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Financial report and audited financial statements

for the year ended 31 December 2014

and

Report of the Board of Auditors

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Note

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

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Letters of transmittal

Letter dated 31 March 2015 from the Secretary-General addressed to the Chair of the Board of Auditors

In accordance with financial regulation 6.2, I have the honour to submit the financial statements of the International Trade Centre UNCTAD/WTO for the year ended 31 December 2014, which I hereby approve. The financial statements have been certified by the Controller.

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

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

Letter dated 30 June 2015 from the Chair of the Board of Auditors addressed to the President of the General Assembly

I have the honour to transmit to you the report of the Board of Auditors on the financial statements of the International Trade Centre for the year ended 31 December 2014.

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

Chapter I

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

We have audited the accompanying financial statements of the International Trade Centre, which comprise the statement of financial position as at 31 December 2014 (statement I); the statement of financial performance (statement II); the statement of changes in net assets (statement III); the statement of cash flows (statement IV); the statement of comparison of budget and actual amounts (statement V) for the year then ended; and the notes to the financial statements.

Responsibility for the financial statements

The Secretary-General is responsible for the preparation and fair presentation of the financial statements in accordance with the International Public Sector Accounting Standards 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 2014 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards.

Report on other legal and regulatory requirements

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

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

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

30 June 2015

Chapter II
Long-form report of the Board of Auditors

Summary

Background

The Board of Auditors audited the financial statements and reviewed the operations of the International Trade Centre (ITC) for the year ended 31 December 2014 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 has also reported on financial performance and management matters relating to cost classification and the consultancy database.

Audit opinion

The Board issued an unqualified audit opinion on the financial statements of the International Trade Centre for the year ended 31 December 2014. The Board's opinion is reflected in chapter I of this report.

Overall conclusion of the Board

ITC reports a surplus of $7.7 million and net assets of some $16.6 million in 2014. The Board considers that, notwithstanding the impact its long-term staff liabilities, it is in a sound financial position with sufficient assets to meet its immediate liabilities. While ITC has made good progress with the successful implementation of the International Public Sector Accounting Standards (IPSAS), it still does not fully understand the costs of its activities and whether project activities recover their full costs from donors. This understanding is key to long-term financial viability and project sustainability, and to inform strategic choices. Similarly the consultant database offers significant opportunity to improve management information, but its full reporting potential is not being utilized.

Key findings

Financial management

In this first year of the IPSAS financial reporting framework, ITC has reported an overall reserve balance of $16.6 million (31 December 2013 (IPSAS restated): $30.7 million). The IPSAS presentation has resulted in an increase in the recognition of revenues arising from multi-year agreements, and the surplus of $7.7 million has offset some of the increases arising from the recognition of additional significant staff-related obligations, which are currently estimated at $90.3 million. The Board has also highlighted the need for management to develop fraud risk assessments and consider how new system functionalities can be used to facilitate targeted exception reporting.

Implementation of the International Public Sector Accounting Standards

ITC successfully implemented IPSAS in 2014, although dependency on the Integrated Management Information System (IMIS) meant that management was required to make significant manual adjustments to provide data in the required format. The transition to IPSAS has driven improvements in financial procedures, but it is important that ITC use the financial disciplines of IPSAS to focus wider management on providing more accurate and timely data to improve real-time reporting. These improvements can be consolidated further as ITC implements Umoja during 2015. Taken together, the two developments will significantly enhance the quality of financial information to support decision-making. The Board has noted the implementation risks associated with migration to Umoja in November 2015: ITC will need to manage the transition risks as it moves between systems to ensure that there is no impact on the preparation of the 2015 financial statements.

Project costing methodology

The Board highlighted the absence of a costing methodology in its previous report. Following management's review of the two pilot projects initiated by ITC, which identified that current project support cost charges are underrecovering programme support costs, the Board has highlighted the need for management to build on the results of the pilot to develop a clear costing strategy, so as to understand the viability and sustainability of the projects it implements to deliver core objectives. ITC is aware that it needs a better understanding of the full costs of activities within projects and the Board has highlighted the importance of ITC utilizing Umoja functionality to capture the data necessary to enable it to move to a full cost-recovery strategy.

Consultant database

Consultants are essential in delivering the mandate of ITC. The Board welcomes the ongoing development of the database, but notes that the information being driven from it on consultant performance and any risks to projects from performance issues is minimal. The Board encourages ITC to develop management information and risk management information from the database and to consider how this database can be integrated with Umoja.

Previous recommendations

Of the six recommendations made by the Board in its report on the 2012-2013 financial statements, ITC had fully implemented one (17 per cent) and five (83 per cent) were under implementation. The Board followed up on the implementation of eight recommendations from the 2010-2011 report that were reported as outstanding in the 2012-2013 report. Of these, two (25 per cent) were fully implemented, five (63 per cent) were under implementation and one (12 per cent) was overtaken by events.

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) **Establish sufficient management review processes to ensure accurate data transfer between Umoja and IMIS and embed the understanding of IPSAS within the business, supported by targeted training;**

(b) **Use the IPSAS benefits realization plan and the improved financial information derived from IPSAS to identify and manage financial risks;**

(c) **Establish a clear costing methodology (reiterated from the previous year); develop a strategy to determine what costs can be recharged to donors as direct costs, programme support or other costs; and how Umoja can support the process;**

(d) **Establish a reporting tool within the consultant database, in particular the e-performance module and use it to provide broader management information on consultants, focusing on the level of performance and any risks to project delivery;**

(e) **Develop a fraud risk assessment to identify areas susceptible to fraud risk, and consider how improved functionality in Umoja and the consultant's database could produce a suite of exception reports to support management review of high risk areas.**

A. Mandate, scope and methodology

1. The International Trade Centre (ITC) is a technical cooperation agency jointly funded by the United Nations through 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 slightly over 300 staff.

2. The Board of Auditors has audited the financial statements of ITC and has reviewed its operations for the year ended 31 December 2014 in accordance with General Assembly resolution 74 (I) of 1946. The audit was conducted in conformity with the Financial Regulations and Rules of the United Nations, as well as the International Standards on Auditing. The latter standards require that the Board comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

3. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements present fairly the financial position of ITC as at 31 December 2014 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS). This included an assessment as to whether the expenditure recorded in the financial statements had been incurred for the purposes approved by the governing bodies and whether revenue and expenses had been properly classified and recorded in accordance with the Financial Regulations and Rules of the United Nations. The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

4. The Board also reviewed ITC operations under United Nations financial regulation 7.5, with a focus on the 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 six recommendations made by the Board in its report on the 2012-2013 financial statements, ITC had fully implemented one (17 per cent) and five (83 per cent) were under implementation. The Board followed up on the implementation of eight recommendations from the 2010-2011 report that were reported as outstanding in 2012-2013 report. Of these, two (25 per cent) were fully implemented, five (63 per cent) were under implementation and one (12 per cent) was overtaken by events. The annex to the present report contains a detailed commentary on all previous recommendations.

7. The earlier recommendation that ITC should review its methodology for charging programme support and cost recoveries charged to all projects has been partially implemented and has been reiterated in the present report. The outstanding recommendation from the Board's 2012-2013 report (A/69/5 (Vol. III)) on the need for ITC to develop a funding plan for the end-of-service liabilities has also been reiterated in the present report.

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. Implementation of the International Public Sector Accounting Standards

9. ITC implemented IPSAS on 1 January 2014. The new standards provide much greater visibility on how resources have been utilized, recognizing transactions and other events when the goods or services are received, and valuing assets and liabilities on a more accurate and comprehensive basis. The presentation of information in this format, and the accounting processes that underpin their preparation offer management significantly improved financial information to inform decision-making and the use of resources.

10. Implementation of IPSAS presented some challenges for ITC in developing appropriate policies and processes to achieve compliance with the new framework, especially in relation to the recognition of revenue and the application of accruals-based accounting to expenses. In overall terms, there has been a significant increase in the assets ($59.9 million) and liabilities ($17.1 million) recognized as a result of the new standards. Note 4 to the financial statements provides a reconciliation of the movements between the IPSAS and United Nations system accounting standards reporting basis.

Internal controls and systems

11. ITC currently uses the United Nations legacy accounting system, the Integrated Management Information System (IMIS), which was designed to produce statements under the previous accounting standards. An IPSAS-compliant ledger was built into IMIS to produce IPSAS-compliant financial statements. However, management had to raise a significant number of manual adjustments to produce IPSAS-compliant financial statements, making the process burdensome and increasing the risk of error. It also added significant complexity to the audit trail, making management and audit review more onerous.

12. The eventual solution to this will be the new Umoja implementation, which is due in November 2015. However, transactions recorded in Umoja in November and December will be transferred back into IMIS for accounts production for financial year 2015. This could significantly increase the risks around the preparation of the 2015 financial statements. The migration will also require additional data validation checks to be performed by management to ensure accurate and complete data are transferred to Umoja. While the Board recognizes the importance of the United Nations overall roll-out timetable, management needs to adequately assess the risk to year-end processes and plan accordingly.

13. **The Board recommends that ITC establish sufficient management review processes to ensure accurate and complete data transfer between Umoja and**

IMIS, and that adequate audit trails are created to support the preparation of financial statements in 2015.

14. As part of IPSAS implementation, ITC designed and implemented new standard operating procedures to enhance internal controls over transactions. These new processes were needed to identify adjustments required under IPSAS. For example, ITC developed the process for recording voluntary contributions agreements when they were signed, as this is the recognition point for IPSAS purposes, not when the cash was received. Standard operating procedures have been reviewed by the Board and were assessed as IPSAS compliant. The Board welcomes the progress made by ITC to improve operating instructions and procedures, a process which will need to continue to ensure that the full benefits of Umoja are realized.

15. While procedures have been strengthened, the Board found examples where the accounting processes required by IPSAS had not yet become fully embedded. For example, some parts of the business did not always process information correctly for it to be recorded in the correct reporting period, particularly in relation to recording accrued expenditure and provisions. The Board would welcome more oversight from the finance team to ensure that these returns are accurate and complete, which could include spot checks on returns of information from the business. This process could help inform the need for further training of ITC staff.

16. **The Board recommends that ITC further embed the understanding of IPSAS within the business through further targeted training, in particular ensuring that year-end transactions are appropriately dated so that they are accounted for in the correct reporting period.**

IPSAS benefits realization

17. ITC maintains an IPSAS benefits realization plan that tracks progress against the key performance indicators for chosen benefits. The benefits are aligned to the ones in the overall IPSAS benefits realization plan for the United Nations and are grouped under five categories (see table II.1).

Table II.1
IPSAS benefits expected to be realized by ITC

No.	*Benefit category*	*Details*
1	Alignment with best practices	Compliance with independently developed, high-quality public sector accounting standards
2	Improved stewardship of assets and liabilities	More focused resource utilization
		Improved property and equipment management
		Improved inventory management
		Improved intangible assets management
		Better revenue management related to extrabudgetary contributions
		Better management of provisions

No.	*Benefit category*	*Details*
		Better management of unliquidated obligations
		Better management of lease agreements
		Better management of employee benefits, closing funding gap, in particular for after-service health insurance related to extrabudgetary resources arising from better quality assured valuations of liabilities
3	Availability of more comprehensive information on costs	Improved cost recovery
4	Improved consistency and comparability	Improved longer-term financial risk management
5	Increased transparency and accountability	More comprehensive and more frequent availability and use of financial information
		Better assignment and enforcement of accountability for financial performance

Source: IPSAS benefits realization plan for ITC.

18. Preparing IPSAS-compliant statements should not be treated as the end of the IPSAS benefit realization project, as there are many benefits that could be realized in the long term, especially when Umoja will enable more effective and integrated data capture. IPSAS financial reporting brings rigour that helps to embed better financial management and drives more cost-effective operations.

19. The Board notes that progress on using this plan as a tool to improve the ITC business is slow and, specifically, in respect of the following:

- It is not clear how the benefits are being measured
- The lack of a clear distinction between quantifiable and qualitative benefits
- The action being taken to make this an active tool to improve financial management.

20. The Board encourages ITC to use the principles of the benefits realization plan in assessing its business risks. It is important for management to ensure the benefits are aligned to its financial risk management, for example, to consider how cost recovery, financial reporting and end-of-service liability risks can be managed and enhanced with the improved data.

21. **The Board recommends that ITC use the benefits realization plan and the improved financial information derived from IPSAS to inform and manage financial risks.**

3. Fraud risk assessment

22. The Board notes that ITC has continued to follow the rules and procedures applicable in the United Nations. In June 2011, ITC launched the accountability framework at an all-staff meeting; this included clear statements and processes on anti-corruption at ITC in relation to its activities and operations. This is further supported by the Executive Director's Bulletin issued in June 2014 (ITC/EDB/2014/04) setting out the purpose of embedding an accountability and internal control policy in ITC, which includes arrangements for reporting and investigating wrong-doing. ITC has also developed a fiduciary risk evaluation tool, launched in February 2015, which further expands on the anti-corruption and fraud investigation arrangements set out in other missives issued since 2011.

23. ITC is in the process of reviewing its overall arrangements on fraud, bringing together the various instructions in one issue. This process has started in 2015 and the Board will review the outcome of these deliberations in its report on the 2015 financial statements. Until the various developments have been pulled together into a systematic framework, there will be a continued risk that fraud cases and losses may be understated. The framework should encompass an assessment of fraud risk areas and how systems such as Umoja can be used to enable management to review areas susceptible to fraud. The development of enhanced anti-fraud procedures will enhance donor confidence and reduce the risk of fraud.

24. **The Board recommends that ITC develop a fraud risk assessment to identify areas susceptible to fraud risk, and consider the current mitigations to manage this risk. Further, management should utilize improved functionality in Umoja and the consultant's database to produce exception reports to support management review.**

4. Financial overview

25. At 31 December 2014, ITC had net assets of $16.6 million (2013 restated: $30.7 million). The move to IPSAS has resulted in a change from a net liabilities position to one of net assets as a of a changes in the revenue recognition policy, to recognize revenue in line with the requirements of IPSAS 23, that is, when it enters into unconditional contractual agreement with donor, not when the cash is received. IPSAS adjustments resulted in a significant increase of some $42.8 million in the net assets of ITC.

26. Total assets increased from $130.4 million (2013 restated) to $134.6 million (2014) as a result of the increased number of long-term voluntary contributions agreements signed in 2014. Voluntary contributions receivable increased from $71.2 million in 2013 to $83.6 million in 2014. This was offset in part by a reduction in cash and cash equivalents and investments, which were $47.6 million at 31 December 2014 (2013: $56.1 million) and arose as a result of a net cash outflow, owing mainly to the increased portion of voluntary contributions paid in arrears.

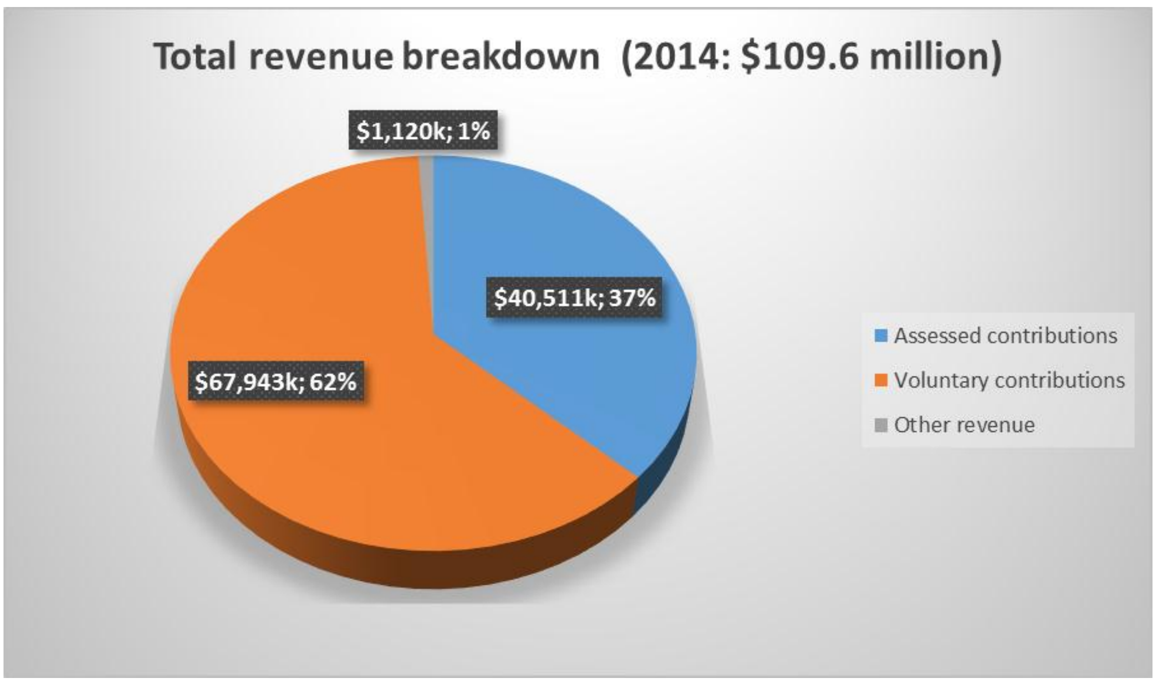
27. ITC reported $118 million of total liabilities at 31 December 2014 (2013: $99.7 million). This significant increase was caused by an actuarial valuation of employee-benefit liabilities. The actuarial loss of $21.9 million occurred mainly as a result of the fall in the discount rate, that is, the interest rate used to calculate the present value of future cash flows. This trend is consistent with the overall fall in discount rates across the world.

Financial performance

28. ITC reported a surplus of $7.7 million for the year ended 31 December 2014. Revenue for the year totalled $109.6 million, the majority of which was earned from voluntary contributions ($67.9 million). Revenue from voluntary contributions is recognized upfront, when the agreement is signed with the donor or deferred if there are enforceable conditions in the agreements for the use of funds. Most of the Centre's agreements with donors allow for upfront revenue recognition. This resulted in an increase in reserves and allows ITC to plan its expenditure on projects against the remaining balance.

29. Assessed contributions from WTO and UNCTAD accounted for $40.5 million, slightly more than budgeted ($39.5 million) owing to exchange rate variances. ITC has used the transitional provision that allows the omission of comparatives for revenue and expenditure and cash flows for the first year of implementation. This reduced the potential to compare financial performance at a more detailed level (figure II.I).

Figure II.I
International Trade Centre revenue for 2014



Source: ITC financial statements for 2014.

30. ITC reported expenses of $101.9 million for the year ended 31 December 2014. As in previous years, the majority of the costs for ITC relates to employee salaries, allowances and benefits ($55.2 million). Non-employee costs (consultant and contractor costs) were reported as $16 million and other operating expenses as $12.5 million. Other costs include training, travel, grants, depreciation and amortization, and supplies and consumables.

31. In 2014, ITC reported $6.5 million of foreign exchange losses. These arise when a transaction is settled in a foreign currency (realized losses) and when monetary items on the statement of financial position are translated at reporting date exchange rate (unrealized losses). The Centre's functional currency is United States dollars, but many transactions are settled in a different currency, as ITC often receives contributions in donor's currency or incurs expenditure in Swiss francs owing to its location. Table II.2 below shows the breakdown of expenditure (expenses below $1 million were grouped together into "Other expenses").

Table II.2
Expenses of the International Trade Centre in 2014

Expense type	*2014 (thousands of United States dollars)*	*2014 (percentage of total)*
Employee salaries, allowances and benefits	55 152	54.1
Non-employee compensation and allowances	15 957	15.7
Training	5 437	5.3
Travel	4 738	4.7
Foreign exchange expenses	6 532	6.4
Grants and other transfers	1 163	1.1
Other operating expenses	12 520	12.3
Other expenses	373	0.4
Total	**101 872**	**100**

Source: ITC statement of financial performance for 2014.

32. ITC prepares the budget on a modified cash basis for each biennium, and the approved budget is compared to outturn in statement V as a comparison of budget and actual amounts. The actual budget expenditure reported in 2014 was $2.3 million lower than anticipated (5.8 per cent). This is broadly in line with the biennium 2012-2013, where the outturn was $3.6 million (4.5 per cent) below budget.

Financial analysis

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

Table II.3
Financial ratios

	31 December 2014	31 December 2013 (restated)
Current ratio[a] (current assets to current liabilities)	2.84	2.35
Total assets: total liabilities[b] (assets to liabilities)	1.14	1.31
Cash ratio[c] (cash + current investments to current liabilities)	1.26	1.17
Quick ratio[d] (cash + current investments + current accounts receivable to total liabilities)	0.56	0.66
End-of-service liabilities (millions of United States dollars)	90.3	65.1
End-of-service liabilities as a percentage of liabilities	76%	65%

Source: ITC financial statements for 2014.
[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.

34. The Board's analysis for 2014 is not comparable to that presented in the previous reports of the Board, owing to changes in the financial reporting framework, so ratios compare the closing balances for 2014 and the opening balances derived from the IPSAS restatement as at 31 December 2013. The Board notes that:

(a) ITC has $2.84 of current assets to discharge each $1 of current liabilities and it has $1.14 of total assets to discharge every $1 of total liabilities. The year-on-year positions have changed very marginally. Overall this is a sound financial position for ITC;

(b) ITC has $1.26 of cash, cash equivalents and investments to discharge each $1 of current liabilities;

(c) ITC has $0.56 of liquidity in total to discharge each $1 of total liabilities;

(d) End-of-service employee liabilities — some 76 per cent in 2014 (65 per cent in 2013) are the dominant liability. Given their longer-term nature, the Board does not consider that there is any immediate risk to liquidity within ITC.

35. The end-of-service liabilities have increased from $65.1 million at 31 December 2013 (restated) to $90.3 million at 31 December 2014. The liability is currently unfunded and represents future payments to employees for benefits arising from current and past service. ITC has adopted the United Nations position (see General Assembly resolution 68/244) of continuing to pay the employee benefits when they become due. ITC is in the process of determining whether the approach to the funding of this liability may change. It will be important to ensure that there is a fair attribution of these costs between the regular and extrabudgetary contributions. The Board's previous observation remains under implementation.

Understanding costs

36. ITC acknowledges that its work to understand the full cost of projects is progressing and it they will continue to develop its costing methodology in 2016 with the improved functionality offered by Umoja. Programme costs relating to technical cooperation activities are funded by extrabudgetary voluntary contributions from donors; and administrative costs relating to extrabudgetary activities are funded by the programme support fund, which is resourced from the programme support revenue earned from extrabudgetary donors.

Table II.4
Analysis of revenue and expenses by fund

(Thousands of United States dollars)

	General fund	*Technical cooperation activities*	*Programme support costs*	*Revolving funds and other funds*	*End-of-service and post-retirement liabilities*	*Elimination*	*Total*
Revenue	43 734	65 174	5 453	578	417	(5 782)	109 574
Expenses	40 451	59 272	4 138	573	3 220	(5 782)	101 872

Source: ITC financial statements for 2014 (annex II).

37. In 2014, ITC provided trade-related technical assistance through more than 100 technical cooperation projects. These were financed by voluntary contributions from donors (2014: $66.4 million), which cover the budgeted project spend. Programme support cost are charged at a fixed rate of between 7 and 13 per cent (table II.5), and these revenues are used to recover the overheads incurred in administrating the projects and cover general administrative and support functions. The main rates used by ITC are: 7 per cent for projects funded by the European Commission and 13 per cent for the majority of other projects. Standard rates charged by ITC have remained unchanged for a number of years. In 2014, ITC charged $5.4 million of programme support costs to donors based on these fixed percentage, rather than as a specific cost.

Table II.5
Analysis of programme support costs

Indirect cost rate (percentage)	*Open projects at 31 December 2014 — total value of agreements (United States dollars)*	*Open projects at 31 December 2014 — total value of agreements (percentage)*
7	39 749 425	22.20
10	969 945	0.54
12	2 680 737	1.50
13	135 657 060	75.76
Total	**179 057 166**	**100.00**

Source: ITC financial records.

38. The Board previously recommended that ITC should review whether the current rates for programme support recover the full costs of overheads incurred in

administrating projects. The rates currently used were established in 1980 by the General Assembly. ITC is aware that it needs to understand the full costs of its activities and initiated a costing project aimed at allocation of administration/overhead and direct costs. It was linked to the development of the projects portal tool that allows ITC to set up budgets and monitor the outputs of the projects.

39. In response to the Board's recommendations and in line with management objectives, ITC, among other initiatives, reviewed the costs relating to two pilot projects. The results from these pilots highlighted that the amounts charged to donors for the two pilot projects (excluding programme support costs) represented only around two thirds of the total cost attributable to them (63 and 72 per cent).

40. ITC management is aware that while the pilot projects represent a small proportion of all projects, the costing work performed in these pilots initially suggests that up to two thirds of project costs can be attributable to projects directly and in turn charged to extrabudgetary donors, further work is required to understand the remaining third of attributable project costs. The further work will enable ITC to determine the portion of the remaining one third and the extent to which this can be charged as direct costs to the extrabudgetary donors funding the project or borne by programme support or other funds as appropriate. As the Centre's work continues to analyse and understand the project cost base, this information should be used to inform a strategy to identify those projects where ITC is currently underrecovering its costs.

41. As part of the costing project, ITC also considered the different levels at which the costs should be captured: outcome, project, output and activity. Costs are currently captured at the transactional level, as other options were considered to be too manually intensive and time-consuming. Owing to the limitations of the current accounting system, ITC delayed plans to embed data capture at the activity, output and projects levels until November 2015 when the new system, Umoja, is in place. The Board understands that Umoja will enable ITC to set up projects and capture costs at the output and activity levels and therefore encourages ITC to take full advantage of this functionality. The Board also understands that the next phase of the internal ITC project portal due to start in 2016 will further assist ITC in understanding its full costs.

42. The Board recognizes that ITC is progressing towards understanding the full costs of implementing extrabudgetary projects, and has reflected that the recommendation made in its previous report remains under implementation. It is important that the work is concluded and informs a strategic approach and that the improved cost information is used to inform the project decision-making process and the charges applied to future extrabudgetary projects. The result of the exercise when fully completed will increase project sustainability and transparency to donors on the full cost of ITC activities.

43. The Board reiterates its previous recommendation, which remains outstanding for ITC to continue developing a clear costing methodology; it further recommends that ITC develop a clear strategy to determine what costs can be recharged to donors as direct programme support costs.

44. **The Board recommends further review of costs attributable to projects and to identify valid costs that can be directly allocated to projects in line with a clear methodology. ITC should use the new functionalities of Umoja and the**

next phase of the project portal programme to build better data to inform management's decisions on how programme support costs are identified and the rate at which they should be recovered, and to inform a costing strategy.

45. The Board identified that there are some outstanding voluntary contribution cash balances at the end of the projects ($2.3 million). These are unused funds that need to be returned to the donors or reallocated to other projects. With the implementation of IPSAS and recognition of revenue in advance of cash receipt, it is now more important to estimate project costs reliably. The Board identified that some outstanding liabilities to donors were brought forward from projects closed in previous years ($1.8 million) where as yet action has not been taken by management to clear these balances. These amounts owed to donors are shown as payables in the financial statements of ITC, but should either be repaid or reinvested. To clear the balance, ITC should agree with donors whether the funds should be repaid or reinvested.

46. **The Board recommends that ITC clear aged balances held on projects through repayment or reinvestment of funds, as agreed with the donors on a timely basis.**

5. Consultant database

47. Consultants remain a key component of the mechanisms used by ITC to implement projects. ITC spent some $16 million in 2014 on consultants and individual contractors, hired for a short time periods to bring additional expertise to the project delivery. The Board has previously highlighted that ITC has had no database or roster of potential consultants to deploy to project activities, and that selection lacked transparency (see A/67/5 (Vol. III), para. 18). Since the Board made its recommendation, ITC has been making progress on developing the consultant database, and the report provides an analysis of that progress.

48. To improve the efficiency and quality of the recruitment process for consultants, ITC developed an online database to record a wide pool of technical experts from which managers can select. The tool also gives consultants and contractors access to register their interest in performing work for ITC, capturing the information necessary for recruitment. Hiring managers and human resources personnel can then go through the workflow to recruit an individual and evaluate his or her performance on completion (figure II.II).

Figure II.II
Process for using the consultant database

Source: ITC Human Resources Division.

Registration

49. In 2014, ITC continued to use the consultant database for the registration, selection and appointment of consultants. The registration module within electronic recruitment of consultants provides potential candidates with 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. At the time of reporting, nearly 6,700 candidates were registered in the database (2013: over 3,000). In 2014, ITC hired 762 consultants and individual contractors.

Selection and appointment

50. The selection and appointment process is carried out by the hiring manager and checked by the Human Resources Division in the automated workflow within the system that includes a number of controls. These include checking whether all required forms were submitted by the consultant, that the individual has not been a former United Nations employee and that other eligibility criteria have been met.

51. The Board previously recommended an audit trail to document the evaluation of three candidates as part of the selection process, to ensure value for money and to minimize the risk of fraud. This has been implemented by ITC by adding the step to the workflow that requires the hiring manager to input names of other candidates and include justification for selecting the proposed candidate. Management has considered the impact of Umoja on the selection and appointment system. The evaluations will be made in the ITC e-performance module, as a similar system does not exist in Umoja. At present, there is no documented plan to have an integrated approach to using data held in ePerformance and Umoja.

52. **The Board recommends that ITC develop a strategy to ensure that information in the e-performance system and Umoja is used in an integrated way to aid efficiency and enhance reporting on a consistent basis.**

Performance management

53. Consultants are evaluated against key performance measures linked to the Centre’s competency framework. The scores that could be awarded range from excellent, good, satisfactory, unsatisfactory and payment withheld. In December 2014, ITC launched the e-performance module within the consultant database. Previously, ITC had used paper-based evaluation forms and no management information was derived from this data. At the time of the Board’s testing, there were only 15 evaluation reports completed in the new system since its introduction in December 2014. While the analysis of performance would not currently produce meaningful results, the functionality offers a much improved source of future data on which ITC can build.

54. Senior management receives quarterly reports based on data in the consultant database, which includes management information on the number of contracts issued per month, annual increases in the number of contracts and the accuracy of electronic recruitment of consultant requests. However, senior management does not currently receive information summarizing consultant performance and delivery, as the analysis of paper-based records would be resource-intensive. Furthermore, in terms of managing risks, there is no information available on whether any planned projects are at risk because of consultant underperformance or gaps in skills.

Management would benefit from a more detailed evaluation of information in the database on the risks to project delivery. Overall, the Board notes that greater use should be made of the database to capture key information.

55. **The Board recommends that ITC develop a reporting tool within the database, in particular the e-performance module, and use it to provide broader management information on consultants, focusing on the level of performance and any risks to project delivery.**

C. Disclosures by management

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

56. ITC reported that it had formally written off property, plant and equipment with a net book value of $3,870 (original acquisition value of $196,407) in the year ended 31 December 2014. In the biennium 2012-2013, ITC wrote off a net credit of $41,530 of receivables and $4,585 of non-expendable property. Through its audit work, the Board identified a voluntary contribution receivable of $40,480 that will not be paid. ITC may wish to consider whether it needs to be impaired in 2015.

2. Ex gratia payments

57. ITC reported no ex gratia payments for the year ended 31 December 2014. None were identified through the Board's audit work.

3. Cases of fraud and presumptive fraud

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

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

60. ITC reported no cases of fraud or presumptive fraud for the year ended 31 December 2014. None were identified through the Board's audit work. The Board notes that ITC has not reported any cases of fraud for several bienniums and while this is commendable, it is important that the arrangements for fraud awareness, reporting fraud, detecting and investigating fraud are sufficiently up to date to meet the needs of a continually evolving organization.

D. Acknowledgement

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

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

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

30 June 2015

Annex

Status of implementation of recommendations

Of the six recommendations made by the Board in its report on the 2012-2013 financial statements, ITC had fully implemented one (17 per cent) and five (83 per cent) were under implementation. The Board followed up on the implementation of eight recommendations from the 2010-2011 report that were reported as outstanding in the 2012-2013 report. Of these, two (25 per cent) were fully implemented, five (63 per cent) were under implementation and one (12 per cent) was overtaken by events.

Financial period first made	*Summary of recommendation*	*Administration's comment on status — March 2015*	*Board's comment on status — March 2015*	*Fully implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*	*Closed by the Board*
2012-2013 (A/69/5 (Vol. III), chap. II, para. 14)	Regularly inform both the General Assembly and the General Council of WTO of the projected future level of funding required to support end-of-service liabilities	After-service health insurance liabilities are shown in the financial statements of the International Trade Centre (ITC), which are transmitted to the General Assembly as well as to the General Council of the World Trade Organization (WTO). The financial statements are now prepared on an annual basis and include these liabilities	This recommendation remains partially implemented. The financial statements show the current level of obligation, but do not anticipate the future funding needs of ITC, in particular whether the liability is funded through appropriate allocation of regular and extrabudgetary contributions		X			
2012-2013 (A/69/5 (Vol. III), chap. II, para. 19)	Review whether the current rates for programme support recover the full costs of projects	ITC noted that initiatives are under way to determine the full cost of projects	This recommendation remains partially implemented. The findings of a pilot exercise have been reviewed by the Board and further recommendations have been raised		X			

Financial period first made	*Summary of recommendation*	*Administration's comment on status — March 2015*	*Board's comment on status — March 2015*	*Fully implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*	*Closed by the Board*
2012-2013 (A/69/5 (Vol. III), chap. II, para. 21)	(a) Further develop the project plan for the continuing costing methodology work and include key milestones and outputs to enable active monitoring of the project; and (b) thoroughly analyse ITC's regular budget costs to enable full costing of projects	Initiatives are under way to cost outputs and outcomes. Part of this work is dependent upon the functions available in Umoja, which will only be deployed in Geneva by the end of 2015	This recommendation remains partially implemented and is dependent upon the functionality built into Umoja		X			
2012-2013 (A/69/5 (Vol. III), chap. II, para. 37)	Evidence more thoroughly the evaluation of three candidates [within the consultant database]	ITC currently deploys the same level of organizational scrutiny as the United Nations Secretariat in terms of oversight of the managerial evaluation of three candidates. Notwithstanding the ongoing push towards personal and professional accountability for hiring managers, ITC will amend its process of hiring consultants to ensure that the names of any potential consultants who were considered, but not ultimately selected, are made explicit together with the reasons for their non-selection	This recommendation has been agreed by management but processes have not yet been updated to improve the documentation of the evaluation		X			
2012-2013 (A/69/5 (Vol. III), chap. II, para. 40)	Seek to quality assure performance evaluations of consultants	In the future, ITC will be rolling out a new online consultant appraisal tool that will incorporate a quality assurance element	This recommendation remains partially implemented awaiting the application of the new appraisal tool		X			

Financial period first made	*Summary of recommendation*	*Administration's comment on status — March 2015*	*Board's comment on status — March 2015*	*Fully implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*	*Closed by the Board*
2010-2011 (A/67/5 (Vol. III), chap. II, para. 31)	Review the methodology for charging programme support and ensure that the full costs of staff are charged to all projects. ITC will review the amount accrued and consider increasing the rate to include the funding of end-of-service liabilities	The General Assembly, in its resolution 68/244, endorsed the recommendation of the Advisory Committee on Administrative and Budgetary Questions to continue the pay-as-you-go approach for the after-service health insurance liabilities for the regular budget at the present time. ITC follows the United Nations Secretariat's lead for extrabudgetary-funded staff	This recommendation remains partially implemented, as the liabilities arising from project activity may not be fully recovered in the current programme support cost rates		X			
2010-2011 (A/67/5 (Vol. III), chap. II, para. 59)	(a) When reporting its achievement indicators, provide accompanying commentary and data that illustrate the extent to which the number of entities reporting improvements attributable to ITC are located in priority or less developed countries; (b) integrate its selected performance indicators with published synthesis reporting of its periodic detailed evaluation of programmes, to provide deeper insight and assurance on the existence of improvements and their attribution to ITC input; and (c) reduce the inconsistency and variation in the reported	ITC considers this recommendation to be under implementation	This recommendation remains partially implemented		X			

Financial period first made	*Summary of recommendation*	*Administration's comment on status — March 2015*	*Board's comment on status — March 2015*	*Fully implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*	*Closed by the Board*
	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 recently convened a seminar on exploring a common framework for impact assessment in Aid for Trade. As a follow up, ITC will coordinate with ITC donors to explore better harmonization of donor reporting requirements. ITC has joined the Donor Committee for Enterprise Development, including its working group on results measurement, and hosted the thirty-sixth annual meeting of the Committee, on 9 and 10 July 2014. ITC is working towards implementing the International Aid Transparency Initiative Standard	This recommendation remains partially implemented. A good start has been made with engagement, but changes to reporting have not yet been implemented		X			

Financial period first made	*Summary of recommendation*	*Administration's comment on status — March 2015*	*Board's comment on status — March 2015*	*Fully implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*	*Closed by the Board*
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. Since 2013, ITC has established quarterly performance review across the technical assistance portfolio. Budgets on underperforming projects have been reduced and freed up resources allocated to projects better able to use them	This recommendation remains partially implemented		X			
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 planning for operational projects beyond project initiation	This recommendation remains partially implemented		X			
2012-2013 (A/69/5 (Vol. III), chap. II, para. 29) 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	The benefits realization plan that was developed centrally by the United Nations Secretariat IPSAS implementation team and approved by the IPSAS Steering Committee in June 2014 includes ITC. That plan already includes the envisaged benefits and the methodology to track and manage their realization	This recommendation is considered implemented					X

Financial period first made	Summary of recommendation	Administration's comment on status — March 2015	Board's comment on status — March 2015	Fully implemented	Under implementation	Not implemented	Overtaken by events	Closed by the Board
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	As above (para. 50)	This recommendation is considered implemented					X
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 has been advised that Umoja will not have the time capture functions and ITC will not be able to influence this system-wide business transformation project on its own	This recommendation was overtaken by events. The Board regrets that Umoja will not allow management to capture information, which would enable management to better allocate costs to project activities				X	

Chapter III
Certification of the financial statements

Letter dated 31 March 2015 from the Assistant Secretary-General, Controller, addressed to the Chair of the Board of Auditors

The financial statements of the International Trade Centre UNCTAD/WTO for the year ended 31 December 2014 have been prepared in accordance with financial rule 106.1 of the Financial Regulations and Rules of the United Nations.

The summary of significant accounting policies applied in the preparation of these statements is included as notes to the financial statements. The notes provide additional information and clarification for the financial activities undertaken by the International Trade Centre UNCTAD/WTO 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 UNCTAD/WTO, numbered I to V, are correct.

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

Chapter IV
Financial report for the year ended 31 December 2014

A. Introduction

1. The Executive Director has the honour to submit herewith the financial report on the accounts of the International Trade Centre (ITC) for the year ended 31 December 2014.

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

3. The International Trade Centre is the joint technical cooperation agency of the United Nations Conference on Trade and Development (UNCTAD) and the World Trade Organization (WTO) for 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 through the delivery of trade-related technical assistance. The ITC portfolio of work for 2014 centred around its six focus areas: (a) trade and market intelligence for small and medium-sized enterprise competitiveness; (b) supporting regional economic integration and South-South links; (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 business environment.

4. Despite a challenging global economic environment, ITC delivered 25 per cent more technical assistance, capacity-building and market intelligence in 2014 than the year before, with extrabudgetary expenditures reaching an all-time high of $53 million (based on the 2014 annual report). ITC continued its commitment to prioritize the most vulnerable countries, least developed countries, land-locked developing countries, small island developing States and sub-Saharan Africa, with 73 per cent of its region-specific extrabudgetary expenditure dedicated to these groups of countries in 2014 (against a target of 60 per cent).

5. A comprehensive independent evaluation of the work of ITC from 2006 to 2013 was concluded in 2014, offering key recommendations on how to improve the organization. The evaluation found that ITC provides high-quality, practical support to developing countries seeking to drive development through trade despite the organization's relatively small size and complex internal governance. It deemed ITC to be well placed to respond to growing demand, as long as it is able to secure sufficient and predictable funding for a coherent long-term strategy. ITC management took on board all four key recommendations of the independent evaluation, the response to which is largely reflected in the priorities of the new strategic plan for 2015-2017.

6. In order to support its technical assistance portfolio, ITC focused on improving its efficiency and effectiveness through a number of initiatives in 2014, including the following:

(a) ITC continued to invest in ensuring results-oriented project design and management through training in project and programme management, streamlined processes for project design and approval, and the development of improved project management software for the full project lifecycle;

(b) ITC continued its commitment towards building strong methodologies to assess impact, including through an impact-focused client survey. Of the 307 beneficiary enterprises that responded to the survey, 70 per cent declared that working with ITC had a positive impact on exports and 35 per cent reported a positive effect on job creation;

(c) With the support of the Office of Internal Oversight Services, ITC developed an accountability policy and associated operating principles to improve organizational and individual accountability for performance with a focus on results, value for money and ethical behaviour;

(d) In January 2014, ITC implemented the International Public Sector Accounting Standards (IPSAS). These financial statements have for the first time been prepared in accordance with IPSAS;

(e) Efforts to identify the full costs of ITC activities continued, and costs for key administrative processes were updated. The results will be used to identify areas for further efficiencies, as well as to develop more reliable and transparent project costing;

(f) ITC is using the Internet to expand the reach — and reduce the costs — of its services. Through the ITC Small and Medium-sized Enterprises Trade Academy, launched in September 2014, 10 courses were delivered to 1,200 participants.

7. At the 48th session of the ITC annual meeting, the Joint Advisory Group, convened in Geneva on 11 and 12 June 2014, Member States expressed strong support for the clear and specific mandate of the Centre, as well as its unique technical expertise to help small and medium-sized enterprises boost competitiveness and internationalize. Delegates voiced widespread backing for the Centre’s shift to organize work around the six focus areas and welcomed the findings and recommendations made in the independent evaluation.

B. Adoption of the International Public Sector Accounting Standards

8. For the first time, the financial statements of ITC have been prepared in accordance with IPSAS. In 2013 and prior years, the financial statements were prepared in accordance with the United Nations System Accounting Standards.

9. The adoption of IPSAS has been accepted as best practice for accounting and reporting by the public sector and not-for-profit governmental organizations. ITC adopted IPSAS on 1 January 2014, in accordance with General Assembly resolution 60/283, which cited IPSAS benefits for improving the quality, comparability and credibility of financial reporting across the United Nations system.

Highlights of key changes to the IPSAS financial statements of ITC

10. Financial statements prepared in accordance with IPSAS use full accrual-based accounting, which is a significant change from the modified cash basis of accounting previously applied under the United Nations system accounting

standards. Accrual-based accounting requires the recognition of transactions and events when they occur and the presentation of all assets and liabilities at reporting date. Accordingly, the accounting policies of ITC have been updated to IPSAS; the summary of significant accounting policies, presented in note 3 to the financial statements, reflects this update.

11. Assets. Under the United Nations system accounting standards, physical assets and intangibles were expensed when purchased and did not appear on the balance sheet; under IPSAS, ITC has reported property, plant and equipment and intangible assets for the first time. Assets qualifying as financial instruments are now fair valued and thus the Centre's share of the investments of the United Nations cash pool reflects mark to market adjustments.

12. Liabilities. Under the United Nations system accounting standards, only some liabilities were recognized. Under IPSAS, all liabilities are recognized; in preparation for IPSAS, ITC had already recognized its long-term employee-benefits liabilities of after-service health insurance, unused annual leave and accrued repatriation benefits. In accordance with IPSAS, provisions have been recognized for valid legal claims, liabilities for conditional funding arrangements and refunds due to donors.

13. Revenue. Under IPSAS, revenue is recognized when an agreement to provide unconditional funding is signed, even prior to the receipt of cash. ITC has also recognized for the first time, revenue for donated right-to-use property arrangements in accordance with IPSAS.

14. Expense. Expenses are now recorded in the financial statements only when goods and/or services have been received, not when commitments have been made, as was the case under the United Nations system accounting standards. Thus, under IPSAS, commitments against budgets do not qualify as an expense in the financial statements. ITC now reports on the face of the financial statements expenses related to depreciation and amortization of assets, and actuarial service cost and interest cost on its employee-benefit liabilities.

15. Note disclosures. IPSAS requires significantly more note disclosures in the financial statements; some of the new areas of note disclosures for ITC include reporting on leases, movement of provisions, reporting on key management personnel, reporting on details of measurement of employee-benefit liabilities, reporting on details of the life cycle of property, plant and equipment and intangibles assets and reporting on investment risks.

16. Of note is that the budget of ITC continues to be prepared on a modified cash basis. As the accounting basis for the budget differs from the basis applied to the financial statements, reconciliation between expenditure on the budget and expenses according to the IPSAS financial statements is provided in note 17 to the financial statements.

17. Under the United Nations system accounting standards, the ITC financial statements were presented showing the distinction between the major groups of funds. Under IPSAS, an entity-level view of the position, performance and cash flows of the entity is shown on the face of the financial statements. Information by group of funds is contained in the annex to the financial statements.

18. In order to transition to IPSAS, the financial position as at 31 December 2013 was restated and IPSAS-compliant opening balances were compiled as at 1 January 2014, which resulted in an adjustment to the net asset position of ITC; refer to statement III. Owing to the change of accounting basis in the first year of the adoption of IPSAS, a full suite of comparative information for the prior year is not provided in the financial statements.

C. Overview of the financial statements for the year ended 31 December 2014

19. Financial statements I, II, III, IV and V show the financial results of the activities of ITC and its financial position as at 31 December 2014. The notes to the financial statements explain the Centre’s accounting and financial reporting policies and provide additional information on the individual amounts contained in the statements.

Revenue

20. The financial results for year 2014 show a surplus of $7.702 million based on the results as follows:

Financial results for 2014

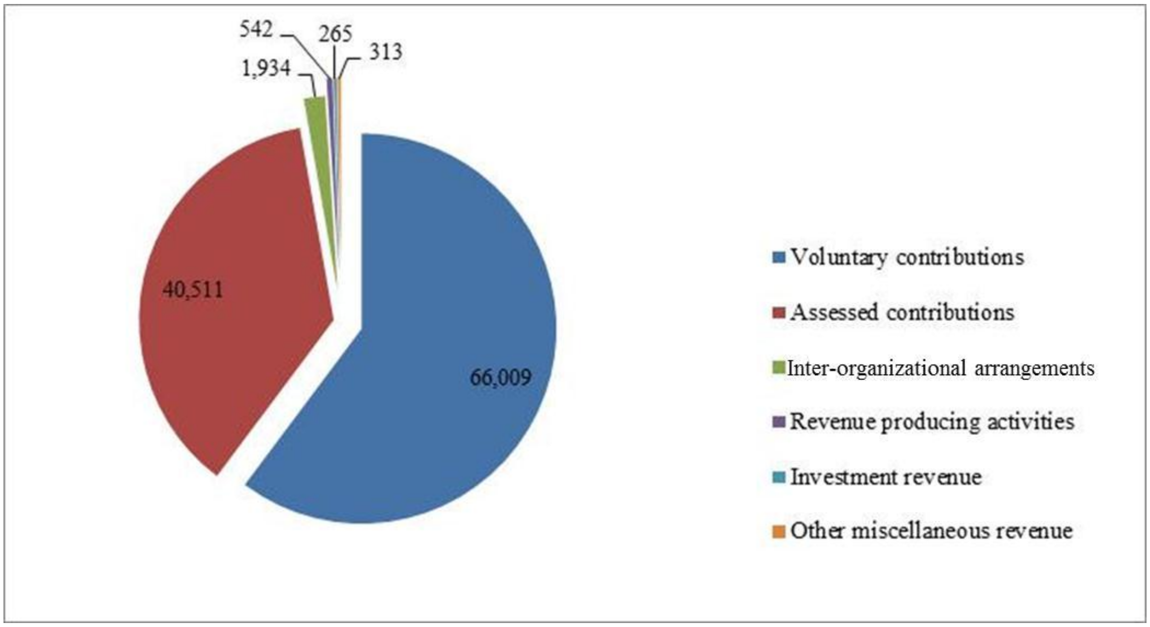
(Thousands of United States dollars)

Total revenue	109 574
Total expense	101 872
Surplus (deficit)	7 702
Net assets	**16 574**

21. In 2014 revenue totalled $109.574 million. The main sources of revenue were assessed contributions of $40.511 million; voluntary contributions of $67.943 million received from donors; revenue of $0.542 million received for rendering services; investment revenue of $0.265 million; and other revenue of $0.313 million. Total revenue also includes contributions in-kind as a rental subsidy of $2.934 million for the year, which represents the difference between the market value and the actual amount paid for the rental of the building occupied by ITC.

Total revenue for 2014 (IPSAS basis)

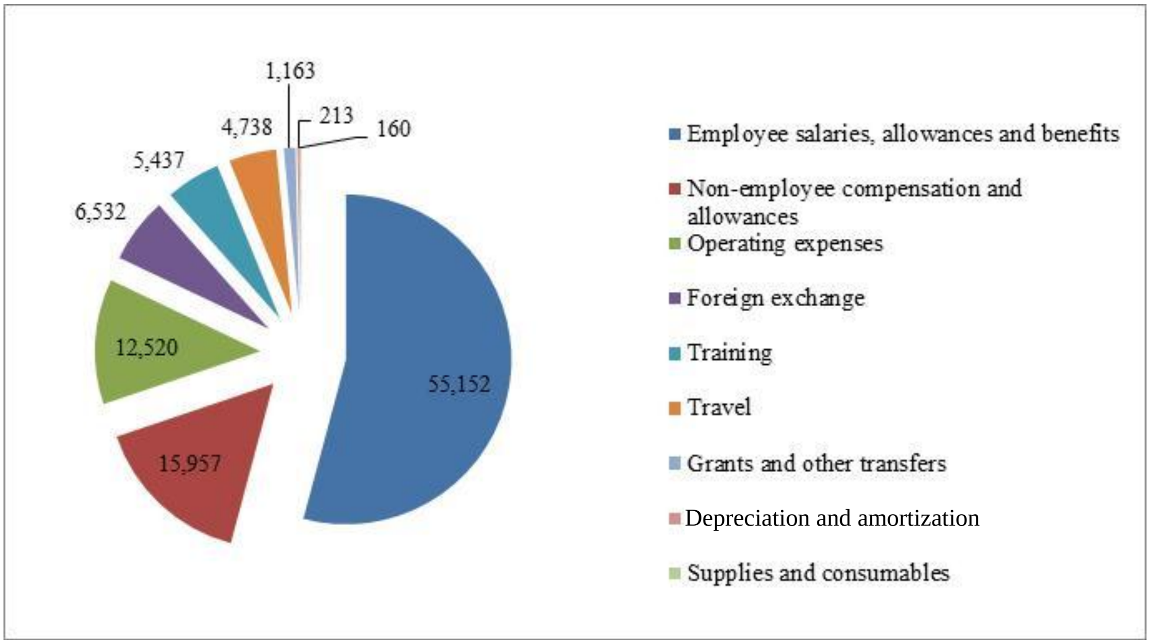
(Thousands of United States dollars)



Expenses

22. For the year ended 31 December 2014, expenses totalled $101.872 million. The main expense categories were staff costs of $55.152 million, or 54.1 per cent; non-employee compensation and allowances of $15.957 million, or 15.7 per cent; general operating expenses of $12.520 million, or 12.3 per cent; foreign exchange losses of $6.532 million, or 6.4 per cent; training expenses of $5.437 million, or 5.3 per cent; and travel expenses of $4.738 million, or 4.6 per cent. Information for 2013 is not presented since these figures were prepared on a United Nations system accounting standards (commitment) basis, which is not comparable. Staff costs include $5 million of interest costs and current service costs related to defined-benefit obligations (after-service health insurance, annual leave and repatriation grant/travel). In accordance with the policy set by the United Nations Controller, programme support costs on expenses generated by the implementation of project activities are charged based on rates ranging from 7 per cent to 13 per cent. These costs are included in the project expenses.

Total expenses for 2014 (IPSAS basis)
(Thousands of United States dollars)



23. Total personnel cost, which includes staff costs and non-employee compensation and allowances, totalled $71.109 million; this amount represents 65 per cent of the total revenue, which was reported at $109.574 million for the year.

Operating results

24. The net surplus of revenue over expense in 2014, as measured under IPSAS, is $7.702 million. However, it is worth noting that, under IPSAS, the matching principle of revenue and expenses does not apply for non-exchange transactions. This means that contributions can be received in one financial year and spent in another, in particular where agreements are signed late in the financial year and span a multi-year period.

Assets

25. Assets as at 31 December 2014 totalled $134.592 million compared with the balance at 31 December 2013 (adjusted for IPSAS compliance) of $130.427 million.

26. The main assets at 31 December 2014 are cash and cash equivalents and investments totalling $47.556 million, representing 35.3 per cent of the total assets, and voluntary contributions receivables from donors for technical cooperation projects of $83.625 million, or 62.1 per cent. The remaining assets consist of staff advances, other accounts receivable, and property, plant and equipment and intangible assets.

27. Cash and cash equivalents and investments of $47.556 million at 31 December 2014, other than small amounts held in field office imprest accounts, is held in the United Nations cash pool. This represents a decrease of $8.520 million over the balance held at the end of 2013 owing primarily to the increased delivery of technical cooperation activities in 2014.

28. Under IPSAS, accounts receivable from voluntary contributions may be recognized in full on signature of an agreement including amounts due in future financial periods. One exception is agreements such as those with the European Union that contain conditions requiring the return of the contribution if the funds spent are not in accordance with the terms and conditions specified by the donor. Of the total of $83.625 million due as at 31 December 2014, $35.761 million is expected to be received in 2015 and the balance of $47.864 million is expected after 2015.

Liabilities

29. Liabilities as at 31 December 2014 totalled $118.018 million compared with the balance at 31 December 2013 of $99.7 million.

30. The most significant liability was the employee benefits earned by staff members and retirees but not paid at the reporting date; these were primarily liabilities for after-service health insurance. These liabilities accounted for $90.272 million, representing 76.5 per cent of the Centre's total liabilities and are explained in detail in note 13 to the financial statements. The increase of these liabilities by $25.203 million is caused primarily by the reduction of the discount rate utilized to convert the outstanding obligation to the net present value in accordance with the requirement of IPSAS; the lower the discount rate, the higher the liability.

31. The other significant liability was advance receipts that relate mainly to the voluntary contributions from the European Union agreements that contain conditions requiring the return of funds spent that are not in accordance with the terms of the agreement. These amounts represent the portion of the contribution at 31 December that has not been recognized as revenue since it has not been earned by ITC by performing the services covered by the agreement. The remaining amount in advance receipts are contributions received in advance where agreements have not been signed as at 31 December. Advance receipts decreased by $3.172 million from $22.468 million reported in 2013 to $19.296 million owing to an increase in service delivery and a smaller level of conditional agreements in 2014.

Net assets

32. The movement in net assets during the year reflects a decrease of $14.153 million from $30.727 million in 2013 to $16.574 million in 2014 owing to the negative actuarial change of $21.855 million, offset by the operating surplus of $7.702 million. Net assets include the operating reserves, which increased from $6.171 million in 2013 to $ 6.577 million in 2014.

Liquidity position

33. At 31 December 2014, the liquidity position of ITC was healthy; the entity had sufficient liquid assets to settle its obligations. Liquid funds totalled $66.185 million (cash and cash equivalents of $10.229 million, short-term investments of $19.826 million and account receivables of $36.130 million), whereas total current liabilities amounted to $23.9 million and total liabilities amounted to $118.018 million.

34. The table below summarizes key liquidity indicators for the financial year ended 31 December 2014 with comparatives for the year ended 31 December 2013.

Liquidity indicator	*Year ended 31 December* 2014	2013
Ratio of liquid assets to current liabilities	2.8:1	2.3:1
Ratio of liquid assets less accounts receivable to current liabilities	1.3:1	1.2:1
Ratio of liquid assets to total assets	0.5:1	0.5:1
Average months of liquid assets less accounts receivable on hand[a]	3.5	Not available[a]

[a] Comparative not available.

35. The ratio of liquid assets to current liabilities indicates the ability of ITC to pay its short-term obligations from its liquid resources. The ratio of 2.8:1 indicates that current liabilities are covered in excess of two times by liquid assets, and therefore sufficient liquid assets are available to fully pay liabilities should the need arise. An increase of the value of this ratio from 2.3:1 in the prior year indicates a slight strengthening of liquidity resulting from decreased current liabilities holdings as at the end of 2014. When accounts receivable are excluded from the analysis, the coverage of current obligations is at 1.3 for the current year and 1.2 for the previous year.

36. At 31 December 2014, the Centre's liquid assets were about 49.2 per cent of its total assets and it held sufficient cash and cash equivalents and short-term investments to cover its estimated average monthly expenses of $8.472 million for 3.5 months.

37. As at the reporting date, ITC had employee-benefit liabilities of $90.272 million. With total cash and cash equivalents and investments of $47.556 million, the employee-benefits liability is covered 52.6 per cent; no amounts were reserved in the accounts to cover employee-benefit liabilities to be paid in the future.

Annex

Supplementary information

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

Write-off of losses of cash and receivables

2. Pursuant to financial rule 106.7 (a), there were no write-off cases of cash or receivables with respect to ITC during 2014.

Write-off of losses of property

3. Pursuant to financial rule 106.7 (a), total write-offs of non-expendable property for ITC with respect to the financial statements during 2014 comprised eight information technology items and two non-information technology items, with their total original acquisition value of $196,407. These write-offs resulted from malfunction and obsolescence.

Ex gratia payments

4. There were no ex gratia payments during 2014.

Chapter V

Financial statements for the year ended 31 December 2014

International Trade Centre UNCTAD/WTO

I. Statement of financial position as at 31 December 2014

(Thousands of United States dollars)

	Note	*31 December 2014*	*1 January 2014*
Assets			
Current assets			
Cash and cash equivalents	6	10 229	11 726
Investments	5	19 826	22 422
Voluntary contributions receivable	7	35 761	31 745
Other accounts receivable	7	369	281
Other assets	8	1 730	2 223
Total current assets		**67 915**	**68 397**
Non-current assets			
Investments	5	17 501	21 928
Voluntary contributions receivable	7	47 864	39 496
Property, plant and equipment	9	654	606
Intangible assets	10	658	–
Total non-current assets		**66 677**	**62 030**
Total assets		**134 592**	**130 427**
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	11	8 447	12 052
Advance receipts	12	12 499	14 193
Employee-benefits liabilities	13	2 951	2 740
Provisions	14	3	111
Total current liabilities		**23 900**	**29 096**
Non-current liabilities			
Advance receipts	12	6 797	8 275
Employee-benefits liabilities	13	87 321	62 329
Total non-current liabilities		**94 118**	**70 604**
Total liabilities		**118 018**	**99 700**
Net of total assets and total liabilities		**16 574**	**30 727**
Net assets			
Accumulated surplus		9 997	24 556
Operating reserves	3.17	6 577	6 171
Total net assets		**16 574**	**30 727**

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

International Trade Centre UNCTAD/WTO

II. Statement of financial performance for the year ended 31 December 2014

(Thousands of United States dollars)

	Note	*31 December 2014*
Revenue		
Assessed contributions	15	40 511
Voluntary contributions	15	67 943
Revenue from services rendered	15	542
Investment revenue	15	265
Other revenue	15	313
Total revenue		**109 574**
Expenses		
Employee salaries, allowances and benefits	16	55 152
Non-employee compensation and allowances	16	15 957
Training	16	5 437
Travel	16	4 738
Foreign exchange expenses	16	6 532
Grants and other transfers	16	1 163
Depreciation and amortization	9, 10	213
Supplies and consumables		160
Other operating expenses	16	12 520
Total expenses		**101 872**
Surplus for the year		**7 702**

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

International Trade Centre UNCTAD/WTO

III. Statement of changes in net assets for the year ended 31 December 2014

(Thousands of United States dollars)

	Accumulated surplus — restricted	*Reserves*	*Total*
Net assets as at 31 December 2013 (United Nations standby arrangements system)	(18 249)	6 171	(12 078)
IPSAS adjustments (note 4):			–
Change in recognition policy for revenue from voluntary contributions	71 241	–	71 241
Change in the valuation of employee-benefits liability	(1 993)	–	(1 993)
De-recognition of deferred charges	(12 347)	–	(12 347)
De-recognition of other accounts receivable	(1 862)	–	(1 862)
De-recognition of other current payables	1 256	–	1 256
De-recognition of unliquidated obligations	19 242	–	19 242
Initial recognition of advance receipts	(22 468)	–	(22 468)
Initial recognition of accounts payable and accrued expenses	(12 052)	–	(12 052)
Initial recognition of other assets	2 223	–	2 223
Initial recognition of employee-benefit liabilities	(930)	–	(930)
Initial recognition of property, plant and equipment	606	–	606
Initial recognition of provisions	(111)	–	(111)
Total IPSAS adjustments	**42 805**	**–**	**42 805**
Restated net assets as at 1 January 2014 (IPSAS)	**24 556**	**6 171**	**30 727**
Actuarial losses on employee-benefits liabilities (note 13)	(21 855)	–	(21 855)
Surplus for the year	7,702	–	7 702
Transfers	(406)	406	–
Total recognized changes in net assets	**(14 559)**	**406**	**(14 153)**
Net assets as at 31 December 2014	**9 997**	**6 577**	**16 574**

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

International Trade Centre UNCTAD/WTO

IV. Statement of cash flows for the year ended 31 December 2014

(Thousands of United States dollars)

	Note	*31 December 2014*
Cash flows from operating activities		
Surplus for the year		7 702
Non-cash movements		
Depreciation and amortization	9, 10	213
Actuarial losses on employee-benefit liabilities	13	(21 855)
Changes in assets		
Increase in voluntary contributions receivable	7	(12 384)
Increase in other accounts receivable	7	(88)
Decrease in other assets	8	493
Changes in liabilities		
Increase in accounts payable and accrued liabilities	11	(3 605)
Decrease in advance receipts	12	(3 172)
Increase in employee-benefit liabilities	13	25 203
Decrease in provisions	14	(108)
Investment revenue presented as investing activities	15	(265)
Net cash flows used in operating activities		**(7 866)**
Cash flows from investing activities		
Contribution from main cash pool	5	7 023
Investment revenue presented as investing activities	15	265
Purchases of property, plant and equipment	9	(249)
Purchases of intangible assets	10	(673)
Disposal of property, plant and equipment	9	3
Net cash flows used in investing activities		**6 369**
Net increase/(decrease) in cash and cash equivalents		**(1 497)**
Cash and cash equivalents — beginning of year		11 726
Cash and cash equivalents — end of year	**6**	**10 229**

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

International Trade Centre UNCTAD/WTO

V. Statement of comparison of budget and actual amounts for the year ended 31 December 2014

(Thousands of United States dollars)

Section 13 — International Trade Centre	*Publicly available budget* Original biennial	Original annual[a]	Final annual[b]	*Actual expenditure (budget basis)*	*Difference (percentage)*[c]
Revenue					
Assessed contributions from UNCTAD	39 893	19 946	19 727	20 249	2.6
Assessed contributions from WTO	39 893	19 946	19 727	20 262	2.7
Other revenue	432	217	211	292	38.4
Total revenue	**80 218**	**40 109**	**39 665**	**40 803**	**2.9**
Expenses					
Post	63 550	31 775	31 423	29 626	-5.7
Non-post	16 668	8 334	8 242	7 733	-6.2
Total expenses	**80 218**	**40 109**	**39 665**	**37 359**	**-5.8**
Surplus for the year		–	–	**3 444**	

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

[b] The final budget is the amount approved by the General Assembly of the United Nations in the first performance report covering year one of the biennium 2014-2015 (resolution 69/262). Differences between the original budget and final budget are the result of changes in the United States dollars = Swiss franc exchange rate and the revised estimate of expense based included in the first performance report.

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

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

International Trade Centre UNCTAD/WTO
Notes to the 2014 financial statements

Note 1
Reporting entity

The International Trade Centre and its activities

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

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

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

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

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

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

4. The financial statements of ITC include its share of the United Nations system joint venture operations of the system-wide safety and security, over which ITC has significant influence.

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

Note 2
Basis of preparation and authorization for issue

6. The accounts of ITC are maintained in accordance with the Financial Regulations and Rules of the United Nations as adopted by the General Assembly of the United Nations, the rules formulated by the Secretary-General as required under the regulations and administrative instructions issued by the Under-Secretary-General for Management or the Controller. The financial statements of ITC are prepared on the accrual basis of accounting in accordance with the International Public Sector Accounting Standards (IPSAS). In accordance with the requirements of IPSAS, these financial statements, which present fairly the assets, liabilities, revenue and expenses of ITC, and the cash flows over the financial year, consist of the following:

(a) Statement I: statement of financial position;

(b) Statement II: statement of financial performance;

(c) Statement III: statement of changes in net assets;

(d) Statement IV: statement of cash flows using the indirect method;

(e) Statement V: statement of comparison of budgets and actual amounts;

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

7. The financial statements have been prepared on a going-concern basis and the accounting policies, as summarized in note 3, have been applied consistently in the preparation and presentation of these financial statements. The going-concern assertion is based on the approval by the General Assembly of the regular budget appropriations for the biennium 2014-2015 and the programme budget outline for the biennium 2016-2017, the positive historical trend of collection of assessed and voluntary contributions over the past years, and that the General Assembly and the General Council of the WTO have not made any decision to cease the operations of ITC.

8. This first set of financial statements is prepared in compliance with IPSAS, which includes the application of certain transitional provisions, as identified below. The cash flow statement is prepared using the indirect method. Prior to 1 January 2014, the financial statements were prepared in accordance with United Nations system accounting standards, a modified accrual basis of accounting.

9. The adoption of IPSAS has required changes to be made to the accounting policies previously followed by ITC, including the preparation of a single set of financial statements covering both regular and extrabudgetary activities and the previous presentation of “fund accounting basis” have been integrated into a single overall position. This includes the preparation of the financial statements on an annual basis rather than the previous biennial basis. The adoption of the new accounting policies has resulted in changes to the assets and liabilities recognized in the statement of financial position. Accordingly, the last audited statement of assets, liabilities and reserves and fund balances as at 31 December 2013 has been restated and the resulting changes are reported in the statement of changes in net assets and note 4, First implementation of IPSAS. The net effect of the changes brought about by the adoption of IPSAS in the statement of financial position amounted to an increase in total net assets of $42.805 million at 1 January 2014.

Functional and presentation currency

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

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

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

13. Foreign exchange gains and losses resulting from the settlement of transactions in currencies other than the Centre's functional currency and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of financial performance on a net basis.

Materiality and use of judgement and estimation

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

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

IPSAS transitional provisions

16. As permitted for first-time adoption of IPSAS, the following transitional provisions have been applied:

(a) IPSAS 1: Presentation of financial statements — comparative information is provided only for the statement of financial position;

(b) IPSAS 31: Intangible assets is applied prospectively to intangible assets;

(c) IPSAS 17: Property, plant and equipment, which allows a transitional period of up to five years prior to full recognition of capitalized tangible assets. ITC has not recognized the cost of leasehold improvements expensed prior to the adoption of IPSAS at 1 January 2014.

Measurement basis

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

Authorization for issue

18. These financial statements are certified by the United Nations Assistant Secretary-General, Controller and approved by the Secretary-General of the United Nations. In accordance with financial regulation 6.2 of the Financial Regulations and Rules of the United Nations, the Secretary-General transmits these financial statements as at 31 December 2014 to the Board of Auditors on 31 March 2015. Sequentially, in accordance with Financial Regulation 7.12, the reports of the Board of Auditors, together with the audited financial statements, shall be transmitted to the General Assembly through the Advisory Committee on Administrative and Budgetary Questions.

Future accounting pronouncements

19. The progress and impact of the following significant future International Public Sector Accounting Standards Board accounting pronouncements on the ITC financial statements continue to be monitored:

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

(b) Social benefits — the project's objective is to identify the circumstances and manner in which expenses and liabilities of certain social benefits should be reflected in the financial statements;

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

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

Future requirements of IPSAS

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

21. A number of annexes accompany the financial statements; these annexes are not required by IPSAS but are provided as supplementary information to the user.

Note 3
Significant accounting policies

Assets

3.1 Financial assets: classification

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

Financial assets at fair value through surplus or deficit

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

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

Recognition and measurement of assets held in main cash pool

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

Recognition and measurement of receivables

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

Impairment of receivables

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

measured as the difference between the asset's carrying amount and the estimated future receipts.

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

3.2 *Advances or prepayments*

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

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

3.3 *Property, plant and equipment*

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

32. Property, plant and equipment are capitalized when their cost is greater or equal to $5,000 for equipment and $100,000 for leasehold improvements. In accordance with IPSAS 17: Property, plant and equipment, which allows a transitional period of up to five years prior to full recognition of capitalized tangible assets, ITC has not recognized the cost of leasehold improvements expensed prior to the adoption of IPSAS at 1 January 2014.

Subsequent costs

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

Depreciation of property, plant and equipment

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

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

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

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

3.4 Intangible assets

37. Intangible assets are valued at historical cost less accumulated amortization and any impairment losses. Externally acquired software is capitalized if its cost exceeds $5,000, including costs incurred to acquire and bring the software to use. Internally developed software is capitalized where the accumulated cost is greater than or equal to $100,000, excluding research and maintenance costs and including directly attributable costs such as for employees, subcontractors and consultants. In accordance with IPSAS 31: Intangible assets, which provides for the prospective recognition of intangible assets after the initial adoption of IPSAS, ITC has not recognized the cost of intangible assets acquired or developed prior to the adoption of IPSAS at 1 January 2014.

Amortization of intangible assets

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

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

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

Liabilities

3.5 Financial liabilities

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

41. Financial liabilities classified as other financial liabilities are initially recognized at fair value and subsequently measured at amortized cost. Financial liabilities with a duration of less than 12 months are recognized at their nominal value. ITC re-evaluates the classification of financial liabilities at each reporting date and de-recognizes financial liabilities when its contractual obligations are discharged, waived, cancelled or expired.

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

3.6 Employee-benefit liabilities

43. ITC recognizes the following employee benefits, as set out below.

Short-term employee benefits

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

Post-employment benefits

45. Post-employment benefits comprise after-service health insurance, repatriation grant, separation-based travel and shipping costs and accumulated annual leave.

46. The liability recognized for the post-employment benefit plans is the present value of the defined-benefit obligations at the reporting date. Defined-benefit plans are those where the obligation of ITC is to provide agreed benefits and therefore ITC bears the actuarial risks. The defined-benefit obligations are calculated by an independent actuary using the projected unit credit method. The present value of the defined-benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds with maturity dates approximating those of the individual plans. Changes in the liability for defined-benefit plans, including interest costs and current service costs, are recognized in the statement of financial performance in the year in which they occur. At the end of the reporting year, ITC did not hold any plan assets as defined by IPSAS 25: Employee benefits. Upon end of service, staff members may accumulate unused

annual leave days up to a maximum of 60 working days for those holding fixed-term or continuing appointments.

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

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

Other long-term benefits

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

Termination benefits

50. Termination benefits generally include indemnities for voluntary redundancy.

United Nations Joint Staff Pension Fund

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

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

3.7 Provisions

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

3.8 *Operating leases*

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

3.9 *Contingent liabilities and contingent assets*

Contingent liabilities

55. Any possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events, not wholly within the control of ITC or where value cannot be reliably estimated, are disclosed as contingent liabilities. Contingent liabilities are assessed continually to determine whether an outflow of resources embodying economic benefits or service potential has become probable. If it becomes probable that an outflow of resources embodying economic benefits or service potential will be required, a provision is recognized in the financial statements of the year in which change of probability occurs.

Contingent assets

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

Revenue

3.10 *Non-exchange revenue and receivables*

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

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

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

3.11 *Exchange revenue*

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

3.12 Investment revenue

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

3.13 Expenses

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

3.14 Segment reporting

63. A segment is a distinguishable activity or group of activities for which financial information is reported separately in order to evaluate an entity's past performance in achieving its objectives and for making decisions about the future allocation of resources.

64. ITC is a single purpose entity established by WTO and the United Nations, as the joint technical cooperation agency for the business aspects of trade development group of activities. It therefore falls into one operating segment for IPSAS purposes.

3.15 Related party disclosures

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

3.16 Operating reserves

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

Note 4
First implementation of IPSAS

67. Opening balances reflect the closing balances on the 2013 audited statement of assets, liabilities and fund balances, which have been restated to incorporate adjustments made owing to the adoption of IPSAS effective 1 January 2014.

68. The net financial impact of IPSAS adoption on opening balances amounts to $42.805 million. The recognition of the deferral of revenue from voluntary contributions with conditions, recognition of confirmed voluntary contributions

receivable and conversion of commitments to the delivery principle are the main adjustments.

69. Other adjustments made to the opening balances pertaining to the adoption of IPSAS are as follows:

(a) Reclassification of accumulated surplus/deficit related to project balances;

(b) Reclassification of cash and cash equivalents to separately identify investments with terms exceeding 90 days as short-term investments and those with terms exceeding one year as long-term investments;

(c) Reclassification of long-term receivables to non-current assets;

(d) Reclassification of long-term payables to non-current liabilities;

(e) Change in the valuation of employee-benefits liabilities;

(f) Capitalization of property, plant and equipment and intangible assets.

Opening balances adjustment (restatement)

(Thousands of United States dollars)

	31 December 2013	*Adjustments required by transition to IPSAS*	*1 January 2014*
Assets			
Current assets			
Cash and term deposits	7	(7)	–
Cash pools	56 069	(56 069)	–
Cash and cash equivalents	–	11 726	11 726
Investments	–	22 422	22 422
Receivable from funding sources	397	(397)	–
Voluntary contributions receivable	–	31 745	31 745
Other accounts receivable	1 746	(1 465)	281
Deferred charges	12 347	(12 347)	–
Other current assets	–	2 223	2 223
Total current assets	**70 566**	**(2 169)**	**68 397**
Non-current assets			
Investments	–	21 928	21 928
Voluntary contributions receivable	–	39 496	39 496
Property, plant and equipment	–	606	606
Total non-current assets	**–**	**62 030**	**62 030**
Total assets	**70 566**	**59 861**	**130 427**
Liabilities			
Current liabilities			
Unliquidated obligations — current period	7 517	(7 517)	–
Unliquidated obligations — future periods	11 725	(11 725)	–

	31 December 2013	*Adjustments required by transition to IPSAS*	*1 January 2014*
Accounts payable and accrued expenses	–	12 052	12 052
Advance receipts	–	14 193	14 193
Employee benefits	–	2 740	2 740
Provisions	–	111	111
Other current payable/liabilities	1 256	(1 256)	–
End-of-service and post-retirement liabilities	62 146	(62 146)	–
Total current liabilities	**82 644**	**(53 548)**	**29 096**
Non-current liabilities			
Advance receipts	–	8 275	8 275
Employee benefits	–	62 329	62 329
Total non-current liabilities	**–**	**70 604**	**70 604**
Total liabilities	**82 644**	**17 056**	**99 700**
Total assets and liabilities	**(12 078)**	**42 805**	**30 727**
Net assets			
Accumulated surplus — restricted	(18 249)	42 805	24 556
Operating reserves	6 171	–	6 171
Total net assets	**(12 078)**	**42 805**	**30 727**

70. For the first-time recognition of opening balances under IPSAS, existing equipment is recognized at cost less accumulated depreciation.

Note 5
Financial instruments and financial risk management

(Thousands of United States dollars)

Financial instruments	*31 December 2014*
Financial assets	
Fair value through the surplus or deficit	
Investments — main cash pool (short-term)	19 826
Investments — main cash pool (long-term)	17 501
Total fair value through the surplus or deficit	**37 327**
Loans and receivables	
Cash and cash equivalents — main cash pool (note 6)	10 225
Cash and cash equivalents — other (note 6)	4
Accounts receivable (note 7)	83 994
Total loans and receivables	**94 223**

Financial instruments	*31 December 2014*
Total carrying amount of financial assets	**131 550**
Of which relates to financial assets held in main cash pool	47 552
Financial liabilities	
Amortized cost	
Accounts payable and accrued liabilities	(8 447)
Total carrying amount of financial liabilities	**(8 447)**

71. ITC participates only in the United Nations Treasury main cash pool. As at 31 December 2014, the main pool held total assets of $9,462.8 million; of this amount $47.6 million was due to ITC. The net income to ITC from the main pool was $0.3 million (see note 15).

Summary of assets and liabilities of the main cash pool as at 31 December 2014

(Thousands of United States dollars)

	31 December 2014
Fair value through surplus or deficit	
Short-term investments	3 930 497
Long-term investments	3 482 641
Total fair value through surplus or deficit investments	**7 413 138**
Loans and receivables	
Cash and cash equivalents	2 034 824
Accrued investment income	14 842
Total loans and receivables	**2 049 666**
Total carrying amount of financial assets	**9 462 804**
Main pool liabilities	
Payable to ITC	47 552
Payable to other main pool participants	9 415 252
Total liabilities	**9 462 804**
Net assets	**–**

Summary of net income and expenses of the main pool
(Thousands of United States dollars)

	2014
Investment revenue	62 511
Financial exchange gains/(losses)	(7 064)
Unrealized gains/(losses)	(3 084)
Bank fees	(214)
Net income from main pool	**52 149**

5.1 *Financial risk factors*

72. The Centre’s operations expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The United Nations Treasury is responsible for main cash pool investment and risk management, including conducting investment activities in accordance with the Investment Management Guidelines. An Investment Committee periodically evaluates investment performance and assesses compliance with the Guidelines and makes recommendations for updates thereto.

5.2 *Market risk*

(a) *Foreign exchange risk*

73. Foreign exchange risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate owing to changes in foreign exchange rates. ITC operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Swiss franc. Management requires that ITC manage its currency risk against its functional currency by structuring contributions from the United Nations and WTO in Swiss francs, which is the foreign currency needed for operational purposes related to the regular budget. The Centre’s financial assets and financial liabilities are primarily denominated in United States dollars, thereby reducing its overall foreign currency exposure. Financial liabilities, including funds received in advance and funds held on behalf of donors are carried in the accounts in United States dollars, although some portion may be refunded in local currency at the donor’s request. Currency risk related to technical cooperation projects is mitigated through contractual terms in agreements with donors that provide that ITC will not assume any financial liability in excess of the funds provided by the donor as calculated in the Centre’s functional currency.

Currency exposure as at 31 December 2014

(Thousands of United States dollars)

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

74. As at 31 December 2014, if the United States dollar had weakened/ strengthened by 10 per cent against the Swiss franc with all other variables held constant, net surplus for the year would have been $5.327 million higher/lower, mainly as a result of foreign exchange gains/losses on translation of Great British Pound denominated receivables. Similarly, the impact on net assets would have been $5.327 million higher/lower.

(b) *Interest rate risk*

75. Interest rate risk is the risk of variability in financial instruments' fair values or future cash flows owing to change in interest rates. In general, as an 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 exposure to interest rate risk is the main cash pool. As at the reporting date, the main cash pool invested primarily in securities with shorter terms to maturity, with the maximum being less than five years. The average duration of the main cash pool was 1.1 years, which is considered to be an indicator of low risk.

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

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

Shift in yield curve Basis points	-200	-150	-100	-50	0	50	100	150	200
Increase/(decrease) in fair value (Millions of United States dollars):									
ITC main cash pool sensitivity	1.03	0.77	0.52	0.26	–	(0.26)	(0.52)	(0.77)	(1.03)

(c) Other market risk: price risk

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

5.3 Credit risk

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

Credit risk disclosures: main cash pool

79. ITC is a participant in the main cash pool, which is managed centrally by the United Nations Treasury. Permissible investments may include, but are not restricted to, bank deposits, commercial paper, supranational securities, government agency securities and government securities with maturities of five years or less. The main cash pool does not invest in derivative instruments such as asset-backed and mortgage-backed securities or equity products.

80. 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.

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

Main cash pool credit ratings as at 31 December 2014

	Ratings — percentage based on carrying value
Bonds	S&P: 31.2% AAA, 59.8% AA+/AA/AA- and 1.3% A+; 7.7% not rated by S&P; Moody's: 69.3% Aaa and 30.7% Aa1/Aa2/Aa3; Fitch: 52.2% AAA, 21.4% AA+/AA/AA- and 26.4% not rated
Discounted instruments	S&P: 100% A-1+; Moody's: 70.0% P-1; 30.0% not rated; Fitch: 90.0% F1+ and 10.0% not rated
Term deposits	Fitch: 64.1% aa- and 35.9% a+/a/a-

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

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

Other credit risk disclosures

84. Voluntary contributions from Governments representing the Member States of the two parent organizations of ITC comprise the majority of the Centre's voluntary contributions receivable. Credit risk is considered minimal since most of its donors are sovereign entities. Other receivables do not contain impaired assets. The age of voluntary contributions receivable are as shown below.

Receivables past due (unimpaired)

(Thousands of United States dollars)

	31 December 2014
1 to 2 years	251

5.4 Liquidity risk

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

Liquidity risk disclosures: main cash pool

86. Surplus cash held by ITC over and above the balance required for working capital management is transferred to the main cash pool managed by the United Nations Treasury. The main cash pool is exposed to liquidity risk associated with the requirement of participants to make withdrawals on short notice. It maintains sufficient cash and marketable securities to meet participants' commitments as and when they fall due. The major portion of cash and cash equivalents and investments are available within one day's notice to support operational requirements. Main cash pool liquidity risk is therefore considered to be low.

Accounting classifications and fair value

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

Fair value hierarchy

88. The table below analyses financial instruments carried at fair value, by the fair value hierarchy levels. The levels are defined as:

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

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

(c) Level 3: inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

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

90. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques which maximize the use of observable market data. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in level 2.

91. The following fair value hierarchy presents the cash pool assets that are measured at fair value at the reporting date. There were no level 3 financial assets, nor any liabilities carried at fair value nor any significant transfers of financial assets between fair value hierarchy classifications.

Fair value hierarchy — main cash pool

(Thousands of United States dollars)

			31 December 2014
Financial assets at fair value through surplus or deficit	*Level 1*	*Level 2*	*Total*
Main pool			
Bonds			
Non-United States agencies	2 154 956	–	2 154 956
Non-United States sovereigns	691 489	–	691 489
Supranationals	440 169	–	440 169
United States Treasuries	1 297 290	–	1 297 290
Discounted instruments	999 234	–	999 234
Term deposits	–	1 830 000	1 830 000
Total main cash pool	**5 583 138**	**1 830 000**	**7 413 138**

Note 6
Cash and cash equivalents

Cash and cash equivalents

(Thousands of United States dollars)

	31 December 2014	*1 January 2014*
Main cash pool	10 225	11 719
Cash held in field offices	4	7
Total cash and cash equivalents	**10 229**	**11 726**

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

Note 7
Accounts receivable

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

Voluntary contributions receivable

(Thousands of United States dollars)

	31 December 2014	*1 January 2014*
Current	35 761	31 745
Non-current	47 864	39 496
Total voluntary contributions receivable	**83 625**	**71 241**

94. Other accounts receivables consist of the following as shown below.

(Thousands of United States dollars)

	31 December 2014	*1 January 2014*
Receivables from sales	18	31
Others	351	250
Total other accounts receivables	**369**	**281**

Note 8
Other assets

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

(Thousands of United States dollars)

	31 December 2014	*1 January 2014*
Advances to implementing partners	371	619
Staff advances	1 031	958
Other	328	646
Total other assets	**1 730**	**2 223**

Note 9
Property, plant and equipment

(Thousands of United States dollars)

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

96. Assets are reviewed annually to determine if there is any impairment in their value. The review that was undertaken for the 31 December 2014 reporting date did not result in any equipment being impaired. Total write-off of an amount of $3,872 occurred during the year.

Note 10
Intangible assets

Intangibles

(Thousands of United States dollars)

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

97. During 2014, there were five internal development software projects, three of which were completed and put into service in 2014, amounting to $0.504 million. Development of the remaining two projects will continue into 2015 and these projects are recognized as software under development as at 31 December 2014.

Note 11
Accounts payable and accrued liabilities

(Thousands of United States dollars)

	31 December 2014	*1 January 2014*
Vendor and other payables	1 327	801
Payables to donors	4 363	6 337
Accruals for goods and services	2 757	4 914
Total accounts payable and accrued liabilities	**8 447**	**12 052**

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

Note 12
Advance receipts

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

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

(Thousands of United States dollars)

	31 December 2014	*1 January 2014*
Current liabilities		
Conditional voluntary contributions	11 803	14 113
Contributions in advance	696	80
Subtotal current liabilities	**12 499**	**14 193**
Conditional voluntary contributions	6 797	8 275
Subtotal non-current liabilities	**6 797**	**8 275**
Total advance receipts	**19 296**	**22 468**

Note 13
Employee-benefit liabilities

101. The employee-benefit liabilities are unfunded unless otherwise indicated below.

(Thousands of United States dollars)

	31 December 2014	*1 January 2014*
Current liabilities		
United States tax reimbursement	819	517
Accumulated leave	319	370
Home leave	48	32
Repatriation grant	625	788
After-service health insurance liability	1 140	1 033
Subtotal current liabilities	**2 951**	**2 740**
Accumulated leave	4 243	3 513
Repatriation grant	4 373	3 927
After-service health insurance liability	78 705	54 889
Subtotal non-current liabilities	**87 321**	**62 329**
Total employee-benefits liabilities	**90 272**	**65 069**

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

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

(b) *Accumulated annual leave*. In accordance with the Staff Rules and Staff Regulations of the United Nations, ITC staff may accumulate annual leave of up to 60 working days, which is payable on separation from service. The actuarial valuation method for the 1 January 2014 IPSAS opening balances and roll-forward to the year end was changed from the straight-line to the attribution method. The opening balances impact of this change was an increase in liability of $1.993 million, which is disclosed in the statement of changes in net assets;

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

(d) *After-service health insurance*. Staff members (and their spouses, dependent children and survivors) retiring from service at the age of 55 or later are eligible for after-service health insurance coverage if they have contributory health insurance coverage prior to retirement for at least five years of service for staff hired before 1 July 2007 and 10 years of service for staff hired after 1 July 2007. Staff hired before 1 July 2007 who retire with less than 10 years but more than five years of coverage receive unsubsidized coverage until enrolled for 10 years, at which time the coverage is subsidized. An actuarial valuation carried out in 2011 determined the Centre's estimated liability for after-service medical benefits at the reporting date. The Centre's liability for after-service health insurance is calculated as the residual liability after deducting contributions from retirees and a portion of the contribution from active staff in accordance with cost-sharing ratios authorized by the General Assembly that require the ITC share of the liability not to exceed one half of the total gross liability. For 2014, the gross liability was calculated by the actuary as $168.848 million ($109.660 million at 31 December 2013), offset by contributions from plan participants of $79.725 million ($54.821 million at 31 December 2013), to equal the Centre's net liability of $89.123 million ($54.839 million at 31 December 2013), of which $21.855 million represents actuarial losses.

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

(Thousands of United States dollars)

	After-service health insurance	*Repatriation grant*	*Annual leave*	*Total*
Reconciliation of defined-benefit obligation				
Defined-benefit obligation 31 December 2013	55 922	4 358	1 866	62 146
Adjustment to opening balance to reflect change in valuation methodology recognized in net assets	–	–	1 993	1 993
Subtotal adjusted opening balance 1 January 2014	**55 922**	**4 358**	**3 859**	**64 139**
Current service cost	2 374	356	524	3 254
Interest cost	1 410	177	159	1 746
Benefits paid (net of participant contribution)	(1 060)	(449)	(362)	(1 871)
Liability losses due to actuarial assumptions and experience recognized in net assets	21 199	274	382	21 855
Defined-benefit obligation 31 December 2014	**79 845**	**4 716**	**4 562**	**89 123**

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

104. The total expense recognized in the statement of financial performance in 2014 for each of the defined-benefit obligations is shown below.

(Thousands of United States dollars)

	After-service health insurance	*Repatriation grant*	*Annual leave*	*Total*
Current service cost	2 374	356	524	3 254
Interest	1 410	177	159	1 746
Total (charge)/credit recognized in the statement of financial performance	**3 784**	**533**	**683**	**5 000**

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

(Thousands of United States dollars)

	After-service health insurance	*Repatriation grant*	*Annual leave*	*Total*
Adjustments to opening balance to reflect change in valuation methodology recognized in net assets	–	–	1 993	1 993
Liability (gain)/loss due to actuarial assumptions and experience recognized in net assets	21 199	274	382	21 855
Total portion of cumulative liability recognized in net assets at year end	**21 199**	**274**	**2 375**	**23 848**

Actuarial valuation — assumptions

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

Assumptions (percentage)	*After-service health insurance*	*Repatriation grant*	*Annual leave*
Discount rates (31 December 2013)	2.55	4.27	4.33
Discount rates (31 December 2014)	1.17	3.45	3.50
Inflation (31 December 2013)	5.00	2.50	–
Inflation (31 December 2014)	5.00	2.25	–
Salary increase rate	Based upon age and calculated separately for Professional and General Service staff		

107. Discount rates are based on a weighted blend of three discount rate assumptions: United States dollars, euros and Swiss francs. Consistent with the decrease observed since 31 December 2013 of interest rates of all maturities in the three areas, lower discount rates were assumed for roll-forward.

108. The per capita claim costs for the after-service health insurance plans are updated to reflect recent claims and enrolment experience. The health-care cost trend rate assumption reflects the current short-term expectations of the after-

service health insurance plan cost increases and economic environment. Medical cost trends assumptions that were used for the valuation as at 31 December 2013, which included escalation rates for 10 years, were maintained for roll-forward since no significant evolution regarding the medical trend has been observed. At 31 December 2014, these escalation rates were a flat health-care yearly escalation rate of 5.0 per cent for non-United States medical plans, health-care escalation rates of 6.8 per cent for all other medical plans, (except 6.1 per cent 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 nine years.

109. With regard to the valuation of repatriation benefits as at 31 December 2013, inflation in travel costs was assumed at 2.50 per cent on the basis of the projected United States inflation rate over the next 10 years. For the roll-forward valuation, the assumption was decreased to 2.25 per cent to take into consideration the decrease observed on these references in the year.

110. Annual leave balances were assumed to increase at the following annual rates during the staff member's projected years of service: 1-3 years — 10.9 days; 4-8 years — 1 day; and over 8 years — 0.5 days up to the maximum 60 days. This assumption was maintained for roll forward of the liability to 31 December 2014.

After-service health plan — sensitivity analysis

111. The principal assumption in the valuation of the after-service health insurance is the rate at which medical costs are expected to increase in the future. The sensitivity analysis looks at the change in liability owing to changes in the medical cost rates while holding other principal assumptions constant; the assumption held constant is the discount rate used to determine the present value of benefits that will be paid from the plan in the future. Should the medical cost trend assumption vary by 1 per cent, this would have an impact on the measurement of the defined-benefit obligations, as shown below.

(Thousands of United States dollars)

	Increase	*Decrease*
1 per cent movement in the assumed medical costs trend rates		
Effect on the defined-benefit obligation	19 250	(14 563)
Effect on the aggregate of the current service cost and interest cost	1 862	(1 316)

Other defined-benefit plan information

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

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

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

(Thousands of United States dollars)

	2014	*2013*	*2012*	*2011*	*2010*
After-service health insurance	79 845	55 922	58 124	54 839	39 306
Repatriation benefits	4 716	4 358	3 654	3 496	2 941
Annual leave	4 562	1 866	1 864	1 781	1 764
Total	**89 123**	**62 146**	**63 642**	**60 116**	**44 011**

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

Discount rate sensitivity to end-of-year liability

(Thousands of United States dollars)

	After-service health insurance	*Repatriation grant*	*Annual leave*
Increase of discount rate by 1 per cent	(16 104)	(468)	(423)
As a percentage of end-of-year liability	-20	-10	-9
Decrease of discount rate by 1 per cent	20 397	526	499
As a percentage of end-of-year liability	26	11	11

115. The General Assembly, in its resolution 67/257, endorsed the decision of the International Civil Service Commission to support the recommendation of the United Nations Joint Staff Pension Fund to raise the mandatory age of retirement to 65 years for new staff effective 1 January 2014. Actuaries determined that this increase in the normal age of retirement would not have a material effect on the valuation of employee-benefit liabilities.

United Nations Joint Staff Pension Fund

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

117. The Centre's financial obligation to the Pension Fund consists of its mandated contribution, at the rate established by the General Assembly (currently at 7.9 per cent for participants and 15.8 per cent for member organizations), together with any share of any actuarial deficiency payments under article 26 of the Regulations of the Pension Fund. Such deficiency payments are only payable 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. Each member organization shall contribute to this deficiency an amount proportionate to the total contributions that each paid during the three years preceding the valuation date.

118. The latest actuarial valuation was performed as at 31 December 2013. The valuation revealed an actuarial deficit of 0.72 per cent (1.87 per cent in the 2011 valuation) of pensionable remuneration, implying that the theoretical contribution rate required to achieve balance as at 31 December 2013 was 24.42 per cent of pensionable remuneration, compared with the actual contribution rate of 23.7 per cent. The actuarial deficit was attributable primarily to the lower investment experience than expected in recent years.

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

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

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

122. During 2014, contributions paid to Pension Fund amounted to $6.299 million.

123. The United Nations Board of Auditors carries out an annual audit of the Pension Fund and reports to the United Nations Joint Staff Pension Board on the audit every year. The Pension Fund publishes quarterly reports on its investments and these can be viewed at www.unjspf.org.

Note 14
Provisions

(Thousands of United States dollars)

	Legal claims	*Other*	*Total*
Carrying amount 1 January 2014	**108**	**3**	**111**
Amounts used	(108)	–	(108)
Closing balance 31 December 2014	**–**	**3**	**3**

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

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

Note 15
Revenue

Assessed contributions

125. Assessed contributions are contributions received from the United Nations and WTO. Under the terms of General Assembly resolution 2297 (XXII) and the decision of the Contracting Parties to 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 financed equally by the United Nations and WTO.

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

Voluntary contributions

(Thousands of United States dollars)

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

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

128. Inter-organizational arrangements include mainly contributions received from UNDP, projects under the Enhanced Integrated Framework Trust Fund and the One United Nations Framework Trust Fund.

Revenue from services rendered
(Thousands of United States dollars)

	31 December 2014
Services rendered	512
Publication sales	30
Total revenue from exchange transactions	**542**

Investment revenue
(Thousands of United States dollars)

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

Other revenue
(Thousands of United States dollars)

	31 December 2014
Parking fees	108
Refund/savings from prior year expenditures	159
Others	46
Total other revenue	**313**

In-kind contributions

129. Other voluntary contributions include in-kind contributions, which consist of the rental subsidy from La Fondation des immeubles pour les organizations internationales (FIPOI) of $2.934 million, which is the difference between the market value of the rental and the actual rental paid. A matching in kind rent is expensed at the same time as the contribution is recognized as revenue.

130. Services in kind, consisting mainly of contributions to conferences, workshops and training, were estimated at $1.625 million received mainly from Governments, governmental agencies and non-governmental organizations in support of projects and field offices operations during the year. The amount is measured at fair value. They are not recognized in the financial statements.

Note 16
Expenses

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

(Thousands of United States dollars)

	31 December 2014
Staff salaries, wages and allowances	41 912
Pension costs	6 121
After-service health insurance	3 673
Education grant	1 669
Medical insurance scheme	1 380
End-of-service entitlements	397
Total employee salaries, allowances and benefits	**55 152**

Non-employee compensation and allowances

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

Training

133. Training costs include expenses incurred for capacity-building workshops organized by ITC. The expenses comprise travel, daily subsistence allowance, conference facilities, meals and accommodation costs.

Travel

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

Foreign exchange expense

135. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognized on a net basis.

Grants and other transfers

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

Other operating expenses
(Thousands of United States dollars)

	31 December 2014
Contracted services	2 661
Expense recognized for contributions in kind — premises	2 934
Joint activities	1 745
Acquisitions expensed	1 700
Leases	1 603
Maintenance services	1 063
Others	814
Total other operating expenses	**12 520**

Note 17
Budget comparison and reconciliation

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

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

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

Movements between original and final budgets (regular budget)

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

Budget to actual variance analysis

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

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

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

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

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

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

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

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

145. The reconciliation between the actual amounts presented in statement V and the actual amounts presented in the statement of financial performance is as shown below.

Reconciliation of actual amounts on a comparable basis and actual amounts in the financial statements
(Thousands of United States dollars)

	31 December 2014
Budget revenue presented in statement V	**40 803**
Basis differences	**2 931**
IPSAS adjustments	
Revenue for contributions in kind	2 934
Adjustment for exchange revenue	(3)
Entity differences	**65 840**
Actual revenue in Statement of Financial Performance (statement II)	**109 574**
Budget expenditure as per statement V	**37 359**
Basis differences	**3 092**
IPSAS adjustments	
Elimination of unliquidated obligations	2 224
Accruals of expenses	(1 977)
Expenses for contributions in kind	2 934
Depreciation of property, plant and equipment	179
Employee-benefits expenses	(31)
Legal provisions and claims	(108)
Capitalization of property, plant and equipment	(249)
Exchange gain/losses	120
Entity differences	**61 421**
Actual expenditure in statement of financial performance (statement II)	**101 872**

Note 18
Related parties: key management personnel

146. The key management personnel of ITC are the Executive Director, the Deputy Director, the Divisional Directors, the Chief Adviser and the Chief of Strategic Planning. These persons have the authority and responsibility for planning, directing and controlling the activities of ITC and influencing its strategic direction.

(Thousands of United States dollars)

	Key management personnel
Number of individuals (full-time equivalents)	**7.83**
Aggregate remuneration	2 580
Outstanding loans and advances at 31 December 2014	5

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

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

Transactions with related party entities

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

150. As explained in note 5 above, the Centre's cash and investments are managed by the United Nations Treasury as part of the main cash pool.

Note 19
Relationships of significant influence

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

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

Note 20
Leases and commitments

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

Obligations for property operating leases

(Thousands of United States dollars)

	Minimum lease payments as at 31 December 2014
Due in less than 1 year	1 222
Due 1 to 5 years	3 336
Total minimum operating lease obligations	**4 558**

154. The lease in Geneva for ITC headquarters is between FIPOI and ITC for an annual lease payment of CHF 1.085 million ($1.099 million as at 31 December 2014). The lease is automatically renewed unless a notice is given to FIPOI not less than two years before the next expiration date. If no notice is given, the lease is automatically renewed for an additional period of five years. ITC leases space for field offices which can generally be cancelled by providing notice of up to 90 days.

155. The equipment leases pertain to photocopiers and printing machines. This lease is for a period of up to five years and there is no renewal period after the end of the contract. The termination is the standard United Nations 30-day termination notice period. Each party may terminate the contract, in whole or in part, upon a notice period of 30 days, in writing, to the other party. The agreements do not contain purchase options. The total lease expense for 2014 was $1.603 million. This amount does include costs of additional copy charges incurred in accordance with lease agreements.

Other commitments

(Thousands of United States dollars)

	As at 31 December 2014
Motor vehicle	21
Grants	256
Goods and services	6 235
Total open contractual commitments	**6 512**

156. Other commitments relate to the acquisition of goods and services contracted for, including purchase orders but not delivered as at 31 December 2014.

Note 21
Contingent assets and contingent liabilities

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

Note 22
Events after the reporting date

158. The reporting date for these financial statements is 31 December 2014. The financial statements were authorized for issue on 31 March 2015, the date at which they were submitted to the External Auditor by the United Nations Controller. There have been no material events, favourable or unfavourable, that occurred between the date of the financial statements and the date when the financial statements were presented to the General Assembly that would have had a material impact on these statements.

Note 23
Ex gratia payments, write-offs and fraud

159. No ex gratia payments were recorded during the financial year ended 31 December 2014. ITC wrote off equipment of $3,872 during the financial year owing to malfunction and obsolete items. There are no cases of fraud or presumptive fraud during the financial year ended 31 December 2014.

Annex I

Statement of financial position as at 31 December 2014 by operating funds (unaudited)

(Thousands of United States dollars)

	Note	*General Fund*	*Technical cooperation activities*	*Programme support costs*	*Revolving funds and other funds*	*End-of-service and post-retirement liabilities*	*Total*	*Elimination*	*31 December 2014*
Assets									
Current assets									
Cash and cash equivalents	6	1 218	6 986	1 145	454	426	10 229	–	10 229
Short-term investments	5	2 362	13 538	2 221	880	825	19 826	–	19 826
Voluntary contributions receivable	7	–	35 761	–	–	–	35 761	–	35 761
Inter-fund		(44)	(896)	(48)	(33)	(18)	(1 039)	1 039	–
Other accounts receivable	7	18	214	91	46	–	369	–	369
Other assets	8	612	1 072	44	2	–	1 730	–	1 730
Total current assets		**4 166**	**56 675**	**3 453**	**1 349**	**1 233**	**66 876**	**1 039**	**67 915**
Non-current assets									
Long-term investment	5	2 085	11 951	1 960	777	728	17 501	–	17 501
Voluntary contributions receivable	7	–	47 864	–	–	–	47 864	–	47 864
Property, plant and equipment	9	616	38	–	–	–	654	–	654
Intangible assets	10	–	655	–	3	–	658	–	658
Total non-current assets		**2 701**	**60 508**	**1 960**	**780**	**728**	**66 677**	**–**	**66 677**
Total assets		**6 867**	**117 183**	**5 413**	**2 129**	**1 961**	**133 553**	**1 039**	**134 592**
Liabilities									
Current liabilities									
Accounts payable	11	2 481	4 841	67	19	–	7 408	1 039	8 447
Advance receipts	12	–	12 499	–	–	–	12 499	–	12 499
Employee-benefits liabilities	13	735	274	114	–	1 828	2 951	–	2 951
Provisions	14	3		–	–	–	3	–	3
Total current liabilities		**3 219**	**17 614**	**181**	**19**	**1 828**	**22 861**	**1 039**	**23 900**

	Note	*General Fund*	*Technical cooperation activities*	*Programme support costs*	*Revolving funds and other funds*	*End-of-service and post-retirement liabilities*	*Total*	*Elimination*	*31 December 2014*
Non-current liabilities									
Advance receipts	12	–	6 797	–	–	–	6 797	–	6 797
Employee-benefits liabilities	13	–	–	–	–	87 321	87 321	–	87 321
Total non-current liabilities		**–**	**6 797**	**–**	**–**	**87 321**	**94 118**	**–**	**94 118**
Total liabilities		**3 219**	**24 411**	**181**	**19**	**89 149**	**116 979**	**1 039**	**118 018**
Net assets									
Accumulated surplus/(deficits)		3 648	87 276	4 151	2 110	(87 188)	9 997	–	9 997
Operating reserves		–	5 496	1 081	–	–	6 577	–	6 577
Total net assets		**3 648**	**92 772**	**5 232**	**2 110**	**(87 188)**	**16 574**	**–**	**16 574**
Total liabilities and net assets		**6 867**	**117 183**	**5 413**	**2 129**	**1 961**	**133 553**	**1 039**	**134 592**

Annex II

Statement of financial performance for the year ended 31 December 2014 by operating funds (unaudited)

(Thousands of United States dollars)

	Note	*General Fund*	*Technical cooperation activities*	*Programme support costs*	*Revolving funds and other funds*	*End-of-service and post-retirement liabilities*	*Total*	*Elimination*	*31 December 2014*
Revenue									
Assessed contributions	15	40 511	–	–	–	–	40 511	–	40 511
Funds received under inter-organization arrangement	15	–	1 934	–	–	–	1 934	–	1 934
Voluntary contributions	15	2 934	63 075	–	–	–	66 009	–	66 009
Investment revenue	15	44	165	31	13	12	265	–	265
Revenue-producing activities	15	9	–	–	565	–	574	(32)	542
Other miscellaneous revenue	15	236	–	5 422	–	405	6 063	(5 750)	313
Total revenue		**43 734**	**65 174**	**5 453**	**578**	**417**	**115 356**	**(5 782)**	**109 574**
Expenses									
Employee salaries, allowances and benefits	16	31 061	17 454	3 709	52	3 220	55 496	(344)	55 152
Non-employee compensation and allowances	16	901	14 770	10	276	–	15 957	–	15 957
Grants and other transfers	16	–	1 163	–	–	–	1 163	–	1 163
Supplies and consumables	16	160	–	–	–	–	160	–	160
Depreciation and amortization	9, 10	179	34	–	–	–	213	–	213
Travel	16	335	4 367	–	36	–	4 738	–	4 738
Foreign exchange expenses		120	6 401	5	6	–	6 532	–	6 532
Training		–	5 437	–	–	–	5 437	–	5 437
Other operating expenses	16	7 695	9 646	414	203	–	17 958	(5 438)	12 520
Total expenses		**40 451**	**59 272**	**4 138**	**573**	**3 220**	**107 654**	**(5 782)**	**101 872**
Surplus/deficit for the year		3 283	5 902	1 315	5	(2 803)	7 702	–	7 702
Accumulated surplus 1 January 2014		366	81 546	3 110	2 064	(62 530)	24 556	–	24 556
Actuarial gain or loss		–	–	–	–	(21 855)	(21 855)	–	(21 855)
Changes to reserves		–	(126)	(271)	(9)	–	(406)	–	(406)
Fund transfer		–	(44)	(3)	47	–	(0)	–	(0)
Accumulated surplus 31 December 2014		**3 649**	**87 278**	**4 151**	**2 107**	**(87 188)**	**9 997**	**–**	**9 997**

Annex III

Statement of appropriations for the year ended 31 December 2014 (unaudited)

(Thousands of United States dollars)

	Appropriations[a]			*Expenditures*			
	Original	*Changes*	*Revised*	*Disbursements*	*Unliquidated obligations*	*Total*	*Unencumbered balance*
International Trade Centre UNCTAD/WTO							
Programme of activities	80 218	(887)	79 331	36 800	559	37 359	41 972

[a] Represents original appropriation of $80.218 million for the biennium 2014-2015, which was decreased to $79.331 million. The General Assembly, in its resolutions 68/248 A-C and 69/262, authorized the United Nations share.

Annex IV

Statement of contributions (unaudited)

(United States dollars)

Donor	*Contributions*	*IPSAS adjustment*	*Refund*	*Adjusted amount*
Contribution in kind				
Fondation des immeubles pour les organisations internationales	–	2 934 145	–	2 934 145
Total contribution in kind	**–**	**2 934 145**	**–**	**2 934 145**
Government				
Australia	114 548	(2 986)	(3 692)	107 870
Belgium — Flemish Government	–	–	(64)	(64)
Canada	1 972 269	(1 119 486)	(41 039)	811 744
China	500 000	(500 000)	–	–
Denmark	2 340 423	2 402 928	–	4 743 351
Finland	3 685 124	(3 293 808)	–	391 316
France	324 444	(146 125)	(63 685)	114 634
Germany	2 730 729	(62 981)	(18 816)	2 648 932
India	49 958	(49 958)	–	–
Ireland	1 143 583	–	(26 566)	1 117 017
Italy	7 605	–		7 605
Japan	55 747	80 230	–	135 977
Korea	641 267	–	–	641 267
Kuwait	248 975	(248 975)	–	–
Namibia	143 962	(68 349)	–	75 613
Netherlands	1 542 000	(949 799)	–	592 201
Norway	2 679 710	3 187 974	–	5 867 684
Permanent Mission of Oman	3 912	–	–	3 912
Palestine	–	641	–	641
Senegal	–	854 356	–	854 356
South Africa	104 825	(104 825)	–	–
Spain	–	–	–	–
Sweden	4 441 200	(4 441 200)	–	–
State Secretariat for Economic Affairs of Switzerland/Enhanced Integrated Framework	607 690	451 610	(71 908)	987 392
Switzerland	3 045 739	(1 132 402)	(106 879)	1 806 458
United Kingdom of Great Britain and Northern Ireland, Department for International Development	3 539 676	23 048 175	–	26 587 851
Total Government	**29 923 386**	**17 905 020**	**(332 649)**	**47 495 757**
Inter-organizational arrangements				
VFB	266 838	–	–	266 838
ZIF — UNOPS	1 369 908	(101 801)	–	1 268 107
ZMD	372 537	44 124	(18 063)	398 598
Total inter-organizational arrangements	**2 009 283**	**(57 677)**	**(18 063)**	**1 933 543**

Donor	*Contributions*	*IPSAS adjustment*	*Refund*	*Adjusted amount*
Other government organizations				
Caribbean Export Development Agency	23 987	–	–	23 987
Central European Free Trade Agreement	–	131 414	–	131 414
Centre for the Development of Enterprise	59 289	141 246	–	200 535
German Agency for International Cooperation	225 090	25 791	(1 406)	249 476
European Union	9 561 326	577 737	–	10 139 063
Fundação de Desenvolvimento da Pesquisa — Brazil	–	–	–	–
National Graduate Institute for Policy Studies	–	65 900	–	65 900
Inter-American Development Bank	59 948	(59 948)	–	–
Islamic Development Bank	20 000	–	–	20 000
Joint Integrated Technical Assistance Programme	–	–	–	–
Office of Private Sector Relations Saint Lucia Trade Export Promotion Agency	–	–	(731)	(731)
Organisation internationale de la Francophonie	8 481	3 560	–	12 041
Qatar Development Bank	26 500	–	–	26 500
Stichting IDH Sustainable Trade Initiative	37 175	185	–	37 360
UNDP	200 000	–	(123 324)	76 676
UNIDO	–	271 739	–	271 739
United States Agency for International Development	–	1 100 000	–	1 100 000
World Bank	587 506	2 237 554	–	2 825 060
World Trade Organization	314 991	(314 991)	(1 267)	(1 267)
Total other government organizations	**11 124 293**	**4 180 187**	**(126 727)**	**15 177 753**
Public donations				
Confederation on Indian Industry	20 000	–	–	20 000
Corporación de Promoción de Exportaciones e Inversiones (Corpei) de Ecuador	97 875	119 625	–	217 500
Humanist Institute for Cooperation with Developing Countries (Hivos)	156 210	(156 210)	–	–
Mo Ibrahim Foundation	114 000	–	–	114 000
PEPSICO	–	40 000	–	40 000
Trademark East Africa	10 000	–	–	10 000
Total public donations	**398 085**	**3 415**	**–**	**401 500**
Grand total	**43 455 047**	**24 965 090**	**(477 440)**	**67 942 697**

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