United Nations

Financial report and audited financial statements

for the year ended 31 December 2017

and

Report of the Board of Auditors

Volume III
International Trade Centre

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Supplement No. 5

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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.

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Letters of transmittal

Letter dated 29 March 2018 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 2017, 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*) António **Guterres**

Letter dated 24 July 2018 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 2017.

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

Chapter I

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

Opinion

We have audited the financial statements of the International Trade Centre (ITC), which comprise the statement of financial position as at 31 December 2017 (statement I) and 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, as well as the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the International Trade Centre as at 31 December 2017 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS).

Basis for opinion

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

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

The Secretary-General is responsible for the other information, which comprises the financial report for the year ended 31 December 2017, contained in chapter IV, but does not include the financial statements and our auditor’s report thereon.

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

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

Responsibilities of the Secretary-General and those charged with governance for the financial statements

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

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

Those charged with governance are responsible for overseeing the financial reporting process of the International Trade Centre.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

- Draw conclusions as to the appropriateness of the Secretary-General's use of the going-concern basis of accounting and, on the basis of the audit evidence obtained, whether a material uncertainty exists in relation to events or conditions that may cast significant doubt on the ability of the International Trade Centre to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the International Trade Centre to cease to continue as a going concern.

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

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

Report on other legal and regulatory requirements

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

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

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

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

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

24 July 2018

Chapter II
Long-form report of the Board of Auditors

Summary

Audit opinion

1. The Board has audited the financial statements of the International Trade Centre (ITC), which comprise the statement of financial position as at 31 December 2017 (statement I) and 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, as well as the notes to the financial statements, including a summary of significant accounting policies.

2. In the Board's opinion, the financial statements present fairly, in all material respects, the financial position of ITC as at 31 December 2017 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

3. Net assets for ITC for the year ended December 2016 were negative ($33.9 million) but improved in 2017, growing to positive net assets of $7.3 million. The improvement was mainly the result of ITC signing multi-year donor agreements for unconditional contributions with its traditional donors.

4. In recent years, ITC has taken steps to strengthen financial and managerial control over its operations. However, the Board noted weaknesses in the functioning of ITC in areas such as IPSAS compliance, strategic management and governance, project implementation, travel management and human resources management. The Board has made suitable recommendations to address those weaknesses.

Key findings

Review of voluntary contributions agreements

5. ITC should continue to examine donor agreements individually to check whether the performance obligations in an agreement fulfil the requirement of condition or not. To that end, ITC should update its memorandum of understanding checklist to include all the conditions of IPSAS 23 and thereby clearly define an agreement as conditional or unconditional.

Understating of employee benefit liabilities

6. In paragraph 105 of the notes to the financial statements, it is stated that liabilities arising from post-employment benefits are determined by independent actuaries. The most recent full actuarial valuation for ITC was conducted as at 31 December 2017. In paragraph 106 (b) of the notes, it is stated that 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.

7. The Board noted that there was no material difference in the accumulated leave between the last actuarial valuation and the present one, which could result in a reduction in liability of accumulated leave in the amount of $4.26 million. ITC informed the Board that Ernst and Young had restated the 2015 annual leave valuation data, leading to an overestimate of the number of days accrued to some members. ITC should monitor the valuation of liability on account of annual leave more closely in order to ensure that accurate valuations are depicted in the financial statements.

Selection of implementing partners

8. Only 6 of the 14 implementing partners engaged in the Centre's Gambia Youth Empowerment Project were included in the ITC CUBED* report of May 2017. The report assessed three as "ready", two as having "some concerns" and one as "challenged". The remaining eight implementing partners were not assessed at all.

Appointment of consultants on single bid

9. According to the ITC Guidelines on Recruitment and Administration of Consultants and Individual Contractors of 2017 (para. 4.3), the hiring manager should identify and evaluate at least three qualified applicants from the ITC consultant roster of the qualified candidates maintained by the Human Resources Division. Should the roster contain only one qualified applicant whom the hiring manager wishes to contract, the hiring manager must provide a written justification for the selection.

10. In the test check, the Board noted that ITC had awarded 71 (42 per cent of test-checked cases) contracts on single bid. Hiring managers had not advertised the assignment to expand the pool of candidates, thereby forgoing a competitive selection process for hiring consultants.

Main recommendations

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

(a) **Strengthen its mechanism of review and classification of voluntary contribution agreements as conditional or unconditional for the purposes of revenue recognition;**

(b) **Monitor more closely the valuation of liability on account of annual leave to ensure that accurate valuations are depicted in the financial statements;**

(c) **Assess all implementing partners engaged in its projects;**

(d) **Select consultants through a competitive process.**

* Institutional due diligence assessment for programme design.

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.

2. The Board of Auditors has audited the financial statements of ITC and has reviewed its operations for the year ended 31 December 2017 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. 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 2017 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 check 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. 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.

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

$127.13 million	Total revenue in 2017, up from $66.79 million in 2016
$88.21 million	Total expenses in 2017, down from $91.2 million in 2016
$167.18 million	Total assets in 2017, up from $105.03 million in 2016
$159.84 million	Total liabilities in 2017, up from $138.92 million in 2016
$7.34 million	Net assets in 2017, improved from negative net assets of $33.9 million in 2016

1. Follow-up of previous recommendations

6. The Board followed up on the implementation of previous recommendations and verified the status of outstanding recommendations. Of 23 outstanding recommendations up to the year ended 31 December 2016, ITC has fully implemented 16 recommendations (70 per cent), whereas 7 recommendations (30 per cent) were

under implementation. The annex to the present report contains details on the status of implementation of previous recommendations.

2. Financial overview

7. As at 31 December 2017, total assets had increased from $105.03 million (2016) to $167.18 million (2017), mainly because of the increase in voluntary contributions receivable from $53 million (2016) to $105.9 million (2017) and increase in investments from $34.06 million (2016) to $50.25 million (2017). ITC reported total liabilities of $159.84 million as at 31 December 2017 (2016: $138.92 million). This significant rise was caused by an increase in other liabilities from $41.83 million as at 31 December 2016 to $60.29 million as at 31 December 2017, mainly because of new multi-year conditional voluntary contributions agreements signed during the year.

Financial performance

8. The ITC reported a surplus of $38.92 million for the year ended 31 December 2017 (2016: deficit of $24.41 million). Revenue for the year was $127.13 million (2016: $66.79 million), which was mainly earned from assessed contributions of $35.45 million and voluntary contributions of $89.98 million, as against the figures for the previous year of $37.39 million and $26.88 million respectively.

9. The ITC reported expenses of $88.21 million for the year ended 31 December 2017 (2016: $91.20 million). As in previous years, most of the costs for ITC relate to employee salaries, allowances and benefits ($54.33 million). Non-employee costs (consultant and contractor costs) were reported as $11.5 million and other operating expenses were $11.66 million. The remaining costs include training, travel, foreign exchange expenses, grants, depreciation and amortization. Table II.1 below shows the Board's analysis of ITC expenses.

Table II.1
Expenses of the International Trade Centre for the years ended 31 December 2017 and 31 December 2016

Expense type	*2017 (Thousands of United States dollars)*	*2017 (Percentage of total)*	*2016 (Thousands of United States dollars)*	*2016 (Percentage of total)*
Employee salaries, allowances and benefits	54 328	61.59	52 065	57.09
Non-employee compensation and allowances	11 502	13.04	14 502	15.90
Travel	5 075	5.75	5 339	5.85
Grants and other transfers	1 311	1.49	936	1.03
Supplies and consumables	739	0.84	273	0.30
Depreciation	416	0.47	327	0.36
Amortization	435	0.49	347	0.38
Other operating expenses	11 656	13.21	14 670	16.09
Other expenses	2 748	3.12	2 738	3.00
Total	**88,210**	**100**	**91 197**	**100**

Source: Analysis by the Board of Auditors of ITC statements of financial performance for 2016 and 2017.

Financial analysis

10. As part of the financial analysis, the Board assessed the Centre's financial ratios and key assets and liabilities (see table II.2).

Table II.2
Financial ratios

Ratio	*2017*	*2016*
Current ratio[a] (current assets to current liabilities)	1.64	1.94
Total assets: total liabilities[b] (assets to liabilities)	1.05	0.76
Cash ratio[c] (cash + short-term investments to current liabilities)	0.85	1.30
Quick ratio[d] (cash + investments + accounts receivable to current liabilities)	1.57	1.86

Source: ITC financial statements for 2017.

[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.

11. The Board noted that, despite a reduction in current ratio compared with the previous year, the total assets to total liability ratio had improved. Employee benefits liabilities represented 57.14 per cent of the total liabilities of ITC in 2017 (65 per cent in 2016) and declined as a percentage of total liabilities. In view of the sound current and quick ratios, as well as the ratio of total asset to total liabilities, ITC is in a healthy position, with no immediate risk to its liquidity. The Board agrees with the assertion by ITC that it remains a going concern.

3. Financial management

Review of voluntary contributions agreements

12. The accounting policy for revenue recognition is provided in paragraph 55 of the notes to the financial statements. It states that "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".

13. Total voluntary contributions of $89.98 million include an amount of $74.29 million from 65 donor agreements entered into in 2017, which have been treated as unconditional voluntary contributions.

14. The Board observed that ITC does not have a specific checklist on the memorandum of understanding review process for the criteria, set out in IPSAS 23, for examining donor agreements individually and classifying each individual agreement as conditional or unconditional and thereby checking whether the performance obligations in an agreement fulfil the requirement of the condition or not. Therefore, ITC should strengthen its mechanism of review and classification of

voluntary contribution agreements in accordance with IPSAS, by which it can clearly categorize each voluntary contribution as conditional or unconditional.

15. **The Board recommends that ITC strengthen its mechanism of review and classification of voluntary contribution agreements as conditional or unconditional for the purposes of revenue recognition.**

16. ITC agreed with the recommendation.

Need to review fully depreciated assets to correctly reflect their utilization

17. According to paragraph 67 of IPSAS 17: Property, plant and equipment, an entity shall review the residual value and useful life of an asset at least at each annual reporting date.

18. The Board noted that, as at 31 December 2017, 104 fully depreciated assets were still in use, but that no review of their residual values and useful life had been conducted at the reporting date, as envisaged under IPSAS. The capitalized cost of such fully depreciated assets was $1.27 million.

19. **The Board recommends that ITC conduct a review of the residual values and useful lives of its fully depreciated assets still in use.**

20. ITC agreed with the recommendation.

Understatement of employee benefits liabilities

21. In paragraph 105 of the notes to the financial statements, it is stated that liabilities arising from post-employment benefits are determined by independent actuaries. The most recent full actuarial valuation for ITC was conducted as at 31 December 2017. According to paragraph 106 (b), ITC "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 portion of the accumulated annual leave benefit that is expected to be settled through monetary payment within 12 months after the reporting date is classified under current liabilities. The accumulated annual leave benefit liability is classified under other long-term benefits and is actuarially valued".

22. The status of the defined benefit liabilities as at 31 December 2017 and 2016 is shown in table II.3.

Table II.3
Status of the defined benefit liabilities
(Thousands of United States dollars)

Benefit	*2017*	*2016*	*Difference*
After-service health insurance	79 268	74 869	4 399
Repatriation grant	6 207	6 234	(27)
Accumulated annual leave	3 947	8 206	(4 259)
Total	**89 422**	**89 309**	**113**

Source: Notes to the financial statements for 2017 (para. 107).

23. The Board noted that the liability in respect of accumulated annual leave had been reduced substantially from the previous year to the current year. According to paragraph 109 of the notes to financial statements, the annual leave liability was reduced owing to an actuarial gain as a result of positive experience adjustment owing

to a significant decrease in the number of days accrued by ITC staff, based on the census data as at 31 October 2017.

24. The Board observed that the accumulated annual leave of ITC staff at the end of the last and present actuarial valuations was 7,385 days and 7,108 days, respectively. There was no material difference in the accumulated leave that could result in a reduction in liability of accumulated leave in the amount of $4.26 million. Therefore, the substantial reduction in the liability of annual leave, compared with the provisions for the previous year, is not supported by the actual data regarding the accumulated annual leave of ITC personnel.

25. ITC stated that Ernst and Young had restated the 2015 annual leave valuation data, leading to an overestimate of the number of days accrued to some members.

26. **The Board recommends that ITC monitor more closely the valuation of liability on account of annual leave to ensure that accurate valuations are depicted in the financial statements.**

27. ITC agreed with the recommendation.

4. Strategic management and governance

Need to link ITC results to the 2030 Agenda for Sustainable Development

28. The 2030 Agenda for Sustainable Development sets forth a plan of action for people, the planet and prosperity. It comprises 17 Sustainable Development Goals and 169 targets to be achieved by 2030, and strict adherence to it is mandatory for all United Nations organizations. The 2030 Agenda frames and guides the ITC strategic plan for the period 2018–2021. The Centre has stressed in its strategic and operational plans that it will contribute to the achievement of the 2030 Agenda through all its projects, with a focus on 10 of the Goals.

29. In its report to the Consultative Committee of the ITC Trust Fund in June 2017, the Centre stated that, in addition to its contributions to the 2030 Agenda through its technical assistance projects, it was contributing to global efforts to track progress on achieving the Sustainable Development Goals by providing, together with WTO and the United Nations Conference on Trade and Development (UNCTAD), global and country data for related indicators.

30. In 2017, links to specific targets had been introduced in each project. At the end of the year, project managers were expected to report on the contributions made. ITC has identified 10 Goals and 23 related targets to which the Centre contributes directly. The new project portal is a monitoring tool that captures the achievements, as reported by the project managers, with regard to those 23 targets. Project managers link their projects to selected targets at the impact level of the project log frame.[1] At the end of 2017, ITC project managers were asked for the first time to provide a narrative substantiating the contribution of the projects to the selected targets.

31. The Board examined the targets and the Centre's achievements, as reported in the portal, and noted the absence of uniformity, consistency and measurability with regard to those achievements, the resulting difficulty in assessing them against the stated objectives and, without measurable baseline statistics or final delivery figures, the impossibility of evaluating, monitoring and reporting comprehensively on the impact of ITC initiatives on the achievement of the Sustainable Development Goals.

32. Noting that ITC has an effective project portal for capturing the Centre's achievements, the Board is of the opinion that ITC could link its project outcomes to

[1] A log frame is a tool for improving the planning, implementation, management, monitoring and evaluation of projects.

the Sustainable Development Goals through the new project portal. To do so, ITC needs to define the types of results that its projects deliver, provide guidelines to project managers regarding each of the 23 selected targets and apply a standardized reporting methodology. This would improve the quality of reporting and make it more consistent. It would also provide a clearer picture of the Centre's contribution to the achievement of the Goals.

33. **The Board recommends that ITC: (a) define the types of results that ITC projects deliver that contribute to the achievement of the Sustainable Development Goals; and (b) provide guidelines to project managers for contributing to the achievement of each of the 23 selected targets.**

34. ITC agreed with the recommendation.

5. Project implementation

Gambia Youth Empowerment Project

35. The Gambia Youth Empowerment Project is designed to contribute to the economic development of that country by improving the employability of its young people, especially potential and returning migrants. The cost of the project is $12.28 million, and it is being implemented by ITC from 2017 to 2020 with European Union funding.

Constitution of the Grants Committee

36. The Grants Committee of ITC reviews all proposed grants for amounts of $50,000 and above. Under its guidelines, the Committee is composed of four members, and their alternates, with the following professional backgrounds:

- Substantive/technical cooperation
- Strategic planning, performance and governance
- Legal
- Financial

37. Members with a financial background (usually Chief, Financial Management) serve as Chair. A quorum is constituted by four members or alternate members of the Committee, with at least one member or alternate with each of the above-mentioned professional backgrounds.

38. The composition of the Committee was revised on 18 January 2018, with four members and one Chair and seven alternate members and one alternate Chair. The Board noted that the Chair had separated from ITC in March 2018. The membership of the Committee had not been renewed at the time of the audit, even though it is a vital component of the Centre's machinery, given that its decisions affect not only its financial health but also the success of its implementing strategy.

39. **The Board recommends that ITC update the membership of the Grants Committee when staff changes such as departures or transfers occur.**

Selection of implementing partners

40. The Gambia Youth Empowerment Project of ITC includes 14 implementing partners, as shown in table II.4.

Table II.4
Implementing partners

Particulars	*Number of implementing partners*
Less than $30,000	9
Between $30,000 and $50,000	4
More than $50,000	1

Source: Analysis of information furnished by ITC.

41. The project document mentioned that the ITC CUBED approach was to be used to evaluate and select implementation partners. The CUBED approach uses a questionnaire method to map six attributes (committed, capable, connected, resourced, relevant and recognized) and gives weighted scores.

42. Only 6 of the 14 implementing partners engaged in the Gambia project were included in the ITC CUBED report of May 2017 (see para. 8 of the Summary above).

43. The Office of Internal Oversight Services (OIOS), in its audit of the management of implementation partners at ITC (2016/106), also recommended that ITC establish requirements for project managers to document the organizations considered in the implementing partner selection process.

44. **The Board recommends that ITC conduct an assessment of all implementing partners engaged in its projects.**

45. ITC stated that it was finalizing a partner assessment form. It would be promulgated shortly after a review by senior management.

Release of payments to implementing partners

46. A memorandum of understanding with 10 implementation partners specifies the release of payments in two instalments of 75:25, and four others specify the release of payments in three instalments of 60:30:10. The first instalment (75 per cent and 60 per cent, respectively) is to be released on the signature of the memorandum of understanding and the balance on the completion of activities and submission of output reports and supporting invoices for the expenditure.

47. At the time of the audit, in April 2018, 6 of the 14 implementation partners had been paid the second instalment, although only four had completed their activities and none had submitted supporting invoices for their expenditure. Release of the payments was recommended by the Project Management Unit to the Finance Section. The Project Management Unit had neither verified the budget nor ascertained delivery before releasing the payments. Inadequate oversight on the part of the Project Management Unit led to inflated project budgeting and failed to ensure delivery before the release of payments to the implementing partners.

48. **The Board recommends that ITC ensure that division directors review the budget and supporting documents prior to the release of payments to implementing partners.**

49. ITC agreed to the recommendation.

6. Travel management

Need to comply with United Nations rules on advance ticket booking

50. According to staff rule 7.8 of the Staff Regulations and Rules of the United Nations, all tickets for the official travel of staff members and eligible family

members must be purchased by the United Nations in advance of the actual travel. As a cost-saving measure, minimum days have been defined for submitting travel requests by ITC. Under the Umoja system, travel requests should be submitted 21 days in advance of the commencement of travel so that all arrangements, including advance booking and purchase of tickets, are finalized 16 calendar days in advance of the commencement of official travel, as provided in clause 3.3 of the ITC administrative instruction on official travel. Programme or project managers are required to provide justification for all official travel arrangements that are not finalized 16 calendar days in advance of the commencement of travel. These instructions came into force from April 2016.

51. During the audit for 2016, the Board noted that, of a total of 2,087 trips reviewed, 1,460 trips (70 per cent) had not been processed at least 16 days prior to the travel. Justifications related mainly to changes in the dates of events, late confirmation from partners, non-availability of funds, last-minute decisions for travel and other similar instances, reflecting poor travel planning in ITC. The Board noted that the number of non-compliant cases had increased slightly in 2017 to 71 per cent: of 2,616 trips undertaken between January and December 2017, 1,864 trips were not processed at least 16 days prior to the travel.

52. As the recommendation from the previous report is still open, a fresh recommendation is not being made in the present report.

7. Human resources management

Appointment of consultants

53. ITC utilizes temporary assistance by appointing consultants and individual contractors to meet its organizational priorities relating to supporting the internationalization of small and medium-sized enterprises. The Centre relies heavily on the services of consultants and individual contractors for project-related activities. In 2017, ITC awarded 1,165 contracts to consultants and individual contractors.

54. In its report for the year ended 31 December 2016, the Board highlighted issues regarding the appointment of consultants and recommended that ITC select consultants through a competitive process and avoid using consultants for the performance of generic tasks.

55. The Board examined 171 contracts, and its observations are described below.

Appointment of consultants on single bid

56. According to the ITC Guidelines on Recruitment and Administration of Consultants and Individual Contractors of 2017 (para. 4.3), the hiring manager should identify and evaluate at least three qualified applicants from the ITC consultant roster maintained by the Human Resources Division. Should the roster contain only one qualified applicant whom the hiring manager wishes to contract, the hiring manager must provide a written justification for the selection. The hiring manager may advertise assignments on any e-platform maintained by ITC, on the ITC website or through external publication, to expand the pool of candidates. At the time of the audit, ITC had 6,890 candidates on its consultant roster.

57. The Board noted that ITC had awarded 71 (42 per cent of the test-checked cases) contracts on single bid. Hiring managers had not advertised the assignment to expand the pool of candidates. By considering only one candidate in 42 per cent of consultancy contracts, ITC was forgoing a competitive selection process for hiring consultants.

58. **The Board recommends that ITC select consultants through a competitive process.**

59. ITC stated that, owing to the volume of consultancies, the implementation of a formal competitive process would not be feasible. ITC further informed the Board that it had just published updates to its consultant hiring tool (eRoster), including enhancements to the consultant roster itself and advanced search facilities for hiring managers. The enhanced functionality was expected to allow hiring managers to better identify potential candidates, thereby strengthening the recruitment process and its diversity. The Board, while acknowledging the response of ITC, holds that a competitive process would enable it to obtain best value for money.

Contracts awarded at higher rates

60. The ITC Guidelines provide that the Human Resources Division should ensure that the remuneration level selected by the hiring manager complies with administrative instruction ITC/AI/2014/04 (para. 6.1).

61. The Board found that ITC had awarded six contracts at fees higher than the maximum fee associated with a particular level.

62. **The Board recommends that ITC apply adequate checks and controls to avoid awarding contracts at fees higher than the maximum fee associated with a particular level**.

63. ITC stated that oversights had occurred during the review process. ITC took note of the recommendation and affirmed that it would investigate the possibility of further reinforcing the recruitment tool to ensure that such inconsistencies could not occur.

Need to undertake staffing review to optimize resources

64. In its previous report, the Board had recommended that ITC conduct an independent staffing review to optimize its resources. ITC accepted the recommendation. The position was reviewed in 2017and is presented in table II.5.

Table II.5
Staff posts in the International Trade Centre

Post	*Sanctioned posts (in accordance with the budget for 2016–2017)*	*Staff-in-position in 2016*	*Staff-in-position in 2017*
P-5	21	27	25
P-4	33	41	42
P-3	24	62	57
P-2/P-1	15	69	71
Total	**93**	**199**	**195**

Source: Staffing table provided by ITC.

65. There has been no change in the situation. Moreover, ITC also employed 652 (692 in 2016) consultants and individual contractors in 2017.

66. With regard to the status of implementation of the pending recommendation, ITC stated that it would review the recommendation in detail in 2018, following the analysis of its post descriptions. ITC further stated (in April 2018) that it had embarked on a two-pronged approach, involving a post description review and a skills-mapping project, which were in progress at the time of the audit.

Agreed termination programme

67. Regulation 9.3 (a) of the Staff Regulations and Rules of the United Nations provides that the Secretary-General may, giving the reasons therefor, terminate the appointment of a staff member who holds a temporary, fixed-term or continuing appointment in accordance with the terms of his or her appointment or for any of the following reasons:

- Abolition of posts or reduction of staff
- Unsatisfactory service
- If the staff member is, for reasons of health, incapacitated for further service
- Disciplinary reasons in accordance with staff rule 10.2 (a) (viii) and (ix)
- If facts anterior to the appointment of the staff member and relevant to his or her suitability come to light that, if they had been known at the time of his or her appointment, should, under the standards established in the Charter of the United Nations, have precluded his or her appointment
- In the interest of the good administration of the Organization and in accordance with the standards of the Charter, provided that the action is not contested by the staff member concerned

68. Regulation 9.3 (d) further provides that the Secretary-General may, where the circumstances warrant and he or she considers it justified, pay to a staff member whose appointment has been terminated, provided that the termination is not contested, a termination indemnity payment not more than 50 per cent higher than that which would otherwise be payable under the Staff Regulations.

69. ITC has implemented an agreed termination programme and, on 17 November 2016, it invited all staff members to express interest, stating that all applications would be considered on a case-by-case basis where there was a convergence between the interests of the Centre and those of the individual staff member.

70. ITC terminated four staff members under the programme on 31 December 2017, citing the interest of good administration in line with regulation 9.3 (a) (vi).

71. The Board is of the view that an organization should consider the merits and disadvantages of retaining staff and the impact of their removal on its good administration. However, in the instant case, ITC offered the scheme to all staff members occupying regular budget posts and did not assess how the termination of staff might benefit the organization. At the time of audit, the Board reviewed staff performance appraisals and noted that all terminated staff members met the expectations of the organization.

72. **The Board recommends that ITC follow a documented and transparent approach for implementing its agreed termination programme.**

73. ITC agreed to the recommendation and stated that there were always informal channels of communication for individuals who were considering applying for agreed termination, such as discussions with supervisors, and added that high-quality staff members were normally given reason to stay in terms of opportunities for career development and changes in duties and responsibilities, wherever possible. While acknowledging the response, the Board holds that there is a need to document the process appropriately.

C. Disclosures by management

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

74. ITC reported that it had formally written off equipment for an amount of $64,645 and an amount of non-recoverable receivables of $47,130 during the year ended 31 December 2017.

2. Ex gratia payments

75. ITC reported no ex gratia payments for the year ended 31 December 2017.

3. Cases of fraud, presumptive fraud and financial mismanagement

76. 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.

77. During the audit, the Board makes enquiries of management regarding its oversight responsibility for assessing the risks of material fraud. This includes enquiries regarding 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 enquires whether management has any knowledge of any actual, suspected or alleged fraud.

78. ITC has no cases of fraud or presumptive fraud to report for the year ended 31 December 2017.

D. Acknowledgement

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

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

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

24 July 2018

Annex

Status of implementation of recommendations up to the year ended 31 December 2016

No.	Audit report year(s) and document symbol	Chapter and paragraph reference	Recommendation of the Board	ITC response	Board's assessment	Status after verification: Implemented	Under implementation	Overtaken by events	Not implemented
1	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. ITC has also incorporated the analysis which the Board of Auditors had considered useful under note 12 in the financial statements for the year ending 31 December 2017.	In view of the compliance, the recommendation is considered to have been implemented.	X			
2	2014 (A/70/5 (Vol. III) and A/70/5 (Vol. III)/ Corr.1)	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. ITC is already IPSAS compliant.	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		
3	2014 (A/70/5 (Vol. III) and A/70/5 (Vol. III)/ Corr.1)	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 consultants database to produce exception reports to support management review.	ITC identified a case of financial mismanagement (misuse of funds by the implementing partner). That resulted in strengthened monitoring of similar projects. ITC launched a mandatory anti-fraud training programme for staff, as well as consultants and implementing partners, which must be completed before payment. ITC also created a good governance page on the intranet.	In view of the compliance, the recommendation is considered to have been implemented.	X			

No.	Audit report year(s) and document symbol	Chapter and paragraph reference	Recommendation of the Board	ITC response	Board's assessment	Status after verification			
						Implemented	Under implementation	Overtaken by events	Not implemented
4	2014 (A/70/5 (Vol. III) and A/70/5 (Vol. III)/Corr.1)	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.	A full costing model that links the financial allocations to programmatic and operational areas of the work of ITC has been created and piloted for all budgets (regular budget, programme support costs and extrabudgetary). ITC is using the Umoja business intelligence reporting system and it combines multiple Umoja business intelligence reports with an automated upload to the budget portal. In particular, reports based on the Umoja funds management module are used and combined with other modules (such as travel). These costs are then presented on the ITC project portal, which allows for multiple use (costs drill-down by functional cost categories, by work breakdown structure element/work package, year, month etc.).	In view of the compliance, the recommendation is considered to have been implemented.	X			
5	2015 (A/71/5 (Vol. III))	Chap. II, para. 16	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.	A formal evaluation of the success of the ITC resource mobilization strategy will be carried out on an annual basis, starting in the first quarter of 2017. Progress on resource mobilization targets is already being tracked through ITC key performance indicators on pipeline development and resource mobilization, which were defined in the ITC operational plan for 2016 and are aligned with its strategic plan for 2015–2017. The upgraded project portal allows ITC to monitor the pipeline, projects under implementation and closed projects, in view of specific funders, programmatic areas, regions or project size, among others. Options for cost reduction are considered at the	In view of the compliance, the recommendation is considered to have been implemented.	X			

No.	Audit report year(s) and document symbol	Chapter and paragraph reference	Recommendation of the Board	ITC response	Board's assessment	Status after verification			
						Implemented	Under implementation	Overtaken by events	Not implemented
				corporate level as part of annual budget planning. Each project budget is critically reviewed as part of the project quality review and approval process. The success of the resource mobilization strategy has been assessed and documented. Options for cost reductions have again been considered as part of the annual budget cycle.					
6	2015 (A/71/5 (Vol. III))	Chap. II, para. 34	Continue to review the scale and nature of manual adjustments and journals to identify training needs and process efficiencies.	ITC expects the number of manual adjustments and journals to decrease now that the transition to Umoja from the legacy enterprise resource planning system is complete. The initial large scale of manual adjustments owing to the transition to Umoja from the legacy system has been completed. ITC considers this recommendation to have been implemented.	In view of the compliance, the recommendation is considered to have been implemented.	X			
7	2015 (A/71/5 (Vol. III))	Chap. II, para. 38	Develop clear plans to ensure that payroll clearing and control accounts are reconciled on a timely basis with a full supporting trail.	The United Nations Office at Geneva handles the ITC payroll. ITC will liaise with it to ensure that there is no duplication of effort. Payroll data are now available in the business intelligence report. The data is extracted and reviewed by the funds management team for accuracy. The data is also shared with project managers to ensure that the correct funding sources are charged.	In view of the compliance, the recommendation is considered to have been implemented.	X			

No.	Audit report year(s) and document symbol	Chapter and paragraph reference	Recommendation of the Board	ITC response	Board's assessment	Status after verification: Implemented	Under implementation	Overtaken by events	Not implemented
8	2015 (A/71/5 (Vol. III))	Chap. II, para. 44	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.	As Umoja matures, ITC will register business benefits in line with the United Nations Secretariat and continue to deepen knowledge and strengthen business processes. ITC has implemented Umoja as instructed by the Secretariat. ITC budget reduced owing to Umoja benefits realization.	In view of the compliance, the recommendation is considered to have been implemented.	X			
9	2015 (A/71/5 (Vol. III))	Chap. II, para. 45	Review the reporting needs of the business and develop a clear schedule for the timely production of regular and extrabudgetary financial reports from Umoja.	Senior management has established a schedule of quarterly internal financial reports. ITC also provides biannual financial reports to its funders and clients via the ITC public website. The reports are presented to the Consultative Committee of the ITC Trust Fund in biannual meetings. ITC also provides biannual financial reports to its funders and clients through its public website.	In view of the compliance, the recommendation is considered to have been implemented.	X			
10	2015 (A/71/5 (Vol. III))	Chap. II, para. 49	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.	Exception reporting to provide insight and focus for management validation and review is a system-wide United Nations Secretariat necessity and work has begun to address this with the recent establishment of a global monitoring function of Umoja data, which is being progressively rolled out. ITC will therefore liaise with the Secretariat.	The management has stated that it would liaise with other United Nations entities in an effort to provide exception reports. Hence, the recommendation is considered to be under implementation.		X		
11	2015 (A/71/5 (Vol. III))	Chap. II, para. 53	Record 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.	The costs of the upgrade are capitalized as intangible assets — benefits analysis. Information from the project portal is reconciled with data from Umoja.	In view of the compliance, the recommendation is considered to have been implemented.	X			

No.	Audit report year(s) and document symbol	Chapter and paragraph reference	Recommendation of the Board	ITC response	Board's assessment	Status after verification: Implemented	Under implementation	Overtaken by events	Not implemented
12	2015 (A/71/5 (Vol. III))	Chap. II, para. 60	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.	In line with the OIOS anti-fraud policy, ITC will raise awareness and promote strong anti-fraud values internally and with implementing partners. Anti-fraud training has been developed and launched as approved by the Senior Management Committee. Training is mandatory for staff, consultants and implementing partners.	In view of the compliance, the recommendation is considered to have been implemented.	X			
13	2016 (A/72/5 (Vol. III))	Chap. II, para. 14	Ensure appropriate classification between staff advances and pending recoveries from staff.	ITC has incorporated these changes in the financial statements for the year ending 31 December 2017 under note 7.	In view of the compliance, the recommendation is considered to have been implemented.	X			
14	2016 (A/72/5 (Vol. III))	Chap. II, para. 17	Ensure appropriate presentation with reference to expenses on non-employee compensation and allowances by including material details in the notes to financial statements.	ITC has incorporated the changes in the financial statements for the year ending 31 December 2017 under note 15.	In view of the compliance, the recommendation is considered to have been implemented.	X			
15	2016 (A/72/5 (Vol. III))	Chap. II, para. 31	Enhance its monitoring mechanism by ensuring that its sections and divisions prepare their annual workplan in alignment with its operational plan and strategic plan.	Section workplans for 2018 were prepared and integrated in the operational plan for 2018. All operational plan milestones are clearly linked to the key initiatives of the strategic plan and it is clear which section has the delivery responsibility.	In view of the compliance, the recommendation is considered to have been implemented.	X			
16	2016 (A/72/5 (Vol. III))	Chap. II, para. 40	Conduct an independent staffing review to optimize its resources.	Review of job descriptions for all ITC is ongoing, starting with the division of enterprise and institutions. Combination of terms of reference and skills-mapping. There is no mechanism for conducting a staffing review.	ITC has not conducted the independent staffing review. It has initiated the process. Hence, the recommendation is considered to be under implementation.		X		
17	2016 (A/72/5 (Vol. III))	Chap. II, para. 46	Frame a formal policy and guidelines for an inclusive and accessible ITC for persons with disabilities, similar to ST/SGB/2014/3.	On 22 December 2017, ITC issued an Executive Director's bulletin on employment and accessibility for persons with disabilities at ITC (ITC/EDB/2017/01)	In view of the compliance, the recommendation is considered to have been implemented.	X			

No.	Audit report year(s) and document symbol	Chapter and paragraph reference	Recommendation of the Board	ITC response	Board's assessment	Status after verification			
						Implemented	Under implementation	Overtaken by events	Not implemented
18	2016 (A/72/5 (Vol. III))	Chap. II, para. 52	Fully develop and operationalize the enterprise risk management framework.	Development of the full enterprise risk management framework is completed. Efforts to make it operational will continue in 2018. In addition to the continuation of risk assessment and risk management at the project level, in 2018, deep-dive individual risk assessments of specific risk areas, risk assessment workshops and risk management trainings are planned.	In view of the compliance, the recommendation is considered to have been implemented.	X			
19	2016 (A/72/5 (Vol. III))	Chap. II, para. 59	Operationalize its independent Oversight Committee to strengthen its internal control mechanisms.	ITC will restore and make operational its oversight committee, which was first formed in June 2006 and the terms of reference for which were modified in October 2010 and in August 2014. Currently, the senior management committee is also functioning as an oversight committee.	As the implementation of the recommendation is ongoing, the recommendation is considered to be under implementation.		X		
20	2016 (A/72/5 (Vol. III))	Chap. II, para. 65	Select consultants through a competitive process.	A human resources team continues to advise hiring managers on this and on all rules and procedures related to consultants. On 29 November 2017, a briefing on contract management for consultants was held and 17 managers and project assistants attended.	As the implementation of the recommendation is ongoing, the recommendation is considered to be under implementation.		X		
21	2016 (A/72/5 (Vol. III))	Chap. II, para. 69	(a) Select consultants through a competitive process, and (b) avoid using consultants for the performance of generic tasks.	The hiring tool for consultants requires a justification to be added in case three candidates are not listed. If the justification is deemed insufficient, the human resources team rejects the request and asks for a more solid rationale.	The Board continues to see weakness in the hiring of consultants, hence the recommendation is considered to be under implementation.		X		
22	2016 (A/72/5 (Vol. III))	Chap. II, para. 77	Update its local committee on contracts and Local Property Survey Board.	ITC updated both committees.	In view of the compliance, the recommendation is considered to have been implemented.	X			

						Status after verification			
No.	*Audit report year(s) and document symbol*	*Chapter and paragraph reference*	*Recommendation of the Board*	*ITC response*	*Board's assessment*	*Implemented*	*Under implementation*	*Overtaken by events*	*Not implemented*
23	2016 (A/72/5 (Vol. III))	Chap. II, para. 83	Adhere to the 16-day clause for advance travel planning to reduce travel expenditure and avoid frequent rescheduling and cancellation of tickets.	ITC continues to encourage staff to submit travel requests 21 days prior to the commencement of travel. Several notices have been issued and training sessions organized to reinforce the requirement.	As there is no improvement in the situation, the recommendation is considered to be under implementation.		X		
			Total		**23**	**16**	**7**	**–**	**–**
			Percentage		**100**	**70**	**30**	**–**	**–**

Chapter III
Certification of the financial statements

Letter dated 22 March 2018 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 2017 have been prepared in accordance with financial rule 106.1 of the Financial Regulations and Rules of the United Nations.

The summary of significant accounting policies applied in the preparation of these statements is included as notes to the financial statements. These notes provide additional information and clarifications 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 2017

A. Introduction

1. The Executive Director has the honour to submit the financial report on the accounts of the International Trade Centre (ITC) for the year ended 31 December 2017.

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. ITC is the joint technical cooperation agency of the United Nations and the World Trade Organization (WTO) for trade and international business development. ITC aims to improve the international competitiveness of micro-, 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. In 2017, ITC delivery was strategically aligned to 10 of the Sustainable Development Goals, with a focus on Goal 8 (decent work and economic growth), Goal 1 (end poverty), Goal 5 (gender equality) and Goal 17 (partnerships for the goals). ITC also contributed to implementing Goals 2, 4, 9, 10, 12 and 16. ITC organizes its delivery across 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 2017, measured by expenditure in United States dollars, ITC delivered technical assistance, capacity-building and market intelligence with gross extrabudgetary expenditures of $46.24 million. Extrabudgetary expenditure was approximately 3 per cent less than in the previous year; however, general performance was in line with outcome targets that were set for the biennium 2016–2017.

6. Delivery performance by ITC remained strongly supported by corporate initiatives for innovation and project development. At the end of 2017, the Centre's pipeline of projects under discussion with funders was estimated at $170 million. Throughout the year, $0.6 million was approved for innovative projects from the Centre's Business Development Fund. Results-wise, the refined 2016–2017 strategic framework enabled ITC to better capture the results of its interventions. Through its market intelligence tools and other digital content, complemented with a multitude of awareness-raising events, in 2017 ITC reached over 157,000 beneficiaries. In 66 cases, ITC influenced policymakers and contributed to strategy formulation for the benefit of micro-, small and medium-sized enterprises in developing economies. At the institutional level, 219 unique public and private trade and investment support institutions have improved their performance and are now able to better serve their clients. The Centre's refined monitoring better captured both the extensive work with enterprises and the effect of its interventions across the supply chains. This allowed for reporting that over 12,500 entrepreneurs have improved their competitiveness and over 2,600 enterprises have transacted new business thanks to ITC assistance. Once again, ITC overachieved its target of benefiting at least 40.0 per cent of women-owned enterprises among all the micro-, small and medium-sized enterprises. The largest share of ITC delivery continued to be focused on sub-Saharan Africa and the Asia-Pacific region, in line with the continued prioritization of the most vulnerable

countries. In 2017, over 84.0 per cent of country or region-specific extrabudgetary expenditure was dedicated to least developed countries, landlocked developing countries, small island developing States and sub-Saharan Africa. ITC has strengthened support for project and business process improvement by offering innovation training and advisory services through its corporate Innovation Lab.

7. In 2017, the ITC annual evaluation synthesis report highlighted challenges in the areas of project monitoring and evaluation, as well as a need to always fully consider and document gender issues from the project design stage.

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

(a) ITC has produced a new strategic plan for the period 2018–2021, which reflects the full commitment of ITC to deliver on the 2030 Agenda for Sustainable Development with direct contributions to the achievement of 10 of the Sustainable Development Goals;

(b) The Centre's risk management initiative in 2017 resulted in the development of a corporate risk appetite and tolerance statement, the ITC risk register, and guidance on defining levels of risk and types of impact. These components, along with the risk management policy developed in 2016, complete the risk management framework and lay the foundation for a comprehensive coverage and documentation of risk management by ITC in 2018;

(c) By continually investing in its e-learning initiatives, ITC has further increased the number of users of e-learning and reduced its costs and carbon footprint. The ITC Trade Academy for Small and Medium-sized Enterprises registered over 16,400 enrolments in 2017 and certified over 2,900 course participants, of which 47.0 per cent were women;

(d) As an expertise-driven organization, ITC has invested an average of five days in learning and developing technical and managerial skills per full-time employee equivalent;

(e) ITC has partnered with numerous public, private and non-governmental institutions on the basis of shared goals and values. Together with WTO and the United Nations Conference on Trade and Development (UNCTAD), ITC launched an online global trade helpdesk and a platform for market intelligence for cotton products. A new partnership with the Alliance for a Green Revolution in Africa (AGRA) will help to boost farm productivity and the incomes of millions of smallholder farmers, which make up 70 per cent of Africa's population. Also in 2017, at the beginning of the United Nations-designated International Year of Sustainable Tourism for Development, ITC began to host the United Nations World Tourism Organization liaison office in Geneva, thus sharing the commitment to strengthen the partnership to provide deeper support to the tourism sector;

(f) An audit undertaken by the Office of Internal Oversight Services of the Secretariat on ITC projects and activities funded by unearmarked voluntary contributions (funding window I), confirmed the Centre's sound management of resources and of its relationships with donors. ITC received recommendations to strengthen risk management and monitoring, which were both adopted and whose implementation is in progress.

9. At the fifty-first session of the ITC annual meeting, the Joint Advisory Group, which was convened in Geneva on 10 July 2017, member States commended ITC for its results and leadership in promoting gender equality and women's economic empowerment while addressing key development challenges through trade. Delegates also praised ITC for its enduring commitment to providing innovative approaches

addressing diverse trade challenges, for working with a wide range of stakeholders from the public and private sectors and for steadily adopting more effective and efficient ways of doing business. Finally, donors praised the Centre's internal reforms and noted the critical importance of its continuing efforts to refine its results, strengthen internal coherence and increase value for money.

B. International Public Sector Accounting Standards sustainability

10. ITC adopted the International Public Sector Accounting Standards (IPSAS) framework for the preparation of its financial statements in 2014. The current statements are the fourth financial statements prepared under the IPSAS framework.

11. As presented in the eighth progress report 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 IPSAS benefits and supporting the use of IPSAS-triggered information to better manage the organization; (b) strengthening of internal controls Organization-wide, in particular the controls that support financial accounting and reporting; (c) managing the IPSAS regulatory framework to implement changes in IPSAS standards and drive-related changes to systems and processes, which entails monitoring and tracking the development of new and revised standards by the IPSAS Board, 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 the preparation of the financial statements in Umoja; and (e) continued IPSAS training and the deployment of a skills strategy to support managers in the new IPSAS/Umoja environment.

C. Overview of the financial statements for the year ended 31 December 2017

12. Financial statements I, II, III, IV and V show the financial results of the Centre's activities and its financial position as at 31 December 2017. The notes to the financial statements explain the ITC accounting and financial reporting policies and provide additional information on the individual amounts contained in the statements.

Revenue

13. The financial results for the year 2017 amounted to a surplus of $38.915 million, based on the results as follows:

Financial results

(Thousands of United States dollars)

	2017	*2016*
Total revenue	127 125	66 791
Total expense	88 210	91 197
Surplus (deficit)	**38 915**	**(24 406)**

14. In 2017, revenue totalled $127.125 million. The main sources of revenue were voluntary contributions from donors of $89.976 million, or 70.8 per cent; assessed contributions of $35.453 million, or 27.9 per cent; revenue from other transfers and

allocations of $0.455 million, or 0.4 per cent; investment revenue of $0.572 million, or 0.4 per cent; and other revenue of $0.669 million, or 0.5 percent (see figures IV.I and IV.II). Total revenue also includes contributions in kind as a rental subsidy of $2.754 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.

15. 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. As noted in the charts below, the increase in revenue resulted mainly from the signature of major multi-year unconditional agreements with Sweden, the United Kingdom of Great Britain and Northern Ireland, the Netherlands, Switzerland and Norway. Other transfers and allocations are mainly inter-organizational arrangements for contributions received from the United Nations Development Programme (UNDP) and for projects under the Enhanced Integrated Framework trust fund and the One United Nations fund. The resources allocated to ITC under the Enhanced Integrated Framework trust fund and the One United Nations fund decreased by $0.71 million compared with 2016. These are multi-donor trust funds and new projects are approved based on cash availability. Projects are awarded to implementing agencies based on their respective mandates.

16. Voluntary contributions often cover multi-year periods as they are usually committed for the lifetime of the period, typically three or four years. This means that part of the revenue recognized in previous years is used for activities in the current year or in future years.

Figure IV.I
Total revenue (IPSAS basis) by fiscal year

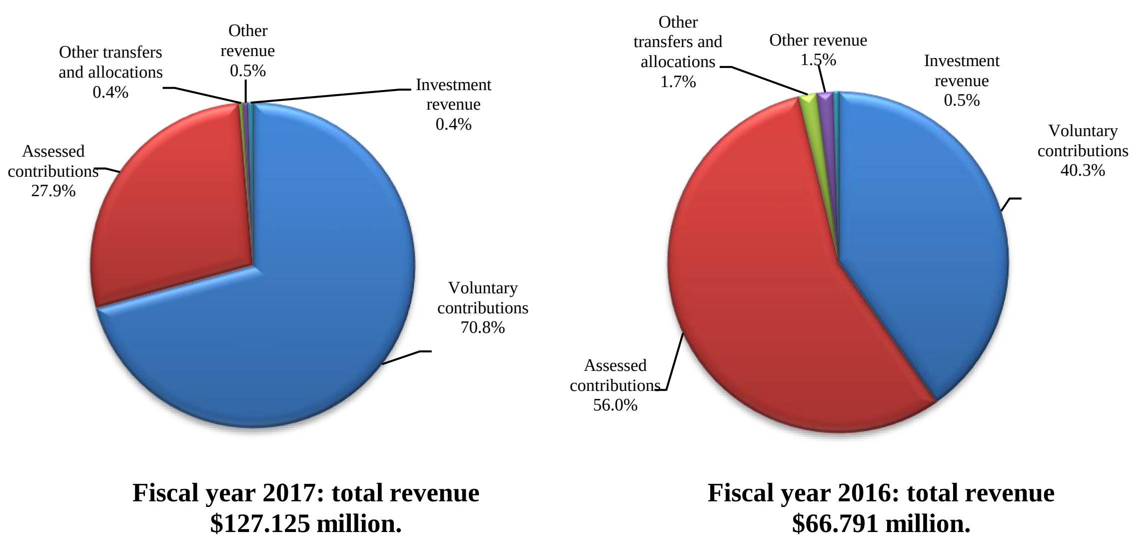
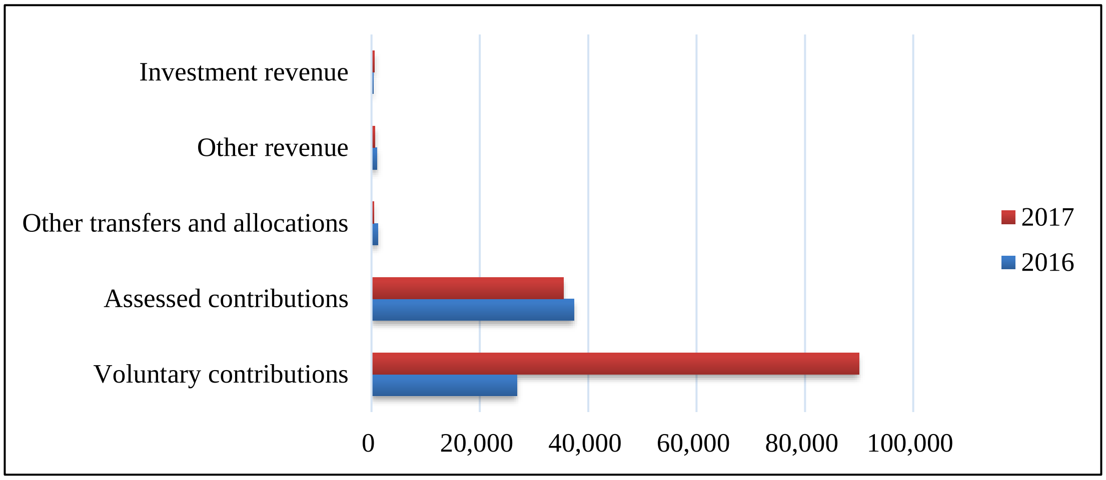
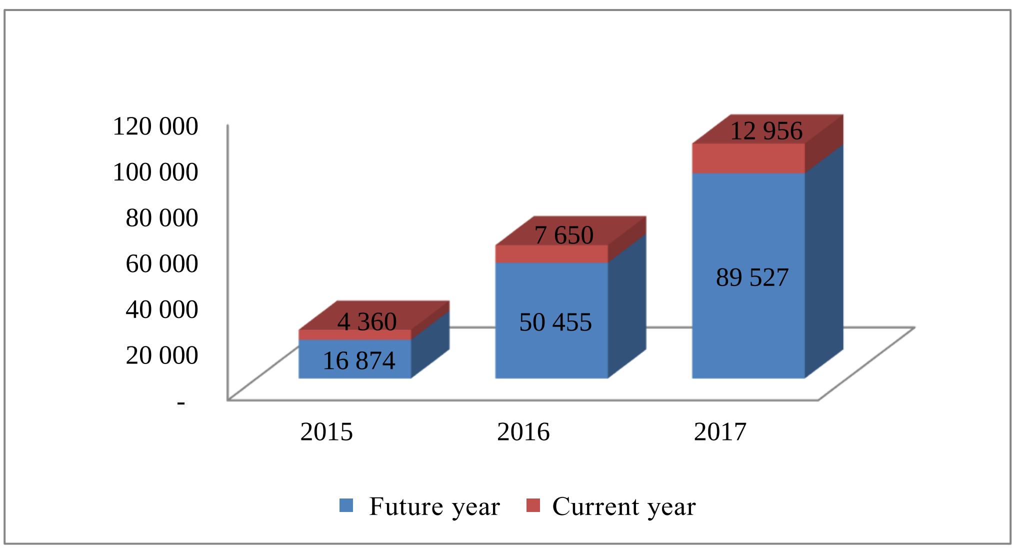


Figure IV.II
Total revenue (IPSAS basis), by category and fiscal year
(Thousands of United States dollars)



17. Overall, on a year-to-year basis, the value of voluntary contribution agreements signed with donors was $102.483 million in 2017, $58.106 million in 2016 and $21.234 million in 2015. A new strategic framework accompanied by a results-focused programmatic approach came into effect in 2015, resulting in a renewed level of support from donors, as demonstrated by the increased level of contributions in 2016 and 2017.

Figure IV.III
Voluntary contribution agreements signed with donors (conditional and unconditional) showing current year and future year portions, by fiscal year
(Thousands of United States dollars)

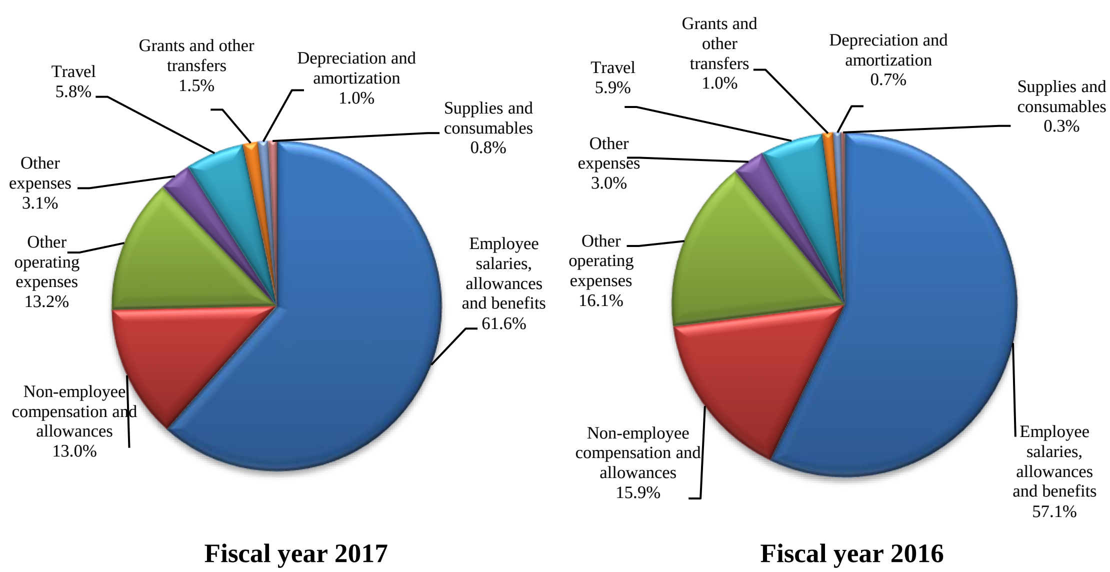


18. Figure IV.III shows voluntary contribution agreements signed in each year and the portion attributable to the current year and to future years.

Expenses

19. For the year ended 31 December 2017, expenses totalled $88.210 million. The main expense categories were staff costs of $54.328 million, or 61.6 per cent; non-employee compensation and allowances of $11.502 million, or 13.0 per cent; other operating expenses of $11.656 million, or 13.2 per cent; travel of $5.075 million, or 5.8 per cent; other expenses of $2.748 million, or 3.1 per cent; grants and other transfers of $1.311 million, or 1.5 per cent; depreciation and amortization of $0.851, or 1.0 per cent; and supplies and consumables of $0.739 million, or 0.8 per cent (see figure IV.IV). Staff costs included $4.692 million of interest costs and current service costs related to defined-benefit obligations (after-service health insurance, annual leave and repatriation grant/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 IV.IV
Total expenses (IPSAS basis), by fiscal year



20. Total personnel cost, which includes staff costs and non-employee compensation and allowances, totalled $65.830 million; this amount represents 74.6 per cent of total expenses for the year. This represents a decrease of 1.1 per cent as compared with 2016; however, general performance was in line with outcome targets that were set for the biennium 2016–2017.

Operating results

21. The net surplus of revenue over expense in 2017 was $38.915 million. However, the principle of matching revenue and expense does not apply to revenue received from voluntary contributions related to unconditional agreements. Revenue from these agreements is recognized when the donor executes a binding agreement with ITC, not when the cash is received from the donor. However, 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 cover several future years. One exception is agreements such as those with the European Union that contain conditions requiring the return of funds if they are not spent in accordance with the terms and conditions specified by the donor. These agreements with conditions attached are recognized as a liability. As ITC satisfies the conditions, the carrying amount of the liability is reduced and an amount of revenue equal to the reduction is recognized.

Assets

22. Assets as at 31 December 2017 totalled $167.177 million compared with the balance at 31 December 2016 of $105.028 million.

23. The main assets as at 31 December 2017 were cash and cash equivalents and investments totalling $54.552 million, representing 32.6 per cent of the total assets, and voluntary contributions receivable from donors for technical cooperation projects of $105.904 million, or 63.4 per cent (see figure IV.V). The remaining assets consisted of other accounts receivable, other assets, property, plant and equipment and intangible assets.

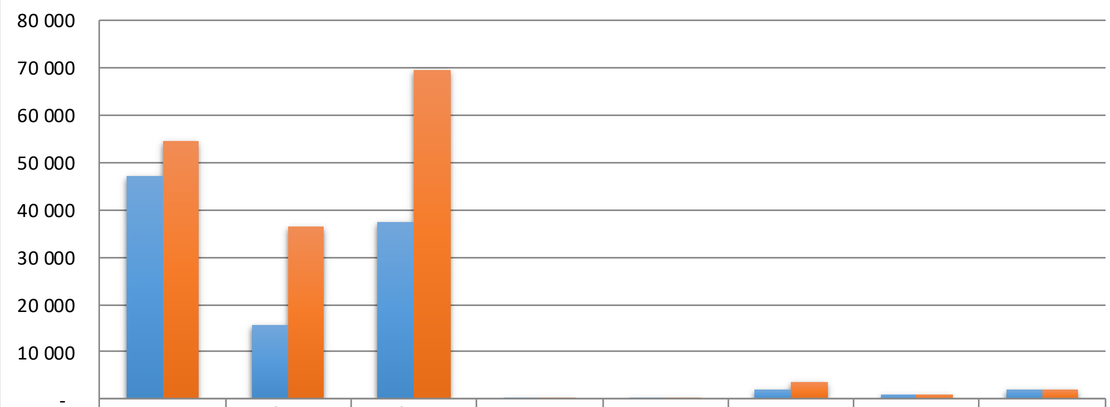
24. As at 31 December 2017, cash and cash equivalents and investments of $54.552 million were held in the United Nations cash pool and as cash held in main and field offices. This represents an increase of $7.499 million over the balance held at the end of 2016, primarily owing to cash being received in advance during the last quarter of 2017 for activities to be implemented in 2018.

25. Under IPSAS, accounts receivable from voluntary contributions may be recognized in full on signature of an agreement, including amounts due in future financial periods. Of the total of $105.904 million due as at 31 December 2017, $36.442 million is expected to be received in 2018 and the balance of $69.462 million is expected after 2018.

26. As noted in figure IV.V, long-term voluntary contributions receivable increased from $37.472 million to $69.462 million as a result of multi-year projects signed in 2017 for which initial instalments were received upon signature and for which subsequent tranches are expected in future years. The short-term voluntary contributions receivable increased from $15.525 million to $36.442 million, mainly owing to new agreements signed in 2017 for which major instalments are expected in 2018 in accordance with project workplans. The net overall increase in voluntary contributions receivable amounts to $52.907 million.

Figure IV.V
Summary of assets by fiscal year

(Thousands of United States dollars)



	Cash available	Voluntary contributions receivable - current	Voluntary contributions receivable - non current	Other accounts receivable- short term	Other accounts receivable- long term	Other assets	Property, plant and equipment	Intangibles
2016	47 053	15 525	37 472	51	52	2 020	1 035	1 820
2017	54 552	36 442	69 462	88	44	3 491	996	2 102

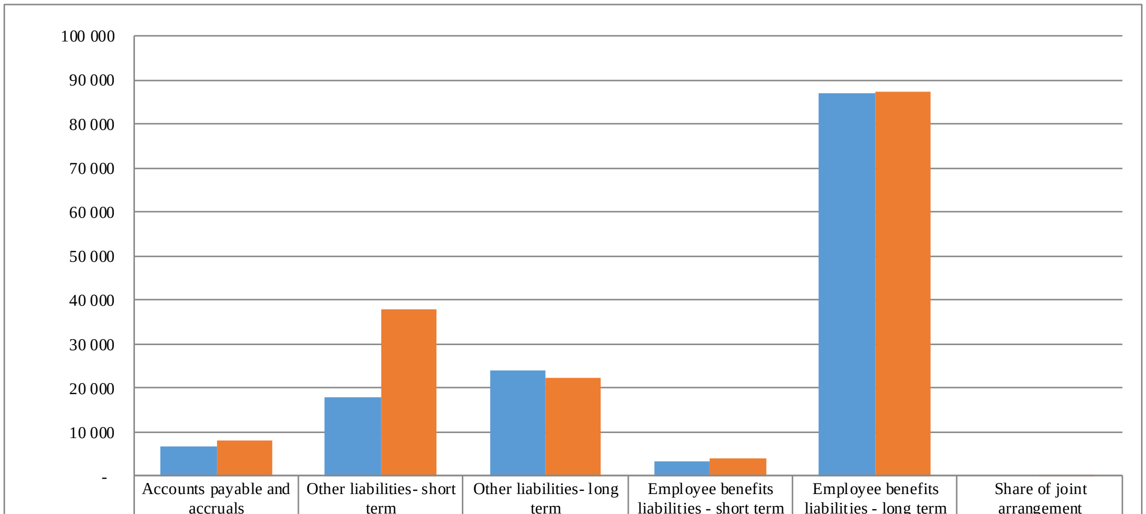
Liabilities

27. Liabilities as at 31 December 2017 totalled $159.840 million compared with the balance as at 31 December 2016 of $138.923 million.

28. The most significant liability was the employee benefits earned by staff members and retirees but not paid as at the reporting date, primarily for after-service health insurance amounting to $79.268 million, or 86.8 per cent. The employee benefits liabilities accounted for $91.332 million, representing 57.1 per cent of the total liabilities of ITC in 2017 (see figure IV.VI), and are explained in note 12 to the financial statements. The increase of employee benefits liabilities by $1.016 million is a result of a $2.355 million net actuarial gain, recognized in net assets, and $2.468 million of current service costs and interest net of benefit payments, recognized in the statement of financial performance as a component of staff costs, as well as an increase in accrued salaries, allowances and benefits of $0.988 million.

29. The other significant liability was other liabilities, which relate mainly to the voluntary contributions from agreements with the European Union that contain conditions requiring the return of funds if they 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 2017. Other liabilities increased by $18.460 million, from $41.827 million reported in 2016 to $60.287 million reported in 2017. A number of multi-year projects funded by the European Union were signed during the second half of 2017 and the full value of the contributions were recognized as conditional liabilities upon signature. Conditional voluntary contributions increased owing to approximately $27.583 million in new multi-year agreements signed during the year, while approximately $14.021 million in multi-year agreements was recognized as revenue during the year.

Figure IV.VI
Summary of liabilities by fiscal year
(Thousands of United States dollars)



	Accounts payable and accruals	Other liabilities- short term	Other liabilities- long term	Employee benefits liabilities - short term	Employee benefits liabilities - long term	Share of joint arrangement
2016	6 780	17 719	24 108	3 184	87 132	-
2017	8 181	38 033	22 254	3 996	87 336	40

Net assets

30. The movement in net assets during the year reflects an increase of $41.232 million, from ($33.895) million in 2016 to $7.337 million in 2017 as a result of the actuarial gain of $2.355 million and an operating surplus of $38.915 million. Net assets include the operating reserves, which increased from $7.462 million in 2016 to $7.766 million in 2017. ITC participates in a jointly financed operation relating to safety and security, which is established under a binding agreement. The total share of the joint arrangement was accounted for using the equity method and is reported in net assets in an amount of $0.038 million.

Liquidity position

31. As at 31 December 2017, the liquidity position of ITC was healthy; the entity had sufficient liquid assets to settle its current liabilities. Liquid funds totalled $79.078 million (cash and cash equivalents of $4.303 million, short-term investments of $38.245 million and accounts receivable of $36.530 million), whereas total current liabilities amounted to $50.210 million and total liabilities amounted to $159.840 million. The Centre’s total cash resources remained stable at $54.552 million.

32. The table below summarizes key liquidity indicators for the financial year ended 31 December 2017, with comparatives for the year ended 31 December 2016:

Liquidity indicator	*2017*	*2016*
Ratio of liquid assets to current liabilities	1.6:1	1.9:1
Ratio of liquid assets less accounts receivable to current liabilities	0.8:1	1.3:1
Ratio of liquid assets to total assets	0.5:1	0.5:1
Average months of liquid assets less accounts receivable on hand	5.8	4.8

33. 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 1.6:1 indicates that

current liabilities are covered in excess of 1.6 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 stands at 0.8. The ratio of 0.8:1 indicates that ITC is short in its ability to cover current liabilities when relying on its assets that can be liquidated quickly, such as cash and cash equivalents and short-term investments. Contributing to the decrease in this ratio compared with the previous year (2016: 1.3:1) is the increase in other liabilities relating to the recognition of conditional liabilities, which is higher than the increase in cash and short-term investments. As at 31 December 2017, the Centre's liquid assets were about 47.3 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 $7.280 million for 5.8 months.

34. As at the reporting date, ITC had employee benefits liabilities of $91.332 million. With total cash and cash equivalents and investments of $54.552 million, 59.7 per cent of the employee benefits liability was covered; no amounts were reserved in the accounts to cover employee benefits liabilities to be paid in the future.

Budgetary comparison

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

36. The statement of comparison of budget and actual amounts (statement V), 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 publicly available regular budget as follows:

(Thousands of United States dollars)

	2017			*2016*		
	Final annual	*Actual (budget basis)*	*Difference (percentage)*	*Final annual*	*Actual (budget basis)*	*Difference (percentage)*
Revenue						
Assessed contributions from the United Nations	18 468	18 008	(2)	18 546	19 043	3.0
Assessed contributions from WTO	18 468	18 004	(3)	18 546	19 047	3.0
Miscellaneous revenue	203	239	(18)	208	507	143.0
Total revenue	**37 239**	**36 251**	**(2)**	**37 300**	**38 598**	**3.0**
Regular budget						
Posts	28 947	29 367	1	29 072	28 636	(2.0)
Non-post	8 192	8 813	8	8 228	7 790	(5.0)
Total expenses	**37 139**	**38 180**	**3**	**37 300**	**36 426**	**(2.0)**
(Deficit)/surplus for year	**–**	**(1 929)**		**–**	**2 172**	

37. The deficit of $1.929 million for fiscal year 2017 was offset by the surplus of $2.172 million for fiscal year 2016, resulting in an overall budgetary surplus for the biennium of $0.243 million.

38. 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. There was no material variance between the final budget and actual expenses at the end of 2017.

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 $0.047 million has been written off during 2017.

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 2017 comprised four communications and information technology items and one vehicle with a total original acquisition value of $0.065 million. These write-offs resulted from obsolescence and the closure of the project in the field.

Ex gratia payments

4. There were no ex gratia payments during 2017.

Chapter V

Financial statements for the year ended 31 December 2017

International Trade Centre

I. Statement of financial position as at 31 December 2017

(Thousands of United States dollars)

	Reference	*31 December 2017*	*31 December 2016*
Assets			
Current assets			
Cash and cash equivalents	Note 4	4 303	12 991
Investments	Note 5	38 245	22 991
Voluntary contributions receivable	Note 6	36 442	15 525
Other accounts receivable	Note 6	88	51
Other assets	Note 7	3 491	2 020
Total current assets		**82 569**	**53 578**
Non-current assets			
Investments	Note 5	12 004	11 071
Voluntary contributions receivable	Note 6	69 462	37 472
Other assets	Note 7	44	52
Property, plant and equipment	Note 8	996	1 035
Intangible assets	Note 9	2 102	1 820
Total non-current assets		**84 608**	**51 450**
Total assets		**167 177**	**105 028**
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	Note 10	8 181	6 780
Other liabilities	Note 11	38 033	17 719
Employee benefits liabilities	Note 12	3 996	3 184
Total current liabilities		**50 210**	**27 683**
Non-current liabilities			
Other liabilities	Note 11	22 254	24 108
Employee benefits liabilities	Note 12	87 336	87 132
Share of joint arrangement	Note 18	40	–
Total non-current liabilities		**109 630**	**111 240**
Total liabilities		**159 840**	**138 923**
Net of total assets and total liabilities		**7 337**	**(33 895)**
Net assets			
Accumulated (deficit)		(429)	(41 357)
Operating reserves	Notes 3 (para. 65) and 13	7 766	7 462
Total net assets		**7 337**	**(33 895)**

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 2017

(Thousands of United States dollars)

	Reference	*31 December 2017*	*31 December 2016*
Revenue			
Assessed contributions	Note 14	35 453	37 394
Voluntary contributions	Note 14	89 976	26 881
Other transfers and allocations	Note 14	455	1 165
Other revenue	Note 14	669	1 031
Investment revenue	Note 14	572	320
Total revenue		**127 125**	**66 791**
Expenses			
Employee salaries, allowances and benefits	Note 15	54 328	52 065
Non-employee compensation and allowances	Note 15	11 502	14 502
Travel	Note 15	5 075	5 339
Grants and other transfers	Note 15	1 311	936
Supplies and consumables		739	273
Depreciation	Note 8	416	327
Amortization	Note 9	435	347
Other operating expenses	Note 15	11 656	14 670
Other expenses	Note 15	2 746	2 738
Share of joint arrangement	Note 18	2	–
Total expenses		**88 210**	**91 197**
(Deficit)/surplus for the year		**38 915**	**(24 406)**

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 2017

(Thousands of United States dollars)

	Accumulated surplus, restricted	*Reserves*	*Total*
Net assets as at 1 January 2016	**(7 762)**	**7 348**	**(414)**
Actuarial losses on employee benefits liabilities	(9 075)	–	(9 075)
(Deficit) for the year	(24 406)	–	(24 406)
Transfers	(114)	114	–
Total recognized changes in net assets	**(33 595)**	**114**	**(33 481)**
Net assets as at 31 December 2016	**(41 357)**	**7 462**	**(33 895)**
Initial recognition of joint arrangement (note 18)	(28)	–	(28)
Net assets as at 1 January 2017	**(41 385)**	**7 462**	**(33 923)**
Actuarial gain on employee benefits liabilities (note 12)	2 355	–	2 355
Surplus for the year	38 915	–	38 915
Transfers	(304)	304	–
Share of changes recognized in the net assets of joint arrangement (note 18)	(10)	–	(10)
Total recognized changes in net assets	**40 956**	**304**	**41 260**
Net assets as at 31 December 2017	**(429)**	**7 766**	**7 337**

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 2017

(Thousands of United States dollars)

	Reference	*31 December 2017*	*31 December 2016*
Cash flows from operating activities			
(Deficit)/surplus for the year		**38 915**	**(24 406)**
Non-cash movements			
Depreciation and amortization	Notes 8 and 9	851	674
Actuarial gain/(loss) on employee benefits liabilities	Note 12	2 355	(9 075)
Loss on disposal of assets	Notes 8 and 9	14	2
Losses on share of joint arrangement[a]	Note 18	(38)	–
Changes in assets			
(Increase) in voluntary contributions receivable	Note 6	(52 907)	(2 493)
(Increase) in other accounts receivable	Note 6	(37)	(11)
(Increase)/decrease in other assets	Note 7	(1 463)	232
Changes in liabilities			
Increase/(decrease) in accounts payable and accrued liabilities	Note 10	1 401	(1 527)
Increase in employee benefits liabilities	Note 12	1 016	10 882
Increase in other liabilities	Note 11	18 460	29 843
Increase in shares of joint arrangement	Note 18	40	–
Investment revenue presented as investing activities	Note 14	(572)	(320)
Net cash flows used in operating activities		**8 035**	**3 801**
Cash flows from investing activities			
Pro rata share of net increases in the cash pool	Note 6	(16 187)	3 048
Investment revenue presented as investing activities	Note 14	572	320
Acquisitions of property, plant and equipment	Note 8	(391)	(777)
Acquisitions of intangibles	Note 9	(717)	(687)
Net cash flows from/(used in) investing activities		**(16 723)**	**1 904**
Net increase/(decrease) in cash and cash equivalents		**(8 688)**	**5 705**
Cash and cash equivalents, beginning of year		12 991	7 286
Cash and cash equivalents, end of year	**Note 4**	**4 303**	**12 991**

[a] The figure includes the initial recognition of the share in the joint arrangement recognized through net assets (see statement of changes in net assets (statement III)).

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 2017

(Thousands of United States dollars)

	Publicly available budget				
	Original biennial[a]	*Original annual*[a]	*Final annual*[b]	*Actual (budget basis)*	*Difference (percentage)*[c]
Revenue					
Assessed contributions from the United Nations	35 697	17 629	18 468	18 008	(2)
Assessed contributions from WTO	35 698	17 629	18 468	18 004	(3)
Other revenue	394	208	203	239	(18)
Total revenue	**71 789**	**35 466**	**37 139**	**36 251**	**(2)**
Expenses					
Posts	55 954	27 643	28 947	29 367	1
Non-post	15 835	7 823	8 192	8 813	8
Total expenses	**71 789**	**35 466**	**37 139**	**38 180**	**3**
(Deficit) for the year	**–**	**–**	**–**	**(1 929)**	**–**

[a] The original biennial budget is the lower of the budget approved by the General Assembly of the United Nations (resolution 70/248 A, sect. XV) or by the General Council of WTO (WT/BFA/151 and WT/GC/M/160). 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 for the second year of the biennium is the amount approved by the General Assembly in the second performance report (resolution 72/253 A) less the actual expenditure amount included in the 2016 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 expense 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 these 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 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 responsibilities of GATT) 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 Centre's strategic objectives 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. ITC 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 four ITC 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 Centre's work and have a number of joint technical assistance activities with ITC.

4. The regular budget of ITC is jointly and equally financed 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). ITC is regarded as a separate reporting entity and is not deemed to be subject to common control for the purposes of IPSAS compliant reporting.

5. ITC participates in a jointly financed activity with other United Nations system organizations. For the first time this year, the Centre's financial statements include its share of the United Nations system-wide safety and security programme. The Centre's share of the activity is included in the financial statements by recognizing its share using the equity method.

6. The headquarters of ITC is in Geneva and it maintains leased offices in 15 countries.

Note 2
Basis of preparation and authorization for issue

7. 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 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

8. 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 2018–2019, 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

9. 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.

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

11. 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 rates 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.

12. Foreign exchange gains and losses resulting from the settlement of transactions in currencies other than the Centre’s functional currency 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

13. Consideration of materiality is central to 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.

14. 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

15. 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

16. 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 2017 to the Board of Auditors by 31 March 2018. 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 30 July 2018.

Future accounting pronouncements

17. The progress and impact of the following significant future IPSAS Board accounting pronouncements on the financial statements of ITC continues to be monitored:

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

(b) Non-exchange expenses: the aim of the project is to develop a standard or standards that provide recognition and measurement requirements applicable to providers of non-exchange transactions, except for social benefits;

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

(d) Leases: the objective of the project is to develop revised requirements for lease accounting covering both lessees and lessors in order to maintain alignment with the underlying International Financial Reporting Standards. The project will result in a new IPSAS that will replace IPSAS 13. Approval of a new IPSAS on leases is projected for June 2019;

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

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

Recent and future requirements of IPSAS

18. The IPSAS Board has issued the following standards: IPSAS 34 to 38 in 2015 effective 1 January 2017, IPSAS 39 in 2016 effective 1 January 2018 and IPSAS 40 in 2017 effective 1 January 2018. The impact of these standards on the ITC financial statements and the comparative period therein has been evaluated to be as follows:

Standard	*Anticipated impact in the year of adoption*
IPSAS 34	The requirements for separate financial statements in IPSAS 34 are very similar to the requirements of the repealed IPSAS 6: Consolidated and separate financial statements. The introduction of IPSAS 34 with effect from 1 January 2017 has not affected the ITC financial statements.
IPSAS 35	IPSAS 35 still requires that control be assessed with regard to benefits and power, but the definition of control has changed and the standard now provides considerably more guidance on assessing control.
	The other key change introduced by IPSAS 35 is the elimination of the IPSAS 6 exemption from consolidation of temporarily controlled entities. The introduction of IPSAS 34 with effect from 1 January 2017 has not affected the ITC financial statements.
IPSAS 36	A key change introduced by IPSAS 36 is the elimination of the IPSAS 7 exemption from application of the equity method where joint control or significant influence is temporary. The introduction of IPSAS 34 with effect from 1 January 2017 has not affected the ITC financial statements.
	Furthermore, the scope of IPSAS 36 is limited to entities that are investors with significant influence over, or joint control of, an investee where the investment leads to the holding of a quantifiable ownership interest. The applicability of IPSAS 36 to ITC is therefore limited, as interests generally do not involve a quantifiable ownership interest.
IPSAS 37	IPSAS 37 introduces new definitions and has a significant impact on the way joint arrangements are classified and accounted for. These financial statements include joint venture arrangements accounted for using the equity method.
	Where these are formed under a binding agreement and assessed as being subject to joint control, they meet the IPSAS 37 definition of a joint arrangement. When assessed as being a joint venture, that is, the entity's interest gives rise to rights over net assets, IPSAS 37 requires that the equity method to be used, which will not represent a change in accounting policy. If there are rights to assets and obligations for liabilities, the interest is classified as a joint operation and ITC will account for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IPSAS standard applicable to the particular assets, liabilities, revenues and expenses.

Standard	*Anticipated impact in the year of adoption*
	The United Nations carried out a system-wide review of the joint arrangements in which its organizations are engaged. That review, conducted by means of a survey, revealed no changes to the arrangements as previously concluded in the review performed by the United Nations in 2015.
IPSAS 38	IPSAS 38 increases the extent of disclosures required for an interest in other entities, which has a significant impact on the ITC financial statements.
IPSAS 39	Currently, IPSAS 39 will not have any impact on ITC since the "corridor method" on actuarial gains or losses, which is being eliminated, was never applied from the initial adoption of IPSAS in 2014. ITC does not have any plan assets; therefore there is no impact from application of the net interest approach prescribed by the standard. Further analysis will be carried out in the future should ITC procure plan assets.
IPSAS 40	There is no impact on ITC from the application of IPSAS 40 at the moment as there are no public sector combinations which fall under ITC. Any such impact of IPSAS 40 on the ITC financial statements will be evaluated for application by ITC by 1 January 2018, the effective date of the standard, should such combinations occur.

Note 3
Significant accounting policies

Assets

Financial assets

Classification

19. 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

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

21. 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 Centre's share 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 as 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

22. 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

23. Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Centre's receivables comprise contributions receivable and other accounts receivable recognized in the statement of financial position. These receivables are stated at nominal value, except for receivables that will mature in more than 12 months, less impairment for estimated irrecoverable amounts, that is, the allowance for doubtful receivables. If deemed material, long-term contribution receivables are reported at a discounted value calculated using the effective-interest method.

Impairment of receivables

24. ITC assesses receivables for impairment at the end of the reporting year. 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.

25. An allowance for doubtful accounts receivable equal to 25 per cent of the carrying value is established to offset receivables aged 12–24 months, equal to 60 per cent of the carrying value for those aged more than 24 months and 100 per cent of the carrying value for those aged more than 36 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.

Advances or prepayments

26. 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 the delivery of goods or the rendering of services.

27. ITC advances funds to implementing partners (e.g. other United Nations system organizations and 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. In accordance with the recommendation of the Board of Auditors, the net portion of any advances not yet delivered will be taken to expense at year-end except for the grants that ITC has effective control over.

Property, plant and equipment

28. 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 that 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.

29. 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

30. 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

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

Class	*Estimated useful life (years)*
Communications and information technology equipment	4–7
Vehicles	6–12
Machinery and equipment	5–20
Furniture and fixtures	3–10
Leasehold improvements	5 (or lease term, whichever is shorter)

32. 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.

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

Intangible assets

34. 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 equal to or greater than $100,000, excluding research and maintenance costs and including directly attributable costs such as employees, subcontractors and consultants.

Amortization of intangible assets

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

Class	*Estimated useful life (years)*
Software acquired externally	3–10 (or the period of the licence, whichever is shorter)
Software developed internally	3–10

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

Liabilities

Financial liabilities

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

38. 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.

39. Accounts payable and accrued expenses arise from the purchase of goods and services that have been received but not paid for as at the reporting date. They are stated at 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.

Employee benefits liabilities

40. ITC recognizes the employee benefits described in the following paragraphs.

Short-term employee benefits

41. 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, death benefit and home leave travel). 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

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

Defined-benefit plans

43. The following benefits are accounted for as defined-benefit plans: after-service health insurance, repatriation benefits, pensions through the United Nations Joint Staff 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.

44. 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.

45. 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 employee benefits

46. 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. Accumulated annual leave is an example of a long-term employee benefit.

Termination benefits

47. Termination benefits generally include indemnities for voluntary redundancy.

United Nations Joint Staff Pension Fund

48. 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 in 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.

49. The plan exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Pension Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual organizations participating in the plan. ITC and the 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. Therefore 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 Pension Fund during the financial year are recognized as expenses in the statement of financial performance.

Provisions

50. Provisions are recognized for future expenditures 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.

Operating leases

51. 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.

Contingent liabilities and contingent assets

Contingent liabilities

52. 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 the change of probability occurs.

Contingent assets

53. 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

Non-exchange revenue and receivables

54. 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.

55. 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.

56. The full amounts relating to unconditional multi-year voluntary contribution agreements, pledges and other promised donations are recognized as revenue when the arrangement becomes binding, except for the Junior Professional Officer programme. In the case of the Junior Professional Officer programme, revenue is recognized as deferred revenue for the contributions pledged or received that pertain to contracts of Junior Professional Officers relating to future years.

57. 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.

Exchange revenue

58. 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.

Investment revenue

59. 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.

Expenses

60. 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.

Segment reporting

61. 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.

62. 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.

Joint arrangement

63. A joint arrangement is an arrangement in which two or more parties have joint control. The parties are bound by a binding arrangement which gives two or more of those parties joint control of the arrangement. A joint arrangement can be classified under IPSAS 37: Joint arrangements, either as:

(a) A joint operation whereby the participants of the arrangement (with or without joint control of the arrangement) recognize their share of the assets, liabilities, revenues and expenses in accordance with the IPSAS standard applicable to the particular assets, liabilities, revenues and expenses; or

(b) A joint venture whereby the parties to the arrangement have rights to the net assets and the entity accounts for its share using the equity method. The equity method initially records the interest at cost and adjusts it thereafter for the post-acquisition changes in the entity's share of the net assets. The entity's share of the surplus or deficit of the joint arrangement is recognized in the statement of financial performance. The interest is recorded as a non-current asset unless there is a net liability position, in which case it is recorded as a non-current liability.

Related party disclosures

64. 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.

Operating reserves

65. 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 these 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

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Main cash pool	4 295	12 985
Cash held in main and field offices	8	6
Total cash and cash equivalents	**4 303**	**12 991**

66. Cash required for immediate disbursement is maintained in the main cash pool. Cash in main office and field locations is held for the purpose of meeting financial needs at those locations.

Note 5
Financial instruments and financial risk management

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Financial assets		
Fair value through surplus or deficit		
Investments, main cash pool (short term)	38 245	22 991
Investments, main cash pool (long term)	12 004	11 071
Total fair value through surplus or deficit	**50 249**	**34 062**
Loans and receivables		
Cash and cash equivalents, main cash pool (note 4)	4 295	12 985
Cash and cash equivalents, other (note 4)	8	6
Accounts receivable (note 6)	105 992	53 048
Total loans and receivables	**110 295**	**66 039**
Total carrying amount of financial assets	**160 544**	**100 101**
Of which relates to financial assets held in main cash pool	54 544	47 047
Financial liabilities		
Amortized cost		
Accounts payable and accrued liabilities (note 10)	(8 181)	(6 780)
Total carrying amount of financial liabilities	**(8 181)**	**(6 780)**

67. In addition to directly held cash and cash equivalents and investments, ITC participates in the United Nations Treasury main pool. The main pool comprises operational bank accounts, cash equivalents and investments in United States dollars.

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

69. As at 31 December 2017, ITC participated in the main pool, which held total assets of $8,086.5 million (2016: $9,033.6 million), of which $54.544 million was due to ITC (2016: $47.047 million), while its share of revenue from the main pool was $0.572 million (2016: $0.320 million) (see note 14).

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

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Fair value through surplus or deficit		
Short-term investments	5 645 952	4 389 616
Long-term investments	1 779 739	2 125 718
Total fair value through surplus or deficit investments	**7 425 691**	**6 515 334**
Loans and receivables		
Cash and cash equivalents	636 711	2 493 332
Accrued investment revenue	24 098	24 961
Total loans and receivables	**660 809**	**2 518 293**
Total carrying amount of financial assets	**8 086 500**	**9 033 627**
Cash pool liabilities		
Payable to ITC	54 544	47 047
Payable to other cash pool participants	8 031 956	8 986 580
Total liabilities	**8 086 500**	**9 033 627**
Net assets	**–**	**–**

Summary of revenue and expenses of the main pool

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Investment revenue	104 576	73 903
Unrealized gains/(losses)	874	(13 474)
Investment revenue from main pool	**105 450**	**60 429**
Foreign exchange gains/(losses)	7 824	(5 105)
Bank fees	(853)	(646)
Operating expenses from main pool	**6 971**	**(5 751)**
Revenue and expenses from main pool	**112 421**	**54 678**

Financial risk management

70. 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 investment and risk management for the main pool, including conducting investment activities in accordance with the Investment Management Guidelines.

71. 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.

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

Financial risk management: credit risk

73. 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 the balance date. ITC does not hold any collateral as security.

74. The Investment Management Guidelines require the 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.

75. 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.

76. 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 cash pool by credit ratings as at 31 December

(Percentage based on carrying value)

Main pool	*Ratings as at 31 December 2017*					*Ratings as at 31 December 2016*		
Bonds (long-term ratings)								
	AAA	*AA+/AA/AA-*	*A+*	*Not rated*		*AAA*	*AA+/AA/AA-*	*BBB*
Standard & Poor's	30.50	65.50	4.00	–	Standard & Poor's	33.60	55.10	5.60
Fitch	61.30	30.60	–	8.10	Fitch	62.40	28.30	
	Aaa	*Aa1/Aa2/Aa3*				*Aaa*	*Aa1/Aa2/Aa3*	
Moody's	55.30	44.70			Moody's	50.30	49.70	
Commercial paper (short-term ratings)								
	A-1+/A-1					*A-1*		
Standard & Poor's	100.00				Standard & Poor's	100.00		

Main pool	*Ratings as at 31 December 2017*				*Ratings as at 31 December 2016*		
	F1				*F1*		
Fitch	100.00			Fitch	100.00		
	P-1				*P-1*		
Moody's	100.00			Moody's	100.00		
Reverse repurchase agreement (short-term ratings)							
	A-1+				*A-1+*		
Standard & Poor's	100.00			Standard & Poor's	100.00		
	F1+				*F1+*		
Fitch	100.00			Fitch	100.00		
	P-1				*P-1*		
Moody's	100.00			Moody's	100.00		
Term deposits (Fitch viability ratings)							
	aaa	*aa/aa-*	*a+/a/a-*		*Aaa*	*aa/aa-*	*a+/a*
Fitch	–	44.20	55.80	Fitch	–	48.10	51.90

77. 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.

Other credit risk disclosures

78. Voluntary contributions from Governments representing the member States of the two parent organizations of ITC comprise the majority of ITC voluntary contributions receivable. Credit risk is considered minimal since most of its donors are sovereign entities. A provision for doubtful receivables of $0.648 million was made for other accounts receivables. The ageing of other accounts receivables are as follows:

(Thousands of United States dollars)

	31 December 2017		*31 December 2016*	
	Gross receivable	*Allowance*	*Gross receivable*	*Allowance*
Less than one year	79	–	29	–
More than one year	657	648	717	695
Total	**736**	**648**	**746**	**695**

Financial risk management: liquidity risk

79. 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.

80. 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 a day's notice to support operational requirements. The main pool liquidity risk is therefore considered to be low.

Financial risk management: interest rate risk

81. Interest rate risk is the risk of variability in the fair values or future cash flows of financial instruments 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 duration of the fixed-rate security, with duration being a number expressed in years. The longer the duration, the greater the interest rate risk.

82 The main pool comprises the main exposure of ITX 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 four years (2016: five years). The average duration of the main pool was 0.61 years (2016: 0.71 years), which is considered to be an indicator of low risk.

83. The table below provides an analysis of 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 2017

Shift in yield curve (basis points)	*-200*	*-150*	*-100*	*-50*	*0*	*+50*	*+100*	*+150*	*+200*
(Millions of United States dollars) **Increase/(decrease) in fair value**									
Main pool total	95.47	71.60	47.73	23.86	–	(23.86)	(47.72)	(71.57)	(95.42)

Main pool interest rate risk sensitivity analysis as at 31 December 2016

Shift in yield curve (basis points)	*-200*	*-150*	*-100*	*-50*	*0*	*+50*	*+100*	*+150*	*+200*
(Millions of United States dollars) **Increase/(decrease) in fair value**									
Main pool total	124.35	93.26	62.17	31.08	–	(31.08)	(62.14)	(93.21)	(124.27)

Other market risk: price risk

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

Accounting classifications and fair value hierarchy

85. All investments are reported at fair value through surplus or deficit. Cash and cash equivalents carried at nominal value are deemed to be an approximation of fair value.

86. 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).

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

88. 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.

89. 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 2017			*31 December 2016*		
	Level 1	*Level 2*	*Total*	*Level 1*	*Level 2*	*Total*
Financial assets at fair value through surplus or deficit						
Bonds, corporate	355 262	–	355 262	697 676	–	697 676
Bonds, non-United States agencies	1 190 050	–	1 190 050	1 903 557	–	1 903 557
Bonds, non-United States sovereigns	124 892	–	124 892	124 854	–	124 854
Bonds, supranational	173 275	–	173 275	213 224	–	213 224
Bonds, United States treasuries	610 267	–	610 267	586 739	–	586 739
Main pool, commercial papers	671 945	–	671 945	149 285	–	149 285
Main pool, term deposits	–	4 300 000	4 300 000	–	2 840 000	2 840 000
Total main pool	**3 125 691**	**4 300 000**	**7 425 691**	**3 675 335**	**2 840 000**	**6 515 335**

Financial risk management: foreign exchange risk

90. Foreign exchange risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of 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 Centre's financial assets and financial liabilities 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 2017

(Thousands of United States dollars)

	United States dollar	*Swiss franc*	*Euro*	*Pound sterling*	*Swedish krona*	*Other*	*Total*
Main cash pool	53 938	125	140	–	–	341	54 544
Voluntary contributions receivable	11 460	9 873	40 064	18 726	22 855	2 926	105 904
Other receivables	47	18	16	–	–	7	88
Total financial assets	**65 445**	**10 016**	**40 220**	**18 726**	**22 855**	**3 274**	**160 536**

Currency exposure as at 31 December 2016

(Thousands of United States dollars)

	United States dollar	*Swiss franc*	*Euro*	*Pound sterling*	*Swedish krona*	*Other*	*Total*
Main cash pool	46 607	8	185	65	–	182	47 047
Voluntary contributions receivable	14 038	1 898	23 821	10 045	1 503	1 692	52 997
Other receivables	33	18	–	–	–	–	51
Total financial assets	**60 678**	**1 924**	**24 006**	**10 110**	**1 503**	**3 377**	**100 095**

91. As at 31 December 2017, if the United States dollar had weakened or strengthened by 10 per cent against the currencies other than the United States dollar which ITC held in the main cash pool, voluntary contributions and other receivables, with all other variables held constant, the net deficit for the year would have been $9.509 million (2016: $3.754 million) higher or lower, mainly as a result of foreign exchange gains or losses on translation of pounds sterling and higher/lower receivables denominated in euros, Swiss francs and Swedish kroners. Similarly, the impact on net assets would have been $9.509 million (2016: $3.754 million) lower or higher.

Note 6
Accounts receivable

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

93. Current and non-current voluntary contributions receivable increased owing to approximately $102.405 million in new multi-year agreements signed during the year offset by the settlement received in 2017 and foreign exchange losses or gains.

94. The non-current voluntary contributions receivable of $69.462 million as at 31 December 2017 represents the discounted value of future year receivables. The comparator for 2016, $37.472 million, is however reported at nominal value as the impact of discounting was considered immaterial.

Voluntary contributions receivable

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Current	36 442	15 525
Non-current	69 462	37 472
Total voluntary contributions receivable	**105 904**	**52 997**

95. Other accounts receivable consist of the following:

Other accounts receivable

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Receivables from sales	66	29
Other	670	717
Allowance for doubtful debts	(648)	(695)
Total other accounts receivable	**88**	**51**

Allowance for doubtful debts

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
At 1 January	(695)	(737)
Current year release of allowance	47	42
At 31 December	**(648)**	**(695)**

Note 7
Other assets

96. 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. In accordance with the recommendation of the Board of Auditors, the net portion of any advances not yet delivered by year-end will be taken to expense except for the grants that ITC has effective control over.

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*[a]
Advances to implementing partners	2 211	–
Advances to UNDP	155	481
Advances to vendors	188	100
Staff advances	816	1 142
Staff recoveries	28	176
Other	93	121
Subtotal, current assets	**3 491**	**2 020**

	31 December 2017	*31 December 2016*[a]
Staff recoveries	44	52
Subtotal, non-current assets	**44**	**52**
Total other assets	**3 535**	**2 072**

[a] The presentation has been expanded to separate staff recoveries from staff advances (2016: $1.318 million) and advances to UNDP and to vendors from "Other" (2016: $0.702 million).

Note 8
Property, plant and equipment

(Thousands of United States dollars)

	Vehicles	*Communications and information technology equipment*	*Furniture and fixtures*	*Machinery and equipment*	*Leasehold improvements*	*Total*
Cost as at 1 January 2017	**162**	**740**	**282**	**441**	**1 054**	**2 679**
Additions	167	208	–	16	–	391
Disposals	(27)	(38)	–	–	–	(65)
Cost as at 31 December 2017	**302**	**910**	**282**	**457**	**1 054**	**3 005**
Accumulated depreciation as at 1 January 2017	**88**	**642**	**266**	**424**	**224**	**1 644**
Depreciation	31	92	14	18	261	416
Disposals	(13)	(38)	–	–	–	(51)
Accumulated depreciation as at 31 December 2017	**106**	**696**	**280**	**442**	**485**	**2 009**
Net carrying amount						
1 January 2017	74	98	16	17	830	1 035
31 December 2017	**196**	**214**	**2**	**15**	**569**	**996**

(Thousands of United States dollars)

	Vehicles	*Communications and information technology equipment*	*Furniture and fixtures*	*Machinery and equipment*	*Leasehold improvements*	*Total*
Cost as at 1 January 2016	**200**	**777**	**282**	**441**	**289**	**1 989**
Additions	–	12	–	–	765	777
Disposals	(38)	(49)	–	–	–	(87)
Cost as at 31 December 2016	**162**	**740**	**282**	**441**	**1 054**	**2 679**
Accumulated depreciation as at 1 January 2016	**96**	**611**	**244**	**386**	**65**	**1 402**
Depreciation	30	78	22	38	159	327
Disposals	(38)	(47)	–	–	–	(85)
Accumulated depreciation as at 31 December 2016	**88**	**642**	**266**	**424**	**224**	**1 644**

	Vehicles	Communications and information technology equipment	Furniture and fixtures	Machinery and equipment	Leasehold improvements	Total
Net carrying amount						
1 January 2016	104	166	38	55	224	587
31 December 2016	**74**	**98**	**16**	**17**	**830**	**1 035**

97. The increase in cost as at 31 December 2017 of property, plant and equipment is mainly due to the new acquisitions of vehicles and communication and information technology equipment during the year.

98. Assets are reviewed annually to determine if there is any impairment in their value. The review that was undertaken for the 31 December 2017 reporting date did not result in any equipment being considered impaired. Total write-off of assets amounting to $0.065 million (2016: $0.087 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 2017	**1 947**	**415**	**2 362**
Additions	288	429	717
Transfers	515	(515)	–
Total cost as at 31 December 2017	**2 750**	**329**	**3 079**
Opening accumulated amortization as at 1 January 2017	**542**	**–**	**542**
Amortization	435	–	435
Closing accumulated amortization as at 31 December 2017	**977**	**–**	**977**
Net book value as at 1 January 2017	**1 405**	**415**	**1 820**
Net book value as at 31 December 2017	**1 773**	**329**	**2 102**

(Thousands of United States dollars)

	Software developed internally	Software under development	Total
Opening cost as at 1 January 2016	**1 421**	**254**	**1 675**
Additions	–	687	687
Transfers	526	(526)	–
Total cost as at 31 December 2016	**1 947**	**415**	**2 362**
Opening accumulated amortization as at 1 January 2016	**195**	**–**	**195**
Amortization	347	–	347

	Software developed internally	*Software under development*	*Total*
Closing accumulated amortization as at 31 December 2016	**542**	**–**	**542**
Net book value as at 1 January 2016	**1 226**	**254**	**1 480**
Net book value as at 31 December 2016	**1 405**	**415**	**1 820**

99. During 2017, there were three ongoing projects from 2016 related to internal development of software, of which two were completed by the year-end. The value of the two completed projects of $0.515 million has been transferred to the category of software developed internally. Development of the one remaining project will continue into 2018 and is recognized as software under development. The additions during the year under software developed internally include an upgrade to an existing software for $0.158 million and the development of a new software that started and completed during the year for $0.130 million.

Note 10
Accounts payable and accrued liabilities

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Vendor and other payables	1 698	3 738
Payables to donors	4 667	2 033
Accruals for goods and services	1 816	1 009
Total accounts payable and accrued liabilities	**8 181**	**6 780**

100. Vendor and other payables relate mainly to payables to commercial vendors and consultants. The decrease is attributable mainly to the reduction of payables to consultants, which is in line with the decrease in consultant expenses for the year.

101. Payables to donors represent the balance of unspent contributions for closed projects pending refund or reprogramming, and balances due to the United Nations and WTO for overpayment, savings or surplus from assessed contributions of $0.157 million (2016: $0.349 million) and $1.919 million (2016: $0.914 million), respectively.

Note 11
Other liabilities

102. 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.

103. 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.

104. Conditional voluntary contributions increased as a result of approximately $27.583 million in new multi-year agreements being signed during the year, while approximately $14.021 million in multi-year agreements was recognized as revenue during the year.

Other liabilities

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Current liabilities		
Conditional voluntary contributions	38 033	17 719
Subtotal current liabilities	**38 033**	**17 719**
Non-current liabilities		
Conditional voluntary contributions	22 254	24 108
Subtotal non-current liabilities	**22 254**	**24 108**
Total other liabilities	**60 287**	**41 827**

Note 12
Employee benefits liabilities

105. The employee benefits liabilities are unfunded. The liabilities arising from end-of-service or post-employment benefits are determined by independent actuaries and are established in accordance with the Staff Regulations of the United Nations and Staff Rules. Actuarial valuation is usually undertaken every two years. The most recent full actuarial valuation was conducted as at 31 December 2017.

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Current liabilities		
Accrued salaries, allowances and benefits	1 156	168
Accumulated annual leave	281	540
Home leave	754	839
Repatriation grant	475	462
After-service health insurance	1 330	1 175
Subtotal current liabilities	**3 996**	**3 184**
Non-current liabilities		
Accumulated annual leave	3 666	7 666
Repatriation grant	5 732	5 772
After-service health insurance	77 938	73 694
Subtotal non-current liabilities	**87 336**	**87 132**
Total employee benefits liabilities	**91 332**	**90 316**

106. 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. The liability for home leave is considered a short-term benefit and is recognized at its estimated undiscounted value;

(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 through a monetary payment to employees upon their separation from ITC. The Centre 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. Unused annual leave is calculated at 1/261 of net salary plus post adjustment for staff in the Professional category and 1/261 of net salary for staff in the General Service category. The portion of the accumulated annual leave benefit that is expected to be settled through monetary payment within 12 months after the reporting date is classified under current liabilities. The accumulated annual leave benefit liability is classified under other long-term benefits and 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 based on the number of years of service worked outside their home country, if they have completed at least one year of service outside their home country. The grant is calculated on the basis of net salary for staff in the Professional category and pensionable remuneration less staff assessment for staff in the General Service category. In addition, non-locally recruited ITC staff are entitled to reimbursement of travel and transport of personal effects on separation for themselves, their spouses and their dependant children. The portion of the repatriation grant and travel that is expected to be settled through monetary payment within 12 months after the reporting date is classified under current liabilities. The repatriation grant and related travel is classified under post-employment benefits and is actuarially valued;

(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 5 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 5 years of coverage receive unsubsidized coverage until they have been enrolled for 10 years, at which time the coverage is subsidized. Assumptions such as demographics, probability of marriage at retirement, discount rates, salary increases, inflation rates and health-care cost trends have been updated since the actuarial valuation carried out in 2017 to determine the Centre's estimated liability for after-service health insurance at the reporting date. The Centre's liability 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.

107. For 2017, the gross liability for all post-employment defined-benefit plans was calculated by the actuary as $168.480 million (2016: $164.144 million), offset by contributions from plan participants of $79.058 million (2016: $74.835 million) to equal the Centre's net liability of $89.422 million (2016: $89.309 million). The total increase of $0.113 million is the result of a $2.355 million net actuarial gain recognized in net assets, and $2.468 million in current service costs and interest, net

of benefit payments recognized in the statement of financial performance as a component of staff costs.

Movement in employee benefits liabilities accounted for as defined-benefits plans

(Thousands of United States dollars)

	After-service health insurance	*Repatriation grant*	*Accumulated annual leave*	*Total*
Defined-benefit obligation as at 31 December 2016	**74 869**	**6 234**	**8 206**	**89 309**
Current service cost	3 103	436	106	3 645
Interest cost	535	215	297	1 047
Benefits paid (net of participant contributions)	(1 184)	(479)	(561)	(2 224)
Liability (gains)/losses due to actuarial assumptions and experience recognized in net assets	1 945	(199)	(4 101)	(2 355)
Defined-benefit obligation as at 31 December 2017	**79 268**	**6 207**	**3 947**	**89 422**

108. The interest cost and current service costs 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 plans 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.

109. The annual leave liability was reduced owing to an actuarial gain resulting from a positive experience adjustment attributable to a significant decrease in the number of days accrued by ITC staff based on the census data as at 31 October 2017 totalling $3.974 million, plus a gain of $0.127 million resulting from a change in the discount rate and a minor loss due to changes in demographic assumptions, for a total net change of $4.101 million.

110. The total expense recognized in the statement of financial performance in 2017 and 2016 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	3 103	436	106	3 645
Interest cost	535	215	297	1 047
Total expense recognized in statement of financial performance for 2017	**3 638**	**651**	**403**	**4 692**

(Thousands of United States dollars)

	After-service health insurance	*Repatriation grant*	*Accumulated annual leave*	*Total*
Current service cost	2 628	416	105	3 149
Interest cost	803	215	309	1 327
Total expense recognized in statement of financial performance for 2016	**3 431**	**631**	**414**	**4 476**

111. The total actuarial gain/(loss) recognized directly in net assets in the statement of changes in net assets in 2017 and 2016 is shown in the following table:

(Thousands of United States dollars)

	After-service health insurance	*Repatriation grant*	*Accumulated annual leave*	*Total*
Gain/(loss) in 2017	(1 945)	199	4 101	2 355
Gain/(loss) in 2016	(8 855)	(82)	(138)	(9 075)

Actuarial valuation: assumptions

112. 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 health insurance plans. The following assumptions and methods have been used in the valuation of these liabilities:

Assumption	*After-service health insurance*	*Repatriation grant*	*Accumulated annual leave*
Discount rate (31 December 2016)	0.72	3.60	3.74
Discount rate (31 December 2017)	0.72	3.54	3.57
Travel inflation (31 December 2016)	–	2.25	–
Travel inflation (31 December 2017)	–	2.20	–
Health-care cost trend rate (31 December 2016)	4.00	–	–
Health-care cost trend rate (31 December 2017)	3.05	–	–
Salary increase rate	Based upon age and calculated separately for Professional and General Service staff		

113. The 2016 discount rates for the after-service health insurance liability where cash flows were denominated in Swiss francs were based on the Federation bonds yield curve as published by the Swiss National Bank, plus the spread observed between government rates and high-grade corporate bond rates as published by the Swiss Chamber of Pension Actuaries. Discount rates for annual leave and repatriation grants, which were denominated in United States dollars, were based on the Citigroup Pension Discount Curve. For the 2017 actuarial valuations, the yield curves used in the calculation of the discount rates in respect of the United States dollar and the Swiss franc are those developed by Aon Hewitt. This is consistent with the decision of the Task Force on Accounting Standards, established under the auspices of the Finance and Budget Network of the High-level Committee on Management of the United Nations System Chief Executives Board for Coordination, taken in the context of the harmonization of actuarial assumptions across the United Nations system and the recommendation of the Advisory Committee on Administrative and Budgetary Questions (A/71/815, para. 26), which were endorsed by the General Assembly in section IV of its resolution 71/272 B.

114. The per capita claim costs for the after-service health insurance plans are updated to reflect recent claims and enrolment experience.

115. 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. The Aon Hewitt assumption on health-care cost trend rates in Swiss francs was used for the 2017 valuation.

116. With regard to the valuation of repatriation benefits as at 31 December 2017, the Aon Hewitt assumption on inflation in travel costs was based on the projected United States inflation rate over the next 20 years.

117. Annual leave balances were assumed to increase at the following annual rates during the staff member's projected years of service: 0–3 years: 9.1 days; 4–8 years: 1.0 day; and more than 9 years: 0.1 days, up to the maximum of 60 days for regular staff and 18 days for temporary staff.

After-service health insurance plan: sensitivity analysis

118. 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)

2017	*Increase*	*Decrease*
1 per cent movement in the assumed medical costs trend rate		
Effect on the defined-benefit obligation	20 615	(15 368)
Effect on the aggregate of the current service cost and interest cost	1 450	(999)

(Thousands of United States dollars)

2016	*Increase*	*Decrease*
1 per cent movement in the assumed medical costs trend rate		
Effect on the defined benefit obligation	19 051	(14 240)
Effect on the aggregate of the current service cost and interest cost	1 548	(1 075)

Other defined-benefit plan information

119. 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 $1.340 million (2016: $1.184 million), for post-employment repatriation and separation entitlements the best estimate is $0.492 million (2016: $0.479 million) and for annual leave entitlements it is $0.292 million (2016: $0.561 million).

120. 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.

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

(Thousands of United States dollars)

	General Fund		*Programme support costs*		*Extrabudgetary*		*Total*	
	2017	*2016*	*2017*	*2016*	*2017*	*2016*	*2017*	*2016*
After-service health insurance	**59 928**	**55 594**	**6 187**	**7 120**	**13 153**	**12 155**	**79 268**	**74 869**
Current	958	828	109	112	263	235	1 330	1 175

	General Fund		*Programme support costs*		*Extrabudgetary*		*Total*	
	2017	*2016*	*2017*	*2016*	*2017*	*2016*	*2017*	*2016*
Non-current	58 970	54 766	6 078	7 008	12 890	11 920	77 938	73 694
Repatriation grant	**3 807**	**3 844**	**472**	**603**	**1 928**	**1 787**	**6 207**	**6 234**
Current	289	333	26	24	160	105	475	462
Non-current	3 518	3 511	446	579	1 768	1 682	5 732	5 772
Accumulated annual leave	**2 617**	**5 083**	**281**	**1 182**	**1 049**	**1 941**	**3 947**	**8 206**
Current	192	389	16	46	73	105	281	540
Non-current	2 425	4 694	265	1 136	976	1 836	3 666	7 666
Total	**66 352**	**64 521**	**6 940**	**8 905**	**16 130**	**15 883**	**89 422**	**89 309**

Historical present value of liability for defined-benefit obligations as at 31 December

(Thousands of United States dollars)

	2017	*2016*	*2015*	*2014*	*2013*
After-service health insurance	79 268	74 869	63 711	79 845	55 922
Repatriation benefits	6 207	6 234	5 987	4 716	4 358
Annual leave	3 947	8 206	8 225	4 562	1 866
Total	**89 422**	**89 309**	**77 923**	**89 123**	**62 146**

121. The changes in discount rates are driven by the discount rate curve, which is calculated on the basis of corporate bonds. 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

(Thousands of United States dollars and percentage)

2017	*After-service health insurance*	*Repatriation grant*	*Annual leave*
Increase of discount rate by 1 per cent	(15 258)	(563)	(369)
As a percentage of end-of-year liability	(19%)	(9%)	(9%)
Decrease of discount rate by 1 per cent	20 960	661	436
As a percentage of end-of-year liability	26%	11%	11%

2016	*After-service health insurance*	*Repatriation grant*	*Annual leave*
Increase of discount rate by 1 per cent	(14 240)	(605)	(823)
As a percentage of end-of-year liability	(19%)	(10%)	(10%)
Decrease of discount rate by 1 per cent	19 497	686	976
As a percentage of end-of-year liability	26%	11%	11%

United Nations Joint Staff Pension Fund

122. The Regulations of the United Nations Joint Staff Pension Fund state that the Pension Board shall have an actuarial valuation made of the Pension Fund at least

once every three years by the consulting actuary. The practice of the Pension Board has been to carry out an actuarial valuation every two years using the open group aggregate method. The primary purpose of the actuarial valuation is to determine whether the current and estimated future assets of the Fund will be sufficient to meet its liabilities.

123. The financial obligation of ITC to the Pension Fund consists of its mandated contribution, at the rate established by the General Assembly (currently 7.90 per cent for participants and 15.80 per cent for member organizations), together with any share of any actuarial deficiency payments under article 26 of the Regulations of the Fund. Such deficiency payments are only payable if and when the General Assembly has invoked the provision of article 26 following the 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 contributes to this deficiency an amount proportionate to the total contributions which each paid during the three years preceding the valuation date.

124. During 2017, the Pension Fund identified that there were anomalies in the census data utilized in the actuarial valuation performed as at 31 December 2015. As such, as an exception to the normal biannual cycle, a roll-forward of the participation data as at 31 December 2013 to 31 December 2016 was used by the Fund for its 2016 financial statements. An actuarial valuation as at 31 December 2017 is currently being performed.

125. The roll-forward of the participation data as at 31 December 2013 to 31 December 2016 resulted in a funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, of 150.1 per cent (127.5 per cent in the 2013 valuation). The funded ratio was 101.4 per cent (91.2 per cent in the 2013 valuation) when the current system of pension adjustments was taken into account.

126. After assessing the actuarial sufficiency of the Pension Fund, the consulting actuary concluded that there was no requirement, as at 31 December 2016, 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.

127. Should article 26 be invoked because of an actuarial deficiency, either during the ongoing operation or due to the termination of the pension plan, deficiency payments required from each member organization would be based upon the proportion of that member organization's contributions to the total contributions paid to the Fund during the three years preceding the valuation date. Total contributions paid to the Pension Fund during the preceding three years (2014, 2015 and 2016) amounted to $6,750.98 million.

128. During 2017, contributions paid to the Pension Fund by ITC amounted to approximately $6.589 million (2016: $6.530 million). Contributions due in 2018 are expected to amount to $6.492 million.

129. Membership in the Fund may be terminated by a decision of the General Assembly, upon an affirmative recommendation of the Pension Board. A proportionate share of the total assets of the Fund at the date of termination shall be paid to the former member organization for the exclusive benefit of its staff who were participants in the Fund at that date, pursuant to an arrangement mutually agreed between the organization and the Fund. The amount is determined by the Pension Board on the basis of an actuarial valuation of the assets and liabilities of the Fund

on the date of termination; no part of the assets which are in excess of the liabilities are included in the amount.

130. 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

131. 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 affect the calculation of other long-term and end-of-service employee benefits liabilities. In addition, a revised education grant scheme has been implemented that affects the computation of this short-term benefit. The impact of these changes is explained 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 extend the mandatory age of separation to 65 years for staff recruited by organizations of the United Nations common system before 1 January 2014, taking into account the acquired rights of staff, by 1 January 2018 at the latest. This change has been implemented as of 1 January 2018 and affects future calculations of employee benefits liabilities.
Unified salary structure	The salary scales for internationally recruited staff (Professional and Field Service categories) as at 31 December 2016 were based on single or dependency rates. Those rates affected staff assessment and post adjustment amounts. The General Assembly approved a unified salary scale that eliminated single and dependency rates as from 1 January 2017 and this was implemented in September 2017. The dependency rate was replaced by allowances for staff members who have recognized dependents in accordance with the Staff Regulations of the United Nations and Staff Rules. A revised staff assessment scale and pensionable remuneration scale was implemented along with the unified salary structure. The implementation of the unified salary scale was not designed to result in reduced payments for staff members. However, it is expected that the unified salary scale will affect the calculation and valuation of the repatriation benefit and the commuted annual leave benefit. Currently, the repatriation benefit is calculated on the basis of gross salary and staff assessment at the date of separation, whereas commuted annual leave is calculated on the basis of gross salary, post adjustment and staff assessment at the date of separation from service.
Repatriation benefit	Staff members have been eligible to receive a repatriation grant upon separation from service provided they have been in service for at least one year in a duty station outside their country of nationality. The General Assembly revised eligibility for the repatriation grant to five years for prospective employees. This change in eligibility criteria,

Change	*Details*
	which was effective from January 2017, was implemented in September 2017 and is expected to affect future calculations of employee benefits liabilities.
Education grant	With effect from the school year in progress on 1 January 2018, the computation of the education grant given to eligible staff members utilizes a global sliding scale that is set in one single currency (United States dollars), with the same maximum amount of the grant for all countries. The revised education grant scheme also changes boarding assistance and education grant travel provided by the organization. The effects will be seen at the end of the 2017–2018 school year and at the time of settlement of claims.

132. The impact of these changes, other than the education grant, has been fully reflected in the actuarial valuation conducted in 2017.

Note 13
Operating reserves

133. The movements in operating reserves are as follows:

(Thousands of United States dollars)

	Trust fund	*Programme support fund*	*Total*
Opening balance as at 1 January 2016	**6 221**	**1 127**	**7 348**
Interest income and residual donor balances	255	–	255
20 per cent adjustment, in accordance with ST/AI/285	–	(141)	(141)
Closing balance as at 31 December 2016	**6 476**	**986**	**7 462**
Interest income and residual donor balances	455	–	455
20 per cent adjustment, in accordance with ST/AI/285	–	455	(151)
Closing balance as at 31 December 2017	**6 931**	**835**	**7 766**

Note 14
Revenue

Assessed contributions

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
United Nations	18 008	19 044
World Trade Organization	18 004	19 047
Subtotal	**36 012**	**38 091**
Refunds to donors for prior-year surplus and savings	(559)	(697)
Total assessed contributions net of refunds	**35 453**	**37 394**

134. 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.

135. 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 among 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 and other transfers and allocations

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*[a]
Voluntary contributions	90 455	28 407
Other transfers and allocations	635	1 309
Subtotal	91 090	29 716
Refunds to donors for voluntary contributions	(479)	(1 526)
Refunds to donors for other transfers and allocations	(180)	(144)
Total voluntary contributions net of refunds	**90 431**	**28 046**

[a] The presentation has been expanded to separate refunds to donors for voluntary contributions from refunds to donors for other transfers and allocations (2016: $1.670 million).

136. 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 projects funded by UNDP.

137. Other transfers and allocations are mainly inter-organizational arrangements and multi donor initiatives under the Enhanced Integrated Framework trust fund and the One United Nations fund.

138. The total amount of donor pledges which have not been formalized is $53.721 million (2016: $10.983 million).

Other revenue

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Services rendered	477	404
Refunds/savings from prior-year expenditures	–	353
Other revenue	192	274
Total other revenue	**669**	**1 031**

Investment revenue

(Thousands of United States dollars)

	31 December 2017	31 December 2016
Investment revenue	572	320
Total investment revenue	**572**	**320**

In-kind contributions

139. Other voluntary contributions include in-kind contributions, which consist of the rental subsidy from the Fondation des immeubles pour les organisations internationales in the amount of $2.754 million (2016: $2.680 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.

140. Services in kind, consisting mainly of contributions to conferences, workshops and training, were estimated at $2.067 million (2016: $1.704 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

Employee salaries, allowances and benefits

(Thousands of United States dollars)

	31 December 2017	31 December 2016
Staff salaries, wages and allowances	41 148	39 698
Pension costs and insurance benefits	11 693	11 339
Other benefits	1 487	1 028
Total employee salaries, allowances and benefits	**54 328**	**52 065**

141. Employee salaries, allowances and benefits are for all international and national staff expenses such as salaries, post adjustment, entitlements, pensions and health plan contributions for staff in the Professional and General Service categories. It also includes staff expenses relating to general temporary assistance and after-service health insurance expenses for former ITC staff.

Non-employee compensation and allowances

(Thousands of United States dollars)

	31 December 2017	31 December 2016
Individual consultant fees, insurance and travel	11 297	14 088
Individual contractor costs	205	414
Total employee salaries, allowances and benefits	**11 502**	**14 502**

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

Travel

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Staff travel	3 431	3 812
Representative travel	1 644	1 527
Total employee salaries, allowances and benefits	**5 075**	**5 339**

143. Travel relates to the regular travel of staff, meeting participants and resource staff on missions related to official business.

Grants and other transfers

144. 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 2017	*31 December 2016*
Contracted services	8 822	8 200
Acquisitions of goods	188	518
Acquisitions of intangible assets	354	383
Rent, office and premises	1 502	1 418
Rental, equipment	381	375
Maintenance and repair	137	64
Bad debt (write back)/expense	1	(40)
Net foreign exchange (gain)/losses	(35)	3 034
Other	306	718
Total other operating expenses	**11 656**	**14 670**

Other expenses

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Expense for contributions in kind	2 754	2 723
Other	(8)	15
Total other expenses	**2 746**	**2 738**

145. Included in the expense for contributions in kind is the rental subsidy from the Fondation des immeubles pour les organisations internationales in the amount of $2.754 million (2016: $2.680 million), which is the difference between the market value of the rental and the actual rent paid. A matching in-kind contribution is recognized as revenue at the same time as the rent is recognized as expense.

Note 16
Budget comparison and reconciliation

146. 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.

147. The Centre's budget is prepared on a modified cash accounting basis and the financial statements are prepared on a full accrual basis in accordance with IPSAS.

148. 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 publicly available regular budget.

Movement between original and final budgets (regular budget)

149. 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

150. 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

151. 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.

152. 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 cash flow and the statement of comparison of budget and actual amounts.

153. 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 cash flow, 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. To reconcile the budgetary results to the statement of cash flows, the modified-cash elements such as unliquidated obligations, which are commitments against the budget but do not represent a cash flow, must be eliminated. Similarly, IPSAS-specific differences, such as investing cash flows relating to acquisition of property, plant and equipment or intangibles, and indirect operating cash flows relating to changes in receivables due to movements in the allowance for doubtful receivables and accrued liabilities, are included as basis differences to reconcile to the statement of cash flows;

(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.

154. The reconciliation between the actual amounts presented in statement V and the actual amounts presented on the statement of cash flow is as follows:

Reconciliation of actual amounts on a comparable basis and actual amounts in the cash flow

(Thousands of United States dollars)	*Operating*	*Investing*	*Financing*	*Total*
Actual amount on comparable basis (statement V)	(38 180)	–	–	(38 180)
Basis differences				
Elimination of unliquidated obligations	492	–	–	492
Accruals of expenses	(717)	–	–	(717)
Exchange gain/losses	(2 754)	–	–	(2 754)
Share of joint arrangement	(2)	–	–	(2)
Expenses for contributions in kind	21	–	–	21
Elimination of inter-fund transactions	229	–	–	229
Expenses against future period budget	20	–	–	20
Revenue for contributions in kind	2 754	–	–	2 754
Refund of prior biennium surplus	(559)	–	–	(559)
Acquisitions of property plant and equipment	–	(223)	–	(223)
Acquisitions of intangibles	–	(357)	–	(357)
Total basis differences	**(516)**	**(580)**	**–**	**(1 096)**
Budget revenue in accordance with statement V	36 251		–	36 251
Presentation differences				
Elimination of non-cash changes in assets and liabilities in operating cash flow	1 701	–	–	1 701
Increase in share of joint arrangement	2	–	–-	2
Investment revenue presented as investing activities	(28)	28	–	–
Pro rata share of net increases in the cash pool	–	(629)	–	(629)
Total presentation differences	**37 926**	**(601)**	**–**	**37 325**
Entity differences				
Other funds expenditure	(46 704)	–	–	(46 704)
Other funds revenue	88 681	–	–	88 681
Elimination of non-cash changes in assets and liabilities in operating cash flow	(35 233)	–	–	(35 233)
Actuarial gain/(loss) on employee benefits liabilities	2 355		–-	2 355
Investment revenue presented as investing activities	(544)	544	–	-
Depreciation and amortization	236	–	–	236
Net gain/loss on disposal of property plant and equipment	14	–	–14	
Pro rata share of net increases in the cash pool	–	(15 558)	–	(15 558)
Acquisitions of property plant and equipment	–	(168)	–	(168)
Acquisitions of intangibles	–	(360)	–	(360)
Total entity differences	**8 805**	**(15 542)**	**–**	**(6 737)**
Actual amount in statement of cash flows (statement IV)	8 035	(16 723)	–	(8 688)
Amount per statement of cash flows (statement IV)	**8 035**	**(16 723)**	**–**	**(8 688)**

Note 17
Related parties: key management personnel

155. 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 2017	*31 December 2016*
Number of individuals (full-time equivalents)	8	8
Aggregate remuneration	2 070	2 013
Outstanding advances as at 31 December[a]	69	90

[a] The comparative figures for 2016 have been restated for comparison purposes.

156. 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.

157. 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

158. Except 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.

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

Note 18
Interest in joint arrangement

160. ITC participates in a jointly financed operation relating to safety and security, which is established under a binding agreement. However, ITC does not have significant control over the activity. The interest of ITC in the activity is its share of the activity’s net assets recognized using the equity method which is based on the funding apportionment percentage such as the number of employees and the total space occupied. Since the total of the activity is in a net liability position, this is recognized as a non-current liability in the ITC statement of financial position.

161. The Centre’s share of the activity’s operating deficit for the year ended 31 December 2017 is $0.002 million and is recognized in the ITC statement of financial performance as an expense. Where the activity also has transactions, which are recorded directly in net assets, the ITC share of these transactions is accounted for through statement III, statement of changes in net assets, and in the year that this

balance relates to the actuarial gains/losses relating to the employee benefit liability valuation.

162. Movements in the joint arrangement for the year are reflected in the table below.

(Thousands of United States dollars)

	31 December 2017
Cost as at 1 January	28
Movement for the year:	
Changes in net assets of joint arrangement recognized through statement of changes in net assets	10
Share of deficit for the year of joint arrangement recognized through statement of financial performance	2
Total changes in joint arrangement for the year	**12**
Share of joint arrangement accounted for using equity method and reported as net liability in statement of financial position	**40**

Note 19
Leases and commitments

163. ITC has operating leases for the use of its headquarters building in Geneva, field offices and photocopying, 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 as follows:

Obligations for property operating leases

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Due in less than 1 year	1 428	1 257
Due in 1 to 5 years	2 168	3 101
Total minimum operating lease obligations	**3 596**	**4 358**

164. The lease for the ITC headquarters in Geneva is between the Fondation des immeubles pour les organisations internationales and ITC for an annual lease payment of SwF 1.085 million ($1.099 million as at 31 December 2017). The lease can be renewed for an additional five-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 a notice of 30 to 90 days.

165. 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 2017 was $0.349 million (2016: $0.325 million). This amount includes additional copy charges incurred in accordance with lease agreements.

Other commitments

Open contractual commitments

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Property, plant and equipment	43	67
Grants	43	35
Goods and services	6 013	5 059
Total open contractual commitments	**6 099**	**5 161**

166. Other commitments relate to the future commitment to transfer funds to end beneficiaries and the acquisition of goods and services, including purchase orders, contracted for but not delivered as at 31 December 2017.

Note 20
Contingent assets and contingent liabilities

167. In 2016, there was an estimated amount of $0.088 million of contingent liabilities pertaining to the project in Fiji funded by the European Union. The amount was an estimate of the potential financial risk for recovery of expenditures made for the project after the “D+3” 36-month deadline had passed and during the intensified action plan period. In 2017 it has been determined that the estimated amount falls under the two permissible exclusions clause of “exceptional circumstances” and “operating costs” necessary for the project to continue. Therefore, the estimated amount is no longer considered as a contingent liability.

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

Note 21
Events after the reporting date

169. 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.

Annex I

Statement of appropriations

General fund: statement of appropriations for the year ended 31 December 2017

(Thousands of United States dollars)

	Appropriations[a]			*Expenditures*			
	Original	*Changes*	*Revised*	*Disbursements*	*Unliquidated obligations*	*Total*	*Unencumbered balance*
International Trade Centre							
Programme of activities	71 789	1 776	73 565	74 114	492	74 606	(1 041)

[a] Represents original appropriation of $71.79 million for the biennium 2016–2017, which was increased to $73.57 million. The General Assembly, in its resolutions 70/248 and 72/253, authorized the share of the United Nations. The United Nations share was subsequently increased by the exceptional retention of the unencumbered appropriation for the 2014–2015 biennium and savings from prior period commitments amounting to $471,000, and the WTO adjusted its contribution by the same amount.

Annex II

Statement of budget and actual amounts for the year ended 31 December 2017

(Thousands of United States dollars)

	Publicly available budget[a]			
	Original biennium	*Final biennium*	*Actual expenditure on budget basis for 2017*	*Difference (percentage)*
Posts	55 954	57 338	58 003	1
Non-post	15 835	16 227	16 603	2
Total	**71 789**	**73 565**	**74 606**	**1.4**

[a] Represents original appropriation of $71.79 million for the biennium 2016–2017, which was increased to $73.57 million. The General Assembly, in its resolutions 70/248 and 72/253, authorized the share of the United Nations. The United Nations share was subsequently increased by the exceptional retention of the unencumbered appropriation for the 2014–2015 biennium and savings from prior period commitments amounting to $471,000 and the WTO adjusted its contribution by the same amount.

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