A/74/5 (Vol. III)

United Nations

Financial report and audited financial statements

for the year ended 31 December 2018

and

Report of the Board of Auditors

Volume III
International Trade Centre

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

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Note

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

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Contents

Letters of transmittal

Letter dated 28 March 2019 from the Secretary-General addressed to the Chair of the Board of Auditors

In accordance with financial regulation 6.2, I have the honour to transmit the financial statements of the International Trade Centre for the year ended 31 December 2018, which I hereby approve. The financial statements have been certified by the Controller.

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

(*Signed*) António **Guterres**

Letter dated 24 July 2019 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 2018.

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

Chapter I

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

Opinion

We have audited the financial statements of the International Trade Centre (ITC), which comprise the statement of financial position as at 31 December 2018 (statement I) and the statement of financial performance (statement II), the statement of changes in net assets (statement III), the statement of cash flows (statement IV) and the statement of comparison of budget and actual amounts (statement V) for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the International Trade Centre as at 31 December 2018 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS).

Basis for opinion

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

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

The Secretary-General is responsible for the other information, which comprises the financial report for the year ended 31 December 2018, contained in chapter IV, but does not include the financial statements and our auditor's report thereon.

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

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

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

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

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

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

(*Signed*) Rajiv **Mehrishi**
Comptroller and Auditor General of India
(Lead Auditor)

(*Signed*) Jorge **Bermúdez**
Comptroller General of the Republic of Chile

24 July 2019

Chapter II
Long-form report of the Board of Auditors

Summary

Audit opinion

1. The Board of Auditors has audited the financial statements and reviewed the operations of the International Trade Centre (ITC) for the year ended 31 December 2018. In the Board's opinion, the financial statements present fairly, in all material respects, the financial position of ITC as at 31 December 2018 and its financial performance and cash flows for the year then ended, and have been prepared in accordance with the International Public Sector Accounting Standards (IPSAS).

Overall conclusion of the Board

2. Net assets for ITC for the year ended December 2018 increased to $32.86 million from $7.34 million in December 2017, owing to an increase in voluntary contributions. In recent years, ITC has taken steps to strengthen financial and managerial control over its operations. Nevertheless, the Board noted weaknesses in the functioning of ITC in areas such as project implementation, travel management and human resources management. The Board has made suitable recommendations to address those weaknesses.

Key findings

Financial management

3. ITC created a provision of $65,000 to settle a legal claim before the United Nations Dispute Tribunal regarding a former employee. This amount should have been $94,764, however, based on a comparable previous case.

Human resource management

Staffing review

4. ITC hired the services of a very large number of consultants and individual contractors (946 consultants through 1,794 contracts) during 2018. The Board noted that many of the consultants were performing tasks which ought to have been done by regular staff. There is a need to undertake an independent staffing review based on the resource requirements as per the operational plan. This would ensure appropriate staffing levels to meet operational requirements in line with the availability of funds.

Appointment of consultants

5. ITC engaged 946 consultants (through 1,794 contracts) during 2018; 28 per cent of those contracts were selected on single bid. In addition, the terms of reference for the appointment of consultants were generic in nature. ITC awarded contracts at fees higher than the maximum fee associated with a particular level in respect of 70 cases.

Staff training

6. The overall completion rate of mandatory training was 66.9 per cent as at April 2019. The Board noted that the completion rate of the new courses was low: 35 per cent for Anti-Fraud and Anti-Corruption Framework awareness training and 19 per cent for training on sexual exploitation, harassment and abuse.

Travel management

7. ITC could not process 1,978 of 3,056 travel requests within the prescribed 21 days. The percentage of non-compliance with the business rule of 16-day advance purchase of air tickets was substantial (64.73 per cent). Scrutiny of the reasons for non-compliance with the 16-day rule indicates that “other reason” (41.20 per cent) was the major justification, followed by late event planning (28.56 per cent). In 67.90 per cent of those 1,978 instances, non-compliance was on account of non-staff travel.

Project implementation

Need to adhere to the prescribed template in the grant memorandums of understanding

8. Deviations from the standard memorandum of understanding were not found to have been highlighted and explained. Nine of the ten verified projects had training and workshop components; in four of these cases, the respective memorandums of understanding did not include the standard provision for submission of a list or roster of participants with requisite enclosures. The incorporation of this provision was essential to ensure the veracity of the payments made to the participants in training programmes and workshops.

Sustainability

9. Although sustainability has been one of the most important risks identified in the annual evaluation synthesis reports since 2014, a risk assessment plan had not been provided in the prescribed template in some of the large projects, indicating that the projects had commenced implementation without proper risk assessment. There was no systematic follow-up on the programmes after their closure to confirm the sustainability aspects after a few years, and surveys for ascertaining the same were not conducted.

Main recommendations

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

(a) **Undertake detailed resource planning, and align and optimize resources vis-à-vis operational requirements;**

(b) **Select consultants through a competitive process, ensure that consultants are not engaged for work of a generic or routine nature and clearly define the tangible outputs for each assignment in the terms of reference;**

(c) **Adhere to the predetermined fee ranges associated with the levels at which consultants and individual contractors are hired. ITC may also ensure appropriate internal controls to avoid awarding contracts at fees higher than the maximum fee associated with a particular level;**

(d) **Track reasons for non-compliance with the 21-day window for travel and monitor closely to ensure better compliance;**

(e) **Incorporate the standard provisions in all memorandums of understanding, in particular conditionality for payment in the case of projects with training components. The Board also recommends that ITC consider**

incorporation of the provision linking the future relationship with a grantee to timely submission of a long-term impact report to the satisfaction of ITC;

(f) **Consider assessing the long-term sustainability of the results achieved under various projects.**

A. Mandate, scope and methodology

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

2. The Board of Auditors has audited the financial statements of ITC and has reviewed its operations for the year ended 31 December 2018 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 2018 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. 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 of the Secretariat to provide coordinated coverage.

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

B. Findings and recommendations

Key facts

$120.11 million	Total revenue in 2018, down from $127.13 million in 2017
$98.69 million	Total expenses in 2018, up from $88.21 million in 2017
$273.56 million	Total assets in 2018, up from $167.18 million in 2017
$240.71 million	Total liability in 2018, up from $159.84 million in 2017
$32.86 million	Net assets in 2018, up from $7.34 million in 2017

1. Follow-up of previous recommendations

6. The Board followed up on the implementation of previous recommendations. Of 17 outstanding recommendations up to the year ended 31 December 2017, ITC had fully implemented 8 recommendations (47 per cent), while 9 recommendations (53 per cent) were under implementation (see table II.1). The areas of the 9 outstanding recommendations are summarized below:

Table II.1
Outstanding recommendations

Status	Audit report of the Board A/70/5 (Vol. III)	A/71/5 (Vol. III)	A/72/5 (Vol. III)	A/73/5 (Vol. III)	Total
Open recommendations at the end of December 2017	1	1	5	10	17
Status of implementation in 2018					
(a) Fully implemented	1	1	0	6	8
(b) Under implementation	0	0	5	4	9
(c) Not implemented	0	0	0	0	0
(d) Overtaken by events	0	0	0	0	0
Recommendations open as at December 2018	1	1	5	4	9

7. The annex to the present report contains details on the status of implementation of previous recommendations. It may be noted that four recommendations that the Board made earlier have been reiterated in the present report on account of their significant nature. The reiterated recommendations are about conducting a staffing review, appointment and payment of consultants and compliance with the policy of advance purchase of travel tickets.

2. Financial overview

8. As at 31 December 2018, ITC had net assets of $32.86 million (2017: $7.34 million). Total assets increased from $167.18 million in 2017 to $273.56 million in 2018, with an increase in voluntary contributions receivable (current) from $36.44 million in 2017 to $72.02 million in 2018, voluntary contributions receivable (non-current) from $69.46 million in 2017 to $102.48 million in 2018, cash and cash equivalents from $4.30 million in 2017 to $8.96 million in 2018, and investments (current) from $38.25 million in 2017 to $76.72 million in 2018. This change reflects a significant increase in the activities taken up by ITC.

9. ITC reported total liabilities of $240.71 million as at 31 December 2018 (2017: $159.84 million). This significant rise was caused by an increase in other liabilities (non-current) from $22.25 million as at 31 December 2017 to $108.91 million as at 31 December 2018, as conditional voluntary contributions increased from $27.58 million in 2017 to $105.23 million in 2018.

Financial performance

10. ITC reported a surplus of $21.42 million for the year ended 31 December 2018 (2017: surplus of $38.92 million). Revenues for the year totalled $120.11 million (2017: $127.13 million), the majority of which was earned from assessed contributions of $37.36 million ($35.45 million in 2017) and voluntary contributions of $76.82 million, which was down from $89.98 million in the previous year.

11. ITC reported expenses of $98.69 million for the year ended 31 December 2018 (2017: $88.21 million). As in previous years, the majority of the costs for ITC related to employee salaries, allowances and benefits ($51.73 million). Non-employee costs (consultant and contractor costs) were reported as $16.79 million and other operating expenses were $16.60 million. The balance of costs included travel, grants, depreciation, amortization and supplies and consumables. Table II.2 below shows the Board’s analysis of ITC expenses.

Table II.2
Expenses of the International Trade Centre for the years ended 31 December 2018 and 31 December 2017

	2018		2017	
Expense type	*Thousands of United States dollars*	*Percentage of total*	*Thousands of United States dollars*	*Percentage of total*
Employee salaries, allowances and benefits	51 726	52.41	54 114	61.35
Non-employee compensation and allowances	16 793	17.02	11 314	12.83
Travel	6 792	6.88	5 075	5.75
Grants and other transfers	2 439	2.47	1 311	1.49
Supplies and consumables	502	0.51	739	0.84
Depreciation	419	0.42	416	0.47
Amortization	642	0.65	435	0.49
Other operating expenses	16 599	16.82	12 058	13.67
Other expenses	2 784	2.82	2 746	3.11
Share of joint arrangement	(9)	(0.01)	2	–
Total	**98 687**	**100**	**88 210**	**100**

Source: Analysis by the Board of Auditors of ITC statements of financial performance for 2017 and 2018. The comparative figures for 2017 have been restated for comparison purposes.

Financial analysis

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

Table II.3
Ratio analysis

Ratio	*31 December 2018*	*31 December 2017*
Current ratio[a] (current assets to current liabilities)	3.52	1.64
Total assets: total liabilities[b] (assets to liabilities)	1.14	1.05
Cash ratio[c] (cash + short-term investments to current liabilities)	1.86	0.85
Quick ratio[d] (cash + investments + accounts receivable to current liabilities)	3.43	1.57

Source: ITC 2018 financial statements.
[a] A high ratio indicates an entity's ability to pay off its short-term liabilities.
[b] A high ratio is a good indicator of solvency.
[c] The cash ratio is an indicator of an entity's liquidity by measuring the amount of cash, cash equivalents or invested funds there are in current assets to cover current liabilities.
[d] The quick ratio is more conservative than the current ratio because it excludes inventory and other current assets, which are more difficult to turn into cash. A higher ratio means a more liquid current position.

13. The Board noted that the current ratio, cash ratio and quick ratio had more than doubled compared with the previous year. That was mainly owing to a sharp increase

in cash and cash equivalents (by 108 per cent), current investment (by 101 per cent) and current voluntary contributions receivable (by 98 per cent) in 2018 compared with the previous year. In view of the sound current, cash and quick ratios, as well as the ratio of total assets to total liabilities, ITC is in a healthy position, with no immediate risk to its liquidity. The Board agrees with the assertion of ITC that it remains a going concern.

3. Financial management

14. The Board, while conducting the audit of financial statements, noted that the amount recognized as provision should be the best estimate of the expenditure required to settle the present obligation as at the reporting date. The Board noted that ITC had created a lower provision for settling a legal claim of a former employee before the United Nations Dispute Tribunal, even though it had had the experience of settling a previous, comparable case. The provision created was for $65,000, which ought to have been for $94,764. ITC agreed with the observation.

4. Human resources management

Staffing review

15. The Board had pointed out in previous reports (A/72/5 (Vol. III) and A/73/5 (Vol. III)) that there was a very significant mismatch between the sanctioned strength and the actual staff position in ITC, with actual in-position staff being more than double the sanctioned strength. In that context, the Board has been recommending an independent staffing review to optimize the resources of ITC. Although ITC accepted the recommendation, action has yet to be taken on it. The Board noted that the staffing position in 2018 mirrored that of the previous year, as indicated in table II.4 below:

Table II.4
Staff posts in the International Trade Centre

Post	*Sanctioned posts (2018–2019 budget)*	*Staff-in-position in 2017*	*Staff-in-position in 2018*
P-5	21	25	26
P-4	33	42	40
P-3	24	57	58
P-2/P-1	15	71	67
Total	**93**	**195**	**191**

16. The staffing mismatch vis-à-vis the sanctioned positions is the highest at the P-1/P-2 (67 staff in position against 15 sanctioned posts) and P-3 (58 staff against 24 sanctioned posts) levels. The Board noted that ITC had hired the services of a very large number of consultants and individual contractors (946 through 1,794 contracts) during 2018. The Board noted that this was a substantial increase over the number of consultants and individual contractors hired in 2017 (652 hired in 2017 compared with 946 in 2018). The distribution of P-1, P-2 and P-3 staff and consultants across the divisions in ITC is indicated in table II.5 below:

Table II.5
Distribution of P-1, P-2 and P-3 staff posts in the International Trade Centre

			Consultants	
Divisions	*P-1/P-2*	*P-3*	*Number of contracts*	*Persons hired*
Office of the Executive Director	9	4	48	25
Division of Country Programmes	10	15	555	307
Division of Market Development	23	18	628	325
Division of Enterprises and Institutions	16	14	539	279
Division of Programme Support	9	7	24	10
Total	**67**	**58**	**1 794**	**946**

17. In view of the above, there is a need to undertake an independent staffing review based on the resource requirements as per the operational plan. This would ensure appropriate staffing levels to meet operational requirements in line with fund availability. Staffing decisions are critical for ITC, as its main element of expense is staff costs ($52 million in 2018 against a total expenditure of $99 million, accounting for over half its expenses).

18. ITC stated that the regular funded positions had been approved following a detailed review and approval by the Advisory Committee on Administrative and Budgetary Questions and Fifth Committee of the General Assembly, and then review and approval by the WTO advisory board. ITC also stated that it had a varying level of project funded posts (extrabudgetary posts) depending on the level of direct contributions. The growth in direct contribution project funding ($89.98 million in 2017 and $76.82 million in 2018) had generated a corresponding increase in human resources, both in staff positions and in consultants and individual contractors. ITC indicated that it was in the process of conducting a review of all job descriptions across ITC which captured the skills of staff in a newly developed skills database. This would not only ensure that the job roles in ITC were up to date and relevant but also indicate skill strength, as well as skill gaps. The Board had already raised concerns regarding the risks to the business plan of ITC owing to increased reliance on extrabudgetary resources (see A/72/5 (Vol. III)).

19. **The Board reiterates its previous recommendation that ITC undertake detailed resource planning, and align and optimize resources vis-à-vis operational requirements.**

20. ITC accepted the recommendation.

Appointment of consultants

21. The administrative instruction dated 3 March 2014 on consultants and individual contractors (ITC/AI/2014/04) provides that terms of reference for the appointment of consultants and individual contractors should be mandatory and include tangible and measurable outputs and functions which are specific, attainable, results-based and time-bound, with specific objectives and a specific delivery date. The instructions also stress that consultants should be hired only when the required services cannot be met from within the current staff resources of ITC owing to a lack of specialized knowledge and/or expertise or capacity and that consultants should not perform the functions of regular and continuing staff members. The 2017 ITC guidelines on recruitment and administration of consultants and individual contractors, in paragraph 4.3, establish that the hiring manager should identify and

evaluate at least three qualified applicants from the ITC consultant roster of qualified candidates maintained by the Human Resources Division. The guidelines provide that if the roster contains only one qualified applicant whom the hiring manager wishes to contract, the hiring manager must provide a written justification for the selection.

22. The Board, in its reports for the years ended 31 December 2016 and 31 December 2017, has highlighted issues regarding the appointment of consultants. The Board has previously recommended that ITC select consultants through a competitive process and avoid using consultants for the performance of generic tasks.

23. The Board observed that ITC had 8,398 candidates on its consultant roster at the time of audit for the year 2018. ITC engaged 946 consultants through 1,794 contracts during 2018, of which 28 per cent were selected on a single bid, according to information made available to the Board. The Board noted that:

(a) In 121 cases, the sole reason for engagement of the consultant was the non-availability of other candidates;

(b) In 149 cases, the reason cited for the single bid appointment was lack of specialized resources;

(c) In a sample of 11 cases of appointment of consultants on single bid, the work of the consultants was of a supportive or assistive nature and no tangible and measurable outputs, objectives and targets were defined in the terms of reference.

24. **The Board reiterates its recommendation that ITC select consultants through a competitive process, ensure that consultants are not engaged for work of a generic or routine nature and clearly define the tangible outputs for each assignment in the terms of reference and maintain proper documentation in case of exceptions.**

25. ITC agreed with the recommendation and stated that hiring managers had been advised to advertise consultancy positions on the ITC website, as well as social media. ITC indicated that it would instruct hiring managers to provide more detailed justification regarding the unique attributes of selected candidates.

Contracts awarded at higher rates

26. The ITC guidelines for the recruitment and administration of consultants and individual contractors, as updated in May 2017, mandate that consultants and individual contractors should be paid “the minimum amount necessary to obtain the services required by ITC”. An administrative instruction (ITC/AI/2014/04) provides the fee ranges associated with assignment levels.

27. The Board observed that ITC awarded contracts at fees higher than the maximum fee associated with the level at which the consultant or individual contractor was hired in 70[1] cases in 2018. The Board had recommended in the report for the year ending 31 December 2017 (A/73/5 (Vol. III) that ITC apply adequate checks and controls to avoid awarding contracts at fees higher than the maximum fee associated with the level at which the consultant or individual contractor was appointed.

28. ITC replied that, in those 70 cases, the hiring managers had “ticked” the incorrect level in the system, but the fee was commensurate to the tasks and responsibilities of the assignment and expertise of the consultant. ITC stressed the importance of differentiating between the levels (i.e. fee ranges A to E) and the daily rate paid to consultants. ITC further indicated that those cases had not been rejected

[1] Division of Country Programmes (41), Division of Enterprises and Institutions (28) and Division of Programme Support (1).

in the human resources system for reasons of efficiency. It was promised that, to avoid such situations, a system control would be placed in the e-Recruitment of Consultants (e-ROC) tool in the next upgrade.

29. **The Board reiterates its previous recommendation that ITC ensure appropriate internal controls to avoid awarding contracts at fees higher than the maximum fee associated with the particular level.**

30. ITC agreed with the recommendation.

Staff training

31. The administrative instruction on mandatory and recommended training at ITC quotes Article 101 of the Charter of the United Nations that the "paramount consideration in the employment of the staff and in the determination of the conditions of service shall be the necessity of securing the highest standards of efficiency, competence, and integrity". The new administrative instruction, which is dated 31 October 2018, establishes two new mandatory courses on sexual exploitation, harassment and abuse to be completed within six months of issuance of the administrative instruction or, within six months of a staff member joining ITC or assuming a role for which the additional learning is mandatory.

32. The Board checked the status of completion of the mandatory training courses as at April 2019 (six months after issue of the administrative instruction). The Board observed that the overall completion rate of mandatory training as at April 2019 was 66.9 per cent. The Board noted that the completion rate of the new courses was low: 35 per cent for Anti-Fraud and Anti-Corruption Framework awareness training and 19 per cent for training on sexual exploitation, harassment and abuse. The Board also noted that the completion rate for some of the other mandatory training courses (which were stipulated even before the administrative instruction of 31 October 2018) was relatively low: 52 per cent for training on United Nations Human Rights Responsibilities and 70 per cent for the Information Security Awareness – Foundational course.

33. **The Board recommends that ITC ensure that all the mandatory training courses are completed by staff members in compliance with the instruction in force.**

34. ITC accepted the recommendation.

Travel management

35. In accordance with Staff Rule 7.8 and section 3.3 of ST/AI/2013/3 dated 12 August 2013, all travel arrangements for individuals travelling on behalf of the United Nations, including advance booking and purchase of tickets, should be finalized 16 calendar days in advance of the commencement of official travel. Programme managers are required to provide justification regarding all official travel arrangements not finalized within this time frame. Since implementation of the enterprise resource planning system, travellers create their own travel request via Umoja. The travel requests have to be submitted 21 days in advance of the commencement of official travel so that they can be processed in Umoja to ensure booking 16 days in advance.

36. The Board observed that ITC had not been able to process 1,978 out of the 3,056 travel requests within the prescribed 16 days. The percentage of non-compliance with the said business rule (64.73 per cent) is thus substantial. Justification for non-compliance included a change in the dates of events, non-availability of funds and last-minute decision with regard to travel, which reflected weak travel planning by ITC. The Board noted that the major reason for non-compliance was recorded as

"other reason" (41.20 per cent), followed by late event planning (28.56 per cent). It was also noted that 67.90 per cent of non-compliant travel was because of non-staff travel.

37. The Board recommended in 2018 that ITC should ensure compliance with the 16-day clause for advance travel planning to reduce travel expenditure and avoid frequent rescheduling and cancellation of tickets.

38. ITC, while agreeing to pursue the implementation of measures aimed at raising awareness and improving compliance, stated that accountability for compliance with the policy fundamentally lay with the traveller and not with the travel unit. ITC also indicated that 67 per cent of ITC global travel trips originated abroad and were to other locations abroad and approximately 60 per cent of ITC travellers were not staff members. ITC was of the opinion that travel operations within ITC, in comparison with those of other agencies, were much more complex.

39. The Board, while appreciating the nature of operations in ITC, emphasizes that there is room for better compliance through differentiated strategies for travel operations and the monitoring of reasons for delays, especially in cases in which "other" is given as a reason.

40. **The Board reiterates its previous recommendation that ITC track reasons for non-compliance with the 21-day window for travel in ITC and monitor closely to ensure better compliance.**

41. ITC accepted the recommendation.

5. Project implementation

42. ITC is expected to implement around 130 regional and interregional field projects during the 2018–2019 biennium. ITC is in the process of operationalizing its risk management framework, improving its project management systems and developing a framework for impact assessment for trade and investment support institutions. The Board audited the project implementation process and sample checked a few projects. The observations of the Board are summarized in the following paragraphs.

Use of the prescribed template for grant memorandums of understanding

43. As part of its mission to enhance inclusive and sustainable growth and development in developing countries, especially least developed countries and countries with economies in transition, through improving the international competitiveness of micro-, small and medium-sized enterprises, ITC entered into grant memorandums of understanding with grantees (implementing partners, project partners) for implementation of projects in the field.

44. ITC has adopted a template (see ITC/AI/2007/06) for signing grant memorandums of understanding with grantees. As per section 4.1 of the instruction, the template should be used to the extent possible unless national legislation or internal policies of the grantee prevent such use, and deviations from the standard should be highlighted and explained.

45. The Board noted that the grant memorandum of understanding template provided that, for projects having training and workshop components, the outstanding balance to the grantee would be paid upon "successful conclusion of the event and submission of a list/roster of participants, duly countersigned by each participant indicating the payment date of the daily subsistence allowance, including [a] photocopy of participants' passport or ID". The Board also noted that ITC had the option of including a condition in the grant memorandum of understanding by which

the grantee would be eligible for future cooperation with ITC only if the long-term impact report was submitted within the agreed time frame to the satisfaction of ITC and in accordance with the terms of the memorandum of understanding.

46. The Board verified 10 of 30 memorandums of understanding for active projects. One project cost over $50,000, three projects cost between $30,000 and $50,000 and the remaining six projects cost less than $30,000.

47. The Board noted the following deviations from the standard that had not been highlighted or explained:

(a) Nine of the 10 verified projects had training and workshop components. In four of those nine projects, the respective memorandums of understanding did not include the standard provision for submission of a list or roster of participants with requisite enclosures. The incorporation of this provision was essential to ensure the veracity of the payments made to the participants in training programmes and workshops. The Board considers incorporation of this clause important, as ITC has a target of 1,000 training courses with 35,000 participants for the biennium 2018–2019;

(b) None of the memorandums of understanding reviewed included the provision about submission of a long-term impact report.

48. **The Board recommends that ITC incorporate the standard provisions in all memorandums of understanding, in particular, conditionality for payment in the case of projects with training components. The Board also recommends that ITC consider incorporation of the provision linking the future relationship with a grantee to timely submission of a long-term impact report to the satisfaction of ITC.**

49. ITC agreed with the recommendation and stated that it would stress the standard provision in future training, reviews and related documents. ITC also stated that it would include a footnote in the grant memorandum of understanding model to strongly recommend the usage of the optional provision about submission of a long-term impact report.

Evaluation of projects

50. As per the 2018 ITC evaluation guidelines, one of the expected effects of a harmonized quality approach to evaluation is the promotion of an evaluative culture in the organization and facilitation of the development of evidence-seeking behaviour to support evidence-based decision-making. Evaluation criteria comprise relevance, effectiveness, efficiency, impact and sustainability, while cross-cutting dimensions include human rights and gender equality, environment and climate change, and innovation.

51. The Board was informed that all projects were expected to undergo some form of evaluation. Four types of evaluations were used: project completion reports, self-evaluation, independent evaluation led by ITC and funder-led evaluation. For projects with a budget of $2 million and above, project completion reports, self-evaluation or independent evaluation by ITC was mandatory, while for smaller projects only project completion reports were mandatory. Such reports should be submitted no later than three months after projects had been operationally closed. Besides end-term evaluations, progress reports and midterm evaluations might be taken up by the Independent Evaluation Unit during the project implementation stage.

52. The Board observed that the project completion report process had been integrated into the project cycle process on the project portal of ITC. The Board reviewed a small sample of projects on the portal and observed that, although the

project duration was over in four[2] cases and four months had elapsed post completion in three[3] of them, evaluation reports were not available on the portal.

53. The Board reviewed the project completion report of a project (B158) to assess the actions taken by ITC as advised by such evaluation. Project B158 was aimed at contributing to the development objective of reducing rural poverty and enhancing economic growth on a sustainable basis in Lesotho and was implemented between February 2013 to April 2018. The beneficiaries of the project were farmer groups (cooperatives and associations), youth, women and individual smallholder farmers who had basic resources and the motivation required to successfully improve agricultural productivity and diversify into market-oriented agriculture. ITC spent $2.37 million on the project. The Board noted that the overall project rating was 3.2 (satisfactory) on a scale of 1 to 5, which was just above an unsatisfactory (2 to 2.9) rating, and that the near-unsatisfactory performance was the result of a lack of coordination between ITC and the implementing entities, the Ministry of Trade and Industry, the Ministry of Agriculture and Food Security and the Ministry of Small Business Development, Cooperatives and Marketing.

54. ITC stated that it had put a lot of effort into ensuring maximum coordination with local stakeholders, but responsiveness on the ground had not always been efficient. ITC also stated that it would certainly coordinate with the implementing entities to ensure that the assets created under the project and the capacity built were utilized in an efficient manner. ITC also stated that the Independent Evaluation Unit kept track of different evaluations and assessments to ensure compliance with the provisions laid out in the corporate ITC evaluation policy and guidelines. The uploading of evaluation reports to the project portal was the responsibility of project managers. ITC added that Independent Evaluation Unit staff would emphasize the need to upload reports when providing evaluation-related technical advice and support to project managers.

55. **The Board recommends that ITC review the project completion reports of all projects and ensure that they are completed within the prescribed time and uploaded to the project portal. The Board also recommends that ITC appropriately follow up the suggestions made in the evaluation reports, including project completion reports.**

56. ITC agreed with the recommendation.

Sustainability

57. The ITC strategic plan for 2018–2021 notes that “international trade is an engine for inclusive economic growth, job creation and poverty reduction, and contributes to the promotion of sustainable development”. The mission of ITC is to enhance inclusive and sustainable growth and development in developing countries through improving the international competitiveness of micro, small and medium-sized enterprises. Sustainability is an important evaluation criterion which identifies whether benefits continue to accrue from a development intervention after major development assistance has been completed.

58. The Board noted that the annual evaluation synthesis report[4] of ITC for 2018 and the previous four years indicated that the performance of projects in terms of impact and sustainability was low when compared with other evaluation criteria. The

[2] A895 ($1.35 million), B330 ($2.40 million), B603 ($0.25 million) and B738 ($0.15 million).

[3] A895, B603 and B738.

[4] The purpose of the report was to examine the accountability of ITC to the Sustainable Development Goals based on 10 recently completed evaluations and 12 project completion reports with the aim of enhancing results in the trade and development arena.

report also stated that shortfalls in achieving sustainability and impact were a concern for a significant proportion of small and medium-sized enterprises, suggesting a need for improvement in the support and engagement strategy of ITC for longer-term results.

59. The Board selected 10 projects that had concluded in 2016 and sought specific information from ITC about their sustainability. ITC was of the opinion that, in half of the sampled projects, there would be a need to resurvey the beneficiaries for assessment of long-term sustainability, while in other cases sustainability measurement was considered difficult owing to the absence of linear causality between the possible sustainability indicator and the inputs of the project. The Board noted that, although sustainability has been one of the most important risks identified in the annual evaluation synthesis reports since 2014, a risk assessment plan had not been provided in some of the large projects,[5] indicating that the projects had commenced implementation without assessing risk.

60. The importance of assessing and safeguarding the sustainability of projects, as noted by the Board, is illustrated in the following two examples:

(a) The final evaluation report of a project (A907) on pashmina enhancement and trade support in Nepal indicated that the membership of the Nepal Pashmina Industries Association was on the decline, or stagnant at best. From a sustainability point of view, the proactive role of the Association was vital to protect the interests of the pashmina sector and those dependent on it;

(b) Project B252 on Eastern partnerships is aimed at supporting small and medium-sized enterprises of Eastern partnership countries, integrating them into global value chains and accessing new markets, with a focus on the European Union. The Board noted that the project would be completed by August 2020 and that, against the project target of 100 supported small and medium-sized enterprises which would make changes to their operations to increase international competitiveness, 43 such enterprises had been supported so far. There was, however, no indication whether the exports of these 43 enterprises had increased as a result of the intervention, which is an important measure of sustainability.

61. ITC stated that funding for the bulk of ITC projects ended with the project end date. In very rare cases, donors paid for an end-of-project evaluation. For example, in the NTF2 project in Uganda, the donor had invested in carrying out an impact evaluation a few years after the project ended.

62. The Board is of the view that there should be objectively verifiable indicators to ascertain the long-term sustainability of individual projects. The Strategic Planning, Performance and Governance Section of ITC confirmed that there had been no systematic follow-up of the programmes following their closure after a few years to confirm the sustainability aspects and surveys for ascertaining the same had not been conducted.

63. **The Board recommends that ITC consider assessing the long-term sustainability of the results achieved under various projects.**

64. ITC agreed with the recommendation and stated that, given the difficulties with funding such reviews out of project budgets, ITC would use a portion of its budget for evaluation under its regular budget to conduct a regular ex-post review of project results in 2020 for a sample of projects that had ended three to four years earlier.

[5] A306 ($8.9 million), B340 ($12.4 million), A874 ($12.2 million) and A749 ($4.9 million).

C. Disclosures by management

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

65. ITC reported that it had formally written off equipment for an amount of $542,077 and an amount of non-recoverable receivables of $12,502 during the year ended 31 December 2018.

2. Ex gratia payments

66. ITC reported no ex gratia payments for the year ended 31 December 2018.

3. Cases of fraud, presumptive fraud and financial mismanagement

67. ITC has no cases of fraud or presumptive fraud to report for the year ended 31 December 2018.

D. Acknowledgement

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

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

(*Signed*) Rajiv **Mehrishi**
Comptroller and Auditor General of India
(Lead Auditor)

(*Signed*) Jorge **Bermúdez**
Comptroller General of the Republic of Chile

24 July 2019

Annex

Status of implementation of recommendations up to the year ended 31 December 2017

No.	*Audit report year*	*Report reference*	*Board's recommendations*	*Response of ITC*	*Board's assessment*	*Fully implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
1	2014	A/70/5 (Vol. III) and A/70/5 (Vol. III)/Corr.1, chap. II, para. 21	Use the benefits realization plan and the improved financial information derived from the International Public Sector Accounting Standards (IPSAS) to inform and manage financial risk.	Business intelligence tools have been gaining momentum, helping ITC to access, analyse and use information more efficiently and reliably. These dashboards provide useful insights into data originating in enterprise systems. Since 2014, ITC has been compliant with IPSAS, as confirmed by a clean audit opinion and the reliability of financial information. For example, IPSAS information enabled management: (a) To implement the 3 per cent accrual for after-service health insurance; (b) To ensure accurate recognition of revenue, which facilitates the monitoring of cash receipts and outstanding contributions from donors; (c) To predict future liabilities and budgets. Improved transparency and accountability, and more frequent availability of financial information, resulted in increased confidence among donors, as evidenced by increased funding from them.	In view of the compliance, the recommendation is considered to have been implemented.	X			
2	2015	A/71/5 (Vol. III), chap. II, para. 49	To further strengthen internal control, the business intelligence functionality should be used to identify exceptions and patterns	The financial management indicators are monitored on a monthly basis through a dashboard. In addition, the business transformation and accountability team has developed a number of	In view of the compliance, the recommendation is considered to have been implemented.	X			

No.	Audit report year	Report reference	Board's recommendations	Response of ITC	Board's assessment	Fully implemented	Under implementation	Not implemented	Overtaken by events
			of expenditure so as to provide insight and focus for management validation and review.	business intelligence reports and dashboards to support managers with information-based insights					
3	2016	A/72/5 (Vol. III), chap. II, para. 40	Conduct an independent staffing review to optimize its resources.	ITC continues with a review of all job descriptions across ITC, as well as the capturing of the skills of staff in a newly developed skills database. It is envisaged that this will not only ensure that the job roles in ITC are up to date and relevant but also indicate the skill strength, as well as skill gaps, of ITC.	ITC has not conducted the independent staffing review. It has initiated the process. Hence, the recommendation is considered to be under implementation.		X		
4	2016	A/72/5 (Vol. III), chap. II, para. 59	Operationalize its independent Oversight Committee to strengthen its internal control mechanisms.	ITC will restore and make operational its Oversight Committee, which was first formed in June 2006, and the terms of reference which were modified in October 2010 and in August 2014. Currently, the senior management committee is also functioning as an oversight committee.	As the implementation of the recommendation is ongoing, the recommendation is considered to be under implementation.		X		
5	2016	A/72/5 (Vol. III), chap. II, para. 65	Select consultants through a competitive process.	A human resources team continues to advise hiring managers on this and on all rules and procedures related to consultants. Currently, hiring managers are required to consider more than one candidate and, if not, are mandated to justify their reasons for not doing so in the e-Recruitment of Consultants (e-ROC) system. ITC will further strengthen this requirement and request hiring managers to provide more detailed justification regarding the unique attributes of selected candidates. Increasingly, hiring managers are advertising consultancy positions on the ITC website, as well as on social media.	Cases of non-compliance with the competitive bid process still exist and are pointed out in the present audit report. In some cases, justification is also not available. The recommendation is considered to be under implementation.		X		

No.	*Audit report year*	*Report reference*	*Board's recommendations*	*Response of ITC*	*Board's assessment*	*Fully implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
6	2016	A/72/5 (Vol. III), chap. II, para. 69	(a) Select consultants through a competitive process and (b) avoid using consultants for the performance of generic tasks.	The human resources team will continue to provide advice and training.	The audit noted cases of non-compliance with the competitive bid process. In some cases, justification is also not available. The recommendation is considered to be under implementation.		X		
7	2016	A/72/5 (Vol. III), chap. II, para. 83	Adhere to the 16-day clause for advance travel planning to reduce travel expenditure and avoid frequent rescheduling and cancellation of tickets.	ITC continues to encourage staff to submit travel requests 21 days prior to the commencement of travel.	The travel cases were still not processed within the prescribed period of 16 days. There are many cases of non-compliance and, in some cases, the requisite justification is not provided. The recommendation is considered to be under implementation.		X		
8	2017	A/73/5 (Vol. III), chap. II, para. 15	Strengthen its mechanism of review and classification of voluntary contribution agreements as conditional or unconditional for the purposes of revenue recognition.	During the course of 2018, the financial management, legal and information technology sections worked together to implement these new changes to its automated memorandum of understanding database on the ITC portal by including the IPSAS criteria for recognition of non-exchange revenue. These criteria are in line with the discussions of the Task Force on Accounting Standards working group on IPSAS 23 on revenue from non-exchange transactions and also in accordance with the United Nations Headquarters checklist for	The Audit observed that, during 2018, the review of all new signed agreements was separately documented in the control sheet and control sheets on the agreements were provided to the audit for verification. All new signed agreements in 2019, until May, were	X			

No.	Audit report year	Report reference	Board's recommendations	Response of ITC	Board's assessment	Fully implemented	Under implementation	Not implemented	Overtaken by events
				determining conditional and unconditional agreements. The memorandums of understanding database was still undergoing modifications; the new control checklists went live only in 2019. Hence, during 2018, all new signed agreements in 2018 were separately documented on the control sheet and all new signed agreements in 2019 will be documented directly on the portal itself.	being documented directly as per the new control checklist in each memorandum of understanding on the Intranet portal itself. In view of the compliance, the recommendation is considered to have been implemented.				
9	2017	A/73/5 (Vol. III), chap. II, para. 19	Conduct a review of the residual values and useful lives of its fully depreciated assets still in use.	During the year-end impairment exercise conducted by Central Support Services, that team also performed a review of the residual value of the fully depreciated assets still in use, while the information technology team preformed a review of information technology equipment. The review is documented on the asset listing and did not result in any material residual value required to be added back. This exercise will be performed at the end of each year and will form part of the annual review of property, plant and equipment.	A report on the impairment review of property, plant and equipment was provided to the audit team. The recommendation is considered to have been implemented.	X			

No.	Audit report year	Report reference	Board's recommendations	Response of ITC	Board's assessment	Fully implemented	Under implementation	Not implemented	Overtaken by events
10	2017	A/73/5 (Vol. III), chap. II, para. 26	Monitor more closely the valuation of liability on account of annual leave to ensure that accurate valuations are depicted in the financial statements.	As the calculations done for 2018 are based on the rollover of 2017, ITC compared the source information sent by United Nations Headquarters in New York to the actuary for 2017 and compared the records with the Human Resources Division of ITC and found that the data and information are reasonable and consistent. A new process has been established whereby ITC will be providing the data directly to the actuaries. In 2018, ITC continued to review and monitor annual leave balances of its staff. Accumulated leave as at 31 December 2018 remains within the same range as in the previous year.	As informed by ITC, there was an error made in the actuarial calculation carried out in 2015. The actuarial liability provided in 2017 was correct. That year is consistent with the figures for 2018. The recommendation is considered to have been implemented.	X			
11	2017	A/73/5 (Vol. III), chap. II, para. 33	(a) define the types of results that ITC projects deliver, towards achieving the Sustainable Development Goals and (b) provide guidelines to project managers, for contributing towards each of the 23 selected Sustainable Development Goal targets.	The Sustainable Development Goal targets to which ITC links were revalidated at the level of projects and programmes and reporting instructions for project managers were provided.	The Board verified sample cases on the Intranet project portal of ITC. The recommendation is considered to have been implemented.	X			
12	2017	A/73/5 (Vol. III), chap. II, para. 39	Update the members of the Grants Committee when staff changes such as departures or transfers occur.	ITC has updated the membership of its Grants Committee and issued a new administrative instruction on the Committee's membership.	In view of the compliance, the recommendation is considered to have been implemented.	X			
13	2017	A/73/5 (Vol. III), chap. II, para. 44	Conduct an assessment of all implementing partners engaged in its projects.	ITC is finalizing an implementing partners' assessment form, which will be promulgated after it is approved by ITC senior management.	The new draft assessment form is being submitted for approval by the competent authority		X		

No.	Audit report year	Report reference	Board's recommendations	Response of ITC	Board's assessment	Fully implemented	Under implementation	Not implemented	Overtaken by events
					by the concerned division in ITC; however, some assessments are being carried out using existing forms. The recommendation is considered to be under implementation.				
14	2017	A/73/5 (Vol. III), chap. II, para. 48	Ensure that division directors review the budget and supporting documents prior to the release of payments to implementing partners.	A reminder has been issued to the Management Action Group on the existing internal controls and the requirement to comply with them. (Update: the payment request memo has been updated.) A new budget template has been issued to facilitate verification of expenditures and actual invoices by section chiefs. Implementing partners, grantees and end beneficiaries have been requested to reference their supporting documents, prepare summaries of the information provided and link the summaries to the financial reports and budgets. The standard memorandum of understanding clauses have been updated to include a reserve of a minimum of 5 per cent in the schedule of payments, which would be released upon successful completion of all memorandum of understanding activities, submission of requested reports and supporting invoices for the expenditures and approval by ITC. Payment requests are reviewed and validated by the project manager, certifying officers and division directors.	In view of the compliance, the recommendation is considered to have been implemented.	X			

No.	Audit report year	Report reference	Board's recommendations	Response of ITC	Board's assessment	Fully implemented	Under implementation	Not implemented	Overtaken by events
15	2017	A/73/5 (Vol. III), chap. II, para. 58	Select consultants through a competitive process. (Refers to a 2016 recommendation (see A/72/5 (Vol. III), chap. II, para. 65)).	A human resources team continues to advise hiring managers on this and on all rules and procedures related to consultants. Currently, hiring managers are required to consider more than one candidate and, if not, are mandated to justify in the e-ROC system the rationale for not doing so. ITC will further strengthen this requirement, and request hiring managers to provide more detailed justification regarding the unique attributes of the selected candidate. Increasingly, hiring managers are advertising consultancy positions on the ITC website, as well as on social media.	Cases of non-compliance of the competitive bid process still exist and are pointed out in the present audit report. In some cases, justification is also not available. The recommendation is considered to be under implementation.		X		
16	2017	A/73/5 (Vol. III), chap. II, para. 62	Apply adequate checks and controls to avoid awarding contracts at fees higher than the maximum fee associated with a particular level.	ITC is making enhancements to the recruitment tool in order to avoid awarding contracts at fees higher than the maximum fee associated with a particular level.	The Board observed 70 cases of non-compliance with the rules in 2018. The recommendation is considered to be under implementation.		X		
17	2017	A/73/5 (Vol. III), chap. II, para. 72	Follow a documented and transparent approach for implementing its agreed termination programme.	There have always been informal channels of communication for individuals who are considering applying for agreed termination, such as discussions with supervisors. High-quality staff members are normally given a reason to stay in terms of opportunities for career development and changes in duties and responsibilities, wherever possible.	The Board holds that there is a need to document the process appropriately. There is an observation in the present report on a related issue. Hence, the recommendation is considered to be under implementation.		X		
	Total					**8**	**9**	**0**	**0**
	Percentage					**47**	**53**	**0**	**0**

Chapter III
Certification of the financial statements

Letter dated 20 March 2019 from the Assistant Secretary-General, Controller, addressed to the Chair of the Board of Auditors

The financial statements of the International Trade Centre for the year ended 31 December 2018 have been prepared in accordance with financial rule 106.1 of the Financial Regulations and Rules of the United Nations.

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

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

(*Signed*) Chandramouli **Ramanathan**
Assistant Secretary-General, Controller

31/88

Chapter IV
Financial report for the year ended 31 December 2018

A. Introduction

1. The Executive Director has the honour to submit the financial report on the accounts of the International Trade Centre (ITC) for the year ended 31 December 2018.

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

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

4. In 2018, ITC delivery was strategically aligned to 10 of the Sustainable Development Goals, with focus on Goal 8 (decent work and economic growth), Goal 1 (end poverty), Goal 5 (gender equality) and Goal 17 (partnerships for the Goals). ITC also contributed to implementing Goals 2, 4, 9, 10, 12 and 16. ITC organizes its delivery across six focus areas: (a) providing trade and market intelligence; (b) building a conducive business environment; (c) strengthening trade and investment support institutions; (d) connecting to international value chains; (e) promoting and mainstreaming inclusive and green trade; and (f) supporting regional economic integration and South-South links.

5. In 2018, measured by expenditure in United States dollars, ITC delivered technical assistance, capacity-building and market intelligence with gross extrabudgetary expenditure of $64.4 million. Extrabudgetary expenditure was approximately 39.3 per cent higher than in the previous year and general performance was in line with output and outcome targets that were set for the biennium 2018–2019.

6. Delivery performance by ITC continued to be strongly supported by corporate initiatives for innovation and project development. At the end of 2018, the Centre's pipeline of projects under development and in discussions with funders was estimated at $135 million. Throughout the year, $0.5 million was approved for innovative projects from the Centre's Business Development Fund.

7. In 2018, almost 300,000 beneficiaries became more aware of trade-related topics, through the use of ITC market intelligence tools and other digital content, complemented by targeted ITC awareness-raising and knowledge-sharing events. In 89 cases, ITC influenced policymakers and contributed to strategy or policy formulations for the benefit of micro-, small and medium-sized enterprises in developing economies. In 350 instances, the institutional beneficiaries of ITC, public and private trade and investment support institutions, have improved their performance through ITC interventions and are now able to serve their clients better. The Centre's refined monitoring better captured interventions focusing on marginalized groups, such as smallholders and enterprises owned or operated by women. This allowed for reporting that almost 15,000 micro-, small and medium-sized enterprises (of which 49 per cent were owned or operated by women) made changes to their business operations to improve their competitiveness. Finally, over 3,500 enterprises (of which 57 per cent were owned or operated by women) have

transacted new business with ITC assistance. ITC overachieved its target of benefiting at least 40 per cent of women-owned enterprises. The largest share of the Centre's delivery continued to be focused on sub-Saharan Africa and the Asia-Pacific region, in line with the continued prioritization of the most vulnerable countries. In 2018, 55 per cent of country or region-specific extrabudgetary expenditure was dedicated to least developed countries, and 86 per cent to the wider group of priority countries, consisting of least developed countries, landlocked developing countries, small island developing States, sub-Saharan Africa, small and vulnerable economies and post-conflict countries.

8. ITC has strengthened its capacity through numerous business process improvements, specifically by developing new practices in risk management and supporting innovation through the training and advisory services of its Innovation Lab:

(a) The 2018 annual evaluation synthesis report confirmed the relevance of ITC projects in the view of partner country Governments and beneficiaries. It also confirmed the Centre's holistic approach of targeting enterprises, business support organizations and policymakers simultaneously as change agents for the benefit of micro-, small and medium-sized enterprises and their competitiveness. The evaluations underlined the importance of creating more space for innovation, risk and contingency planning in implementation. Recommendations included, for project designers and managers, to deepen their appreciation of local conditions, capacities, motivations and relationships of partners and beneficiaries to ensure the sustainability of results. Successful institutional capacity-building, especially of weak organizations in vulnerable economies, requires support over multiple years. In response, ITC will expand its country presence, work closely with local implementing partners and pursue more flexibility in implementation through large, multi-year programmes;

(b) In 2018, ITC performed detailed risk assessments of several key risks identified at the corporate level and added more elements to the framework, such as specific policies, guidebooks, checklists and training sessions, to strengthen its overarching risk management framework;

(c) In its efficiency initiatives, ITC has achieved the target of an average of five days of training per employee;

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

(e) In 2018, ITC was very successful in its fundraising efforts, resulting in the signature of new funding agreements with a value of approximately $165 million;

(f) ITC continued to strengthen its cooperation to promote "good trade". Partnerships with international organizations, including the United Nations family, demonstrated the ability of ITC to leverage expertise for the benefit of developing country exporters and entrepreneurs. Field interventions yielded tangible results by providing partners and beneficiaries with critical trade resources to improve the livelihoods of youth, women and migrant communities. Sustainable development partnerships with non-governmental organizations expanded in non-trade sectors in areas like migration, humanitarian assistance and the environment. The Centre's global trade intelligence and online learning platforms were utilized more frequently in support of regional and country projects. Finally, cooperation with multinationals and private sector associations continued to grow in sectors like logistics, digital services and agribusiness;

(g) In its triennial review of the implementation of the recommendations from the programme evaluation of ITC (E/AC.51/2018/8), the Office of Internal Oversight

Services (OIOS) confirmed that ITC had taken significant steps to implement all recommendations contained in the evaluation carried out by the Inspection and Evaluation Division of OIOS in 2015. ITC is more focused on core corporate priorities and has improved its results-based management systems, corporate reporting and mainstreaming of youth, gender and the environment.

9. At the fifty-second session of the Joint Advisory Group of ITC, convened in Geneva on 10 July 2018, Member States commended ITC for the results of its work to promote economic growth through inclusive and sustainable trade and praised ITC as a valuable partner in the field. They welcomed the Centre's new strategic plan for 2018–2021 and expressed appreciation for its expanding suite of trade intelligence products, such as ePing, the Global Trade Helpdesk, Export Potential Map and Market Access Map. ITC was encouraged to continue its interventions in post-conflict areas and fragile States and to keep prioritizing micro-, small and medium-sized enterprises at the base of the pyramid in least developed countries, small island developing States, landlocked least developed countries, sub-Saharan Africa and small and vulnerable economies. Delegates urged ITC to further strengthen risk management and results monitoring. In terms of funding, delegates urged funders to continue their support for ITC and, in particular, to contribute unearmarked funds to allow ITC to plan for the future, highlighting the importance of the Centre's work.

B. Overview of the financial statements for the year ended 31 December 2018

10. Financial statements I, II, III, IV and V show the financial results of the Centre's activities and its financial position as at 31 December 2018. 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

11. The financial results for the year 2018 amounted to a surplus of $21.424 million, based on the results as follows:

Financial results

(Thousands of United States dollars)

	2018	*2017*
Total revenue	120 111	127 125
Total expense	98 687	88 210
Surplus	**21 424**	**38 915**

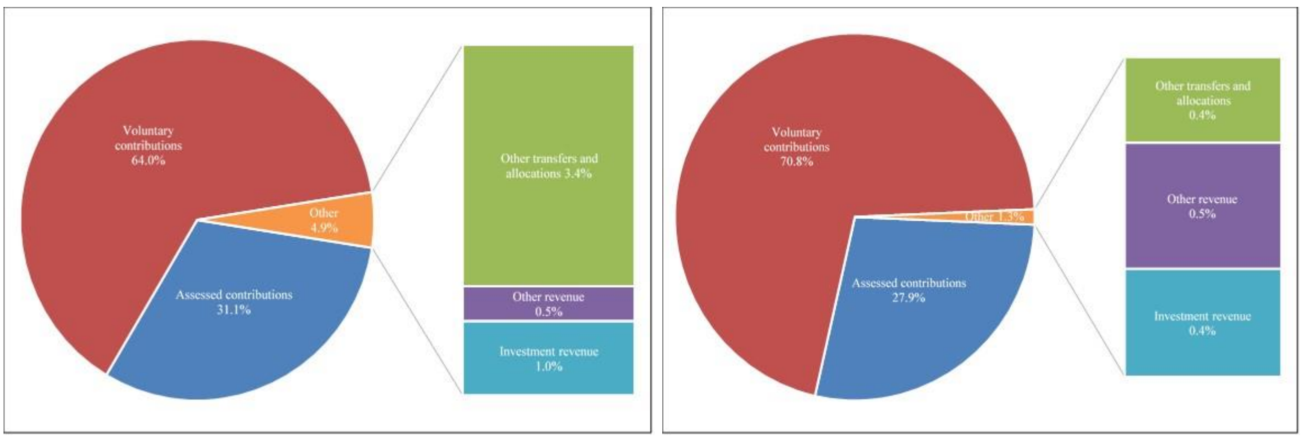
12. In 2018, revenue totalled $120.111 million (2017: $127.125 million). The main sources of revenue were voluntary contributions from donors of $76.822 million, or 64.0 per cent; assessed contributions of $37.360 million, or 31.1 per cent; revenue from other transfers and allocations of $4.086 million, or 3.4 per cent; investment revenue of $1.250 million, or 1.0 per cent; and other revenue of $0.593 million, or 0.5 per cent (see figures IV.I and IV.II). Total revenue also includes contributions in kind as a rental subsidy of $2.779 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.

13. Voluntary contributions through donor agreements are recognized as revenue at the point of signature except where such agreements contain a condition requiring

specific performance and a return obligation. Revenue from voluntary contributions is mainly from the signature of major multi-year unconditional agreements with Belgium, Denmark, Finland, France, Germany, Sweden, Switzerland and the United Kingdom of Great Britain and Northern Ireland. During the year, an amount of $18.500 million was recognized from conditional agreements. Other transfers and allocations are mainly inter-organizational arrangements for contributions received from the Food and Agriculture Organization of the United Nations and WTO, and for projects under the Enhanced Integrated Framework trust fund and the One United Nations fund.

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

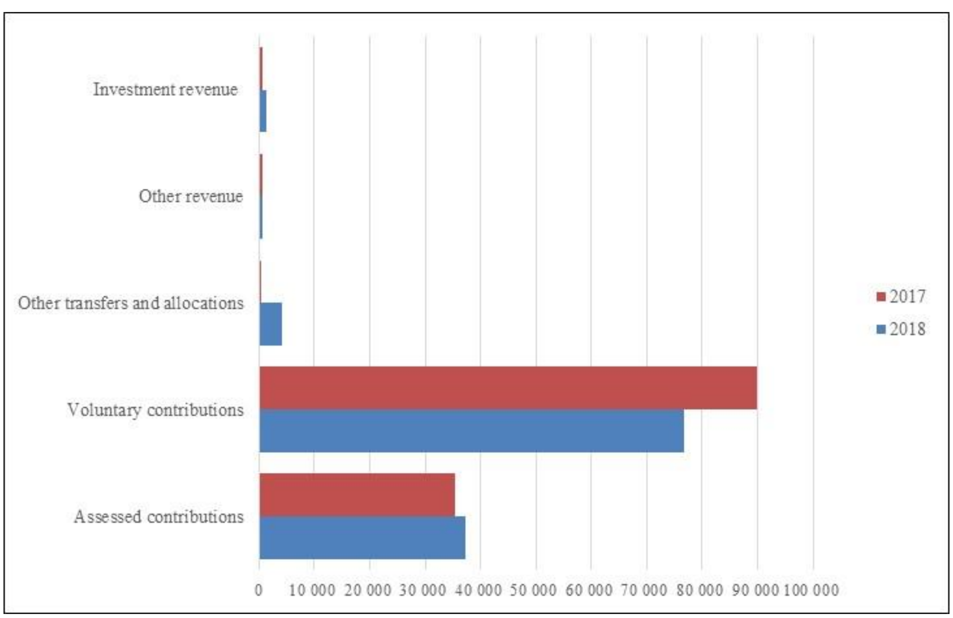
Figure IV.I
Total revenue, by fiscal year



Fiscal year 2018: total revenue $120.111 million

Fiscal year 2017: total revenue $127.125 million

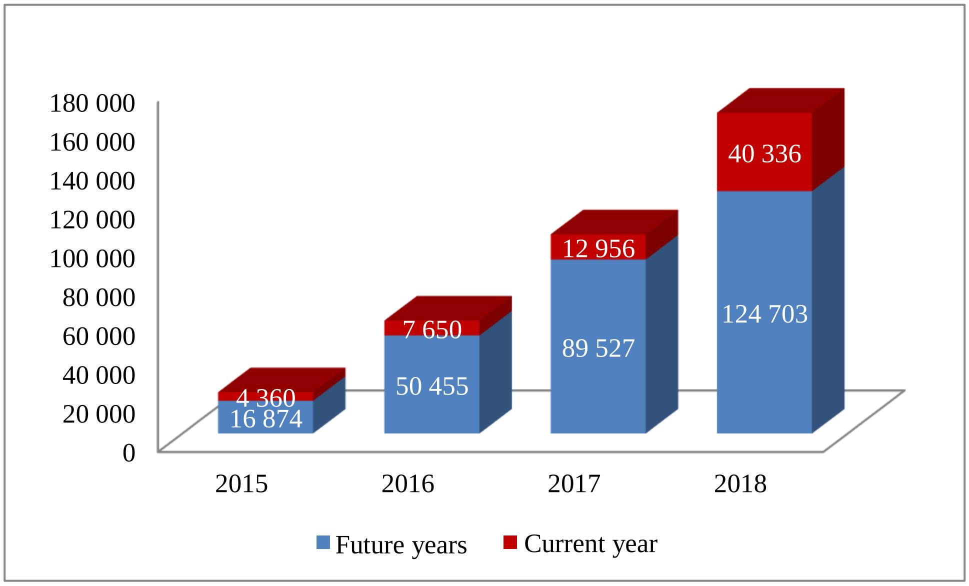
Figure IV.II
Total revenue, by category and fiscal year
(Thousands of United States dollars)



15. Overall, on a year-to-year basis, the value of voluntary contributions and other transfer and allocation agreements signed with donors was $165.039 million in 2018, $102.483 million in 2017, $58.106 million in 2016 and $21.234 million in 2015. A new strategic framework accompanied by a results-focused programmatic approach came into effect in 2015, resulting in a renewed level of support from donors.

Figure IV.III
Voluntary contribution agreements and other transfer and allocation agreements signed with donors (conditional and unconditional) showing current year and future year portions by fiscal year

(Thousands of United States dollars)

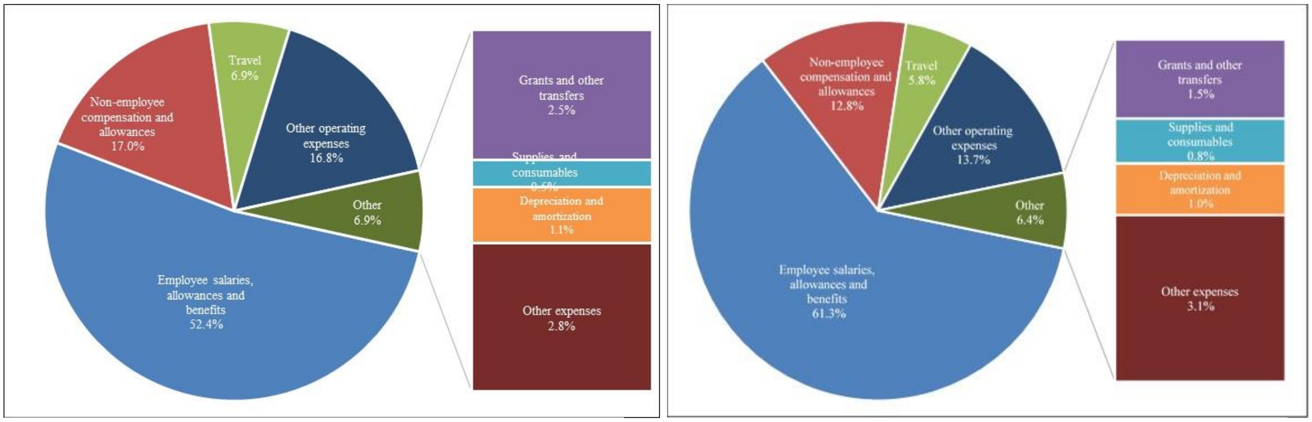


16. Figure IV.III shows voluntary contribution agreements and other transfer and allocation agreements signed in each year and the portion attributable to the current year and to future years.

Expenses

17. For the year ended 31 December 2018, expenses totalled $98.687 million. The main expense categories were staff costs of $51.726 million, or 52.4 per cent; non-employee compensation and allowances of $16.793 million, or 17.0 per cent; other operating expenses of $16.599 million, or 16.8 per cent; travel of $6.792 million, or 6.9 per cent; other expenses, including share of joint arrangement, of $2.775 million, or 2.8 per cent; grants and other transfers of $2.439 million, or 2.5 per cent; depreciation and amortization of $1.061 million, or 1.1 per cent; and supplies and consumables of $0.502 million, or 0.5 per cent (see figure IV.IV). Staff costs included $4.716 million of interest costs and current service costs related to defined-benefit obligations (after-service health insurance, annual leave and repatriation grant/travel). In accordance with the policy set by the United Nations Controller, programme support costs on expenses generated by the implementation of project activities are charged based on rates ranging from 7.0 per cent to 13.0 per cent. These costs are included in the project expenses.

Figure IV.IV
Total expenses, by fiscal year



Fiscal year 2018: total expenses $98.687 million **Fiscal year 2017: total expenses $88.210 million**

18. Total personnel cost, which includes staff costs and non-employee compensation and allowances, totalled $68.519 million; this amount represents 69.4 per cent of total expenses for the year and an increase of 4.7 per cent as compared with 2017. The general performance was in line with outcome targets that were set for the biennium 2018–2019.

Operating results

19. The net surplus of revenue over expense in 2018 was $21.424 million. However, the principle of matching revenue and expense does not apply to revenue from voluntary contributions related to unconditional agreements. Revenue from these agreements is recognized when the donor executes a binding agreement with ITC, not when the cash is received from the donor. However, expenses resulting from the delivery of the services covered by the contribution are recorded in the financial period when the expense was incurred. This means that contributions received in one financial year may not be spent until a future financial period, in particular where agreements are signed late in the financial year and cover several future years. Revenue from voluntary contributions related to conditional agreements that contain conditions requiring the return of funds if they are not spent in accordance with the terms and conditions specified by the donor are recognized as a liability. As ITC satisfies the conditions, the carrying amount of the liability is reduced and an amount of revenue equal to the reduction is recognized.

Assets

20. Assets as at 31 December 2018 totalled $273.562 million compared with the balance at 31 December 2017 of $167.177 million.

21. The main assets as at 31 December 2018 were cash and cash equivalents and investments totalling $91.621 million, representing 33.5 per cent of total assets, and voluntary contributions receivable from donors for technical cooperation projects of $174.500 million, or 63.8 per cent. The remaining assets consisted of other accounts receivable, other assets, property, plant and equipment and intangible assets.

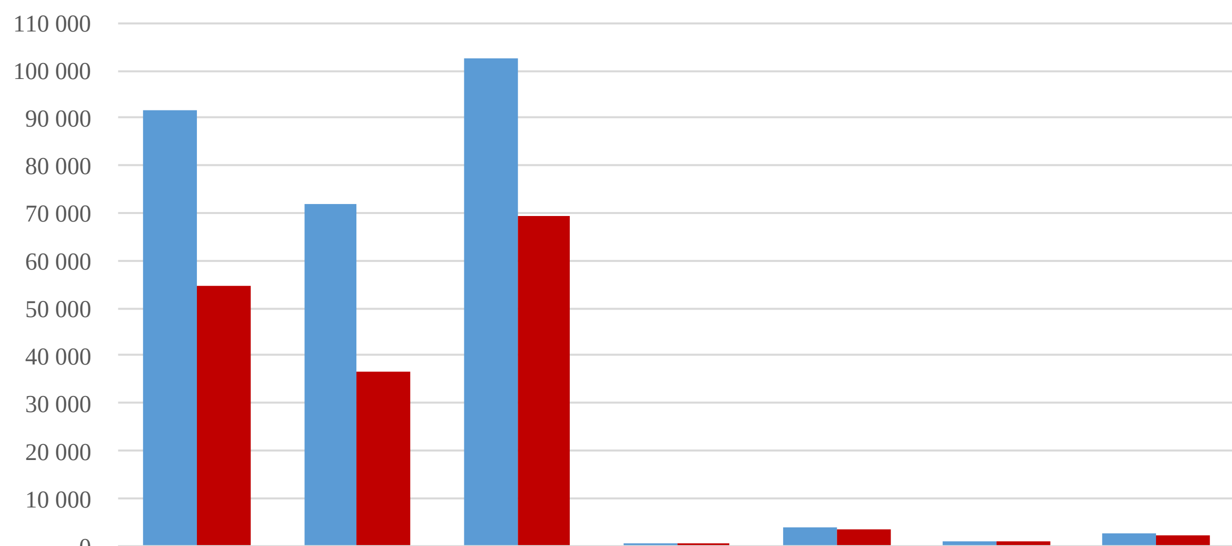
22. As at 31 December 2018, cash and cash equivalents and investments of $91.621 million were held in the United Nations cash pool and as cash held in main and field offices. This represents an increase of $37.069 million over the balance held at the end of 2017, primarily owing to cash being received in advance during 2018 for activities to be implemented in future periods.

37/88

23. Under the International Public Sector Accounting Standards (IPSAS), accounts receivable from voluntary contributions may be recognized in full on signature of an agreement, including amounts due in future financial periods. Of the total of $174.500 million due as at 31 December 2018, $72.023 million is expected to be received in 2019 and the balance of $102.477 million is expected after 2019.

24. As noted in figure IV.V below, long-term voluntary contributions receivable increased from $69.462 million to $102.477 million as a result of multi-year projects signed in 2018 for which initial instalments were received upon signature and for which subsequent tranches are expected in future years. The short-term voluntary contributions receivable increased from $36.442 million to $72.023 million, mainly owing to new agreements signed in 2018 for which major instalments are expected in 2019 in accordance with project workplans. The net overall increase in voluntary contributions receivable amounts to $68.596 million.

Figure IV.V
Summary of assets by fiscal year
(Thousands of United States dollars)



	Cash and cash equivalents	Voluntary contributions receivable – current	Voluntary contributions receivable – non-current	Other accounts receivable	Other assets – current and non-current	Property, plant and equipment	Intangibles
2018	91 621	72 023	102 477	62	3 908	889	2 582
2017	54 552	36 442	69 462	88	3 535	996	2 102

Liabilities

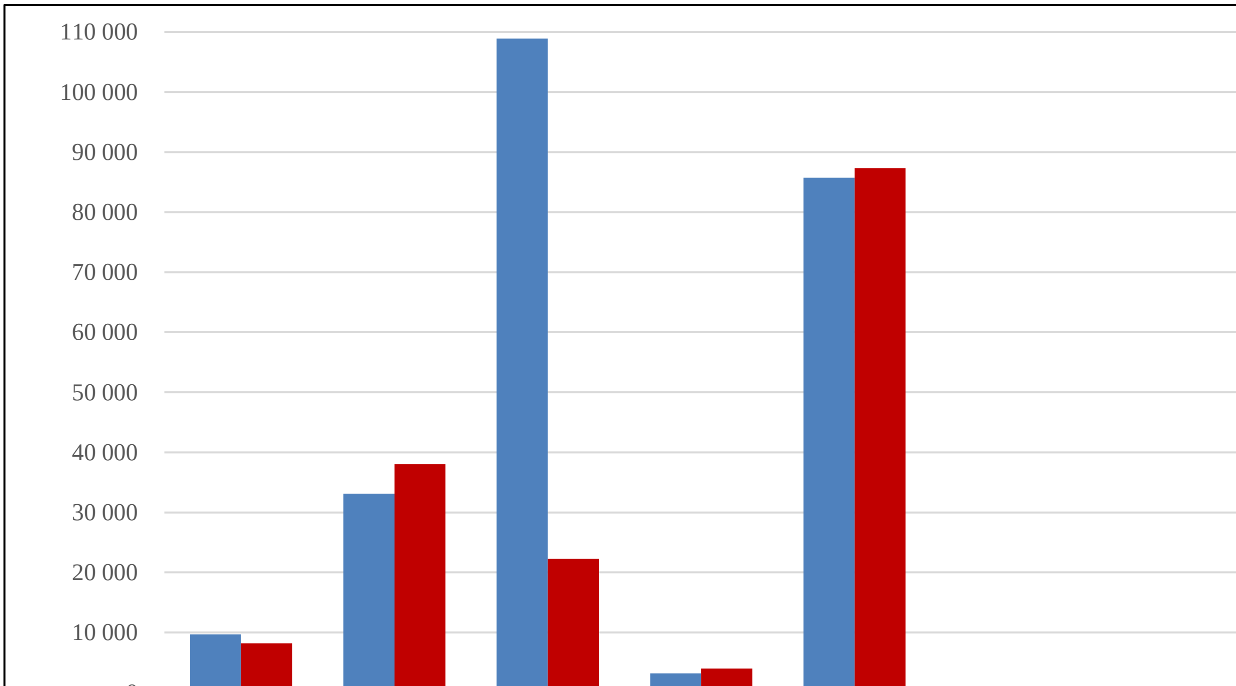
25. Liabilities as at 31 December 2018 totalled $240.706 million compared with the balance as at 31 December 2017 of $159.840 million.

26. The most significant liability was other liabilities, which relate to the voluntary contributions from agreements, mainly with the European Union, that contain conditions requiring the return of funds if they are not spent in accordance with the terms of the agreement. These amounts represent the portion of the contribution that has not been recognized as revenue since it had not been delivered by ITC as at 31 December 2018. Other liabilities increased by $81.751 million, from $60.287 million reported in 2017 to $142.038 million reported in 2018, representing 59.0 per cent of the Centre's total liabilities in 2018. A number of multi-year

agreements funded by the European Union were signed during the second half of 2018, with the full value of the contributions recognized as conditional liabilities upon signature. Conditional voluntary contributions increased owing to approximately $105.226 million in new multi-year agreements signed during the year, while approximately $18.500 million was delivered and recognized as revenue during the year.

27. The other significant liability was the employee benefits earned by staff members and retirees but not paid as at the reporting date, amounting to $88.898 million, representing 36.9 per cent of the Centre's total liabilities in 2018 (see figure IV.VI). Those liabilities are explained in note 12 to the financial statements. The primary employee benefits liability is the after-service health insurance of $78.117 million, or 87.9 per cent of total employee benefits liabilities. The decrease of employee benefits liabilities by $2.434 million is a result of a $4.100 million net actuarial gain, recognized in net assets, and $2.592 million of current service costs and interest net of benefit payments, recognized in the statement of financial performance as a component of staff costs, as well as a decrease in accrued salaries, allowances and benefits and home leave of $0.926 million.

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



	Accounts payable and accrued liabilities	Other liabilities – current	Other liabilities – non-current	Employee benefits liabilities – current	Employee benefits liabilities – non-current	Provision	Share of joint arrangement
2018	9 669	33 131	108 907	3 182	85 716	65	36
2017	8 181	38 033	22 254	3 996	87 336		40

Net assets

28. The movement in net assets during the year reflects an increase of $25.519 million, from $7.337 million in 2017 to $32.856 million in 2018, as a result of the actuarial gain of $4.100 million and an operating surplus of $21.424 million.

39/88

Net assets include the operating reserves, which increased from $7.766 million in 2017 to $9.272 million in 2018. ITC participates in a jointly financed operation relating to safety and security, which is established under a binding agreement. ITC reported $0.005 million in net assets as its 2018 total share of the joint arrangement, accounted for using the equity method.

Liquidity position

29. As at 31 December 2018, the liquidity position of ITC was healthy; it had sufficient liquid assets to settle its current liabilities. Liquid funds totalled $157.764 million (cash and cash equivalents of $8.960 million, short-term investments of $76.719 million and accounts receivable of $72.085 million), whereas total current liabilities amounted to $45.982 million and total liabilities amounted to $240.706 million. The Centre's total cash resources remained stable at $91.621 million.

30. The table below summarizes key liquidity indicators for the financial year ended 31 December 2018, with comparatives for the year ended 31 December 2017.

Liquidity indicator	*2018*	*2017*
Ratio of liquid assets to current liabilities	3.4:1	1.6:1
Ratio of liquid assets less accounts receivable to current liabilities	1.9:1	0.9:1
Ratio of liquid assets to total assets	0.6:1	0.5:1
Average months of liquid assets less accounts receivable on hand	10.5	5.8

31. 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 3.4:1 indicates that current liabilities are covered in excess of 3.4 times by liquid assets, and therefore there are sufficient liquid assets available to fully pay liabilities should the need arise. When accounts receivable are excluded from the analysis, the coverage of current obligations stands at 1.9. The ratio of 1.9:1 indicates that ITC is able to cover current liabilities when relying on its assets that can be liquidated quickly, such as cash and cash equivalents and short-term investments. As at 31 December 2018, the Centre's liquid assets were about 57.7 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 $8.136 million for 10.5 months.

32. As at the reporting date, ITC had employee benefits liabilities of $88.898 million. With total cash and cash equivalents and investments of $91.621 million, 103.1 per cent of the employee benefits liability was covered; no amounts were reserved in the accounts to cover employee benefits liabilities to be paid in the future.

Budgetary comparison

33. The original budget is adopted in Swiss francs; the final budget takes into consideration the result of the changes in the exchange rate between Swiss francs and United States dollars that took place between the adoption of the original budget and the reporting date. Budget comparison and reconciliation details have been disclosed in note 17 of the financial statements.

34. The statement of comparison of budget and actual amounts (statement V) compares the final budget to actual amounts calculated on the same basis as the corresponding budgetary amounts. The comparison is made only in respect of the publicly available regular budget as shown below.

	2018			2017		
	Final annual	*Actual (budget basis)*	*Difference (percentage)*	*Final annual*	*Actual (budget basis)*	*Difference (percentage)*
Revenue						
Assessed contributions from the United Nations	18 677	18 680	–	18 468	18 008	(2)
Assessed contributions from WTO	18 677	18 680	–	18 468	18 004	(3)
Miscellaneous revenue	206	244	18	203	239	18
Total revenue	**37 560**	**37 604**	**–**	**37 239**	**36 251**	**(2)**
Regular budget						
Posts	29 202	28 620	(2)	28 947	29 367	1
Non-post	8 358	7 728	(8)	8 192	8 813	8
Total expenses	**37 560**	**36 348**	**(3)**	**37 139**	**38 180**	**3**
Surplus/(deficit) for year	**–**	**1 256**		**–**	**(1 929)**	

35. Pursuant to IPSAS 24: Presentation of budget information in financial statements, material differences between the final budget and actual expenses that are greater than 10 per cent should be explained. There was no material variance between the final budget and actual expenses at the end of 2018, except for the variance of 18 per cent in miscellaneous revenue of $0.038 million related to higher accrued interest revenue than anticipated in the budget.

Annex

Supplementary information

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

Write-off of losses of cash and receivables

2. Pursuant to financial rule 106.7 (a), an amount of non-recoverable receivables equivalent to $0.013 million was written off during 2018.

Write-off of losses of property

3. Pursuant to financial rule 106.7 (a), total write-offs of property, plant and equipment for ITC with respect to the financial statements during 2018 comprised 25 communications and information technology items and 13 items of machinery and equipment with a total original acquisition value of $0.542 million. These write-offs resulted from obsolescence.

Ex gratia payments

4. There were no ex gratia payments during 2018.

Chapter V

Financial statements for the year ended 31 December 2018

International Trade Centre

I. Statement of financial position as at 31 December 2018

(Thousands of United States dollars)

	Reference	*31 December 2018*	*31 December 2017*
Assets			
Current assets			
Cash and cash equivalents	Note 4	8 960	4 303
Investments	Note 5	76 719	38 245
Voluntary contributions receivable	Note 6	72 023	36 442
Other accounts receivable	Note 6	62	88
Other assets	Note 7	3 873	3 491
Total current assets		**161 637**	**82 569**
Non-current assets			
Investments	Note 5	5 942	12 004
Voluntary contributions receivable	Note 6	102 477	69 462
Other assets	Note 7	35	44
Property, plant and equipment	Note 8	889	996
Intangible assets	Note 9	2 582	2 102
Total non-current assets		**111 925**	**84 608**
Total assets		**273 562**	**167 177**
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	Note 10	9 669	8 181
Other liabilities	Note 11	33 131	38 033
Employee benefits liabilities	Note 12	3 182	3 996
Total current liabilities		**45 982**	**50 210**
Non-current liabilities			
Other liabilities	Note 11	108 907	22 254
Employee benefits liabilities	Note 12	85 716	87 336
Provision	Note 13	65	–
Share of joint arrangement	Note 19	36	40
Total non-current liabilities		**194 724**	**109 630**
Total liabilities		**240 706**	**159 840**
Net of total assets and total liabilities		**32 856**	**7 337**
Net assets			
Accumulated surplus/(deficit)		23 584	(429)
Operating reserves	Notes 3 (para. 65) and 14	9 272	7 766
Total net assets		**32 856**	**7 337**

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

43/88

International Trade Centre

II. Statement of financial performance for the year ended 31 December 2018

(Thousands of United States dollars)

	Reference	*31 December 2018*	*31 December 2017*
Revenue			
Assessed contributions	Note 15	37 360	35 453
Voluntary contributions	Note 15	76 822	89 976
Other transfers and allocations	Note 15	4 086	455
Other revenue	Note 15	593	669
Investment revenue	Note 15	1 250	572
Total revenue		**120 111**	**127 125**
Expenses			
Employee salaries, allowances and benefits	Note 16	51 726	54 114[a]
Non-employee compensation and allowances	Note 16	16 793	11 314[a]
Travel	Note 16	6 792	5 075
Grants and other transfers	Note 16	2 439	1 311
Supplies and consumables		502	739
Depreciation	Note 8	419	416
Amortization	Note 9	642	435
Other operating expenses	Note 16	16 599	12 058[a]
Other expenses	Note 16	2 784	2 746
Share of joint arrangement	Note 19	(9)	2
Total expenses		**98 687**	**88 210**
Surplus for the year		**21 424**	**38 915**

[a] The comparative figure for 2017 has been restated for comparison purposes.

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

International Trade Centre

III. Statement of changes in net assets for the year ended 31 December 2018

(Thousands of United States dollars)

	Accumulated surplus, restricted	*Reserves*	*Total*
Net assets as at 1 January 2017	**(41 385)**	**7 462**	**(33 923)**
Actuarial gain on employee benefits liabilities	2 355	–	2 355
Surplus for the year	38 915	–	38 915
Transfers	(304)	304	–
Share of changes recognized in the net assets of joint arrangement	(10)	–	(10)
Total recognized changes in net assets	**40 956**	**304**	**41 260**
Net assets as at 31 December 2017	**(429)**	**7 766**	**7 337**
Actuarial gain on employee benefits liabilities (note 12)	4 100	–	4 100
Surplus for the year	21 424	–	21 424
Transfers (note 14)	(1 506)	1 506	–
Share of changes recognized in the net assets of joint arrangement (note 19)	(5)	–	(5)
Total recognized changes in net assets	**24 013**	**1 506**	**25 519**
Net assets as at 31 December 2018	**23 584**	**9 272**	**32 856**

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

45/88

International Trade Centre

IV. Statement of cash flows for the year ended 31 December 2018

(Thousands of United States dollars)

	Reference	*31 December 2018*	*31 December 2017*
Cash flows from operating activities			
Surplus for the year		**21 424**	**38 915**
Non-cash movements			
Depreciation and amortization	Notes 8 and 9	1 061	851
Actuarial gain on employee benefits liabilities	Note 12	4 100	2 355
Loss on disposal of assets	Notes 8 and 9	–	14
Losses on share of joint arrangement	Note 19	(5)	(38)[a]
Changes in assets			
(Increase) in voluntary contributions receivable	Note 6	(68 596)	(52 907)
Decrease/(increase) in other accounts receivable	Note 6	26	(37)
(Increase) in other assets	Note 7	(373)	(1 463)
Changes in liabilities			
Increase in accounts payable and accrued liabilities	Note 10	1 488	1 401
(Decrease)/increase in employee benefits liabilities	Note 12	(2 434)	1 016
Increase in other liabilities	Note 11	81 751	18 460
Increase in provision	Note 13	65	-
(Decrease)/increase in shares of joint arrangement	Note 19	(4)	40
Investment revenue presented as investing activities	Note 15	(1 250)	(572)
Net cash flows used in operating activities		**37 253**	**8 035**
Cash flows from investing activities			
Pro rata share of net increases in the cash pool	Note 5	(32 412)	(16 187)
Investment revenue presented as investing activities	Note 15	1 250	572
Acquisitions of property, plant and equipment	Note 8	(312)	(391)
Acquisitions of intangibles	Note 9	(1 122)	(717)
Net cash flows used in investing activities		**(32 596)**	**(16 723)**
Net increase/(decrease) in cash and cash equivalents		**4 657**	**(8 688)**
Cash and cash equivalents, beginning of year		4 303	12 991
Cash and cash equivalents, end of year	**Note 4**	**8 960**	**4 303**

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

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

International Trade Centre

V. Statement of comparison of budget and actual amounts for the year ended 31 December 2018

(Thousands of United States dollars)

	Publicly available budget				
	Original biennial[a]	*Original annual*[a]	*Final annual*[b]	*Actual (budget basis)*	*Difference (percentage)*[c]
Revenue					
Assessed contributions from the United Nations	37 354	18 677	18 677	18 680	–
Assessed contributions from WTO	37 354	18 677	18 677	18 680	–
Other revenue	413	206	206	244	18
Total revenue	**75 121**	**37 560**	**37 560**	**37 604**	**–**
Expenses					
Posts	58 404	29 202	29 202	28 620	(2)
Non-post	16 717	8 358	8 358	7 728	(8)
Total expenses	**75 121**	**37 560**	**37 560**	**36 348**	**(3)**
Surplus for the year	**–**	**–**	**–**	**1 256**	**–**

[a] The original biennial budget is the lower of the budget approved by the General Assembly of the United Nations (resolution 72/263 A) or by the General Council of WTO (WT/BFA/169 and WT/GC/M/170). The original annual budget is the portion of the appropriations which is anticipated to be committed during the first year of the biennium.

[b] The final annual budget is the amount approved by the General Assembly in the first performance report (resolution 73/280 A). Differences between the original budget and final budget are the result of changes in the United States dollar-Swiss franc exchange rate and the revised estimate of expense included in the 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 these financial statements.

International Trade Centre
Notes to the financial statements

Note 1
Reporting entity

International Trade Centre and its activities

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

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

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

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

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

3. ITC is headed by an Executive Director, who is appointed by and reports to the Director General of WTO and the Secretary-General of UNCTAD. A Senior Management Committee comprises the Executive Director, the Deputy Executive Director, the heads of the four ITC divisions, the Chief Adviser in the Office of the Executive Director and the Chief of Strategic Planning. The ITC Joint Advisory Group meets annually to examine the activities of ITC on the basis of the ITC annual report and to make recommendations to the UNCTAD Trade and Development Board and the WTO General Council, which review the Centre's programme of work. Both UNCTAD and WTO are represented in the Joint Advisory Group supervising the Centre's work and have a number of joint technical assistance activities with ITC.

4. The regular budget of ITC is jointly and equally financed by the United Nations and WTO, while technical cooperation projects are financed by voluntary contributions from trust fund donors and by allocations from the United Nations Development Programme (UNDP). ITC is regarded as a separate reporting entity and is not deemed to be subject to common control for the purposes of International Public Sector Accounting Standards (IPSAS)-compliant reporting.

5. ITC participates in a jointly financed activity with other United Nations system organizations. The Centre's financial statements include its share of the United Nations system-wide safety and security programme. The Centre's share of the activity is recognized in its financial statements using the equity method.

6. The headquarters of ITC is in Geneva and it maintains leased offices in 22 countries.

Note 2
Basis of preparation and authorization for issue

7. The accounts of ITC are maintained in accordance with the Financial Regulations of the United Nations as adopted by the General Assembly of the United Nations, the rules formulated by the Secretary-General as required under the

Regulations and administrative instructions issued by the Under-Secretary-General for Management or by the Controller. The financial statements of ITC are prepared on the accrual basis of accounting in accordance with IPSAS. In accordance with the requirements of IPSAS, these financial statements, which present fairly the assets, liabilities, revenue and expenses of ITC, and the cash flows over the financial year, consist of the following:

(a) Statement I: statement of financial position;

(b) Statement II: statement of financial performance;

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

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

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

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

Going concern

8. The financial statements have been prepared on a going-concern basis and the accounting policies, as summarized in note 3, have been applied consistently in the preparation and presentation of these financial statements. The going-concern assertion is based on the approval by the General Assembly of the regular budget appropriations for the biennium 2018–2019, the positive historical trend of collection of assessed and voluntary contributions over the past years and that the General Assembly of the United Nations and the General Council of WTO have not made any decision to cease the operations of ITC.

Functional and presentation currency

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

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

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

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

Materiality and use of judgment and estimation

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

14. The preparation of financial statements in accordance with IPSAS requires management to make estimates and assumptions that affect the reported amounts of

assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses for the year. Accruals, property, plant and equipment and employee benefits liabilities are the most significant items where estimates are used. Actual results could differ from these estimates. Changes in estimates are reflected in the year in which they become known.

Measurement basis

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

Authorization for issue

16. These financial statements are certified by the United Nations Assistant Secretary-General, Controller, and approved by the Secretary-General of the United Nations. In accordance with United Nations financial regulation 6.2, the Secretary-General is required to transmit these financial statements as at 31 December 2018 to the Board of Auditors by 31 March 2019. Sequentially, in accordance with financial regulation 7.12, the reports of the Board of Auditors, together with the audited financial statements, are transmitted to the General Assembly through the Advisory Committee on Administrative and Budgetary Questions, together with the audited financial statements authorized for issue on 30 July 2019.

Future accounting pronouncements

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

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

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

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

(d) Leases: the objective of the project is to develop revised requirements for lease accounting covering both lessees and lessors in order to maintain alignment with the underlying International Financial Reporting Standards;

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

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

Recent and future requirements of IPSAS

18. The IPSAS Board has issued the following standards: IPSAS 39: "Employee Benefits", in 2016 effective 1 January 2018, IPSAS 40: Public sector combinations, in 2017 effective 1 January 2019, and IPSAS 41: Financial instruments, issued in August 2018 and effective 1 January 2022. The impact of these standards on the ITC financial statements and the comparative period therein has been evaluated to be as follows:

Standard	*Anticipated impact in the year of adoption*
IPSAS 39	Currently, IPSAS 39 will not have any impact on ITC since the "corridor method" on actuarial gains or losses, which is being eliminated, was never applied from the initial adoption of IPSAS in 2014. ITC does not have any plan assets; therefore there is no impact from application of the net interest approach prescribed by the standard. Further analysis will be carried out in the future should ITC procure plan assets.
IPSAS 40	There is no impact on ITC from the application of IPSAS 40 at the moment as there are no public sector combinations which fall under ITC. Should such combinations occur, any impact of IPSAS 40 on the ITC financial statements following the effective date of the standard (1 January 2019) will be evaluated for application by ITC.
IPSAS 41	IPSAS 41 substantially improves the relevance of information for financial assets and financial liabilities. It will replace IPSAS 29: Financial Instruments: Recognition and Measurement, and improves that Standard's requirements by introducing: (a) Simplified classification and measurement requirements for financial assets; (b) A forward-looking impairment model; (c) A flexible hedge accounting model. IPSAS 41 will be effective from 1 January 2022. Its impact on the financial statements will be assessed prior to that date and ITC will be ready for its implementation by the time it becomes effective.

Note 3
Significant accounting policies

Assets

Financial assets

Classification

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

Financial assets at fair value through surplus or deficit

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

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

Recognition and measurement of assets held in the main cash pool

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

Recognition and measurement of receivables

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

Impairment of receivables

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

25. An allowance for doubtful accounts receivable equal to 25 per cent of the carrying value is established to offset receivables aged 12–24 months, equal to 60 per cent of the carrying value for those aged more than 24 months and 100 per cent of the carrying value for those aged more than 36 months as at the reporting date. If, in a subsequent year, the amount of the impairment loss decreases, the reversal of the previously recognized impairment loss is recognized in the statement of financial performance.

Advances or prepayments

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

27. ITC advances funds to implementing partners (e.g. other United Nations system organizations and trade support institutions) in order for them to provide services to a target population in accordance with binding agreements with ITC. The implementing partner reports to ITC on its progress towards fulfilling the project or programme for which the agreement was signed. Expenses are recognized on receipt

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

Property, plant and equipment

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

29. Property, plant and equipment are capitalized when their cost is greater than or equal to $5,000 for equipment and $100,000 for leasehold improvements. No threshold is applied for vehicles, prefabricated buildings, satellite communications systems, generators and network equipment.

Subsequent costs

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

Depreciation of property, plant and equipment

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

Asset class	*Asset subclass*	*Estimated useful life (years)*
Communications and information technology equipment	Information technology equipment	4
	Communications equipment	7
	Audiovisual equipment	7
Vehicles	Light wheeled vehicles	6
Machinery and equipment	Light engineering and construction equipment	5
	Medical equipment	5
	Security and safety equipment	5
Furniture and fixtures	Office equipment	4
	Furniture	10
	Fixtures and fittings	7
Leasehold improvements	Minor construction work	5 (shorter of lease term or 5 years)

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

33. A gain or loss resulting from the disposal or transfer of property, plant and equipment arises where proceeds from disposal or transfer differ from the carrying

amount. Those gains or losses are recognized in the statement of financial performance within other revenue or other expenses.

Intangible assets

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

Amortization of intangible assets

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

Class	*Estimated useful life (years)*
Software developed internally	3

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

Liabilities

Financial liabilities

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

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

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

Employee benefits liabilities

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

Short-term employee benefits

41. Short-term employee benefits comprise first-time employee benefits (assignment grants), regular monthly benefits (wages, salaries, allowances), compensated absences (paid sick leave, maternity/paternity leave) and other short-term benefits (education grant, reimbursement of taxes, death benefit and home leave travel). Short-term employee benefits are expected to be settled within 12 months of the reporting date and are measured at their nominal values based on accrued

entitlements at current rates of pay. All short-term employee benefits that are earned but not taken as at the reporting date are treated as current liabilities.

Post-employment benefits

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

Defined-benefit plans

43. The following benefits are accounted for as defined-benefit plans: after-service health insurance, repatriation benefits and pensions through the United Nations Joint Staff Pension Fund (post-employment benefits), as well as accumulated annual leave that is commuted to cash upon separation from the Organization (other long-term benefit). The liability recognized for the post-employment benefit plans is the present value of the defined-benefit obligations as 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 the 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 39: Employee benefits. Upon end of service, staff members may be compensated for accumulated unused annual leave days up to a maximum of 60 working days for those holding a fixed-term or continuing appointment.

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

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

Other long-term employee benefits

46. Other long-term employee benefits are benefits that do not fall due wholly within 12 months after the end of the year in which the employee renders the service giving rise to the benefit. Accumulated annual leave is an example of a long-term employee benefit.

Termination benefits

47. Termination benefits generally include indemnities for voluntary redundancy.

United Nations Joint Staff Pension Fund

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

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

49. The plan exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Pension Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual organizations participating in the plan. ITC and the Fund, in line with the other participating organizations in the Fund, are not in a position to identify the proportionate share of ITC of the defined-benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Therefore, ITC has treated this plan as if it were a defined-contribution plan in line with the requirements of IPSAS 39: Employee benefits. The contributions of ITC to the Pension Fund during the financial year are recognized as expenses in the statement of financial performance.

Provisions

50. Provisions are recognized for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, 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 as at the reporting date.

Operating leases

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

Contingent liabilities and contingent assets

Contingent liabilities

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

Contingent assets

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

Revenue

Non-exchange revenue and receivables

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

that the General Assembly and the General Council of WTO approve different amounts, ITC assesses the lower of the two amounts.

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

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

57. ITC receives a rental subsidy from the Fondation des immeubles pour les organisations internationales. The amount of the rental subsidy is recognized for each financial period during the lease period. It represents the difference between the market value of the rent and the actual rent paid. The valuation is based on the data published on an independent real estate website for Switzerland.

Exchange revenue

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

Investment revenue

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

Expenses

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

Segment reporting

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

62. Established in 1964, ITC is a joint agency of WTO and the United Nations, fully dedicated to supporting the internationalization of small and medium-sized enterprises. This means that the agency enables small and medium-sized enterprises in developing and transition economies to become more competitive and connect to international markets for trade and investment, thus raising incomes and creating job opportunities, especially for women, young people and poor communities. It therefore falls into one operating segment for IPSAS purposes.

Joint arrangement

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

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

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

Related party disclosures

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

Operating reserves

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

Note 4
Cash and cash equivalents

(Thousands of United States dollars)

	31 December 2018	*31 December 2017*
Main cash pool	8 947	4 295
Cash held in main and field offices	13	8
Total cash and cash equivalents	**8 960**	**4 303**

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

Note 5
Financial instruments and financial risk management

(Thousands of United States dollars)

	31 December 2018	*31 December 2017*
Financial assets		
Fair value through surplus or deficit		
Investments, main cash pool (short term)	76 719	38 245
Investments, main cash pool (long term)	5 942	12 004
Total fair value through surplus or deficit	**82 661**	**50 249**
Cash and receivables		
Cash and cash equivalents, main cash pool (note 4)	8 947	4 295
Cash and cash equivalents, other (note 4)	13	8
Accounts receivable (note 6)	174 562	105 992
Total cash and receivables	**183 522**	**110 295**
Total carrying amount of financial assets	**266 183**	**160 544**
Amount of which relates to financial assets held in main cash pool	91 608	54 544
Financial liabilities		
Amortized cost		
Accounts payable and accrued liabilities (note 10)	(9 669)	(8 181)
Total carrying amount of financial liabilities	**(9 669)**	**(8 181)**

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

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

69. As at 31 December 2018, ITC participated in the main pool, which held total assets of $7,504.8 million (2017: $8,086.5 million), of which $91.608 million was due to ITC (2017: $54.544 million), while its share of revenue from the main pool was $1.250 million (2017: $0.572 million) (see note 15).

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

(Thousands of United States dollars)

	31 December 2018	*31 December 2017*
Fair value through surplus or deficit		
Short-term investments	6 255 379	5 645 952
Long-term investments	486 813	1 779 739
Total fair value through surplus or deficit investments	**6 742 192**	**7 425 691**

	31 December 2018	*31 December 2017*
Loans and receivables		
Cash and cash equivalents	732 926	636 711
Accrued investment revenue	29 696	24 098
Total loans and receivables	**762 622**	**660 809**
Total carrying amount of financial assets	**7 504 814**	**8 086 500**
Cash pool liabilities		
Payable to ITC	91 608	54 544
Payable to other cash pool participants	7 413 206	8 031 956
Total liabilities	**7 504 814**	**8 086 500**
Net assets	–	–

Summary of revenue and expenses of the main pool

(Thousands of United States dollars)

	31 December 2018	*31 December 2017*
Investment revenue	152 805	104 576
Unrealized gains	3 852	874
Investment revenue from main pool	**156 657**	**105 450**
Foreign exchange gains	854	7 824
Bank fees	(805)	(853)
Operating expenses from main pool	**49**	**6 971**
Revenue and expenses from main pool	**156 706**	**112 421**

Financial risk management

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

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

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

Financial risk management: credit risk

73. Credit risk refers to the risk that a counterparty to a financial instrument will default on its contractual obligations, resulting in a financial loss to ITC. Credit risk arises from cash and cash equivalents, investments and deposits with financial institutions, as well as credit exposures to outstanding receivables. The carrying value

of financial assets equates to the maximum exposure to credit risk as at the balance date. ITC does not hold any collateral as security.

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

75. The Guidelines require that investments are not to be made in issuers whose credit ratings are below specifications and also provide for maximum concentrations with given issuers. These requirements were met at the time the investments were made.

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

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

(Percentage based on carrying value)

Main pool	*Ratings as at 31 December 2018*					*Ratings as at 31 December 2017*			
Bonds (long-term ratings)									
	AAA	*AA+/AA/AA-*	*A+*	*Not rated*		*AAA*	*AA+/AA/AA-*	*A+*	*Not rated*
Standard & Poor's	15.40	79.00	5.60	–	Standard & Poor's	30.40	65.50	4.00	–
Fitch	55.10	39.30	–	5.60	Fitch	61.30	30.60	–	8.10
	Aaa	*Aa1/Aa2/Aa3*	*A1*			*Aaa*	*Aa1/Aa2/Aa3*		
Moody's	49.70	50.00	0.30		Moody's	55.30	44.70		
Commercial paper (short-term ratings)									
	A-1+					*A-1+/A-1*			
Standard & Poor's	100.00				Standard & Poor's	100.00			
	F1+					*F1*			
Fitch	100.00				Fitch	100.00			
	P-1					*P-1*			
Moody's	100.00				Moody's	100.00			
Reverse repurchase agreement (short-term ratings)									
	A-1+					*A-1+*			
Standard & Poor's	100.00				Standard & Poor's	100.00			
	F1+					*F1+*			
Fitch	100.00				Fitch	100.00			
	P-1					*P-1*			
Moody's	100.00				Moody's	100.00			
Term deposits (Fitch viability ratings)									
	Aaa	*aa/aa-*	*a+/a/a-*			*aaa*	*aa/aa-*	*a+/a/a-*	
Fitch	–	53.50	46.50		Fitch	–	44.20	55.80	

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

Other credit risk disclosures

78. Voluntary contributions from Governments representing the member States of the two parent organizations of ITC comprise the majority of ITC voluntary contributions receivable. Credit risk is considered minimal since most of its donors are sovereign entities. A provision for doubtful receivables of $0.661 million (2017: $0.648 million) was made for other accounts receivables. The ageing of other accounts receivables are as follows:

(Thousands of United States dollars)

	31 December 2018		*31 December 2017*	
	Gross receivable	*Allowance*	*Gross receivable*	*Allowance*
Less than one year	62	–	79	–
More than one year	661	661	657	648
Total	**723**	**661**	**736**	**648**

Financial risk management: liquidity risk

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

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

Financial risk management: interest rate risk

81. Interest rate risk is the risk of variability in the fair values or future cash flows of financial instruments due to a change in interest rates. In general, as the interest rate rises, the price of a fixed-rate security falls, and vice versa. Interest rate risk is commonly measured by the duration of the fixed-rate security, with duration being a number expressed in years. The longer the duration, the greater the interest rate risk.

82 The main pool comprises the main exposure of ITC to interest rate risk, with fixed-rate cash and cash equivalents and investments being interest-bearing financial instruments. As at the reporting date, the main pool had invested primarily in securities with shorter terms to maturity, with the maximum being less than three years (2017: four years). The average duration of the main pool was 0.33 years (2017: 0.61 years), which is considered to be an indicator of low risk.

83. The table below provides an analysis of how the fair value of the main pool as at the reporting date would increase or decrease should the overall yield curve shift in response to changes in interest rates. Given that the investments are accounted for

at fair value through surplus or deficit, the change in fair value represents the increase or decrease in the surplus or deficit and net assets. The impact of a shift up or down of up to 200 basis points in the yield curve is shown (100 basis points equals 1 per cent). The basis points shifts are illustrative.

Main pool interest rate risk sensitivity analysis as at 31 December 2018

Shift in yield curve (basis points)	*-200*	*-150*	*-100*	*-50*	*0*	*+50*	*+100*	*+150*	*+200*
(Millions of United States dollars)									
Increase/(decrease) in fair value									
Main pool total	48.46	36.34	24.23	12.11	–	(14.89)	(24.22)	(36.33)	(48.44)

Main pool interest rate risk sensitivity analysis as at 31 December 2017

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

Other market risk: price risk

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

Accounting classifications and fair value hierarchy

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

86. The levels are defined as follows:

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

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

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

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

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

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

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

(Thousands of United States dollars)

	31 December 2018			*31 December 2017*		
	Level 1	*Level 2*	*Total*	*Level 1*	*Level 2*	*Total*
Financial assets at fair value through surplus or deficit						
Bonds, corporate	205 566	–	205 566	355 262	–	355 262
Bonds, non-United States agencies	791 922	–	791 922	1 190 050	–	1 190 050
Bonds, non-United States sovereigns	–	–	–	124 892	–	124 892
Bonds, supranational	174 592	–	174 592	173 275	–	173 275
Bonds, United States treasuries	610 746	–	610 746	610 267	–	610 267
Main pool, commercial papers	219 366	–	219 366	671 945	–	671 945
Main pool, term deposits	–	4 740 000	4 740 000	–	4 300 000	4 300 000
Total main pool	**2 002 192**	**4 740 000**	**6 742 192**	**3 125 691**	**4 300 000**	**7 425 691**

Financial risk management: foreign exchange risk

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

Currency exposure as at 31 December 2018

(Thousands of United States dollars)

	United States dollar	*Swiss franc*	*Euro*	*Pound sterling*	*Swedish krona*	*Other*	*Total*
Main cash pool	89 541	200	1 502	112	–	253	91 608
Voluntary contributions receivable	31 340	6 750	85 334	25 249	15 719	10 108	174 500
Other receivables	54	8	–	–	–	–	62
Total financial assets	**120 935**	**6 958**	**86 836**	**25 361**	**15 719**	**10 361**	**266 170**

Currency exposure as at 31 December 2017

(Thousands of United States dollars)

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

91. As at 31 December 2018, if the United States dollar had weakened or strengthened by 10 per cent against other currencies held in the main cash pool, voluntary contributions and other receivables, with all other variables held constant, the net results for the year would have been $14.525 million (2017: $9.509 million) higher or lower, mainly as a result of foreign exchange gains or losses on translation of pounds sterling and higher/lower receivables denominated in euros, Swiss francs and Swedish kronor. Similarly, the impact on net assets would have been $14.525 million (2017: $9.509 million) lower or higher.

Note 6
Accounts receivable

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

93. Current and non-current voluntary contributions receivable increased owing to approximately $165.039 million (2017: $102.405 million) in new multi-year agreements signed during the year, offset by the settlement received in 2018 and foreign exchange losses or gains.

94. The non-current voluntary contributions receivable of $102.477 million (2017: $69.462 million) represents the discounted value of future year receivables.

Voluntary contributions receivable

(Thousands of United States dollars)

	31 December 2018	*31 December 2017*
Current	72 023	36 442
Non-current	102 477	69 462
Total voluntary contributions receivable	**174 500**	**105 904**

95. Other accounts receivable consist of the following:

Other accounts receivable

(Thousands of United States dollars)

	31 December 2018	*31 December 2017*
Receivables from sales	62	66
Other	661	670
Allowance for doubtful debts	(661)	(648)
Total other accounts receivable	**62**	**88**

Allowance for doubtful debts

(Thousands of United States dollars)

	2018	*2017*
As at 1 January	(648)	(695)
Current year (addition)/release of allowance	(13)	47
As at 31 December	**(661)**	**(648)**

Note 7
Other assets

96. Advances to implementing partners are grants issued by ITC covered by binding agreements containing conditions that have not been fulfilled as at the reporting date. Expenses are recognized as conditions contained in the agreement are fulfilled. In accordance with the recommendation of the Board of Auditors, the net portion of any advances not yet delivered by year-end will be taken to expense except for the grants that ITC has effective control over.

(Thousands of United States dollars)

	31 December 2018	*31 December 2017*
Advances to implementing partners	2 089	2 211
Advances to UNDP	477	155
Advances to vendors	401	188
Staff advances	782	816
Staff recoveries	19	28
Other	105	93
Subtotal, current assets	**3 873**	**3 491**
Staff recoveries	35	44
Subtotal, non-current assets	**35**	**44**
Total other assets	**3 908**	**3 535**

Note 8
Property, plant and equipment

(Thousands of United States dollars)

	Vehicles	*Communications and information technology equipment*	*Furniture and fixtures*	*Machinery and equipment*	*Leasehold improvements*	*Total*
Cost as at 1 January 2018	**302**	**910**	**282**	**457**	**1 054**	**3 005**
Additions	64	126	14	108	–	312
Disposals	–	(348)	–	(194)	–	(542)
Cost as at 31 December 2018	**366**	**688**	**296**	**371**	**1 054**	**2 775**

	Vehicles	*Communications and information technology equipment*	*Furniture and fixtures*	*Machinery and equipment*	*Leasehold improvements*	*Total*
Accumulated depreciation as at 1 January 2018	**106**	**696**	**280**	**442**	**485**	**2 009**
Depreciation	50	91	3	14	261	419
Disposals	–	(348)	–	(194)	–	(542)
Accumulated depreciation as at 31 December 2018	**156**	**439**	**283**	**262**	**746**	**1 886**
Net carrying amount						
1 January 2018	196	214	2	15	569	996
31 December 2018	**210**	**249**	**13**	**109**	**308**	**889**

(Thousands of United States dollars)

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

97. ITC, in accordance with the recommendation of the Board of Auditors, performed an annual review of the residual value of the fully depreciated assets still in use, along with an impairment review that was undertaken for the 31 December 2018 reporting date. The review did not result in any equipment being considered impaired, and no residual value that was material was required to be added back. However, a total write-off amounting to $0.542 million at cost (2017: $0.065 million) occurred during the year owing to obsolescence.

Note 9
Intangible assets

(Thousands of United States dollars)

	Software developed internally	*Software under development*	*Total*
Opening cost as at 1 January 2018	**2 750**	**329**	**3 079**
Additions	825	297	1 122
Transfers	452	(452)	–
Total cost as at 31 December 2018	**4 027**	**174**	**4 201**
Opening accumulated amortization as at 1 January 2018	**977**	**–**	**977**
Amortization	642	–	642
Closing accumulated amortization as at 31 December 2018	**1 619**	**–**	**1 619**
Net book value as at 1 January 2018	**1 773**	**329**	**2 102**
Net book value as at 31 December 2018	**2 408**	**174**	**2 582**

(Thousands of United States dollars)

	Software developed internally	*Software under development*	*Total*
Opening cost as at 1 January 2017	**1 947**	**415**	**2 362**
Additions	288	429	717
Transfers	515	(515)	–
Total cost as at 31 December 2017	**2 750**	**329**	**3 079**
Opening accumulated amortization as at 1 January 2017	**542**	**–**	**542**
Amortization	435	–	435
Closing accumulated amortization as at 31 December 2017	**977**	**–**	**977**
Net book value as at 1 January 2017	**1 405**	**415**	**1 820**
Net book value as at 31 December 2017	**1 773**	**329**	**2 102**

98. An internally developed software project from 2017, with a value of $0.452 million, was completed during the year. In addition, four software development projects, with a value of $0.825 million, were commenced and completed during the year. One remaining 2018 project will continue into 2019 and is recognized as software under development, with a value of $0.174 million.

Note 10
Accounts payable and accrued liabilities

(Thousands of United States dollars)

	31 December 2018	*31 December 2017*
Vendor and other payables	2 760	1 698
Payables to donors	4 935	4 667
Accruals for goods and services	1 974	1 816
Total accounts payable and accrued liabilities	**9 669**	**8 181**

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

100. Payables to donors consist of the balance of unspent contributions for closed projects pending refund or reprogramming, and balances due to the United Nations and WTO for overpayment, savings or surplus from assessed contributions of $0.157 million (2017: $0.157 million) and $1.919 million (2017: $1.919 million), respectively.

Note 11
Other liabilities

101. 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 as 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.

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

103. Conditional voluntary contributions increased as a result of approximately $105.226 million (2017: $27.583 million) in new multi-year agreements being signed during the year, while approximately $18.500 million (2017: $13.855 million) in multi-year agreements was recognized as revenue during the year.

Other liabilities

(Thousands of United States dollars)

	31 December 2018	*31 December 2017*
Current liabilities		
Conditional voluntary contributions	33 131	38 033
Subtotal current liabilities	**33 131**	**38 033**
Non-current liabilities		
Conditional voluntary contributions	108 907	22 254
Subtotal non-current liabilities	**108 907**	**22 254**
Total other liabilities	**142 038**	**60 287**

Note 12
Employee benefits liabilities

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

(Thousands of United States dollars)

	31 December 2018	*31 December 2017*
Current liabilities		
Accrued salaries, allowances and benefits	389	1 156
Accumulated annual leave	277	281
Home leave	595	754
Repatriation grant	487	475
After-service health insurance	1 434	1 330
Subtotal current liabilities	**3 182**	**3 996**
Non-current liabilities		
Accumulated annual leave	3 583	3 666
Repatriation grant	5 450	5 732
After-service health insurance	76 683	77 938
Subtotal non-current liabilities	**85 716**	**87 336**
Total employee benefits liabilities	**88 898**	**91 332**

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

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

(b) *Accumulated annual leave*. Other long-term benefits include accumulated annual leave. The liabilities for annual leave represent unused accumulated leave days that are projected to be settled through a monetary payment to employees upon their separation from ITC. The Centre recognizes as a liability the actuarial value of the total accumulated unused leave days of all staff members, up to a maximum of 60 days (18 days for temporary staff) as at the date of the statement of financial position. The methodology applies a last-in, first-out assumption in the determination of the annual leave liabilities whereby staff members access current-period leave entitlements before they access accumulated annual leave balances relating to prior periods. Unused annual leave is calculated at 1/261 of net salary plus post adjustment for staff in the Professional category and 1/261 of net salary for staff in the General Service category. The portion of the accumulated annual leave benefit that is expected to be settled through monetary payment within 12 months after the reporting date is classified under current liabilities. The accumulated annual leave benefit liability is classified under other long-term benefits and is actuarially valued;

(c) *Repatriation grant and travel*. In accordance with the United Nations Staff Regulations and Rules, non-locally recruited staff are entitled to a grant on separation from service based on the number of years of service worked outside their home country, if they have completed at least one year of service outside their home country. The grant is calculated on the basis of net salary for staff in the Professional category and pensionable remuneration less staff assessment for staff in the General Service category. In addition, non-locally recruited ITC staff are entitled to reimbursement of travel and transport of personal effects on separation for themselves, their spouses and their dependant children. The portion of the repatriation grant and travel that is expected to be settled through monetary payment within 12 months after the reporting date is classified under current liabilities. The repatriation grant and related travel is classified under post-employment benefits and is actuarially valued;

(d) *After-service health insurance*. Staff members (and their spouses, dependant children and survivors) retiring from service at the age of 55 or older are eligible for after-service health insurance coverage if they have contributory health insurance coverage prior to retirement for at least 5 years of service for staff hired before 1 July 2007 and 10 years of service for staff hired after 1 July 2007. Staff hired before 1 July 2007 who retire with less than 10 years but more than 5 years of coverage receive unsubsidized coverage until they have been enrolled for 10 years, at which time the coverage is subsidized. The Centre's liability for after-service health insurance is calculated as the residual liability after deducting contributions from retirees and a portion of the contribution from active staff in accordance with cost-sharing ratios authorized by the General Assembly that require the Centre's share of the liability not to exceed one half of the total gross liability.

106. The actuarial results as at 31 December 2018 are based on a roll-forward of the 31 December 2017 figures. Financial assumptions such as discount rates, salary increases, inflation rates and health-care cost trends have been updated since the actuarial valuation carried out in 2017 to determine the Centre's estimated liability for defined-benefit obligations as at the reporting date. Demographic assumptions, including probability of marriage at retirement, will be updated in the actuarial study to be conducted in 2019.

107. For 2018, the gross liability for all post-employment defined-benefit plans was calculated by the actuary as $165.824 million (2017: $168.480 million), offset by contributions from plan participants of $77.910 million (2017: $79.058 million) to equal the Centre's net liability of $87.914 million (2017: $89.422 million). The total decrease of $1.508 million is the result of a $4.100 million net actuarial gain (2017: $2.355 million) recognized in net assets, and $2.592 million (2017: $2,468 million) in current service costs and interest, net of benefit payments recognized in the statement of financial performance as a component of staff costs.

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

(Thousands of United States dollars)

	After-service health insurance	*Repatriation grant*	*Accumulated annual leave*	*Total*
Defined-benefit obligation as at 31 December 2017	**79 268**	**6 207**	**3 947**	**89 422**
Current service cost	3 050	416	338	3 804
Interest cost	566	210	136	912
Benefits paid (net of participant contributions)	(1 340)	(492)	(292)	(2 124)
Liability (gains) due to actuarial financial assumptions and experience recognized in net assets	(3 427)	(404)	(269)	(4 100)
Defined-benefit obligation as at 31 December 2018	**78 117**	**5 937**	**3 860**	**87 914**

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

109. The total expense recognized in the statement of financial performance in 2018 and 2017 for each of the defined-benefit obligations is as follows:

(Thousands of United States dollars)

	After-service health insurance	*Repatriation grant*	*Accumulated annual leave*	*Total*
Current service cost	3 050	416	338	3 804
Interest cost	566	210	136	912
Total expense recognized in statement of financial performance for 2018	**3 616**	**626**	**474**	**4 716**

(Thousands of United States dollars)

	After-service health insurance	*Repatriation grant*	*Accumulated annual leave*	*Total*
Current service cost	3 103	436	106	3 645
Interest cost	535	215	297	1 047
Total expense recognized in statement of financial performance for 2017	**3 638**	**651**	**403**	**4 692**

110. The total actuarial gain/(loss) recognized directly in net assets in the statement of changes in net assets in 2018 and 2017 is shown in the following table:

(Thousands of United States dollars)

	After-service health insurance	*Repatriation grant*	*Accumulated annual leave*	*Total*
Gain/(loss) in 2018	3 427	404	269	4 100
Gain/(loss) in 2017	(1 945)	199	4 101	2 355

Actuarial valuation: assumptions

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

Assumption	*After-service health insurance*	*Repatriation grant*	*Accumulated annual leave*
Discount rate (31 December 2017)	0.72	3.54	3.57
Discount rate (31 December 2018)	0.92	4.23	4.25
Travel inflation (31 December 2017)	–	2.20	–

Assumption	*After-service health insurance*	*Repatriation grant*	*Accumulated annual leave*
Travel inflation (31 December 2018)	–	2.20	–
Health-care cost trend rate (31 December 2017)	4.00, trending down to 3.05 in 10 years	–	–
Health-care cost trend rate (31 December 2018)	3.89, trending down to 3.05 in nine years	–	–
Salary increase rate	Based upon age and calculated separately for Professional and General Service staff		

112. For the 2017 actuarial valuations, Aon Hewitt developed the yield curves used in the calculation of the discount rates in respect of the United States dollar and the Swiss franc. This is consistent with the decision of the Task Force on Accounting Standards, established under the auspices of the Finance and Budget Network of the High-level Committee on Management of the United Nations System Chief Executives Board for Coordination, taken in the context of the harmonization of actuarial assumptions across the United Nations system and the recommendation of the Advisory Committee on Administrative and Budgetary Questions (A/71/815, para. 26), which were endorsed by the General Assembly in section IV of its resolution 71/272 B.

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

114. The health-care cost trend rate assumption reflects the current short-term expectations of the after-service health insurance plan cost increases and the economic environment. The Aon Hewitt assumption on health-care cost trend rates in Swiss francs was used for the 2018 valuation.

115. With regard to the valuation of repatriation benefits as at 31 December 2018, the Aon Hewitt assumption on inflation in travel costs was based on the projected United States inflation rate over the next 20 years.

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

Sensitivity analysis

117. The principal financial assumptions in the valuation of the defined-benefit obligations are the rate at which medical costs are expected to increase in the future and the discount rate curve, which is calculated on the basis of corporate bonds. The sensitivity analysis looks at the change in liability due to changes in the medical cost trend and discount rates while holding other principal assumptions constant; the assumption held constant is the discount rate used to determine the present value of benefits that will be paid from the plan in the future. Should the medical cost trend assumption vary by 1 per cent, this would affect the measurement of the defined-benefit obligations as follows:

(Thousands of United States dollars)

2018	*Increase*	*Decrease*
1 per cent movement in the assumed medical costs trend rate		
Effect on the defined-benefit obligation (after-service health insurance)	20 321	(15 147)
Effect on the aggregate of the current service cost and interest cost (after-service health insurance)	1 433	(987)

(Thousands of United States dollars)

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

(Thousands of United States dollars)

2018	*Increase*	*Decrease*
1 per cent movement in the assumed discount rate		
Effect on the after-service health insurance defined-benefit obligation	(15 039)	20 662
Effect on the repatriation grant defined-benefit obligation	(539)	635
Effect on the annual leave defined-benefit obligation	(363)	430

(Thousands of United States dollars)

2017	*Increase*	*Decrease*
1 per cent movement in the assumed discount rate		
Effect on the after-service health insurance defined-benefit obligation	(15 258)	20 960
Effect on the repatriation grant defined-benefit obligation	(563)	661
Effect on the annual leave defined-benefit obligation	(369)	436

Other defined-benefit plan information

118. 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 $1.445 million (2017: $1.340 million), for post-employment repatriation and separation entitlements the best estimate is $0.505 million (2017: $0.492 million) and for annual leave entitlements it is $0.288 million (2017: $0.292 million).

119. Under IPSAS 39: Employee benefits, the liabilities for after-service health insurance, repatriation grant and travel and accumulated leave are considered unfunded and, therefore, no fair value of plan assets has been recognized and the entire after-service health insurance liability is recognized as a liability of ITC.

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

(Thousands of United States dollars)

	General Fund		*Programme support costs*		*Extrabudgetary*		*Total*	
	2018	*2017*	*2018*	*2017*	*2018*	*2017*	*2018*	*2017*
After-service health insurance	**58 790**	**59 928**	**6 137**	**6 187**	**13 190**	**13 153**	**78 117**	**79 268**
Current	1 044	958	114	109	276	263	1 434	1 330
Non-current	57 746	58 970	6 023	6 078	12 914	12 890	76 683	77 938
Repatriation grant	**3 588**	**3 807**	**458**	**472**	**1 891**	**1 928**	**5 937**	**6 207**
Current	357	289	27	26	103	160	487	475
Non-current	3 231	3 518	431	446	1 788	1 768	5 450	5 732
Accumulated annual leave	**2 491**	**2 617**	**281**	**281**	**1 088**	**1 049**	**3 860**	**3 947**
Current	214	192	18	16	45	73	277	281
Non-current	2 277	2 425	263	265	1 043	976	3 583	3 666
Total	**64 869**	**66 352**	**6 876**	**6 940**	**16 169**	**16 130**	**87 914**	**89 422**

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

(Thousands of United States dollars)

	2018	*2017*	*2016*	*2015*	*2014*	*2013*
After-service health insurance	78 117	79 268	74 869	63 711	79 845	55 922
Repatriation benefits	5 937	6 207	6 234	5 987	4 716	4 358
Annual leave	3 860	3 947	8 206	8 225	4 562	1 866
Total	**87 914**	**89 422**	**89 309**	**77 923**	**89 123**	**62 146**

United Nations Joint Staff Pension Fund

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

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

122. During 2017, the Fund identified that there were anomalies in the census data utilized in the actuarial valuation performed as at 31 December 2015. As such, as an

exception to the normal biennial cycle, a roll-forward of the participation data as at 31 December 2013 to 31 December 2016 was used by the Fund for its 2016 financial statements.

123. The actuarial valuation as at 31 December 2017 resulted in a funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, of 139.20 per cent (150.10 per cent in the 2016 roll-forward). The funded ratio was 102.70 per cent (101.40 per cent in the 2016 roll-forward) when the current system of pension adjustments was taken into account.

124. After assessing the actuarial sufficiency of the Fund, the consulting actuary concluded that there was no requirement, as at 31 December 2017, 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 plan. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as at the valuation date. At the time of preparation of the present report, the General Assembly had not invoked the provision of article 26.

125. Should Article 26 be invoked because of an actuarial deficiency, either during the ongoing operation or due to the termination of the pension plan, deficiency payments required from each member organization would be based upon the proportion of that member organization's contributions to the total contributions paid to the Fund during the three years preceding the valuation date. Total contributions paid to the Fund during the preceding three years (2015, 2016 and 2017) amounted to $6,931.39 million, of which 0.28 per cent was contributed by ITC.

126. During 2018, contributions paid to the Pension Fund by ITC amounted to approximately $6.591 million (2017: $6.589 million). Contributions due in 2019 are expected to amount to $7.118 million.

127. Membership in the Fund may be terminated by a decision of the General Assembly, upon an affirmative recommendation of the Pension Board. A proportionate share of the total assets of the Fund at the date of termination shall be paid to the former member organization for the exclusive benefit of its staff who were participants in the Fund at that date, pursuant to an arrangement mutually agreed between the organization and the Fund. The amount is determined by the Pension Board on the basis of an actuarial valuation of the assets and liabilities of the Fund on the date of termination; no part of the assets which are in excess of the liabilities is included in the amount.

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

Impact of General Assembly resolutions on staff benefits

129. On 23 December 2015, the General Assembly adopted resolution 70/244, by which it approved certain changes to the conditions of service and entitlements for all staff serving in the organizations of the United Nations common system, as recommended by the International Civil Service Commission. Some of the changes affect the calculation of other long-term and end-of-service employee benefits liabilities. In addition, a revised education grant scheme has been implemented that affects the computation of this short-term benefit. The impact of these changes is explained as follows:

Change	*Details*
Increase in mandatory age of separation	The mandatory age of retirement for staff who joined the United Nations on or after 1 January 2014 is 65; for those who joined before 1 January 2014 it is 60 or 62. The General Assembly decided to extend the mandatory age of separation to 65 years for staff recruited by organizations of the United Nations common system before 1 January 2014, taking into account the acquired rights of staff, by 1 January 2018 at the latest. This change was implemented as at 1 January 2018 and affects future calculations of employee benefits liabilities.
Unified salary structure	The salary scales for internationally recruited staff (Professional and Field Service categories) as at 31 December 2016 were based on single or dependency rates. Those rates affected staff assessment and post adjustment amounts. The General Assembly approved a unified salary scale that eliminated single and dependency rates as from 1 January 2017 and this was implemented in September 2017. The dependency rate was replaced by allowances for staff members who have recognized dependants in accordance with the Staff Regulations of the United Nations and Staff Rules. A revised staff assessment scale and pensionable remuneration scale was implemented along with the unified salary structure. The implementation of the unified salary scale was not designed to result in reduced payments for staff members. However, it is expected that the unified salary scale will affect the calculation and valuation of the repatriation benefit and the commuted annual leave benefit. Currently, the repatriation benefit is calculated on the basis of gross salary and staff assessment as at the date of separation, whereas commuted annual leave is calculated on the basis of gross salary, post adjustment and staff assessment at the date of separation from service.
Repatriation benefit	Staff members have been eligible to receive a repatriation grant upon separation from service provided they have been in service for at least one year in a duty station outside their country of nationality. The General Assembly revised eligibility for the repatriation grant to five years for prospective employees. This change in eligibility criteria, which was effective from January 2017, was implemented in September 2017 and is expected to affect future calculations of employee benefits liabilities.
Education grant	With effect from the school year in progress on 1 January 2018, the computation of the education grant given to eligible staff members utilizes a global sliding scale that is set in one single currency (United States dollars), with the same maximum amount of the grant for all countries. The revised education grant scheme also changes boarding assistance and education grant travel provided by the organization. Impacts can be seen at the end of the 2017–2018 school year and at the time of settlement of claims.

130. The impact of these changes, other than the education grant, was fully reflected in the actuarial valuation conducted in 2017.

Note 13
Provisions

(Thousands of United States dollars)

	2018	*2017*
Opening balance as at 1 January	–	–
Current year provision	65	–
Closing balance as at 31 December	**65**	**–**

131. Provisions relate to legal claims before the United Nations Tribunals responsible for hearing claims brought by former employees.

Note 14
Operating reserves

132. The movements in operating reserves are as follows:

(Thousands of United States dollars)

	Trust fund	*Programme support fund*	*Total*
Opening balance as at 1 January 2017	**6 476**	**986**	**7 462**
Interest income and residual donor balances	455	–	455
20 per cent adjustment, in accordance with ST/AI/285	–	(151)	(151)
Closing balance as at 31 December 2017	**6 931**	**835**	**7 766**
Interest income and residual donor balances	1 120	–	1 120
20 per cent adjustment, in accordance with ST/AI/285	–	386	386
Closing balance as at 31 December 2018	**8 051**	**1 221**	**9 272**

Note 15
Revenue

Assessed contributions

(Thousands of United States dollars)

	31 December 2018	*31 December 2017*
United Nations	18 680	18 008
World Trade Organization	18 680	18 004
Subtotal	**37 360**	**36 012**
Refunds to donors for prior-year surplus and savings	–	(559)
Total assessed contributions net of refunds	**37 360**	**35 453**

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

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

Voluntary contributions and other transfers and allocations

(Thousands of United States dollars)

	31 December 2018	*31 December 2017*[a]
Voluntary contributions	74 288	87 701
Contributions in kind[a]	2 779	2 754
Refunds to donors for voluntary contributions	(245)	(479)
Subtotal	**76 822**	**89 976**
Other transfers and allocations	4 127	635
Refunds to donors for other transfers and allocations	(41)	(180)
Subtotal	**4 086**	**455**
Total voluntary contributions and other transfers and allocations net of refunds	**80 908**	**90 431**

[a] The presentation has been expanded to separate contributions in kind from voluntary contributions.

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

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

137. The breakdown for voluntary contributions and other transfers and allocations by type of agreement are as set out below.

Voluntary contributions and other transfers and allocations, by type of agreement

(Thousands of United States dollars)

	31 December 2018	*31 December 2017*
Contributions from unconditional agreements	59 915	74 481
Contributions from conditional agreements	18 500	13 855
Total voluntary contributions and other transfers and allocations[a]	**78 415**	**88 336**

[a] The amount includes the discounted value of future-year receivables.

138. Total unconditional voluntary contributions and other transfers and allocations of $59.915 million consists of approximately $21.289 million for 2018 and $38.626 million for future years (2019: $21.356 million, 2020: $16.876 million, 2021: $0.394 million).

139. The total amount of donor pledges which have not been formalized is $97.569 million (2017: $53.721 million).

Contributions in kind

140. Contributions in kind of $2.779 million (2017: $2.754 million) consist of the rental subsidy from the Fondation des immeubles pour les organisations internationales, which is the difference between the market value of the rental and the actual rent paid. A matching in-kind rent is expensed at the same time as the contribution is recognized as revenue.

141. Services in kind, consisting mainly of contributions to conferences, workshops and training, were estimated at $2.449 million (2017: $2.067 million) received mainly from governments, governmental agencies and non-governmental organizations in support of projects and field office operations during the year. The amount is measured at fair value. The in-kind services are not recognized in the financial statements.

Other revenue

(Thousands of United States dollars)

	31 December 2018	*31 December 2017*
Services rendered	421	477
Other revenue	172	192
Total other revenue	**593**	**669**

Investment revenue

(Thousands of United States dollars)

	31 December 2018	*31 December 2017*
Investment revenue	1 250	572
Total investment revenue	**1 250**	**572**

Note 16
Expenses

Employee salaries, allowances and benefits

(Thousands of United States dollars)

	31 December 2018	*31 December 2017*
Staff salaries, wages and allowances	39 323	40 934[a]
Pension costs and insurance benefits	11 396	11 693
Other benefits	1 007	1 487
Total employee salaries, allowances and benefits	**51 726**	**54 114**

[a] The comparative figure for 2017 has been restated for comparison purposes.

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

Non-employee compensation and allowances

(Thousands of United States dollars)

	31 December 2018	*31 December 2017*
Individual consultant fees, insurance and travel	16 360	11 109[a]
Individual contractor costs	433	205
Total non-employee compensation and allowances	**16 793**	**11 314**

[a] The comparative figure for 2017 has been restated for comparison purposes.

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

Travel

(Thousands of United States dollars)

	31 December 2018	*31 December 2017*
Staff travel	4 099	3 431
Representative travel	2 693	1 644
Total travel	**6 792**	**5 075**

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

Grants and other transfers

145. Grants and other transfers are financial contributions made to end beneficiaries, implementing partners, agencies and other entities.

Other operating expenses

(Thousands of United States dollars)

	31 December 2018	*31 December 2017*
Contracted services	11 829	8 822
Acquisitions of goods	350	590[a]
Acquisitions of intangible assets	368	354[a]
Rent, office and premises	1 531	1 502
Rental, equipment	421	381
Maintenance and repair	151	137
Bad debt expense	24	1
Net foreign exchange losses/(gains)	1 726	(35)
Other	199	306
Total other operating expenses	**16 599**	**12 058**

[a] The comparative figures for 2017 have been restated for comparison purposes.

Other expenses

(Thousands of United States dollars)

	31 December 2018	*31 December 2017*
Expense for contributions in kind	2 779	2 754
Other	5	(8)
Total other expenses	**2 784**	**2 746**

146. Included in the expense for contributions in kind is the rental subsidy from the Fondation des immeubles pour les organisations internationales in the amount of $2.779 million (2017: $2.754 million), which is the difference between the market value of the rental and the actual rent paid. A matching in-kind contribution is recognized as revenue at the same time as the rent is recognized as an expense.

Note 17
Budget comparison and reconciliation

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

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

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

Movement between original and final budgets (regular budget)

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

Budget to actual variance analysis

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

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

152. 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.

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

154. The actual amounts presented on a comparable basis in the statement of comparison of budget and actual amounts have been reconciled to the actual amounts

presented in the statement of cash flows, identifying separately any basis, timing and entity differences, as follows:

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

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

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

155. The reconciliation between the actual amounts presented in statement V and the actual amounts presented in the statement of cash flows is as follows:

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

(Thousands of United States dollars)

	Operating	*Investing*	*Financing*	*Total*
Actual amount on a comparable basis (statement V)	**(36 348)**	**–**	**–**	**(36 348)**
Basis differences				
Elimination of unliquidated obligations	469	–	–	469
Accruals of expenses	(233)	–	–	(233)
Exchange gain/losses	8	–	–	8
Share of joint arrangement	(5)	–	–	(5)
Expenses for contributions in kind	(2 779)	–	–	(2 779)
Elimination of inter-fund transactions	138	–	–	138
Employee benefits expenses	(89)	–	–	(89)
Capitalization of property, plant and equipment and intangibles	216	(248)	–	(32)
Acquisitions of property plant and equipment	110	–	–	110
Total basis differences	**(2 165)**	**(248)**	**–**	**(2 413)**
Budget revenue in accordance with statement V	37 604	–	–	37 604
Presentation differences				
Revenue for contributions in kind	2 779	–	–	2 779
Elimination of non-cash changes in assets and liabilities in operating cash flow	(658)	–	–	(658)
Increase in share of joint arrangement				
Investment revenue presented as investing activities	(79)	79	–	–
Pro rata share of net increases in the cash pool	–	(2 813)	–	(2 813)
Total presentation differences	**39 646**	**(2 734)**	**–**	**36 912**

	Operating	*Investing*	*Financing*	*Total*
Entity differences				
Other funds expenditure	(59 513)	–	–	(59 513)
Other funds revenue	79 729	–	–	79 729
Elimination of non-cash changes in assets and liabilities in operating cash flow	12 581	–	–	12 581
Actuarial gain/(loss) on employee benefits liabilities	4 100	–	–	4 100
Investment revenue presented as investing activities	(1 171)	1 171	–	–
Depreciation and amortization	394	–	–	394
Pro rata share of net increases in the cash pool	–	(29 599)	–	(29 599)
Acquisitions of property plant and equipment	–	(64)	–	(64)
Acquisitions of intangibles	–	(1 122)	–	(1 122)
Total entity differences	**36 120**	**(29 614)**	**–**	**6 506**
Actual amount per statement of cash flows (statement IV)	**37 253**	**(32 596)**	**–**	**4 657**

Note 18
Related parties: key management personnel

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

(Thousands of United States dollars)

	31 December 2018	*31 December 2017*
Number of individuals (full-time equivalents)	7.1	8
Aggregate remuneration	1 817	2 070
Outstanding advances as at 31 December	50	69

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

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

Transactions with related party entities

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

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

Note 19
Interest in joint arrangement

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

162. The Centre's share of the activity's operating surplus for the year ended 31 December 2018 is $0.009 million (2017: deficit of $0.002 million) and is recognized in the ITC statement of financial performance as an expense. Where the activity also has transactions, which are recorded directly in net assets, the ITC share of these transactions is accounted for through the statement of changes in net assets (statement III), and in the year that this balance relates to the actuarial gains/losses relating to the employee benefits liability valuation.

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

(Thousands of United States dollars)

	2018	*2017*
Cost as at 1 January	**40**	**28**
Movement for the year:		
Changes in net assets of joint arrangement recognized through statement of changes in net assets	5	10
Share of (gain)/deficit for the year of joint arrangement recognized through statement of financial performance	(9)	2
Total changes in joint arrangement for the year	**(4)**	**12**
Share of joint arrangement accounted for using equity method and reported as net liability in statement of financial position as at 31 December	**36**	**40**

Note 20
Leases and commitments

164. ITC has operating leases for the rental of its headquarters building in Geneva, field offices, photocopying services and printing and publishing equipment.

165. The minimum lease payments under non-cancellable property leases are as follows:

Obligations for property operating leases

(Thousands of United States dollars)

	31 December 2018	*31 December 2017*
Due in less than 1 year	1 479	1 428
Due in 1 to 5 years	912	2 168
Total minimum operating lease obligations	**2 391**	**3 596**

166. The lease for the ITC headquarters in Geneva is between the Fondation des immeubles pour les organisations internationales and ITC for an annual lease payment of SwF 1.085 million ($1.120 million as at 31 December 2018). The lease can be renewed for an additional five-year period upon explicit agreement between the parties or terminated by a formal written notice to the Fondation of at least six months before the expiration date of 30 September 2020. The lease agreement also contains a restriction concerning further leasing without consent from the Fondation. ITC leases space for field offices which can generally be cancelled by providing a notice of 30 to 90 days.

167. The equipment leases pertain to photocopiers and printing machines. The rental of multifunction photocopiers is based on a five-year contract. This lease is based on a fixed annual rental amount for 16 machines and a cost per copy. Since the variable amounts are regular and ongoing, there is a high likelihood that such additional copy costs would be consumed by ITC on an ongoing basis. The rental of printing equipment is based on a fixed amount per year for an initial contract period of four years, renewable twice for a two-year period until 28 February 2026. Both agreements do not contain purchase options and each party may terminate the contract, in whole or in part, upon 30 days' notice, in writing, to the other party. The total lease expense for 2018 was $0.274 million (2017: $0.349 million). This amount includes additional copy charges incurred in accordance with lease agreements.

Other commitments

Open contractual commitments

(Thousands of United States dollars)

	31 December 2018	*31 December 2017*
Property, plant and equipment	438	43
Grants	25	43
Goods and services	11 143	6 013
Total open contractual commitments	**11 606**	**6 099**

168. Other commitments relate to the future commitment to transfer funds to end beneficiaries and the acquisition of goods and services, including purchase orders, contracted for but not delivered as at 31 December 2018.

Note 21
Contingent assets and contingent liabilities

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

Note 22
Events after the reporting date

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

Annex I

Statement of appropriations

General fund: statement of appropriations for the year ended 31 December 2018

(Thousands of United States dollars)

	Appropriations[a]			*Expenditures*			
	Original	*Changes*	*Revised*	*Disbursements*	*Unliquidated obligations*	*Total*	*Unencumbered balance*
International Trade Centre							
Programme of activities	75 121	–	75 121	35 879	469	36 348	38 773

[a] Represents original appropriation of $75.121 million for the biennium 2018–2019, which remains unchanged. The General Assembly, in its resolutions 72/263 A and 73/280 A, authorized the share of the United Nations.

Annex II

Statement of budget and actual amounts for the year ended 31 December 2018

(Thousands of United States dollars)

	Publicly available budget[a]			
	Original biennium	*Final biennium*	*Actual expenditure on budget basis for 2018*	*Difference (percentage)*
Posts	58 404	58 404	28 620	(51)
Non-post	16 717	16 717	7 728	(54%)
Total	**75 121**	**75 121**	**36 348**	**(52)**

[a] Represents original appropriation of $75.121 million for the biennium 2018–2019, which remains unchanged. The General Assembly, in its resolutions 72/263 A and 73/280 A, authorized the share of the United Nations.

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