategic direction.

(Thousands of United States dollars)

	31 December 2015	31 December 2014
Number of individuals (full-time equivalents)	**7.70**	**7.83**
Aggregate remuneration	2 250	2 580
Outstanding advances as at 31 December	92	5

145. The aggregate remuneration paid to key management personnel includes gross salaries, post adjustment, entitlements, assignment and other grants, rental subsidy, costs of shipment of personal effects, income tax reimbursement and employer contributions to the pension plan and current health insurance contributions. Key management personnel are also qualified for post-employment benefits which are payable only upon separation. No non-monetary and indirect benefits were paid to key management personnel. Key management personnel are ordinary members of the United Nations Joint Staff Pension Fund.

146. Any advances are those made against entitlements in accordance with the United Nations Staff Regulations and Rules. There were no loans granted to key management personnel.

Transactions with related party entities

147. Except as otherwise noted in these statements, for revenue from non-exchange transactions, including contributions in kind, all transactions made with third parties, including United Nations organizations and WTO, occur within a normal relationship between supplier or client and recipient or at arm’s length terms and conditions.

148. As explained in note 5 above, cash and investments of ITC are managed by the United Nations Treasury as part of the main cash pool.

Note 18
Relationships of significant influence

149. Related parties that have the ability to control or exercise significant influence over ITC in making financial and operating decisions, as well as transactions with such parties unless such transactions are consistent with normal operating relationships between entities, are disclosed. ITC is a technical cooperation agency over which WTO and the United Nations have significant influence and its financial statements are treated using the equity method.

150. The regular budget of ITC is funded equally by the United Nations and WTO. ITC is subject to the Financial Regulations and Rules and the Staff Regulations and Rules of the United Nations and is also subject to the oversight system of the United Nations Office of Internal Oversight Services and Board of Auditors. The Centre's financial statements are certified by the United Nations Controller. The Executive Director of ITC is appointed by Director General of WTO and the Secretary-General of UNCTAD through the Secretary-General of the United Nations.

Note 19
Leases and commitments

151. ITC has operating leases for the use of its headquarters building in Geneva, field offices and photocopiers, printing and publishing equipment. Leases for photocopiers and printing equipment provide for the payment of costs per copy made above a maximum monthly amount. The additional copy charges are considered contingent rents and are not included in the minimum lease payments disclosed below. The minimum lease payments under non-cancellable property leases are shown below:

Obligations for property operating leases
(Thousands of United States dollars)

	31 December 2015	*31 December 2014*
Due in less than 1 year	1 319	1 222
Due 1 to 5 years	4 160	3 336
Total minimum operating lease obligations	**5 479**	**4 558**

152. The lease for the ITC headquarters in Geneva is between the Foundation for Buildings for International Organisations and ITC for an annual lease payment of Swiss francs 1.085 million ($1.133 million as at 31 December 2015). The lease can be renewed for an additional 5-year period upon explicit agreement between the parties at least six months prior to the expiration date. ITC leases space for field offices which can generally be cancelled by providing notice of 30 to 90 days.

153. The equipment leases pertain to photocopiers and printing machines. This lease is for a period of up to five years and there is no renewal period after the end of the contract. The termination is the standard United Nations 30-day termination notice period. Each party may terminate the contract, in whole or in part, upon

30 days' notice, in writing, to the other party. The agreements do not contain purchase options. The total lease expense for 2015 was $1.511 million (2014: $1.603 million). This amount does include costs of additional copy charges incurred in accordance with lease agreements.

Other commitments

Open contractual commitments

(Thousands of United States dollars)

	31 December 2015	*31 December 2014*
Property, plant and equipment	157	21
Grants	183	256
Goods and services	8 117	6 235
Total open contractual commitments	**8 457**	**6 512**

154. Other commitments relate to the acquisition of goods and services contracted for, including purchase orders, but not delivered as at 31 December 2015.

Note 20
Contingent assets and contingent liabilities

155. There were no contingent assets or contingent liabilities arising at the reporting date.

Note 21
Events after the reporting date

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

Note 22
Ex gratia payments, write-offs and fraud

157. No ex gratia payments were recorded during the financial year ended 31 December 2015. ITC wrote off equipment of $0.052 million (2014: $0.004 million) during the financial year due to malfunction and obsolete items and $0.146 million of non-recoverable receivables. There are no cases of fraud or presumptive fraud during the financial year ended 31 December 2015.

Annex I

Statement of appropriations (unaudited)

General fund: statement of appropriations for the biennium ended 31 December 2015

(Thousands of United States dollars)

	Appropriations[a]			*Expenditures*			
	Original	*Changes*	*Revised*	*Disbursements*	*Unliquidated obligations*	*Total*	*Unencumbered balance*
International Trade Centre							
Programme of activities	80 218	(2 008)	78 210	76 596	973	77 569	641

[a] Represents original appropriation of $80.218 million for the biennium 2014-2015, which was decreased to $78.21 million. The General Assembly authorized the United Nations share in its resolutions 68/248 A and 70/240 A.

Annex II

Statement of budget and actual amounts for the 2014-2015 biennium (unaudited)

(Thousands of United States dollars)

	Publicly available budget		*Actual expenditure on budget basis for 2014-2015 biennium*	*Difference (percentage)*
	Original biennium	*Final biennium*		
Post	63 550	61 960	59 590	(3.8)
Non-post	16 668	16 250	17 979	10.6
Total	**80 218**	**78 210**	**77 569**	**(0.8)**

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