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A/69/5 (Vol. III)

# Financial report and audited financial statements

**for the biennium ended 31 December 2013**

**and**

# Report of the Board of Auditors

**Volume III**
**International Trade Centre**

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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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# Contents

# Letters of transmittal

## Letter dated 31 March 2014 from the Secretary-General addressed to the Chair of the Board of Auditors

In accordance with financial regulation 6.5 of the Financial Regulations and Rules of the United Nations, I have the honour to submit the accounts of the International Trade Centre for the biennium ended 31 December 2013, which I hereby approve. The financial statements have been completed and certified as correct by the Controller.

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

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

## Letter dated 30 June 2014 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 biennium ended 31 December 2013.

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

# Chapter I

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

We have audited the accompanying financial statements of the International Trade Centre for the biennium ended 31 December 2013, which comprise the statement of income and expenditure and changes in reserves and fund balances (statement I); the schedule of voluntary contributions received for technical cooperation activities (schedule 1.1); the statement of assets, liabilities and reserves and fund balances (statement II); the statement of cash flows (statement III); the statement of appropriations (statement IV); and the notes to the financial statements.

### Management's responsibility for the financial statements

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

### Auditor's responsibility

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

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

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

### Opinion

In the Board's opinion, the financial statements present fairly, in all material respects, the financial position of the International Trade Centre as at 31 December 2013 and its financial performance and cash flows for the biennium then ended, in accordance with the United Nations system accounting standards.

## 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 which we have tested as part of our audit, have in all significant respects been in accordance with the Financial Regulations and Rules of the United Nations and legislative authority.

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

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

(Lead Auditor)
(*Signed*) **Liu** Jiayi
Auditor-General of China

(*Signed*) Ludovick S. L. **Utouh**
Controller and Auditor-General of the
United Republic of Tanzania

30 June 2014

# Chapter II
# Long-form report of the Board of Auditors


*Summary*

The International Trade Centre (ITC) is a technical cooperation agency jointly funded by the United Nations Conference on Trade and Development and the World Trade Organization, working to stimulate exports by small and medium-sized enterprises in developing countries and countries with economies in transition.

The Board of Auditors audited the financial statements and reviewed the operations of ITC for the biennium ended 31 December 2013 in accordance with General Assembly resolution 74 (I). The audit was carried out by examining financial transactions and operations at the ITC headquarters in Geneva. The Board coordinated with the Office of Internal Oversight Services to avoid duplication of efforts.

## Scope of the report

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

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 2013 and its financial performance and cash flows for the biennium then ended, in accordance with the United Nations systems accounting standards. The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

The Board also reviewed ITC operations under United Nations financial regulation 7.5, which allows the Board to make observations on the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of operations. In the present report, in addition to providing commentary on financial matters relating to ITC, the Board reports on the Centre's progress towards implementation of the International Public Sector Accounting Standards (IPSAS) and on its newly implemented consultant database.

## Audit opinion

The Board issued an unqualified audit opinion on the financial statements of the International Trade Centre for the biennium ended 31 December 2013. The Board's opinion is reflected in chapter I of this report.

## Key findings

### Financial management

ITC reports negative reserve balances of $12.1 million (31 December 2011: negative $10.6 million) because the organization has insufficient assets to meet its liabilities. This is due primarily to the size of the long-term staff-related obligations, which are currently estimated to amount to $62.1 million and which are not funded. These liabilities will continue to grow, with increasing numbers of beneficiaries.

ITC is aware that it needs a better understanding of the full costs of activities within projects to assess whether current overhead rates recover the full costs of operations. Initiatives have been taken to develop the Centre's costing methodology, but more can be done in this area.

### Progress towards implementation of the International Public Sector Accounting Standards

ITC has made good progress in its preparedness for IPSAS; all key accounting policies are now confirmed and its IPSAS opening balances are on schedule for finalization. IPSAS should allow ITC to improve the quality of its financial information, allowing it to better control operations and to enhance the quality of decision-making and financial management. The Centre's IPSAS benefits realization plan does not yet articulate these benefits; its "dividends" report lacks a vision of the real benefits IPSAS can bring when considered alongside the Centre's wider initiatives, such as the results-based management framework and costing methodology.

### Consultant database

ITC relies on consultants and individual contractors to support its work. During the biennium it spent $21.7 million on such services. ITC has developed and implemented an integrated online database of consultants and automated the hiring process. While this provides a more efficient approach to hiring consultants, it does not yet provide transparency in respect of the recruitment phase.

### Overall conclusion of the Board

ITC reports negative reserve balances of $12.1 million, as the organization has insufficient assets to meet its long-term staff liabilities, which total $62.1 million. Its staff and personnel costs represent an increasing proportion, now 79 per cent, of its overall contributions and that trend looks likely to continue. While ITC has taken certain steps, it does not yet understand the full costs of its activities, yet transparency on project costing is vital to understanding the full cost of operations.

In the light of the above findings, the Board makes detailed recommendations in the main report. In summary the main recommendations are that ITC should:

(a) **Regularly inform both the General Assembly and the General Council of the World Trade Organization of the projected future level of funding required to support end-of-service liabilities;**

(b) **Further develop the project plan for the costing methodology work, including key milestones and outputs to enable active monitoring of the project;**

(c) **Clearly identify the objectives and envisaged wider benefits of the IPSAS project and develop a methodology to track and manage benefits realization;**

(d) **Evidence more thoroughly the evaluation of three candidates when recruiting consultants; and ensure that performance evaluations are quality assured.**

## Previous recommendations

Of the 20 recommendations made by the Board in its report on the 2010-2011 financial statements, ITC had fully implemented 11 (55 per cent), 7 (35 per cent) were under implementation, 1 (5 per cent) was not implemented and 1 (5 per cent) had been overtaken by events. The annex to the present chapter contains a detailed commentary on all previous recommendations.

## A. Mandate, scope and methodology

1. The International Trade Centre (ITC) is a technical cooperation agency jointly funded by the United Nations Conference on Trade and Development (UNCTAD) and the World Trade Organization (WTO), working to stimulate exports by small and medium-sized enterprises in developing countries and countries with economies in transition. It employs 284 staff.

2. The Board of Auditors has audited the financial statements of ITC and has reviewed its operations for the biennium period ended 31 December 2013 in accordance with General Assembly (GA) resolution 74 (I). 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 2013 and its financial performance and cash flows for the biennium then ended, in accordance with the United Nations system accounting standards. 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 income and expenditure had been properly classified and recorded in accordance with the Financial Regulations and Rules of the United Nations. The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

4. The Board also reviewed ITC operations under United Nations financial regulation 7.5, with a focus on the Centre's use of consultants. 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 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

### 1. Follow-up of previous recommendations

6. Of the 20 recommendations made by the Board in its report on the 2010-2011 financial statements, ITC had fully implemented 11 (55 per cent), 7 (35 per cent) were under implementation, 1 (5 per cent) was not implemented and 1 (5 per cent) had been overtaken by events. The annex to the present chapter contains a detailed commentary on all previous recommendations.

7. The earlier recommendation that ITC should review its methodology for charging programme support and ensure that the full costs of staff are charged to all projects has not been implemented and has been reiterated in the present report. The outstanding recommendation from the Board's 2006-2007 report (A/63/5 (Vol. III))

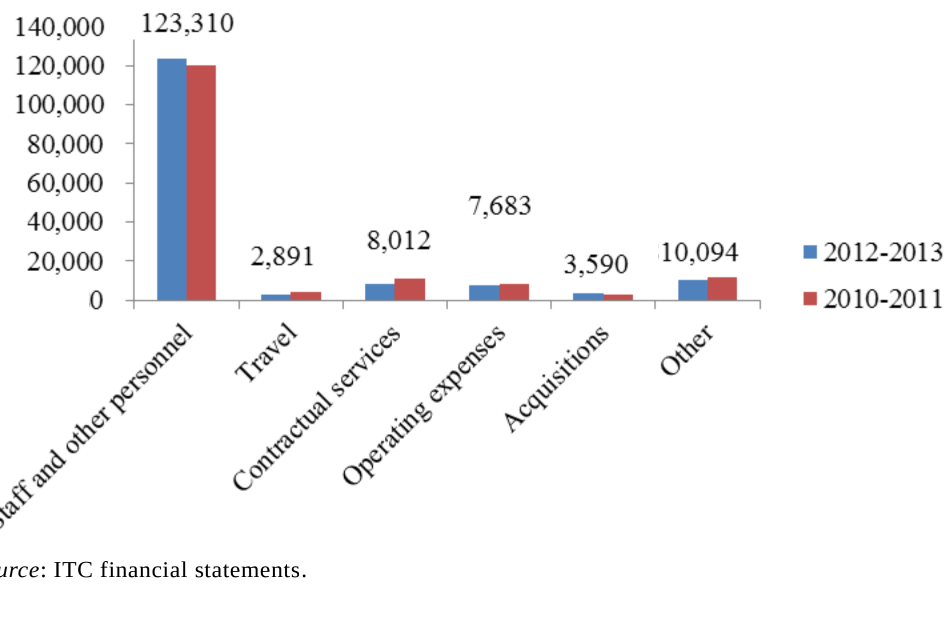
on the need for ITC to develop a funding plan for the end-of-service liabilities has been reiterated in this report. The outstanding recommendation from the Board's 2008-2009 report (A/65/5 (Vol. III), chap. II, para. 22) on the need for ITC to analyse the impact of applying IPSAS to its administrative and financial procedures, which was not reiterated in last biennium's report, is now considered implemented through the development of statements of procedures to support the IPSAS accounting policies.

8. Except for the recommendations reiterated in the present report, the Board considers that ITC has made adequate progress on the recommendations partially implemented and will revisit these during its next audit.

## 2. Financial overview

9. At 31 December 2013, ITC reported negative net assets of $12.1 million (2011: negative $10.6 million). This is due to the Centre's unfunded end-of-service and post-retirement staff liabilities of some $62.1 million, which are not fully offset by surpluses in other funds. During the current biennium, the Centre's reported income of $158.6 million was consistent with the previous biennium (2011: $159.9 million). Reported expenditure was $155.6 million, a reduction of $2.2 million against the previous biennium (2011: $157.8 million). ITC expenditure is dominated by staff and personnel costs, as expected from a service organization (see figure II.1). During the biennium, ITC reduced costs of travel, contractual services and other costs by $5.3 million to fund the $3.1 million increase in staff and other personnel costs.

Figure II.1
**Expenditure of the International Trade Centre**
(Thousands of United States dollars)




*Source*: ITC financial statements.

10. ITC reported cash of $56.1 million (2011: $56.0 million) held in the United Nations cash pool. At 31 December 2013, cash of $42.1 million related to balances held on technical cooperation projects, of which $33.0 million was unencumbered and $5.4 million was held for the operating reserve. This reserve was established to cover delays in the payment of pledged contributions and to meet any shortfalls of income in the trust funds.

### Financial analysis

11. The Board reviewed the Centre's financial performance over the past three bienniums and noted in particular the increasing proportion of the Centre's costs and liabilities related to its staff and personnel. In 2008-2009, the Centre's staff and personnel costs were equivalent to 73 per cent of total contributions; in 2012-2013 they consumed 79 per cent of total contributions (see figure II.2).

Figure II.2
**Analysis of employee benefits**
(Thousands of United States dollars)

| | *2008-2009* | *2010-2011* | *2012-2013* |
|---|---|---|---|
| Total contributions[a] | 137 320 | 156 570 | 156 286 |
| Staff and other personnel expenditure | 100 515 | 120 224 | 123 310 |
| Proportion of staff and other personnel expenditure to total contributions (percentage) | 73.2 | 76.8 | 78.9 |

*Source*: ITC financial statements.
[a] Total contributions comprise assessed contributions, voluntary contributions and funds received under inter-organization arrangements.

12. In line with the growth in annual personnel costs, the Centre's end-of-service and post-retirement staff liabilities have grown. These liabilities are only funded when they crystallize and not as they accrue; this results in ITC reporting negative reserves in its financial statements. While ITC has sufficient assets to meet its immediate current liabilities, its overall solvency ratio, which considers the proportion of liabilities to assets, shows that it will have trouble meeting its long-term obligations as it does not have sufficient assets to cover the reported liabilities.

Figure II.3
**Financial ratios**

| | *31 December 2013* | *31 December 2011* | *31 December 2009* |
|---|---|---|---|
| Current ratio[a] (current assets: current liabilities) | 3.44 | 3.84 | 4.95 |
| Total assets: total liabilities[b] (assets: liabilities) | 0.85 | 0.86 | 1.15 |
| Cash ratio[c] (cash + short-term investments: current liabilities) | 2.74 | 3.22 | 4.42 |
| Quick ratio[d] (cash + investments + accounts receivable: total liabilities) | 0.70 | 0.76 | 1.07 |
| End-of-service liabilities in thousands of United States dollars | 62 146 | 60 116 | 41 569 |
| End-of-service liabilities as a percentage of liabilities | 75 | 78 | 77 |

*Source*: ITC 2012-2013 financial statements.

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

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

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

[d] The quick ratio is more conservative than the current ratio because it excludes inventory and other current assets, which are more difficult to turn into cash. A higher ratio means a more liquid current position.

13. The Board previously highlighted that ITC should seek to charge the full costs of staff, including end-of-service liabilities, to all projects. However, ITC has adopted the United Nations position (see General Assembly resolution 68/244) for all funds to continue the pay-as-you-go approach for the present time. In line with the increase in the proportion of expenditure on staff and related expenses, the end-of-service liabilities have increased from $41.6 million at 31 December 2009 to $62.1 million at 31 December 2013. This liability will continue to grow and will consume an increasing proportion of the budget to fund it.

14. **The Board recommends that ITC 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.**

### Activity costing

15. ITC is aware that it needs to have a better understanding of the full costs of its activities. The development of a costing methodology that includes the pricing of administrative costs should aid future cost comparisons and performance management. ITC initiated a cost analysis project focused to cost project outputs and activities. The pilot phase, covering 17 per cent of 2012 project expenditure, identified that it was difficult to link costs to particular outputs. A methodology was therefore developed to apportion total costs to outputs. While at the time of the audit ITC was at the design stage of further analysing the costs of its extrabudgetary projects, it subsequently informed the Board that it had applied the methodology to all projects to enable more meaningful cost comparison of outputs. ITC was also looking at the functionality that the new United Nations enterprise resource planning system (Umoja) would provide to aid activity costing.

**Programme support costs**

16. ITC manages over 200 technical cooperation projects in support of its objectives. To recover the overheads incurred in administrating these activities, a programme support cost charge of between 7 and 13 per cent of expenditure is levied. In 2013, 82 per cent of projects were charged the higher rate. This rate was established in 1980 when the General Assembly approved it for use by the United Nations Secretariat. The purpose of the charge was to recover additional expenses incurred in supporting activities financed from extrabudgetary contributions and to ensure that any additional cost was not borne by assessed funds or other core resources.

17. In 2012-2013, as reported in the financial statements, projects incurred programme support costs of $8.5 million and costs of $9.2 million were met from the programme support fund, resulting in a decrease in programme support cost reserve balances. These costs were predominantly staff and personnel costs and a proportion of certain overheads, such as for services provided by the United Nations Office at Geneva. However, ITC does not apportion all costs to outputs; for example, the operating costs of the Geneva headquarters building (circa $3 million) were fully met by the regular budget.

18. Analysis of the financial statements revealed that approximately 77 per cent of the cost of technical cooperation activities was staff or other personnel costs, including consultants, 8 per cent was contractual services and 3 per cent was travel, with the residual costs related to other expenditure such as equipment and training. Without accurate information on the full costs of each major type of expenditure, ITC cannot determine whether the existing programme support cost rates are set too high, resulting in the over-recovery of costs, or are too low to recover all additional costs of supporting the technical cooperation programme.

19. While acknowledging the existing United Nations policy for charging programme support costs, **the Board recommends that ITC review whether the current rates for programme support recover the full costs of projects.**

20. In developing its costing procedures, ITC proposes to include unit costs for project support activities, to account for contributions in kind and to further analyse the regular budget support to project outputs. ITC has developed a project plan covering the period to early 2015; however, the plan does not articulate the key milestones or deliverables.

21. **The Board recommends that ITC:**

(a) **Further develop its project plan for the continuing costing methodology work and include key milestones and outputs to enable active monitoring of the project;**

(b) **Thoroughly analyse its regular budget costs to enable the full costing of projects.**

22. ITC has informed the Board that this project is now under way and the Board will review the results during its next audit.

### 3. Progress towards the implementation of the International Public Sector Accounting Standards

23. ITC implemented the International Public Sector Accounting Standards (IPSAS) on 1 January 2014. The accruals basis of accounting under IPSAS recognizes transactions and other events when they occur, not only when cash or its equivalent is received or paid. The transactions and events are thus recorded in the accounting records and recognized in the financial statements for the periods to which they relate. The adoption of IPSAS will have no impact on the underlying financial transactions or activities of ITC, but introduces new terminology and changes the way in which transactions are treated and presented in the financial statements.

24. While the implementation of IPSAS has presented some challenges to organizations of the United Nations system, ITC has two additional challenges: that of having the requirement of dual currency reporting and that being a jointly controlled entity. In this regard, the Board noted that the external auditor had qualified the 2012 financial statements of WTO, as it was not possible for WTO to record ITC as a joint venture in its financial statements owing to the differing financial reporting standards.

#### Project governance and benefits realization

25. ITC has maintained an up-to-date IPSAS project plan and IPSAS risk register. The plan sets out 77 tasks for the successful implementation of IPSAS, including the tasks required for opening balances and full 2014 IPSAS-compliant statements. In March 2014, at the time of the Board's final audit, the plan identified six instances of slippage, the most significant being the agreement with the United Nations on the internal operating procedures for IPSAS. ITC considers the most significant risk to the project to be the ability to report against its budget in Swiss francs.

26. IPSAS implementation is not an end in itself, but should be used to drive better accountability and financial management. While the full benefits of IPSAS will come over time, ITC has developed an IPSAS "dividends" report that tracks the potential benefits from implementing IPSAS.

27. ITC identified the key changes required under IPSAS in recording and monitoring transactions and also noted opportunities to obtain wider benefits from these changes, including the following:

(a) The maintenance of asset registers detailing assets held by ITC and the associated requirements to validate the existence, condition and valuation of property, plant and equipment can help inform asset disposal and replacement policies and drive more cost-effective use of assets;

(b) The transition to IPSAS and Umoja is an opportunity to review and cleanse old data;

(c) The requirement to value all end-of-service liabilities, including repatriation grants and accumulated annual leave in addition to after-service health insurance, requires the collection and maintenance of additional data. As ITC gains a fuller understanding of the scale of these liabilities, it can better manage them and consider how best to fund them;

(d) The transition to an accruals-based accounting treatment requires a more rigorous monitoring of obligations to ensure receipt of goods and services has been properly evidenced.

28. Although these perceived benefits should be routine activities, the real benefit in this regard is that the rigour that IPSAS financial reporting brings changes behaviours to enforce better management practice. The benefits plan lacks ambition and ITC should also look beyond the transactional enhancements to the wider benefits from having full accruals-based cost information and how this can help transform the cost-effectiveness of its operations.

29. **The Board reiterates its previous recommendation that ITC clearly identify the objectives and envisaged benefits of the IPSAS project and develop a methodology to track and manage benefits realization.**

#### IPSAS accounting policies

30. ITC has developed all its significant IPSAS accounting policies. It has also developed a statement of procedures to ensure that staff capture the relevant information required under the new reporting standards, which now need to be embedded to ensure successful implementation.

#### IPSAS model financial statements and opening balances

31. ITC has developed a model set of financial statements setting out the proposed presentation and disclosures required under IPSAS. These represent a good basis for preparing IPSAS-compliant financial statements. ITC is now establishing the opening balances for the IPSAS statement of financial position. ITC anticipates finalizing its opening balances at 1 January 2014 and having them available for audit by September 2014. The main focus of the Centre's work was to identify the adjustments required to the reported balances, such as unliquidated obligations and non-exchange revenue; to identify and record the new balances, such as its property, plant and equipment inventory; and to identify its potential provisions and contingent liabilities.

32. Developing and testing the model financial statements with real accounting data will provide ITC an early opportunity to test its readiness to produce full IPSAS-compliant accounts. It also enables the Board to identify potential weaknesses and provide advice in advance of preparing the year-end financial statements. ITC has planned to perform a "dry-run" close in the second half of 2014 with subsequent audit verification. The Board considers this process essential to successful implementation and will report on it in its 2014 report.

### 4. Consultant database

33. ITC relies on consultants and individual contractors to support its work. In 2012-2013, ITC spent $21.7 million on consultants and contractors. There has been a 20 per cent increase in annual consultant expenditure since 2008, though it has remained at approximately 15 per cent of total expenditure each biennium.

34. The Board previously highlighted that ITC had no roster or database of potential candidates, and that the failure to evaluate at least three candidates presented a risk of poor value for money and fraud (A/67/5 (Vol. III), para. 18). ITC had identified this as an area for development and in response it designed an

electronic recruitment system for consultants, including a consultant database and an online recruitment system. This new system should provide ITC with enhanced management information, enabling it to monitor the use of consultants, the costs and performance more closely.

### Registration

35. In January 2013, ITC launched the new database, which provides potential candidates the opportunity to register. A candidate must submit evidence of identity, a diploma or curriculum vitae, a statement of good health and proof of having completed basic security training. By 31 December 2013, over 3,000 candidates were registered on the database.

### Selection and appointment of consultants

36. The automated selection and appointment workflow includes a number of controls to enhance transparency and compliance and ensure that appropriate candidates are selected and fee rates are appropriate and aligned with United Nations consultant rates. Clearly defined terms of reference are required to identify potential candidates and it is the responsibility of the hiring manager to review potential candidates and confirm that at least three candidates have been considered before proceeding with hiring the chosen candidate. However, as part of its audit, the Board examined the recruitment of 11 consultants hired in 2013 and found little documented evidence of active consideration of three candidates. Maintaining such evidence is important to safeguard transparency, objectivity and competition in the selection and recruitment of consultants.

37. **The Board recommends that ITC evidence more thoroughly the evaluation of three candidates.**

38. ITC informed the Board that it would consider the options and develop its policy in line with extant United Nations guidance.

### Consultants' performance management

39. Between 2008 and 2013, ITC spent $63 million on 2,142 different consultants. Over the six years, 43 per cent of consultants were awarded more than one contract and 31 consultants were awarded 10 or more contracts with a total value of $7.6 million. The Board reviewed a sample of 10 consultants with 96 different contracts over this period and examined their performance evaluations. In 13 per cent of the contract periods, the performance was evaluated by a single signatory. Our analysis also highlighted that, for 56 per cent of contracts examined, the same reporting officer and chief of section groupings evaluated the same consultant. These results suggest a familiarity with particular consultants and may indicate a lack of consideration of other consultants in the hiring process.

40. **The Board recommends that ITC seek to quality assure performance evaluations of consultants.**

41. ITC informed the Board that the development of the online appraisal process would ensure that appraisals are fair, objective and transparent. Work continues on this work package and it is scheduled for completion in the fourth quarter of 2014.

42. During 2012-2013, the evaluation of consultants' performance remained a clerical task that employed hard-copy evaluation forms. Consultants were evaluated against key performance measures linked to the Centre's competency framework and awarded a score on a scale of 1 to 4, with 1 being the highest obtainable score. For reporting purposes the equivalent descriptors would be excellent, good, satisfactory and poor. The overall performance rating of the evaluating officer is then confirmed, usually by the chief of division. The ratings were not collated and therefore no management information was derived from these data, though with the introduction of the database, such analysis should be possible in the future.

## C. Disclosures by management

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

43. ITC reported that it had formally written off receivables of $15,000 (compared with $56,000 in the previous biennium), related to UNDP receivables ($9,000) and travel advances that were no longer recoverable ($7,000). ITC also wrote off non-expendable property valued at $5,000 (2010-2011: $3,000) related to non-expendable items lost during the biennium.

### 2. Ex gratia payments

44. ITC reported no ex gratia payments for the biennium 2012-2013. None were identified through the Board's audit work.

### 3. Cases of fraud and presumptive fraud

45. ITC reported no cases of fraud or presumptive fraud for the biennium 2012-2013. None were identified through the Board's audit work.

## D. Acknowledgement

46. The Board wishes to express its appreciation for the cooperation and assistance extended to its staff by the Executive Director, the Director for Programme Support and members of their staff.

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

(*Signed*) **Liu** Jiayi
Auditor-General of China

(*Signed*) Ludovick S. L. **Utouh**
Controller and Auditor-General of the
United Republic of Tanzania

30 June 2014

# Annex

## Status of implementation of the Board's recommendations for the biennium ended 31 December 2011

| *Financial period first made* | *Summary of recommendation* | *Action taken by ITC* | *Board's view on recommendation* |
|---|---|---|---|
| **A. Recommendations under implementation or not implemented** | | | |
| 2010-2011 (A/67/5 (Vol. III), chap. II, para. 31) | Review the methodology for charging programme support and ensure that the full costs of staff are charged to all projects. ITC will review the amount accrued and consider increasing the rate to include the funding of end-of-service liabilities | The General Assembly, in its resolution 68/244, endorsed the recommendation of the Advisory Committee on Administrative and Budgetary Questions to continue the pay-as-you-go approach for the after-service health insurance liabilities at the present time | Not implemented |
| 2010-2011 (A/67/5 (Vol. III), chap. II, para. 50) | Clearly identify the objectives and envisaged benefits of the IPSAS project and develop a methodology to track and manage benefits realization | ITC has identified and been tracking the benefits of the project in its IPSAS dividend report, which has been submitted to the task force on accounting standards through the United Nations IPSAS team. ITC will continue to identify, track and manage these benefits | The Board has further commented on IPSAS benefits in the present report<br>Partially implemented |
| 2010-2011 (A/67/5 (Vol. III), chap. II, para. 51) | Enhance its organization-wide change management programme for IPSAS by specifying how senior management in each business unit must take ownership of and drive the delivery of the intended benefits during and after IPSAS implementation | ITC has provided its staff with mandatory online IPSAS courses as well as training on the delivery principle for recognizing liabilities. However, the overall change management programme will be carried out alongside with the UNHQ after a plan has been developed | This recommendation remains partially implemented |
| 2010-2011 (A/67/5 (Vol. III), chap. II, para. 59) | (a) When reporting its achievement indicators, provide accompanying commentary and data illustrates the extent to which the number of entities reporting improvements attributable to ITC are located in priority or less developed countries; (b) integrate its selected performance indicators with published synthesis reporting of its periodic detailed evaluation of programmes, to provide deeper insight and | ITC considers this recommendation to be under implementation | This recommendation remains partially implemented |

| Financial period first made | Summary of recommendation | Action taken by ITC | Board's view on recommendation |
|---|---|---|---|
| | assurance on the existence of improvements and their attribution to ITC input; and (c) reduce the inconsistency and variation in the reported achievement indicators by producing detailed data definitions and guidance notes as soon as possible after the agreement of the indicators and well before 1 January 2014 | | |
| 2010-2011 (A/67/5 (Vol. III), chap. II, para. 60) | Consult with its stakeholders and other trade promotion agencies to ensure harmonization of reporting, and that the burdens implied by its own requirements are sustainable | ITC considers this recommendation to be under implementation | This recommendation remains partially implemented |
| 2010-2011 (A/67/5 (Vol. III), chap. II, para. 65) | Establish a link between achievements and the resources allocated, and use data on underachievement to inform the reallocation of funds | ITC has deferred full implementation to December 2015 following a well-received pilot | This recommendation remains partially implemented |
| 2010-2011 (A/67/5 (Vol. III), chap. II, para. 66) | Engage with the Umoja project implementation team to secure the adoption of human resources time capture | ITC notes the continuing dependence of progress on this recommendation on the wider Umoja project | This recommendation remains partially implemented |
| 2010-2011 (A/67/5 (Vol. III), chap. II, para. 80) | With immediate effect, require both peer reviews and senior management to seek evidence of detailed planning for at least the early phases of work following initiation | Although ITC has made progress in incorporating more detailed inception phase planning in its project design and quality assurance process, it does not yet have any resulting examples of detailed work breakdown structures for operational projects | This recommendation remains partially implemented |

**B. Recommendations fully implemented or overtaken by events**

| | | | |
|---|---|---|---|
| 2010-2011 (A/67/5 (Vol. III), chap. II, para. 17); 2004-2005 (A/61/5 (Vol. III) (Supp), chap. II, para. 24) | Review the operating reserves requirements, including whether the 15 per cent ceiling for the reserve balance is required | ITC reviewed the sufficiency of the 15 per cent ceiling of the operating reserve and submitted a proposal to the United Nations Controller for ITC to maintain a fixed amount of $6 million. This was accepted and approved during the 2012-2013 biennium | This recommendation is considered implemented |

| *Financial period first made* | *Summary of recommendation* | *Action taken by ITC* | *Board's view on recommendation* |
|---|---|---|---|
| 2010-2011 (A/67/5 (Vol. III), chap. II, para. 19) | Maintains an up-to-date database of consultants and their performance follow the recommended United Nations policies for the appointment of consultants | An automated workflow for the recruitment of consultants was operational by the end of 2013. An electronic appraisal module for consultants will then be developed and introduced to complete the consultants' management suite. The policies and processes in relation to consultant recruitment are aligned to UN and are consistent with ITC's delegated authority for HR matters | This recommendation is considered implemented |
| 2010-2011 (A/67/5 (Vol. III), chap. II, para. 21) | Manage its accounts receivable by regularly pursuing such significant outstanding debts and where necessary regularly seeking agreement on significant balances and actively considers the need to impair assets where no positive confirmation has been obtained | Follow-up action was taken for the long-outstanding balances and those deemed irrecoverable were written off | This recommendation is considered implemented |
| 2010-2011 (A/67/5 (Vol. III), chap. II, para. 26) | Develop robust and documented quality control procedures to validate the integrity of the data supplied to its actuaries concerning staff end-of-service liabilities | Validation of the data supplied to the actuary occurred in January and February 2014 prior to submission to New York | The Board reviewed the data provided to the actuaries and no issues were identified<br><br>The recommendation is considered implemented |
| 2010-2011 (A/67/5 (Vol. III), chap. II, para. 29)<br><br>2008-2009 (A/65/5 (Vol. III) (Supp), chap. II, para. 63) | Fully align its disclosures regarding end-of-service liabilities with IPSAS 25 for 2012-2013 (including, for example, by providing more information in its note disclosures of the impact of changes in discount rates on its stated liabilities) | ITC continues to participate in the United Nations-led valuation exercise. For ITC, the actuary used more non-United States data in its valuation and also used discount rates based on high-grade corporate bonds denominated in Swiss francs | This was not fully disclosed. The Board considers it overtaken by events as the disclosures are mandatory in 2014 under IPSAS |
| 2010-2011 (A/67/5 (Vol. III), chap. II, para. 39) | Continually review its risks and IPSAS gap analysis and identify alternative mitigating solutions within the control of ITC management for the outstanding issues | ITC continuously updates the IPSAS risk register and reports to United Nations New York. Gap analysis reports are reviewed and updated on a regular basis and this will occur until the end of the project | This recommendation is considered implemented |

| *Financial period first made* | *Summary of recommendation* | *Action taken by ITC* | *Board's view on recommendation* |
|---|---|---|---|
| 2010-2011 (A/67/5 (Vol. III), chap. II, para. 45) | Develop a set of pro forma IPSAS financial statements which are internally reviewed, using an appropriate IPSAS disclosure guide prior to discussion with the Board | ITC submitted simulation IPSAS financial statements for the Board to review in November 2013. A further simulation exercise based on June 2014 figures is planned for September 2014. This simulation will include full opening balances | The Board will continue to review the financial statement simulations and will audit the opening balances in 2014<br><br>This recommendation is considered implemented |
| 2008-2009 (A/65/5 (Vol. III) (Supp), chap. II, para. 22) | Analyse the impact of applying IPSAS to its administrative and financial procedures | ITC developed statement of procedures to support its IPSAS accounting policies | This recommendation is considered implemented |
| 2010-2011 (A/67/5 (Vol. III), chap. II, para. 73) | Consider the case for moving to a recognized project management code or standard within three years | ITC has made significant progress towards the PRINCE2 standard | This recommendation is considered implemented |
| 2010-2011 (A/67/5 (Vol. III), chap. II, para. 76) | Scrutinize any significant changes in projects' key project management documentation (such as alterations to budgets, scope and outputs) during the "implementation-monitoring phase" through evidenced review by at least one member of senior management, quality reviewers or a project sponsor | ITC has introduced new procedures for managing changes to project during the implementation phase. Projects that need to have significant changes to scope, budget or duration now have to get detailed approval by appropriately structured tiers of delegation from the Senior Management Committee down | This recommendation is considered implemented |
| 2010-2011 (A/67/5 (Vol. III), chap. II, para. 78) | Define a specific project sponsor role in its project management process and for each project responsible for confirming that: (a) sufficient staff and financial resources are in place to deliver the project; (b) arrangements are in place to manage interdependencies between projects in multi-project programmes; and (c) appropriate arrangements are in place to track project outcomes in terms of the achieved effects on beneficiaries, beyond the actual | ITC is committed to having for each project an accountability system ensuring that sufficient staff and financial resources are in principle available to deliver the project.<br><br>ITC has strengthened its project design process to include thorough quality reviews and assessment that the project will be properly resourced.<br><br>ITC has developed a new impact assessment methodology to be rolled out in 2013 and will complement its existing evaluation | This recommendation is considered implemented |

| *Financial period first made* | *Summary of recommendation* | *Action taken by ITC* | *Board's view on recommendation* |
|---|---|---|---|
| | delivery of the project. | activities | |
| 2010-2011 (A/67/5 (Vol. III), chap. II, para. 82) | Define for each project at the initiation stage its detailed project management processes and outputs, including the project progress reports that will be used to track progress against milestones in terms of: (a) the detailed project management activities to be completed; (b) measures of earned value or outputs; and (c) actual and anticipated expenditure | In the project plan template there is a monitoring plan where outcomes and outputs and their related indicators are tracked through various means such as monthly monitoring, etc.<br><br>Since June 2012, monitoring and reporting on outputs and outcomes has been tracked through the results-based management data entry tool. The new change control procedure helps manage implementation phase alterations to scope, budget and expected results | This recommendation is considered implemented |
| 2010-2011 (A/67/5 (Vol. III), chap. II, para. 84) | Project managers and Quality Assurance Group reviewers specifically consider whether: (a) risk has been adequately assessed, including whether its impact has been quantified in monetary terms (where the risk has a financial consequence); (b) how far identified risks are addressed by mitigation/ contingency arrangements; and (c) allocated clear responsibility and accountability for managing the identified risk | ITC has put in place, at the project design stage, an effective risk management system ensuring the identification and financial assessment of risks, mitigation/ contingency arrangements and due accountability for their management | This recommendation is considered implemented |

# Chapter III
## Certification of the financial statements

### Letter dated 28 March 2014 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 biennium ended 31 December 2013 have been prepared in accordance with financial rule 106.10 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. The notes provide additional information and clarification for the financial activities undertaken by the 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 IV, are correct.

(*Signed*) Maria Eugenia **Casar**
Assistant Secretary-General
Controller

# Chapter IV
# Financial report for the biennium ended 31 December 2013

## A. Introduction

1. The International Trade Centre (ITC) is the joint technical cooperation agency of the United Nations Conference on Trade and Development (UNCTAD) and the World Trade Organization (WTO) for business aspects of trade development. The strategic vision of ITC is to foster sustainable economic development and contribute to achieving the Millennium Development Goals in developing and transition economies through trade and international business development. ITC aims to improve the international competitiveness of small and medium-sized enterprises from developing countries, especially least developed countries, and countries with economies in transition. In order to achieve this goal, ITC focuses on the delivery of trade-related technical assistance activities linked to trade intelligence and export development issues. ITC acts as the focal point for all United Nations technical cooperation activities in trade promotion, as affirmed by the Economic and Social Council in its resolution 1819 (LV) of 9 August 1973, and is responsible for the implementation of subprogramme 6, Operational aspects of trade promotion and export development, of the strategic framework for the period 2012-2013. During the biennium 2012-2013, the programme maintained a strong focus on clients served by ITC and worked towards achieving the principal goals established in the 2012-2015 strategic plan, as approved in May 2012 at the 46th meeting of the Joint Advisory Group, and the 2012-2013 strategic framework, as approved by the Committee for Programme and Coordination: (a) to strengthen the integration of the business sector into the global economy through enhanced support to policymakers; (b) to increase the capacity of trade support institutions to support businesses; and (c) to strengthen the international competitiveness of enterprises through ITC training and support.

2. The ITC portfolio of work for the biennium centred on its six focus areas: (a) supplying trade and market intelligence for small and medium-sized enterprise competitiveness; (b) supporting regional economic integration and South-South trade; (c) connecting to value chains: small and medium-sized enterprise competitiveness, diversification and links to export markets; (d) strengthening trade and investment support institutions; (e) promoting and mainstreaming inclusive and green trade; and (f) building a conducive policy and business environment through public-private partnerships.

3. In order to support its technical assistance portfolio, ITC focused on improving its efficiency and effectiveness through the following initiatives:

(a) ITC took significant steps during the biennium to improve its decision-making processes, promote transparency and demonstrate results, embedding results-based management principles at project and corporate levels. In 2013, ITC launched its development results web pages, which report actual achievements against targets at outcome and output levels. Users can navigate the pages by country, beneficiary group, intervention type and project to access up-to-date performance data online. The development results pages can be accessed by all ITC stakeholders and are in the public domain. Corporate planning and reporting systems were improved to promote accountability and ensure better alignment between programmes and corporate objectives. ITC also demonstrated its commitment to better understanding the impact of its work in the field by laying the groundwork to begin to measure the medium- and long-term impact of projects and programmes on direct and indirect beneficiaries. Initial results will be available in 2014;

(b) ITC continued its commitment to strengthening quality assurance. During the biennium, 97 staff members were trained in results-oriented project design while 40 staff members were trained in project inception. A 2013 review of the project design and quality assurance process resulted in streamlining workflows with a view to reducing transaction costs and reinforcing subsidiarity and accountability;

(c) To increase country ownership, effectiveness and efficiency in trade-related technical assistance, ITC developed a new needs assessment and project design methodology which supports country-led project formulation. The pilot launched in 11 countries translated into confirmed donor support of around $23 million of extrabudgetary funds for implementation;

(d) ITC continued to implement the International Public Sector Accounting Standards (IPSAS) and prepare for the introduction of Umoja, the enterprise resource planning system, into the United Nations system. A full set of accounting policies and procedures was finalized in line with the United Nations implementation timetable, while an audit by the Office of Internal Oversight Services on IPSAS preparedness in relation to property, plant and equipment gave ITC full marks. IPSAS implementation commenced on 1 January 2014. The cost transparency project to identify and analyse costs associated with key administrative processes was completed during the biennium. The results of the initiative will be used to identify areas where more efficient approaches can be adopted. ITC embarked in 2013 on a corporate costing initiative to assess the cost of its technical assistance with a view to providing best value for money in its work;

(e) Investing in people has remained an important objective for ITC, with improved human resources systems and a strong focus on achieving the goals laid out in the ITC people strategy, including the launch of the electronic performance appraisal system and online consultants roster and extensive training in leadership and management development courses;

(f) In order to improve communications and outreach, ITC launched its customer relationship management system to improve client service and information-sharing across the Centre, upgraded its website and increased use of numerous social media channels. ITC is increasingly using information technology to reach more clients, for example, by broadcasting the plenary sessions of its flagship event, the World Export Development Forum, over the Internet for the first time in 2012. ITC also invested significantly in expanding access to capacity-building and technical assistance through digital technologies. ITC delivered numerous web-based seminars, developed online training videos and began implementing a comprehensive e-learning strategy starting with eight online learning courses;

(g) An independent evaluation of ITC was launched in 2013 to review the Centre’s progress since the evaluation of 2006, support accountability and recommend strategic and operational direction for the future. The findings of the evaluation are being used in the formulation of the Centre's strategic plan for 2015-2017.

4. ITC delivered slightly under $80 million of extrabudgetary-funded projects and programmes during the 2012-2013 biennium. ITC continued its commitment to prioritizing the most vulnerable countries, least developed countries, land-locked developing countries, small island developing States and sub-Saharan Africa, with 64 per cent of extrabudgetary expenditure dedicated to these groups of countries in 2013 (against a target of 50 per cent). An impact survey attempted to assess impact over the biennium, with positive preliminary results: 70 per cent of respondents stated that working with ITC had had a positive impact on their exports. Responding companies attributed around 30 per cent of their 2013 export value to ITC and also claimed that working with ITC had contributed to job creation in 2013. During the 2012-2013 biennium, ITC made considerable efforts to build awareness of trade. The Centre exceeded its output targets by reaching an implementation rate of 103 per cent. Overall, ITC achieved an implementation rate of 120 per cent against its eight outcome indicators.

5. A critical development at the end of the biennium was the beginning of preparation of the three-year strategic plan for 2015-2017, which will align ITC with the United Nations system's quadrennial comprehensive policy review cycle, and a new strategic framework for the 2016-2017 biennium, which will be submitted to the Joint Advisory Group for review in June 2014. The proposed strategic framework commits ITC to continuing its support for trade promotion and export development in developing countries and countries with economies in transition and maintaining its special focus on least developed countries, land-locked developing countries, small island developing States, sub-Saharan Africa and post-conflict and fragile States. It also affirms the Centre's commitment to fostering inclusive and sustainable development, including by embedding the economic empowerment of women in its activities. ITC will continue to work with and through policymakers, trade support institutions and small and medium-sized enterprises in developing countries to achieve trade impact for good.

6. The much-awaited recovery of global trade remained elusive in 2013. Global trade, as measured by the volume of world exports, grew at a sluggish pace of slightly under 3 per cent annually during the biennium. Export growth of both developed and developing countries fell to near zero. Developing country exports have previously consistently outperformed developed countries; however, the latest data suggest this gap is closing. The growth of international supply chains and the rising importance of trade in services and electronic commerce have changed the commercial landscape within which businesses currently operate. Reduction of tariffs has led to new market opportunities but has also revealed the importance of non-tariff measures and regulatory barriers to trade. Supply-side constraints still hamper the integration of small and medium-sized enterprises in developing countries into global value chains. One prevailing feature of the trade landscape in 2013 has been the increasing shift towards plurilateral and mega-regional trade agreements. The Ninth WTO Ministerial Conference, held in Bali, Indonesia in December 2013, took an important step towards addressing multilateral regulations for trade facilitation. Successful implementation of the trade facilitation agreement should bring clear benefits by helping to streamline and increase the efficiency of world trade. This should have a positive impact on developing country exports.

7. ITC realizes that achieving trade impact for good can only be the result of an inclusive approach and the development of sustainable partnerships at the local, national, regional and international levels. Examples of this approach in the biennium include the continued partnership with three African regional economic communities, namely the Common Market for Eastern and Southern Africa, the Economic Community of West African States and the Economic Community of Central African States, to foster alliances between different sectors for trade development and promotion. Alliances with the Organisation internationale de la Francophonie, the United Nations Development Programme (UNDP), the United Nations Industrial Development Organization (UNIDO), the World Intellectual Property Organization, the Food and Agriculture Organization of the United Nations and the International Organization for Standardization improved project design and implementation for the benefit of target beneficiaries. ITC also engaged significantly with the United Nations System Chief Executives Board for Coordination (CEB) cluster on trade and productive capacities, the Enhanced Integrated Framework and the One United Nations process. It also worked with the World Bank, UNCTAD and the African Development Bank to produce global public goods and services, and it continued to implement integrated trade development solutions in target countries through a partnership with the Centre for the Promotion of Imports from Developing Countries of the Netherlands. Finally, ITC has entered into numerous partnerships bringing together buyers, development agencies and producers, as well as with actors in the supply side of the value chain, particularly in agri-foods sectors.

8. The 47th session of the ITC annual meeting, the Joint Advisory Group, was convened in Geneva on 6 and 7 May 2013 for States Members of the United Nations and members of WTO to discuss the Centre's annual report for 2012 and strategic orientations for the future. Delegates commended ITC for its efforts to embed results-based management and encouraged it to continue to deliver value for money. They encouraged ITC to continue building the export capacity of the private sector in developing countries with the aim of integrating small and medium-sized enterprises into global value chains, focusing in particular on the more vulnerable economies. There was broad consensus among delegates in commending ITC for the high quality of its performance and the effectiveness of its delivery. Delegates expressed support for the Centre's efforts to promote regional trade integration, address non-tariff measures and further develop trade intelligence for least developed countries. They voiced their widespread support for the Centre's focus on women and trade and welcomed efforts to further expand mainstreaming activities to promote an inclusive and sustainable model of development.

## B. Overview

9. Financial statements I, II, III and IV show the financial results of the Centre's activities. The notes to the financial statements explain its accounting and financial reporting policies and provide additional information on the individual funds.

### Income and expenditure

10. More than half of the Centre's activities are financed by extrabudgetary funds and the rest are financed by the regular budget. Under administrative and budgetary arrangements between the United Nations and WTO endorsed by the General

Assembly in its decision 53/411 and its resolution 59/276, the regular budget of ITC is assessed in Swiss francs and shared equally between the United Nations and WTO. The contributions of the respective organizations, net of miscellaneous income, are also fixed in Swiss francs. Statement IV provides summary information on the regular budget appropriation and expenditure.

11. Total resources expended, by source of funds, during the biennium ended 31 December 2013, compared with the previous biennium, were as follows:

(Thousands of United States dollars)

| | *2012-2013* | *2010-2011* |
|---|---|---|
| Regular budget | 76 291 | 72 103 |
| Technical cooperation activities[a] | 77 489 | 85 597 |
| Programme support costs | 9 239 | 7 573 |
| Revolving funds and other funds | 1 380 | 2 382 |
| End-of-service and post-retirement liabilities | 312 | 222 |
| All funds eliminations | (9 131) | (10 108) |
| **Total expenditure** | **155 580** | **157 769** |

[a] Includes activities carried out under the integrated Framework where UNDP acts as trust fund manager on behalf of the integrated framework. It also includes projects funded under the One United Nations initiative.

Details of this expenditure are shown in statement I. It should be noted that resources in all the funds (except for the general fund and programme support costs) are earmarked for special purposes and are not available to cover the costs of the Centre's core programmes.

12. Compared with the biennium ended 31 December 2011, the Centre's regular budget expenditure overall increased by $4.2 million to $76.3 million. The increase is attributable to a higher exchange rate of the United States dollar to the Swiss franc, inflation and higher spending for staff costs and acquisitions.

13. Technical cooperation expenditure amounted to $39.0 million in 2012 and $38.5 million in 2013, totalling $77.5 million for the biennium 2012-2013. This represents a 9 per cent decrease compared with total technical cooperation expenditures of $85.6 million for the biennium 2010-2011. ITC took a conservative approach in the 2012-2013 biennium, while focusing on quality and planning for the next generation of large programmes. The decrease in technical cooperation expenditure reflects the continued consolidation and focus on quality and planning for the next generation of large projects as well as the adaptation effects of change in leadership at ITC.

### Assets, liabilities and reserves and fund balances

14. The Centre's share of the United Nations main cash pool totalled $56,069,000 as at 31 December 2013, comprising cash and term deposits of $11,719,000, short-term investments of $22,345,000, long-term investments of $21,928,000 and accrued interest receivable of $77,000. Of this amount, $42,102,000 pertains to technical cooperation activities.

15. The Centre's accrued liabilities for end-of-service and post-retirement benefits comprise those for after-service health insurance, repatriation benefits and unused vacation days. All three liabilities were determined on the basis of an actuarial valuation which was undertaken by an independent, qualified actuarial firm. The Centre's accrued liabilities for after-service health insurance, repatriation benefits and unused vacation days as of 31 December 2013 were estimated at $55,922,000, $4,358,000 and $1,866,000, respectively, totalling $62,146,000. This represents an increase of $2,030,000 compared with the total of $60,116,000 as at 31 December 2011. The increase includes the cost of employee service in the biennium 2012-2013 of $7,113,000, offset by an actuarial gain of $5,083,000 resulting from changes in actuarial assumptions, including a health-care cost trend rate lowered from 8.00 per cent to 5.00 per cent and the use of discount rates of 2.55 per cent for after-service health insurance, 4.49 per cent for annual leave liability and 4.27 per cent for repatriation benefit liability calculation as at 31 December 2013, compared with the 4.50 per cent discount rate used for all three categories of liability calculation as at 31 December 2011.

16. The Centre's general fund balance of $1,791,000 as at 1 January 2012 was refunded equally to the United Nations and WTO in 2013. Contributions of $79,467,000 received from the United Nations and WTO, investment income of $83,000 and miscellaneous income of $409,000 resulted in total funds available of $79,959,000 for the biennium 2012-2013. Expenditure, including unliquidated obligations of $3,027,000, amounted to $76,291,000 and there were prior-period adjustments of $12,000. Taking into account the above, as well as the cancellation of prior-period obligations of $416,000, the balance of the general fund as at 31 December 2013 was $4,072,000.

# Annex

## Supplementary information

1. The present annex includes the information that the Secretary-General is required to provide.

### Write-off of losses of cash and receivables

2. In accordance with financial rule 106.8, net credit receivables of $41,530 were written off during the biennium 2012-2013.

### Write-off of losses of property

3. In accordance with financial rule 106.9, a loss of property amounting to $4,585 was written off during the biennium 2012-2013.

### Ex gratia payments

4. There were no ex gratia payments during the biennium 2012-2013.

# Chapter V

## Financial statements for the biennium ended 31 December 2013

## International Trade Centre

### I. Statement of income and expenditure and changes in reserves and fund balances for the biennium ended 31 December 2013[a]

(Thousands of United States dollars)

| | *General fund* | *Technical cooperation activities*[b] | *Programme support costs* | *Revolving funds and other funds* | *End-of-service and post-retirement liabilities* | *All funds eliminations*[c] | *Total 2013* | *Total 2011* |
|---|---|---|---|---|---|---|---|---|
| **Income** | | | | | | | | |
| Assessed contributions[d] | | | | | | | | |
| World Trade Organization | 39 732 | – | – | – | – | – | 39 732 | 36 565 |
| United Nations | 39 735 | – | – | – | – | – | 39 735 | 36 258 |
| Voluntary contributions | – | 69 345 | – | – | – | – | 69 345 | 80 046 |
| Funds received under inter-organization arrangements | – | 7 474 | – | – | – | – | 7 474 | 3 701 |
| Income for services rendered | – | – | 8 412 | 1 044 | – | (8 503) | 953 | 881 |
| Interest income | 83 | 555 | 61 | 26 | 19 | – | 744 | 1 783 |
| Other/miscellaneous | 409 | 133 | 39 | – | 707 | (628) | 660 | 711 |
| **Total income** | **79 959** | **77 507** | **8 512** | **1 070** | **726** | **(9 131)** | **158 643** | **159 945** |
| **Expenditure** | | | | | | | | |
| Staff and other personnel costs | 61 398 | 53 068 | 8 235 | 925 | 312 | (628) | 123 310 | 120 224 |
| Travel | 755 | 2 136 | – | – | – | – | 2 891 | 3 941 |
| Contractual services | 2 711 | 5 262 | 79 | (40) | – | – | 8 012 | 11 222 |
| Operating expenses | 6 341 | 1 155 | 20 | 167 | – | – | 7 683 | 8 003 |
| Acquisitions | 2 065 | 1 502 | – | 99 | – | (76) | 3 590 | 2 807 |
| Other | 3 021 | 6 113 | 905 | 70 | – | (15) | 10 094 | 11 572 |
| **Total direct expenditure** | **76 291** | **69 236** | **9 239** | **1 221** | **312** | **(719)** | **155 580** | **157 769** |
| Programme support costs | – | 8 253 | – | 159 | – | (8 412) | – | – |
| **Total expenditure** | **76 291** | **77 489** | **9 239** | **1 380** | **312** | **(9 131)** | **155 580** | **157 769** |
| **Excess (shortfall) of income over expenditure** | **3 668** | **18** | **(727)** | **(310)** | **414** | **–** | **3 063** | **2 176** |

## International Trade Centre

### I. Statement of income and expenditure and changes in reserves and fund balances for the biennium ended 31 December 2013[a] (continued)

| | *General fund* | *Technical cooperation activities*[b] | *Programme support costs* | *Revolving funds and other funds* | *End-of-service and post-retirement liabilities* | *All funds eliminations*[c] | *Total 2013* | *Total 2011* |
|---|---|---|---|---|---|---|---|---|
| Non-budgeted accrued income (expenses) for end-of-service and post-retirement benefits[e] | – | – | – | – | (2 030) | – | (2 030) | (18 547) |
| Prior-period adjustments | (12) | 45 | – | – | – | – | 33 | 52 |
| **Net excess (shortfall) of income over expenditure** | **3 656** | **63** | **(727)** | **(310)** | **(1 616)** | **–** | **1 066** | **(16 319)** |
| Cancellation of prior-period obligations | 416 | – | 1 | – | – | – | 417 | 452 |
| Transfers (to) from other funds | – | (394) | (10) | 404 | – | – | – | – |
| Refund to donors | (1 791) | (1 141) | – | – | – | – | (2 932) | (2 742) |
| Other adjustments to reserves and fund balances | – | – | – | – | | – | – | – |
| Other adjustments to reserves and fund balances | – | 25 | – | (25) | – | – | – | – |
| Reserves and fund balances, beginning of period | 1 791 | 39 806 | 4 706 | 1 989 | (58 921) | – | (10 629) | 7 980 |
| **Reserves and fund balances, end of period** | **4 072** | **38 359** | **3 970** | **2 058** | **(60 537)** | **–** | **(12 078)** | **(10 629)** |

[a] See note 2.
[b] Includes UNDP-financed projects.
[c] See note 2 (i).
[d] See note 3 (a).
[e] Represents increase in accrued liabilities for after-service health insurance costs of $1,083,000, for repatriation benefits of $862,000 and for unused vacation days of $85,000; see note 9.

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

## International Trade Centre

### Schedule 1.1
### Voluntary contributions received for technical cooperation activities for the biennium ended 31 December 2013

(Thousands of United States dollars)

| | *2012* | *2013* | *Total 2012-2013* | *Total 2010-2011* |
|---|---|---|---|---|
| **Government** | | | | |
| Australia | – | 1 970 | 1 970 | – |
| Belgium — Flemish Government | 245 | – | 245 | – |
| Cambodia | – | – | – | 39 |
| Canada | 2 194 | 2 512 | 4 706 | 15 080 |
| China | 327 | 150 | 477 | 190 |
| Denmark | 2 374 | 2 335 | 4 709 | 4 756 |
| Finland | 161 | 3 679 | 3 840 | 5 323 |
| France | 89 | 189 | 278 | 533 |
| Germany | 2 806 | 2 680 | 5 486 | 6 081 |
| Ireland | 1 236 | 1 192 | 2 428 | 2 394 |
| Italy | – | – | – | 140 |
| Japan | 80 | 80 | 160 | 333 |
| Mali | – | – | – | 97 |
| Netherlands | 4 127 | 2 868 | 6 995 | 1 182 |
| New Zealand | – | – | – | 987 |
| Norway | 2 012 | 2 515 | 4 527 | 5 219 |
| South Africa | – | 116 | 116 | 278 |
| Sudan | – | – | – | 47 |
| Sweden | 4 413 | 4 498 | 8 911 | 8 791 |
| Switzerland | 1 376 | 6 196 | 7 572 | 7 098 |
| United Kingdom of Great Britain and Northern Ireland | 1 871 | – | 1 871 | 6 720 |
| United States of America | 108 | 230 | 338 | 108 |
| **Subtotal** | **23 419** | **31 211** | **54 630** | **65 396** |
| **Other Government and multilateral organizations** | | | | |
| Centre for Investment Promotion and Export Development | – | – | – | 151 |
| German Agency for International Cooperation | 492 | 27 | 519 | – |
| European Commission | 5 026 | 6 444 | 11 470 | 12 408 |
| International Labour Office | 55 | 229 | 284 | 5 |
| Organisation internationale de la Francophonie | 50 | 25 | 75 | 247 |
| Kuwait — Public Authority for Industry | 199 | 249 | 448 | – |
| Saint Lucia Trade Export Promotion Agency | – | 84 | 84 | – |
| Trade promotion organizations | – | 40 | 40 | – |

## Schedule 1.1
**Voluntary contributions received for technical cooperation activities for the biennium ended 31 December 2013** (continued)

(Thousands of United States dollars)

| | *2012* | *2013* | *Total 2012-2013* | *Total 2010-2011* |
|---|---|---|---|---|
| UNIDO | 373 | 398 | 771 | 775 |
| UNOPS | – | 28 | 28 | – |
| World Bank | – | – | – | 740 |
| WTO | – | 320 | 320 | 87 |
| **Subtotal** | **6 195** | **7 843** | **14 038** | **14 413** |
| **Public donations** | | | | |
| African Management Services Company | 200 | – | 200 | 217 |
| Malaysian Herbal Corporation | – | – | – | 20 |
| Humanist Institute for Cooperation with Developing Countries | – | 158 | 158 | – |
| Palestine Trade Center | 320 | – | 320 | – |
| **Subtotal** | **520** | **158** | **678** | **237** |
| **Total** | **30 134** | **39 211** | **69 345** | **80 046** |

## International Trade Centre

### II. Statement of assets, liabilities and reserves and fund balances as at 31 December 2013[a]

(Thousands of United States dollars)

| | *General fund* | *Technical cooperation activities*[b] | *Programme support costs* | *Revolving funds and other funds* | *End-of-service and post-retirement liabilities*[c] | *All funds eliminations*[d] | *Total 2013* | *Total 2011* |
|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | |
| Cash and term deposits | – | 7 | – | – | – | – | 7 | 5 |
| Cash pool[e] | 6 157 | 42 102 | 4 101 | 2 061 | 1 648 | – | 56 069 | 56 081 |
| Inter-fund balances receivable | – | 379 | – | – | | (379) | – | – |
| Receivable from funding sources | – | 397 | – | – | – | – | 397 | 1 019 |
| Other accounts receivable | 723 | 941 | 34 | 48 | – | – | 1 746 | 1 506 |
| Deferred charges | 10 460 | 1 866 | 17 | 4 | – | – | 12 347 | 8 290 |
| **Total assets** | **17 340** | **45 692** | **4 152** | **2 113** | **1 648** | **(379)** | **70 566** | **66 901** |
| **Liabilities** | | | | | | | | |
| Unliquidated obligations — prior period | – | – | – | – | – | – | – | 84 |
| Unliquidated obligations — current period | 3 027 | 4 426 | 40 | 24 | – | – | 7 517 | 7 325 |
| Unliquidated obligations — future periods | 10 016 | 1 707 | – | 2 | – | – | 11 725 | 7 796 |
| Inter-fund balances payable | 36 | 1 054 | 28 | 29 | 12 | (1 159) | – | – |
| Other accounts payable | 189 | 146 | 114 | – | 27 | 780 | 1 256 | 662 |
| Deferred income | – | – | – | – | – | – | – | 1 547 |
| End-of-service and post-retirement liabilities[f] | – | – | – | – | 62 146 | – | 62 146 | 60 116 |
| **Total liabilities** | **13 268** | **7 333** | **182** | **55** | **62 185** | **(379)** | **82 644** | **77 530** |
| **Reserves and fund balances** | | | | | | | | |
| Operating reserves | – | 5 361[g] | 810 | – | – | – | 6 171 | 5 269 |
| Balances related to projects funded by donors | – | 32 998 | – | – | – | – | 32 998 | 35 545 |
| Cumulative surplus (deficit) | 4 072 | – | 3 160 | 2 058 | (60 537) | – | (51 247) | (51 443) |
| **Total reserves and fund balances** | **4 072** | **38 359** | **3 970** | **2 058** | **(60 537)** | **–** | **(12 078)** | **(10 629)** |
| **Total liabilities, reserves and fund balances** | **17 340** | **45 692** | **4 152** | **2 113** | **1 648** | **(379)** | **70 566** | **66 901** |

(Footnotes on following page)

(Footnotes to Statement II)

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[a] See note 2.

[b] Includes UNDP-financed projects.

[c] See note 9.

[d] See note 2 (i).

[e] Represents share of the United Nations main cash pool and comprises cash and term deposits of $11,718,720, short-term investments of $22,344,753, long-term investments of $21,928,340 and accrued interest receivable of $76,831. See note 8.

[f] Represents accrued liabilities as at 31 December 2013 for after-service health insurance costs of $55,922,000, for repatriation benefits of $4,358,000 and for unused vacation days of $1,866,000. See note 9.

[g] See note 4 (b).

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

## International Trade Centre

## III. Statement of cash flows for the biennium ended 31 December 2013[a]

(Thousands of United States dollars)

| | *General fund* | *Technical cooperation activities*[b] | *Programme support costs* | *Revolving funds and other funds* | *End-of-service and post-retirement liabilities*[c] | *All funds eliminations*[d] | *Total 2013* | *Total 2011* |
|---|---|---|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | | | | |
| Net excess (shortfall) of income over expenditure (Statement I) | 3 656 | 63 | (727) | (310) | (1 616) | – | 1 066 | (16 319) |
| (Increase) decrease in inter-fund balances receivable | 57 | 863 | 50 | – | 14 | (984) | – | – |
| (Increase) decrease in receivable from funding sources | – | 622 | – | – | – | – | 622 | 53 |
| (Increase) decrease in other accounts receivable | (133) | (73) | 14 | (48) | – | – | (240) | 9 |
| (Increase) decrease in other assets | (3 997) | (194) | (1) | 135 | – | – | (4 057) | (4 221) |
| Increase (decrease) in unliquidated obligations | 4 001 | 261 | (24) | (201) | – | – | 4 037 | 3 926 |
| Increase (decrease) in payable due to funding sources | – | – | – | – | – | | – | – |
| Increase (decrease) in inter-fund balances payable | 36 | (365) | 28 | 21 | 12 | 268 | – | – |
| Increase (decrease) in other accounts payable | (1 467) | (128) | 59 | (16) | (117) | 716 | (953) | 955 |
| Increase (decrease) in end-of-service and post-retirement liabilities | – | – | – | – | 2 030 | – | 2 030 | 18 547 |
| Less: interest income | (83) | (555) | (61) | (26) | (19) | – | (744) | (1 783) |
| **Net cash flows from operating activities** | **2 070** | **494** | **(662)** | **(445)** | **304** | **–** | **1 761** | **1 167** |
| **Cash flows from investing activities** | | | | | | | | |
| Interest income | 83 | 555 | 61 | 26 | 19 | – | 744 | 1 783 |
| **Net cash flows from investing activities** | **83** | **555** | **61** | **26** | **19** | **–** | **744** | **1 783** |
| **Cash flows from financing activities** | | | | | | | | |
| Cancellation of prior obligations | 416 | – | 1 | – | – | – | 417 | 452 |
| Transfers (to) from other funds | – | (394) | (10) | 404 | – | – | – | – |
| Refunds to donors | (1 791) | (1 141) | – | – | – | – | (2 932) | (2 742) |
| Other adjustments to reserves and fund balances | – | – | – | – | – | – | – | – |
| Other adjustments to reserves and fund balances | | 25 | – | (25) | – | – | – | – |
| **Net cash flows from financing activities** | **(1 375)** | **(1 510)** | **(9)** | **379** | **–** | **–** | **(2 515)** | **(2 290)** |

## International Trade Centre

### III. Statement of cash flows for the biennium ended 31 December 2013[a] (continued)

| | *General fund* | *Technical cooperation activities*[b] | *Programme support costs* | *Revolving funds and other funds* | *End-of-service and post-retirement liabilities*[c] | *All funds eliminations*[d] | *Total 2013* | *Total 2011* |
|---|---|---|---|---|---|---|---|---|
| **Net increase (decrease) in cash and term deposits and cash pool** | **778** | **(461)** | **(610)** | **(40)** | **323** | **–** | **(10)** | **660** |
| Cash and term deposits and cash pool, beginning of period | 5 379 | 42 570 | 4 711 | 2 101 | 1 325 | – | 56 086 | 55 426 |
| **Cash and term deposits and cash pool, end of period** | **6 157** | **42 109** | **4 101** | **2 061** | **1 648** | **–** | **56 076** | **56 086** |

[a] See note 2.
[b] Includes UNDP-financed projects.
[c] See note 9.
[d] See note 2 (i).

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

## International Trade Centre

### IV. General fund: statement of appropriations for the biennium ended 31 December 2013

(Thousands of United States dollars)

| | *Appropriations*[a] | | | *Expenditures* | | | |
|---|---|---|---|---|---|---|---|
| | *Original* | *Changes* | *Revised* | *Disbursements* | *Unliquidated obligations* | *Total* | *Unencumbered balance* |
| International Trade Centre | | | | | | | |
| Programme of activities | 82 675 | (2 785) | 79 890 | 73 264 | 3 027 | 76 291 | 3 599 |

[a] Represents original appropriation of $82,675,400 for the biennium 2012-2013, which was initially decreased to $80,816,000, and subsequently to $79,890,100. The General Assembly authorized the United Nation's share in its resolutions 66/248, 67/247 and 68/245.

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

**International Trade Centre**
**Notes to the financial statements**

## Note 1
## The International Trade Centre and its activities

On 12 December 1967, the General Assembly adopted resolution 2297 (XXII), thereby approving the establishment of the International Trade Centre to be jointly operated by the United Nations Conference on Trade and Development and the General Agreement on Tariffs and Trade (GATT) on a continuing basis and in equal partnership with effect from 1 January 1968. This arrangement had previously been endorsed by the GATT Council on 22 November 1967. In 1995, GATT responsibilities were assumed by the World Trade Organization (WTO). The WTO General Council then requested its secretariat to negotiate with the United Nations Secretariat for revised budgetary arrangements with regard to the International Trade Centre. On 18 December 1998, the General Assembly, in its decision 53/411 B, endorsed the recommendation of the Secretary-General of the United Nations and the Director-General of WTO that the arrangements governing the status of the Centre as a joint body be confirmed and renewed with WTO, and approved the revised administrative arrangements of the Centre as set out in paragraph 11 of the report of the Advisory Committee on Administrative and Budgetary Questions (A/53/7/Add.3). The General Assembly, in part I of resolution 59/276, took note of the revised administrative arrangements for the International Trade Centre as set out in the report of the Secretary General (A/59/405). Governmental supervision of the Centre is exercised by the members of WTO and by the Trade and Development Board of UNCTAD. The Joint Advisory Group is responsible for advising on the work programme and activities of the Centre.

The Centre is the joint technical cooperation agency of UNCTAD and WTO for business aspects of trade development. Its mission is to contribute to sustainable development through technical assistance in export promotion and international business development. The Centre's strategic objectives are: (a) to support policymakers in integrating the business sector into the global economy; (b) to develop the capacity of trade service providers to support businesses; and (c) to strengthen the international competitiveness of enterprises. Its regular budget is financed jointly and equally by the United Nations and WTO, and technical cooperation projects are financed by voluntary contributions from trust fund donors and by allocations from UNDP.

## Note 2
## Summary of significant accounting and financial reporting policies

The accounts of the Centre are maintained in accordance with the Financial Regulations of the United Nations as adopted by the General Assembly, the rules formulated by the Secretary-General as required under the regulations, and administrative instructions issued by the Under-Secretary-General for Management, or the Controller. They also take fully into account the United Nations System Accounting Standards, as adopted by the United Nations System Chief Executives Board for Coordination (CEB). The Centre follows International Accounting Standard 1, "Presentation of financial statements", on the disclosure of accounting policies, as modified and adopted by CEB as shown below:

(a) Going concern, consistency, and accrual are fundamental accounting assumptions. Where fundamental accounting assumptions are followed in financial statements, disclosure of such assumptions is not required. If a fundamental accounting assumption is not followed, that fact should be disclosed together with the reasons;

(b) Prudence, substance over form, and materiality should govern the selection and application of accounting policies;

(c) Financial statements should include clear and concise disclosure of all significant accounting policies that have been used;

(d) The disclosure of the significant accounting policies used should be an integral part of the financial statements. These policies should normally be disclosed in one place;

(e) Financial statements should show comparative figures for the corresponding period of the preceding financial period;

(f) A change in an accounting policy that has a material effect in the current period or may have a material effect in subsequent periods should be disclosed together with the reasons. The effect of the change should, if material, be disclosed and quantified.

The Centre’s accounts are maintained on a “fund accounting” basis. Each fund is maintained as a distinct financial and accounting entity with a separate self-balancing, double-entry group of accounts.

The financial period of the Centre is a biennium and consists of two consecutive calendar years.

Generally, income, expenditure, assets and liabilities are recognized on the accrual basis of accounting.

The regular budget of the Centre is approved and assessed in Swiss francs. The accounts of the Centre are presented in United States dollars. Accounts maintained in other currencies are translated into United States dollars at the time of the transaction at rates of exchange established by the United Nations. In respect of such currencies, the financial statements shall reflect the cash, investments, current accounts receivable and payable in currencies other than the United States dollars, translated at the applicable United Nations rates of exchange in effect as at the date of the statements. In the event that the application of actual exchange rates at the date of the statements would provide a valuation materially different from the application of the United Nations rates of exchange for the last month of the financial period, a footnote will be provided quantifying the difference.

The Centre’s financial statements are prepared on the historical cost basis of accounting and are not adjusted to reflect the effects of changing prices for goods and services.

The cash flow summary statement is based on the “indirect method” of cash flow as referred to in the United Nations System Accounting Standards.

The Centre’s financial statements are presented in accordance with the ongoing recommendations of the Task Force on Accounting Standards to the High-level Committee on Management.

The results of the Centre's operations, presented in statements I, II and III, are shown by general type of activity, after the elimination of all inter-fund balances and instances of double-counting of income and expenditure. Their presentation in a summarized format does not imply that the various separate funds can be intermingled in any way, since, normally, resources may not be utilized between funds.

*Income*

General fund income reflects the actual contributions receivable from the United Nations and from WTO during the financial period.

Interest income includes all interest earned on deposits in various bank accounts, investment income earned on marketable securities and other negotiable instruments and investment income earned in the cash pool. All gains/losses on investments and foreign exchange differences relating to the cash pool are offset against investment income. Investment income and costs associated with the operation of investments in the cash pool are allocated to participating funds.

Other/miscellaneous income includes income from the rental of premises, sales of publications, refunds of prior years' expenditures, sales of obsolete equipment, monies accepted from the donors without a specified purpose and other miscellaneous items.

Refunds of expenditures which are charged in the same financial period against the budgetary accounts are credited to the same accounts, but refunds of expenditures related to the prior financial periods are credited to miscellaneous income.

*Gain or loss on exchange.* On the closing of the accounts at the end of each financial period, the balance for loss or gain on exchange is charged to the budget if there is a net loss; if there is a net gain, the gain is credited to miscellaneous income.

*Expenditure*

Expenditure is incurred against authorized allotments. Total expenditure reported includes unliquidated obligations and disbursements.

Expenditure incurred for non-expendable property is charged to the budget of the period when acquired and is not capitalized. Inventory of such non-expendable property is maintained at historical cost.

Expenditure for future financial periods is not charged to the current financial period and is recorded as deferred charges, as referred to in the third paragraph of the section on assets below.

*Assets*

Cash and term deposits represent funds held in demand deposit accounts and interest-bearing bank deposits, certificates of deposit and call accounts.

The cash pool comprises participating funds' share of cash and term deposits, short-term and long-term investments and accrual of investment income, all of which are managed in the pool. The investments in the cash pool are stated at their fair value and include marketable securities and other negotiable instruments acquired to produce income. The share in the cash pool is reported separately in each participating fund's statement and the composition of its investments is disclosed in the footnotes to the statements. Currently, the Centre participates only in the main cash pool. Additional details are provided in note 8.

Deferred charges normally comprise expenditure items that are not properly chargeable to the current financial period. They will be charged as expenditure in a subsequent period. These expenditure items include commitments for future financial periods in accordance with financial rule 106.7. Such commitments are normally restricted to administrative requirements of a continuing nature and to contracts or legal obligations where long lead times are required for delivery.

For purposes of the balance sheet statements only, those portions of education grant advances that are assumed to pertain to the scholastic years completed as at the date of the financial statements are shown as deferred charges. The full amounts of the advances are maintained as accounts receivable from staff members until the required proofs of entitlement are produced, at which time the budgetary accounts are charged, and the advances settled.

Maintenance and repairs of capital assets are charged against the appropriate budgetary accounts. Furniture, equipment, other non-expendable property, and leasehold improvements are not included in the assets of the Centre. Such acquisitions are charged against budgetary accounts in the year of purchase. The value of non-expendable property is disclosed in the notes to the financial statements.

*Liabilities and reserves and fund balances*

Operating and other types of reserves are included in the totals for "reserves and fund balances", shown in the financial statements.

Unliquidated obligations for future years are reported both as deferred charges and as unliquidated obligations.

Deferred income includes income received but not yet earned.

Commitments of the Centre relating to the current and future financial periods are shown as unliquidated obligations, which remain valid for 12 months following the end of the biennium to which they relate.

Provision to meet contingencies under appendix D to the staff rules of the United Nations for personnel is calculated on the basis of 1 per cent of the net base pay and charged to the budget appropriations.

Accrued liabilities for end-of-service and post-retirement benefits comprise those for after-service health insurance, repatriation benefits and unused vacation days. The liabilities of all three groups of accrued liabilities for end-of-service and post-retirement benefits are determined on an actuarial basis.

The Centre accrues income to the repatriation grant reserve fund with respect to extrabudgetary funds on the basis of 8 per cent of the net base pay of eligible personnel financed by its technical cooperation trust funds, programme support costs and revolving funds.

Contingent liabilities, if any, are disclosed in the notes to the financial statements.

*United Nations Joint Staff Pension Fund*

The Centre 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. The Pension Fund is a funded, multi-employer defined benefit plan.

An actuarial valuation of the assets and pension benefits of the Pension Fund is prepared every two years. As there is no consistent and reliable basis for allocating the related liabilities/assets and costs to individual organizations participating in the plan, the Centre is not in a position to identify its share of the underlying financial position and performance of the plan with sufficient reliability for accounting purposes, and hence has treated this plan as if it were a defined contribution plan; thus the Centre's share of the related net liability/asset position of the Pension Fund is not reflected in the financial statements.

The Centre's contribution to the Pension Fund consists of its mandated contribution at the rate established by the General Assembly, which is currently 7.9 per cent for the participant and 15.8 per cent for the Organization, respectively, of the applicable pensionable remuneration, together with its share of any actuarial deficiency payments under article 26 of the Regulations of the Pension Fund. Such deficiency payments are payable only if and when the General Assembly has invoked the provision of article 26, following a determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Pension Fund as at the valuation date. As at the reporting date of the current financial statements, the General Assembly had not invoked this provision.

*Technical cooperation accounts*

Statements I, II and III include the financial reports on technical cooperation activities financed by the trust funds and UNDP.

Voluntary contributions are recorded as income upon receipt of cash, including amounts received pending the identification of specific projects. Schedule 1.1 to the financial statements provides the list of voluntary contributions received during the biennium.

Funds received under inter-organization arrangements represent allocations receivable from UNDP which are determined taking into account interest and other miscellaneous income against total expenditure.

All monies accepted for purposes specified by the donor are treated as trust funds or special accounts. Separate trust funds are set up for each donor for projects approved by the donor and the recipient country.

Subject to donors' agreements, interest accruing from trust funds is credited first to the operating reserve to maintain that reserve at the agreed level, and thereafter to donors' funds or to increase the operating reserve (see the paragraph on operating reserve below). Trust fund miscellaneous income accruing from the sale of non-expendable property or refunds of expenditure is credited to the project under which the expenditure was originally financed. If the project is closed, this income is credited to the donor.

Unliquidated obligations for the current period in respect of technical cooperation activities remain valid for 12 months following the end of the calendar year, rather than the biennium to which they relate. However, in accordance with UNDP reporting requirements, executing agencies may retain unliquidated obligations beyond 12 months when a firm liability to pay still exists. Cancellation of prior period obligations are credited to individual projects as a reduction of current period expenditure.

Unliquidated obligations for future financial periods are reported both as deferred charges and as future-year unliquidated obligations.

A system of average costing is used for technical cooperation activities, whereby those elements of experts' actual costs which are unique to the individual expert, are charged to projects at average cost. This is calculated by apportioning those costs over all technical cooperation projects in respect of which expert-months have been delivered in the current period.

*Gain or loss on exchange.* Any differences accruing on trust fund projects in respect of normal day-to-day transactions are borne by the appropriate project budgets. Those currency fluctuations that cannot be attributed to any particular project are debited or credited to the operating reserve (see the paragraph on operating reserve below);

*Operating reserve.* The operating reserve is maintained to cover delays in payment of pledged contributions and to meet shortfalls of income over final expenditure of the trust funds, including any liquidating liabilities.

*Trust fund donors' fund balances.* These balances comprise the unobligated balance of allocations, contributions not yet allocated, residual balances of closed projects, interest, and miscellaneous income, including those items described in the third paragraph of the section on income above. These funds are held pending instructions from the donor as to their disposal and are constantly under review in the course of continuing discussions, which are maintained with all donors.

*Programme support costs*

Reimbursement for programme support costs is provided for in respect of extrabudgetary technical cooperation activities and accounted for in the support costs fund. The reimbursement is calculated as a percentage of the programme resources expended.

Unliquidated obligations in respect of special accounts for programme support costs are accounted for on the same basis as for the general fund.

Any balance in the support costs fund is carried forward to the next biennium.

An operating reserve at the level of 20 per cent of estimated support cost income is required to be maintained to meet contingent liabilities in accordance with administrative instruction ST/AI/285.

*Revolving funds and other funds*

Revolving funds initially funded with seed money from extrabudgetary sources are established to carry out specific activities in support of the achievement of the Centre's strategic objectives that result in a repayment to the fund. The income derived from the revolving fund's activities is credited to the fund and is used to cover all related costs of its activities. Revolving funds are operated in accordance with the established terms of reference and operational and financial objectives.

*Building awareness through trade intelligence revolving funds.* Sale of trade data analyses, tools and services at the global, regional, national and enterprise levels are utilized to finance the provision of further services.

*Strengthening trade support institutions and policy revolving funds.* Sales of standard output, ready-made and tailor-made advisory and operational services, training materials, matchmaking and related services are utilized to finance the provision of further services and updated materials to strengthen trade support institutions and improve the business environment.

*Supporting enterprises' revolving funds.* Sales of materials, tools and related services for ongoing research, development and dissemination of up-to-date materials on enterprise competitiveness and sector development are utilized to finance the provision of new and updated materials.

*The change from the United Nations System Accounting Standards to the International Public Sector Accounting Standards*

The United Nations is transitioning from the use of the United Nations System Accounting Standards to the International Public Sector Accounting Standards (IPSAS), which will guide presentation of the financial statements of the United Nations, including those of the Centre, commencing from the 2014 financial year. Hence the present financial statements are the last statements that will be prepared on the basis of the United Nations System Accounting Standards.

IPSAS is based on full accrual accounting, which means that all assets and liabilities are presented on the face of the financial statements and expenses and revenues are recognized when incurred/earned, irrespective of the cash flows. IPSAS also requires significantly more note disclosures in the financial statements.

Under the United Nations system accounting standards, financial accounting and budgetary accounting are aligned. With the adoption of IPSAS, the financial statements will be presented on the full accrual basis, whereas budgetary expenditure will continue to be recorded on a modified cash basis. There will be a reconciliation between budget implementation and the financial statements which will be presented in the notes to the financial statements.

IPSAS requires annual financial statements; commencing from the 2014 financial year, IPSAS-compliant financial statements will be prepared and audited annually.

## Note 3
## General fund

*Income during the biennium 2012-2013*

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

The administrative arrangements provide that the budget of ITC must be equally shared by both the WTO and the United Nations. The approved budget is determined on the basis of the proposed programme budget document for the biennium and the subsequent resolutions adopted by the General Assembly and the WTO General Council. In the event that the General Assembly and the WTO General Council approve different amounts, ITC has to assess the lowest common denominator of the amount approved by both parents. For the biennium 2012-2013, the amount approved by WTO was lower than the amount approved by the United Nations, hence the Centre's initial budget for the biennium 2012-2013 remains at the same level as approved by the WTO General Council (76,144,000 Swiss francs equivalent to $82,675,353 at the exchange rate of 0.921 Swiss francs to 1 dollar).

The revised budget of the Centre for the biennium 2012-2013, as established by the General Assembly in its resolution 68/245, provided for estimated expenditure of $79,890,100, equivalent to 71,697,000 Swiss francs, as compared with 69,551,300 Swiss francs for the biennium 2010-2011, thus reflecting an increase of 3.1 per cent in Swiss francs. Miscellaneous income was estimated at $419,280 (equivalent to 391,317 Swiss francs), thus requiring a contribution of $39,735,400 (equivalent to 35,652,842 Swiss francs) each from the United Nations and WTO.

During the biennium 2012-2013, the contributions received from the United Nations and WTO were $39,735,400 (equivalent to 36,962,430 Swiss francs) and $39,731,619 (equivalent to 36,962,430 Swiss francs) respectively, totalling $79,467,019.

Other income during the biennium 2012-2013 comprised:

(Thousands of United States dollars)

| | *2012-2013* | *2010-2011* |
|---|---|---|
| Income from rental of premises | 213 | 207 |
| Sale of publications | 32 | 58 |
| Refund of prior years' expenditures | 100 | 61 |
| Other | 64 | 210 |
| **Total** | **409** | **536** |

*Deferred charges*

Deferred charges as at 31 December 2013 and 2011 comprised:

(Thousands of United States dollars)

| | *2013* | *2011* |
|---|---|---|
| Unliquidated obligations — future periods (note 2, assets, third para.) | 10 016 | 6 190 |
| Education grant advances to staff (note 2, assets, fourth para.) | 340 | 273 |
| Other | 104 | – |
| **Total** | **10 460** | **6 463** |

*Reserves and fund balances*

The surplus balance in the Centre's General Fund at the end of a biennium is credited to the United Nations and WTO in the following biennium. Accordingly, the fund balance of $1,790,567 brought forward from the biennium 2010-2011 was refunded in equal amount to the United Nations and WTO in 2012. The surplus account of $4,072,109 as of 31 December 2013 arose from the excess of income over expenditures for the biennium 2012-2013 of $3,667,649, the cancellation of prior-period obligations of $416,398, less the adjustment of prior period expenditures of $11,936.

## Note 4
## Technical cooperation activities

*Deferred charges*

Deferred charges as at 31 December 2013 and 2011 comprised:

(Thousands of United States dollars)

| | *2013* | *2011* |
|---|---|---|
| Unliquidated obligations for future periods (note 2, assets, third para.) | 1 707 | 1 467 |
| Education grant advances to staff (note 2, assets, fourth para.) | 103 | 95 |
| Other | 56 | 110 |
| **Total** | **1 866** | **1 672** |

*Operating reserve*

As at 31 December 2013, the ITC Trust Fund's operating reserve amounted to $5,361,000, reflecting an increase of $1,100,000 (25.8 per cent) during the biennium 2012-2013.

## Note 5
## Special account for programme support costs

Reserves and fund balances totalled $3,969,885 as at 31 December 2013. The movements in reserves and fund balances during the biennium 2012-2013 were as follows:

(Thousands of United States dollars)

| | *2012-2013* | *2010-2011* |
|---|---|---|
| Fund balances, beginning of period | 3 698 | 2 034 |
| Excess/(shortfall) of income over expenditure | (727) | 1 898 |
| Prior-period adjustments | – | (2) |
| Cancellation of prior-period obligations | 1 | 24 |
| Transfers to revolving funds | (10) | (15) |
| Transfers from/(to) operating reserve | 198 | (241) |
| **Fund balances, end of period** | **3 160** | **3 698** |
| Operating reserves, beginning of period | 1 008 | 767 |
| Transfers from/(to) surplus account | (198) | 241 |
| **Operating reserve balances, end of period** | **810** | **1 008** |
| **Total reserves and fund balances** | **3 970** | **4 706** |

## Note 6
## Revolving funds and other funds

Income for services rendered during the biennium 2012-2013 comprised:

(Thousands of United States dollars)

| | *2012-2013* | *2010-2011* |
|---|---|---|
| Building awareness through trade intelligence revolving funds | 454 | 466 |
| Strengthening trade support institutions and policy revolving funds | 36 | 32 |
| Supporting enterprises' revolving funds | 554 | 507 |
| **Total** | **1 044** | **1 005** |

## Note 7
## Expenditure — other

"Other" expenditure during the biennium 2012-2013 comprised:

(Thousands of United States dollars)

| | *General fund* | *Technical cooperation activities* | *Programme support costs* | *Revolving funds and other funds* | *All funds eliminations* | *2012-2013* | *2010-2011* |
|---|---|---|---|---|---|---|---|
| Joint administrative activities | 421 | – | – | – | – | 421 | 348 |
| Joint general services | 1 207 | – | 677 | – | – | 1 884 | 1 842 |
| Joint medical services | 127 | – | 126 | – | – | 253 | 110 |
| Security services | 1 266 | – | 89 | – | – | 1 355 | 1 339 |
| Associated agencies' support costs | – | – | 13 | – | – | 13 | 14 |
| Group training | – | 6 113 | – | 70 | (15) | 6 168 | 7 919 |
| **Total** | **3 021** | **6 113** | **905** | **70** | **(15)** | **10 094** | **11 572** |

## Note 8
## Cash pool

### Background

The United Nations Treasury centrally invests surplus funds on behalf of the United Nations Secretariat, including the Centre. Such surplus funds are combined in two internally managed cash pools, which invest in major segments of the money and fixed income markets. Pooling the funds has a positive effect on overall investment performance and risk, because of economies of scale, and by the ability to spread yield curve exposures across a range of maturities.

Investment activities of the cash pools are guided by the principles contained in the Investment Management Guidelines. An Investment Committee periodically assesses compliance with the Guidelines and makes recommendations for updates thereto, and also reviews performance.

### Investment management objectives

Further to the Guidelines, investment objectives of the cash pools, in order of priority, are the following:

(a) Safety: ensure the preservation of capital;

(b) Liquidity: ensure sufficient liquidity to enable the United Nations and participating entities to readily meet all operating requirements. Only assets which have a readily available market value and can be easily converted to cash are held;

(c) Return on investment: attain a competitive market rate of return taking into account investment risk constraints, and the cash flow characteristics of the pools. Benchmarks determine whether satisfactory market returns are being achieved in the cash pools.

**Cash pools**

The United Nations Treasury manages investments in two different cash pools, the main cash pool and the euro cash pool.

Effective 1 July 2013, the United Nations Headquarters pool and the offices away from Headquarters pool were combined to form the main cash pool. The main cash pool now comprises operational bank account balances and investments in United States dollars.

The euro cash pool comprises investments in euro currency; the pool participants are mostly offices away from Headquarters that may have a surplus of euros from their operations.

The Centre participates in the main cash pool only, which is invested in a variety of securities. Such securities may include, but are not restricted to, bank deposits, commercial paper, supranational securities, government agency securities and government securities with maturities of 5 years or less. The cash pools do not invest in derivative instruments, asset-backed, mortgage-backed or equity products.

Investment transactions are accounted for on a trade date basis; reflecting a change from settlement date to trade date. The 2011 figures have not been restated as the impact of the change has been deemed to be immaterial. Investment income is recognized on the accrual basis; transaction costs that are directly attributable to the investment activity of the cash pool are expensed as incurred in the cash pools and the net income is distributed proportionately to the funds participating in the cash pool; operational bank account fees are not netted but distributed to cash pool participants. The unrealized market gains/losses on securities and foreign exchange gains/losses are distributed proportionately to all participants based on their end-of-year balances.

Gains and losses on the sale of investments are calculated as the difference between the sales proceeds and book value and are reflected in the net income distributed to the cash pool participants.

As at 31 December 2013, investments in the cash pool have been revalued at fair value. The 31 December 2011 comparative figures represent the book value of investments. The 2011 figures have not been restated as the impact of the change in valuation has been deemed to be immaterial.

*Financial information pertaining to the main cash pool*

As at 31 December 2013, the main cash pool held total assets of $9,548.7 million; of this amount, $56.1 million was due to the Centre, as reflected against the main cash pool line in statement II (Statement of assets, liabilities and reserves and fund balances).

Financial information of the main cash pool as at 31 December 2013 is summarized in table V.1.

Table V.1
**Summary of assets and liabilities of the main cash pool as at 31 December 2013**
(Thousands of United States dollars)

| | *Main pool* |
|---|---|
| **Assets** | |
| Short-term investments[a] | 5 687 907 |
| Long-term investments[a] | 3 734 459 |
| **Total investments** | **9 422 366** |
| Cash | 113 200 |
| Accrued investment income | 13 084 |
| **Total assets** | **9 548 650** |
| **Liabilities** | |
| Payable to the Centre | 56 069 |
| Payable to other funds participating in the main cash pool | 9 492 581 |
| **Total liabilities** | **9 548 650** |
| **Net assets** | – |

**Summary of net income of the main cash pool for the biennium ended 31 December 2013**
(Thousands of United States dollars)

| | *Main pool* |
|---|---|
| **Income** | |
| Investment revenue | 96 592 |
| Realized gains on sales of securities | 24 643 |
| Foreign exchange adjustments | 4 241 |
| Unrealized gains (losses) | 4 811 |
| **Net income from investments** | **130 287** |
| Bank fees | (1 083) |
| **Net income from operations** | **129 204** |

[a] Fair value.

*Composition of the main cash pool*

Table V.2 shows a breakdown of investments held in the main cash pool by type of instrument:

Table V.2
**Investments of the main cash pool by type of instrument as at 31 December 2013**
(Thousands of United States dollars)

| *Main pool* | *Book value* | *Fair value*[a] |
|---|---|---|
| Bonds | | |
| Non-United States agencies | 2 073 122 | 2 077 421 |
| Non-United States sovereigns | 670 963 | 674 773 |
| Supranationals | 250 075 | 250 246 |
| United States agencies | 555 494 | 556 492 |
| United States treasuries | 1 597 161 | 1 592 050 |
| **Subtotal** | **5 146 815** | **5 150 982** |
| Discounted instruments | 2 138 208 | 2 138 849 |
| Certificates of deposit | 250 000 | 250 003 |
| Term deposits | 1 882 532 | 1 882 532 |
| **Total investments** | **9 417 555** | **9 422 366** |

[a] Fair value is determined by the independent custodian based on valuations of securities that are sourced from third parties.

### Financial risk management

The main cash pool is exposed to a variety of financial risks including credit risk, liquidity risk, currency risk and market risk (which includes interest rate risk and other price risks), as described below.

*Credit risk*

The Guidelines require that investments not 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. The credit ratings used are those determined by the major credit-rating agencies; Standard & Poor's and Moody's are used to rate bonds and commercial paper, and the Fitch Viability Rating is used to rate bank term deposits. The credit ratings of the issuers whose securities were held in the main cash pool are shown in table V.3.

Table V.3
**Investments of the main cash pool by credit ratings as at 31 December 2013**
(Thousands of United States dollars)

| *Main pool* | *Total*[a] | *Ratings* |
|---|---|---|
| Bonds | 5 150 982 | S&P: 32.3% AAA and 63.1% AA+/AA; 4.6% NR; Moody's: 81.9% Aaa and 18.1% Aa1/Aa3 |
| Discounted instruments | 2 138 849 | S&P: 71.7% A-1+ and 24.1% NR; Moody's: 95.8% P-1; Fitch: 4.2% aa- |
| Certificates of deposit | 250 003 | S&P: 40% A-1; Moody's: 40% P-1; Fitch: 60% a+/a- |
| Term deposits | 1 882 532 | Fitch: 58.6% aa- and 41.4% a+/a/a- |
| **Total investments** | **9 422 366** | |

[a] Represents the fair value of securities as at 31 December 2013.

*Liquidity risk*

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 commitments as and when they fall due. The major portion of the pool's cash and cash equivalents and investments are available within one day's notice to support operational requirements. Hence, the main cash pool is able to respond to withdrawal needs in a timely manner, and liquidity risk is considered to be low.

*Currency risk*

Currency risk is the risk that the value of investments denominated in non-United States dollars will fluctuate due to changes in foreign exchange rates versus the United States dollar. The main cash pool has no currency risk for its investments which are in United States dollars. The main cash pool has currency risk for operational bank balances.

*Interest rate risk*

Interest rate risk is the risk of variability in investments' values due to change in interest rates. In general, as interest rate rises, the price of a fixed rate security falls, and vice versa. Interest rate risk is commonly measured by the fixed rate security's duration, with duration being a number expressed in years. The larger the duration, the greater the interest rate risk.

The main cash pool is exposed to interest rate risk as their holdings comprise interest bearing securities. As at 31 December 2013, the main cash pool invested primarily in securities with shorter terms to maturity, with the maximum term being less than 4 years. The average duration of the main cash pool was 0.92 years, which is considered to be indicative of low interest rate risk.

Table V.4 shows how fair value of the main cash pool as at 31 December 2013 would increase or decrease should the overall yield curve shift in response to changes in interest rates. The impact of a shift up or down of up to 200 basis points in the yield curve is shown (100 basis points equal 1 percentage point). However, in view of the current interest-rate environment, the basis-point shifts should be considered to be illustrative.

Table V.4
**Sensitivity of the main cash pool to interest rates as at 31 December 2013**

| | *Change in fair value (millions of United States dollars)* |
|---|---|
| *Shift in yield curve (basis points)* | *Main cash pool* |
| -200 | 174 |
| -150 | 130 |
| -100 | 87 |
| -50 | 43 |
| 0 | 0 |
| 50 | -43 |
| 100 | -87 |
| 150 | -130 |
| 200 | -174 |

*Other price risk*

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

## Note 9
## End-of-service and post-retirement benefits

End-of-service and post-retirement benefits comprise after-service health insurance coverage, repatriation benefits and commutation of unused vacation days. As disclosed in the sixth paragraph of the section on liabilities and reserves and fund balances in note 2 above, all three liabilities are determined on the basis of an actuarial valuation, which was undertaken by an independent, qualified actuarial firm.

*After-service health insurance*

Upon end of service, staff members and their dependants may elect to participate in a defined-benefit health insurance plan of the United Nations, provided they have met certain eligibility requirements, including 10 years of participation in a United Nations health plan for those who were recruited after 1 July 2007, and five years for those who were recruited prior to this date. This benefit is referred to as after-service health insurance.

The major assumptions used by the actuarial firm to determine the liabilities for after-service health insurance as at 31 December 2013 were:

(a) A single equivalent discount rate of 2.55 per cent based on a weighted blend of three discount rate assumptions: United States dollar or other currencies, euros and Swiss francs. Previously, a single equivalent discount rate of 4.5 per cent was used based only on high-quality corporate bonds denominated in United States dollars;

(b) A flat health-care yearly escalation rate of 5.0 per cent for non-United States medical plans, health care escalation rates of 7.3 per cent for all other medical plans (except 6.3 percent for the United States Medicare plan and 5.0 per cent for the United States dental plan), grading down to 4.5 per cent over 10 years;

(c) Retirement, withdrawal and mortality assumptions consistent with those used by the United Nations Joint Staff Pension Fund in making its own actuarial valuation of pension benefits.

Another factor in the after-service health insurance valuation is to consider contributions by all plan participants in determining the Centre's residual liability. Thus, contributions from retirees are deducted from the gross liability and a portion of the contributions from active staff is also deducted to arrive at the Centre's residual liability in accordance with cost-sharing ratios authorized by the General Assembly. These ratios require that the Centre's share shall not exceed one half for non-United States health plans, two thirds for United States health plans and three quarters for the medical insurance plan.

On the basis outlined in the second and third paragraphs of the present section, the present value of the accrued liability as at 31 December 2013, net of contributions from plan participants, was estimated at $55,922,000.

Further to the assumptions in the second paragraph of the present section, it is estimated that the present value of the liability would increase by 24 per cent and decrease by 18 per cent if medical cost trend is increased and decreased by 1 per cent respectively, all other assumptions held constant. Similarly, it is estimated that the accrued liability would increase by 25 per cent and decrease by 19 per cent if the discount rate is decreased and increased by 1 per cent respectively, all other assumptions held constant.

*Repatriation benefits*

Upon end of service, staff who meet certain eligibility requirements, including residency outside their country of nationality at the time of separation, are entitled to a repatriation grant which is based upon length of service, and travel and removal expenses. These benefits are collectively referred to as repatriation benefits;

As referred to in the sixth paragraph of the section on liabilities and reserves and fund balances in note 2 above, an actuarial firm was engaged to carry out an actuarial valuation of repatriation benefits as at 31 December 2013. The major assumptions used by the actuarial firm were a single equivalent discount rate of 4.27 per cent, annual salary increases consistent with those used by the United Nations Joint Staff Pension Fund in making its own actuarial valuation of pension benefits, and travel and shipment cost increases of 2.5 per cent per annum;

On the basis of these assumptions, the present value of the accrued liability for repatriation benefits as at 31 December 2013 was estimated at $4,358,000.

*Unused vacation days*

Upon end of service, staff members may cumulate unused vacation days up to a maximum of 60 working days for those holding fixed-term or continuing appointments;

As referred to in the sixth paragraph of the section on liabilities and reserves and fund balances in note 2 above, an actuarial firm was engaged to carry out an actuarial valuation of liability associated with unused vacation days as at 31 December 2013. The major assumptions used by the actuarial firm were a single equivalent discount rate of 4.49 per cent and an annual rate of increase in accumulated annual leave balances of 10.9 days in each of the first three years, 1 day per year in the fourth to eighth years and 0.5 days annually thereafter, capping at an accumulation of 60 days. Salary is assumed to increase annually at rates consistent with those used by the United Nations Joint Staff Pension Fund in making its own actuarial valuation of pension benefits.

On the basis of these assumptions, the present value of the accrued liability for unused vacation days as at 31 December 2013 was estimated at $1,866,000.

## Note 10
## Contributions in kind

During the biennium 2012-2013, the value of the contributions in kind received is estimated to be $1,800,000, based on best available information such as the UNDP universal price list and current market rates. The contributions in kind consist mainly of conference-servicing facilities provided by Governments and other counterparts for the organization of local events and workshops. In addition, the Centre received a rental subsidy of $6,481,000 for the biennium 2012-2013, representing the difference between the market value and the actual amount paid for the rental of a building occupied by the Centre.

## Note 11
## Non-expendable property

In accordance with the Centre's accounting policies, non-expendable property is charged against the current allotment in the year of purchase. During the biennium 2012-2013, the movement in non-expendable property, valued at historical cost, was as follows:

(Thousands of United States dollars)

| | *2012-2013* | *2010-2011* |
|---|---|---|
| Balance as at 1 January | 3 702 | 4 947 |
| Acquisitions | 1 105 | 549 |
| Less: write-offs — accidents, thefts and damages | (5) | (3) |
| Less: dispositions | (1 389) | (1 791) |
| **Balance as at 31 December** | **3 413** | **3 702** |

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