**General Assembly**
Official Records
Seventy-second Session
Supplement No. 5

A/72/5 (Vol. III)

# Financial report and audited financial statements

**for the year ended 31 December 2016**

**and**

# Report of the Board of Auditors

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

United Nations • New York, 2017

*Note*

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

ISSN 0257-0815

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# Letters of transmittal

## Letter dated 31 March 2017 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 2016, 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*) Antonio **Guterres**

## Letter dated 30 June 2017 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 2016.

(*Signed*) Shashi Kant **Sharma**
Comptroller and Auditor General of India
Chair of the Board of Auditors

# Chapter I

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

### Opinion

We have audited the accompanying financial statements of the International Trade Centre (ITC), which comprise the statement of financial position (statement I) as at 31 December 2016 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 2016 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

Management is responsible for the other information, which comprises the financial report for the year ended 31 December 2016, contained in chapter IV below, 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 management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IPSAS and for such internal control as management 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, management 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 management 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 management.

- Draw conclusions as to the appropriateness of management'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*) Shashi Kant **Sharma**
Comptroller and Auditor General of India
Chair of the Board of Auditors
(Lead Auditor)

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

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

30 June 2017

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

*Summary*

## Audit opinion

The Board has audited the financial statements of the International Trade Centre (ITC), which comprise the statement of financial position as at 31 December 2016 (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, and the notes to the financial statements, including a summary of significant accounting policies.

In the Board's opinion, the financial statements present fairly, in all material respects, the financial position of ITC as at 31 December 2016 and its financial performance and cash flows for the year then ended, and have been prepared in accordance with the International Public Sector Accounting Standards (IPSAS).

## Overall conclusion of the Board

The Centre reported a decline in unearmarked funds (from $14.99 million in 2015 to $10.83 million in 2016) with key funders withdrawing due to a reprioritization of their resources. Consequently, major targets and objectives could not fully be met. ITC reported a decline in deficit from $32.03 million reported in 2015 to $24.41 million reported in 2016, which was mainly due to a reduction in activities. On the positive side, the development of the new project portal with its comprehensive framework could be a major tool in enhancing operational efficiency. However, its development is not yet fully complete, and while it has been in use throughout 2016 there are still some gaps in reporting which need to be addressed.

The oversight mechanism of ITC needs to be augmented with the formation of an oversight committee and the creation of a risk register. Moreover, the stated commitment towards contributing to the Sustainable Development Goals and the monitoring of targets and achievements should be supported with deeper evidence of the Centre's contribution to give further assurance to key donors about the impact of its work.

## Key findings

**Need to strengthen the monitoring mechanism to achieve goals set out in the strategic plan**

The strategic plan for 2015-2017 identified three goals to be attained in the strategic plan period. The strategic plan would be rolled out through detailed annual operational plans, which are the road maps to reach these goals.

The Board observed that the operational plan of ITC had not been detailed into individual divisional or sectional work plans. In the absence of those work plans, it is difficult to ascertain whether ITC has factored in the contributions of the sections in the operational plan. Detailed work plans serve as a critical assurance to trust fund partners and facilitate the measuring of performance, the monitoring of achievements and the control of budgets.

**Need to undertake a staffing review to optimize use of the Centre's resources**

At the Professional level (P-1 to P-5), ITC operated 199 posts against the 93 sanctioned posts. In addition, ITC employed 692 consultants/individual contractors.

The Board noted that 99 of the Professional posts, which delivered tasks that were permanent in nature as well as critical to ITC, were funded through extrabudgetary resources. This creates an area of high risk for the Centre's future business plan, as the Professional posts delivering important tasks could face frequent turnover owing to the fact that their recruitment and employment in ITC is temporary in nature and the persons staffing these positions might obtain better opportunities elsewhere.

There is a need to undertake detailed resource planning, including with regard to the appropriate level of staffing, based on the requirements of operational plan and fund availability. While the Senior Management Committee does undertake a staffing review exercise every year, and amendments take place throughout the year depending on the financial and operational environment, it is not a formal objective staffing review. An objective review by an independent agency would enable professional assessment of the staffing requirements. Because salaries and consultancies account for 73 per cent of ITC expenses, such an independent review would also serve as reassurance to the stakeholders, including donors.

**Need to operationalize the International Trade Centre Oversight Committee**

In its review of enterprise risk management in the United Nations system, the Joint Inspection Unit stated that audit committees (oversight committees) had a duty to review the effectiveness of risk management practices and the management of key risks, and report to the governing body. In the United Nations system, in line with the spread of enterprise resource management implementation, audit committees increasingly include the review of risk management practices in their agendas. This is also in line with General Assembly resolution 59/272, in which the Assembly requested the Secretary-General to establish a high-level follow-up mechanism to ensure proper implementation of all oversight recommendations.

In ITC, an Oversight Committee was first formed in June 2006. The terms of reference of the Oversight Committee were modified in October 2010 and in August 2014.

At the time of audit, the Oversight Committee was not operational and no meetings of the Committee had taken place since its reorganization in 2014. As a consequence, ITC could not establish an effective oversight system to ensure a systematic and timely implementation of oversight recommendations.

**Use of consultants for generic functions**

Section 2 of the ITC policy on the engagement of consultants/individual contractors defines a consultant as an individual who is a recognized authority or specialist in a specific field, engaged by ITC under a temporary contract in an advisory or consultative capacity. Section 3 of the policy specifies that the terms of reference of a consultant should include tangible and measurable outputs, objectives and targets of the work assignment, as well as specific activities to achieve the required outputs and targets.

The Board noted that, of the 278 contracts checked, in 48 cases the work of the consultant was of a supportive nature and no tangible and measurable outputs, objectives and targets were defined in the terms of reference.

**Previous recommendations**

The Board followed up on the implementation of previous outstanding recommendations up to 31 December 2015. Twelve recommendations were under implementation (86 per cent) and two recommendations (14 per cent) were fully implemented.

**Main recommendations**

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

(a) **Enhance its monitoring mechanism by ensuring that its sections and divisions prepare their annual work plan in alignment with its operational plan and strategic framework;**

(b) **Conduct an independent staffing review to optimize its resources;**

(c) **Operationalize its Oversight Committee to strengthen its internal control mechanisms;**

(d) **Avoid using consultants for the performance of generic tasks.**

## 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 2016 in accordance with General Assembly resolution 74 (I) of 1946. The audit was conducted in conformity with the Financial Regulations and Rules of the United Nations, as well as the International Standards on Auditing (ISA). The latter standards require that the Board comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

3. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements present fairly the financial position of ITC as at 31 December 2016 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS). This included an assessment as to whether the expenditure recorded in the financial statements had been incurred for the purposes approved by the governing bodies and whether revenue and expenses had been properly classified and recorded in accordance with the Financial Regulations and Rules of the United Nations. The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

4. The Board also reviewed ITC operations under United Nations financial regulation 7.5, with a focus on the introduction of the Umoja enterprise resource planning system in November 2015. In the course of the audit, the Board visited ITC headquarters in Geneva. The Board continued to work collaboratively with the Office of Internal Oversight Services (OIOS) of the Secretariat to provide coordinated coverage.

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**

| | |
|---|---|
| **$66.79 million** | Total revenue in 2016, down from $70.32 million in 2015[a] |
| **$91.2 million** | Total expenses in 2016, down from $102.35 million in 2015 |
| **$105.03 million** | Total assets in 2016, up from $99.31 million in 2015 |
| **$138.92 million** | Total liability in 2016, up from $99.73 million in 2015 |
| **$(33.9) million** | Net assets (negative) in 2016, $(0.414) million in 2015 |
| **$87.13 million** | Employee benefits liabilities (non-current) in 2016, up from $75.81 million in 2015 |

[a] Figures for 2015 were restated by ITC.

### 1. Follow-up of previous recommendations

6. The Board followed up on the implementation of previous recommendations and verified the status of outstanding recommendations. Of 14 outstanding recommendations up to the year ended 31 December 2015, ITC has fully implemented 2 recommendations (14 per cent), whereas 12 recommendations were under implementation (86 per cent). The annex to the present report contains details on the status of implementation of previous recommendations.

### 2. Financial overview

7. As at 31 December 2016, ITC had negative net assets of $33.90 million (2015: $0.414 million negative net assets). Total assets increased from $99.31 million in 2015 to $105.03 million in 2016 mainly because of the increase in voluntary contributions receivable from $50.5 million in 2015 to $53 million in 2016, and an increase in cash and cash equivalents from $7.29 million in 2015 to $12.99 million in 2016. ITC reported $138.92 million of total liabilities as at 31 December 2016 (2015: $99.73 million). This significant rise was caused by an increase in other liabilities from $11.98 million as at 31 December 2015 to $41.83 million as at 31 December 2016, as new multi-year conditional voluntary contributions agreements were signed during the year and also owing to an actuarial loss on employee benefits liabilities of $9.08 million.

*Financial performance*

8. ITC reported a deficit of $24.41 million for the year ended 31 December 2016 (2015: deficit of $32.03 million). Revenues for the year were $66.79 million (2015: $70.32 million), the majority of which was the result of assessed contributions of $37.39 million and voluntary contributions of $26.88 million, which are consistent with the prior-year figures of $37.16 million and $26.69 million respectively.

9. ITC reported expenses of $91.20 million for the year ended 31 December 2016 (2015: $102.35 million). As in previous years, the majority of the costs for ITC relate to employee salaries, allowances and benefits ($52.07 million). Non-employee costs (consultant and contractor costs) were reported as $14.50 million and other operating expenses were $14.67 million. Remaining costs included training, travel, foreign exchange expenses, grants, depreciation and amortization. Table II.1 below shows the Board's analysis of ITC expenses.

Table II.1
**Expenses of the International Trade Centre for the years ended 31 December 2016 and 31 December 2015**

| *Expense type* | *2016 (Thousands of United States dollars)* | *2016 (Percentage of total)* | *2015 (Thousands of United States dollars)* | *2015 (Percentage of total)* |
|---|---|---|---|---|
| Employee salaries, allowances and benefits | 52 065 | 57.09 | 54 821 | 53.56 |
| Non-employee compensation and allowances | 14 502 | 15.90 | 18 228 | 17.81 |
| Travel | 5 339 | 5.85 | 5 009 | 4.89 |
| Grants and other transfers | 936 | 1.03 | 1 075 | 1.05 |
| Supplies and consumables | 273 | 0.30 | 1 163 | 1.14 |
| Depreciation | 327 | 0.36 | 251 | 0.25 |
| Amortization | 347 | 0.38 | 180 | 0.18 |

| Expense type | 2016 (Thousands of United States dollars) | 2016 (Percentage of total) | 2015 (Thousands of United States dollars) | 2015 (Percentage of total) |
|---|---|---|---|---|
| Other operating expenses | 14 670 | 16.09 | 18 770 | 18.34 |
| Other expenses | 2 738 | 3.00 | 2 852 | 2.79 |
| **Total** | **91 197** | **100** | **102 349** | **100** |

*Source*: Analysis by the Board of Auditors of ITC statements of financial performance for 2015 and 2016.

*Financial analysis*

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

Table II.2
**Financial ratios**

| Ratio | 2016 | 2015 |
|---|---|---|
| Current ratio[a] (current assets to current liabilities) | 1.94 | 2.76 |
| Total assets: total liabilities[b] (assets to liabilities) | 0.76 | 1 |
| Cash ratio[c] (cash + short-term investments to current liabilities) | 1.30 | 1.29 |
| Quick ratio[d] (cash + investments + accounts receivable to current liabilities) | 1.86 | 2.66 |

*Source*: ITC 2016 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.

11. The Board noted that, despite a reduction in current ratio when compared with the previous year, the current and cash ratios remain sound. However, there has been a significant increase in the total liabilities as compared to total assets. ITC now has only $0.76 of assets to discharge each $1 of liabilities. Employee benefits liabilities represented some 65 per cent of the total liabilities of ITC in 2016 (79.65 per cent in 2015), and has declined as a percentage of total liabilities. Given their longer-term nature, the Board does not consider that there is any immediate risk to liquidity within ITC and is of the view that the management's assessment that ITC remains a going concern is appropriate.

## 3. Financial reporting

*Other assets*

12. The "other assets" in the current and non-current assets include $0.282 million classified as "staff advances". However, the same category represents excess payments made to ITC staff, which are recoverable in instalments. Therefore, classification of that category as "staff advances" is not appropriate.

13. ITC stated that it has emphasized to Headquarters that there should be a separate general ledger code in the IPSAS chart of accounts to differentiate between staff advances and staff recoveries.

14. **The Board recommends that ITC ensure appropriate classification between staff advances and pending recoveries from staff.**

*Non-employee compensation and allowances*

15. In the notes to the financial statements, note 16, Expenses, stated that non-employee compensation and allowances are costs of individual contractors and consultants, including related insurance and travel expenses, but no breakdown of the total expenditure of $14.5 million has been given for the same in the related notes to the financial statements.

16. ITC stated that it has taken note of this and proposed that these changes in the presentation be implemented in financial statements for 2017.

17. **The Board recommends that ITC ensure appropriate presentation with reference to expenses on non-employee compensation and allowances by including material details in the notes to the financial statements.**

## 4. Strategic management and governance

*Need to align International Trade Centre projects with the Sustainable Development Goals*

18. In its operational plan for 2016, ITC stated that it had fully embedded the Sustainable Development Goals into its programming and would continue contributing to inclusive and sustainable economic growth and development by linking small and medium-sized enterprises to value chains. In doing so, it would emphasize the coordinated delivery of assistance through United Nations Development Assistance Frameworks and the Delivering as One initiative. The following figure explains the alignment of related Goals to ITC.

Figure II.I
**International Trade Centre and the Sustainable Development Goals**


*Source*: ITC operational plan for 2016.

19. To fulfil its commitment, ITC developed a new project portal. In the portal, development markers were used to link each project with three Sustainable Development Goals only: Goal 5, Gender equality; Goal 8, Decent work and economic growth (youth); and Goal 12, Responsible consumption and production (environment). However, the Board noted that ITC is committed to 10 Goals. ITC needs to demonstrate how it intends to link the projects to the other Goals it is committed to.

20. ITC stated that its project linkages and contributions to the Sustainable Development Goals are not measured through the development markers. ITC tags each project through the development market in which the project is directly pursuing gender equality, environment or poverty reduction objectives. However, each project has been asked to link, at the impact level, directly to the respective Goal and with the outcome target. ITC has not set up quantitative targets for the projects, as the ITC projects are already contributing to the impact level of the Goals.

21. The Board noted that the development markers provide direct linkage of the Sustainable Development Goals to the project. In view of the utility of the development marker, the Board is of the view that ITC needs to explore the possibility of linking all projects to the respective Goals through development markers or a similar mechanism. This would facilitate the assessment and monitoring of the impact of ITC on the achievement of the Goals.

*Need to strengthen monitoring mechanisms to achieve goals set out in the strategic plan*

22. The strategic plan for 2015-2017 identified three goals to be attained during the current strategic plan period to achieve the Centre's mission. The strategy to meet the stated goals was to roll out detailed annual operational plans. In its annual planning, ITC established milestones and key performance indicators to track implementation of the strategic plan.

23. The Centre's governance structure for the purpose of monitoring and oversight consists of the Joint Advisory Group, comprising representatives from WTO and the United Nations Conference on Trade and Development (UNCTAD), and the Consultative Committee of the ITC Trust Fund, comprising the main donors. In addition, there is a Senior Management Committee comprising the Directors of the four ITC divisions, the Deputy Executive Director and the Executive Director. The Joint Advisory Group meets annually, the Consultative Committee meets every six months and the Senior Management Committee meets weekly.

24. In its strategic plan for 2015-2017, ITC specified the key deliverables that it had committed to implement in order to reach its strategic goals and provide solutions in each of its six focus areas, defined in accordance with the recommendations of independent evaluations done in 2014. Accordingly, ITC promised to reach 50 strategic milestones as part of its effort towards realizing relevant key deliverables in 2016. In addition, the recommendations of the independent evaluations carried out by donors and OIOS in 2014 were translated into 48 deliverables.

25. In its report to the Consultative Committee in 2016, ITC stated that it had implemented 36 of the 50 strategic milestones, or 72 per cent, while 14 were in progress.

26. An update on the implementation status of the evaluation recommendations on 10 June 2016 revealed that, of the 48 deliverables, 37 (77 per cent) had been fully implemented, while 11 were still in progress.

27. ITC stated that its development results targets for 2016-2017 were established during the 2015 United Nations planning process under certain budgetary assumptions which did not fully materialize; therefore, not all targets could be fully met.

28. The Board further observed that the operational plan of ITC had not been broken down into separate, specific divisional or sectional work plan documents. In the absence of divisional or sectional work plans, it is difficult to ascertain whether ITC has factored in the contribution of the sections in the operational plan. The absence of work plans makes it difficult to measure performance, monitor achievements or control budgets. The shortfall in meeting the targets of strategic milestones also supports the need for ITC to prepare the sectional and divisional work plans in alignment with the Centre's operational plan and strategic plan. Detailed work plans also serve as a critical assurance to trust fund partners.

29. ITC replied that the responsibilities of the sections towards the tasks of the operational plan were known to the managers.

30. The Board noted that sectional work plans would make managers responsible for their roles in fulfilling the operational plan and would also facilitate the monitoring of the targets.

31. **The Board recommends that ITC enhance its monitoring mechanism by ensuring that its sections and divisions prepare their annual work plan in alignment with its operational plan and strategic plan.**

### 5. Human resources management

*Need to undertake staffing review to optimize use of the Centre's resources*

32. The proposed programme budget for the biennium 2016-2017 (A/70/6 (Sect. 13)/Add.1/Rev.1) allocated 160 posts from the regular budget and 20 posts through programme support costs to ITC.

33. A review of sanctioned posts and staff-in-position for the Professional posts is shown below.

Table II.3
**Staff posts in the International Trade Centre**

| *Post* | *Sanctioned posts (in accordance with budget)* | *Staff-in-position* |
|---|---|---|
| P-5 | 21 | 27 |
| P-4 | 33 | 41 |
| P-3 | 24 | 62 |
| P-2/P-1 | 15 | 69 |
| **Total** | **93** | **199** |

*Source*: Annex I to the proposed programme budget for the biennium 2016-2017 (A/70/6 (Sect. 13/Add.1/Rev.1) and data furnished by ITC.

34. It is evident from the above table that, at the Professional level (P-1 to P-5), ITC operated 199 posts against 93 sanctioned posts. In addition, ITC also employed 692 consultants/individual contractors.

35. The Board reviewed the distribution of Professional posts by ITC division, and the results are shown in the table below.

Table II.4
**Distribution of Professional posts, by division**

| *Division* | *P-1/P-2* | *P-3* | *P-4* | *P-5* | *Total* |
|---|---|---|---|---|---|
| Office of the Executive Director | 8 | 5 | 6 | 3 | 22 |
| Division of Country Programmes | 11 | 12 | 8 | 8 | 39 |
| Division of Market Development | 24 | 19 | 8 | 6 | 57 |
| Division of Enterprises and Institutions | 19 | 19 | 15 | 7 | 60 |
| Division of Programme Support | 7 | 7 | 4 | 3 | 21 |
| **Total** | **69** | **62** | **41** | **27** | **199** |

*Source*: Data furnished by ITC.

36. The Divisions of Market Development and Enterprises and Institutions accounted for 58.8 per cent of the total Professional staff used by ITC.

37. The Board further noted that 99 of the Professional posts, which delivered tasks that were permanent in nature as well as critical to ITC, were funded through extrabudgetary resources. This creates an area of high risk for the Centre's future business plan, as the Professional posts delivering important tasks could face frequent turnover owing to the fact that their recruitment and employment in ITC are temporary in nature and the persons staffing these positions might obtain better opportunities elsewhere.

38. There is a need to undertake detailed resource planning, including the appropriate level of staffing, based on the requirements of the operational plan and fund availability. While the Senior Management Committee does undertake a staffing review exercise every year, and amendments take place throughout the year depending on the financial and operational environment, it is not a formal objective staffing review. An objective review by an independent agency would enable professional assessment of the staffing requirements. Because salaries and consultancies account for 73 per cent of ITC expenses, it would also serve as reassurance to the stakeholders, including donors.

39. ITC explained that, in 2016, it underwent a wide-ranging organizational realignment exercise designed to ensure that the organization was best structured to channel current and future strategic directions and operational imperatives. It further stated that the next stage in this process would be a review of all post descriptions throughout ITC to ensure that the duties associated with each position were clearly detailed, relevant and future-proofed as much as possible. They anticipated beginning this significant project in the fourth quarter of 2017. ITC assured the Board that it would consider undertaking an independent staffing review once the above-mentioned exercise was over.

40. **The Board recommends that ITC conduct an independent staffing review to optimize its resources.**

41. ITC accepted the recommendation.

*Working towards an inclusive and accessible workplace for persons with disabilities*

42. It is important for every organization to make its workplace inclusive and accessible for persons with disabilities.

43. The Board noted that, while ITC had undertaken a formal access audit for its premises and its entrance was fitted with a special access for disabled people, it did

not have specific policy guidelines in place. This resulted in it having no records with regard to the number of staff with disabilities who were currently employed or recruited in the past five years, or of those who had left the entity.

44. In the absence of a policy and records, ITC had few means to take into consideration the special needs of the disabled and was not adhering to the United Nations policy on the full realization of an inclusive and accessible United Nations for persons with disabilities.

45. ITC explained that they would issue a separate policy adapted from the United Nations policy on disability, based on additional research on best practices from both the United Nations and the private sector.

46. **The Board recommends that ITC frame a formal policy and guidelines for an inclusive and accessible ITC for persons with disabilities, similar to ST/SGB/2014/3.**

47. ITC accepted the recommendation.

### 6. Oversight mechanism

*Need to develop a risk management framework*

48. The enterprise risk management framework was introduced to the United Nations in January 2010 through the report of the Secretary-General (A/64/640). Consequently, in 2010, the Joint Inspection Unit recommended benchmarks for enterprise risk management implementation.

49. In 2014, the Executive Director of ITC requested OIOS to assist ITC in developing a risk management framework. Consequently, OIOS conducted an advisory engagement to: (a) perform an enterprise risk management gap assessment using appropriate benchmarks and maturity matrix, and (b) identify opportunities for ITC to move to higher levels of enterprise risk management maturity. OIOS assessed the enterprise risk management benchmarks of ITC only at the initial level (level 1) for risk governance, integration and reporting, the risk management process, tools and training and implementation and continuous improvement. ITC accepted the OIOS assessment in July 2015.

50. The Board noted that, at the time of audit in April 2017, ITC had not yet promulgated a risk management policy, which would include the assignment of formal roles and responsibilities for identifying, assessing, evaluating, treating and monitoring risks. In addition, its risk register was still under development.

51. ITC confirmed that the draft risk management policy had not yet been presented to and adopted by the Joint Advisory Group, and that its risk registers were still in the development stage.

52. **The Board recommends that ITC fully develop and operationalize the enterprise risk management framework.**

*Need to operationalize the International Trade Centre Oversight Committee*

53. In its review of enterprise risk management in the United Nations system (JIU/REP/2010/4), the Joint Inspection Unit stated that audit committees (oversight committees) had a duty to review the effectiveness of risk management practices and the management of key risks, and report to the governing body. In the United Nations system, in line with the spread of enterprise risk management implementation, audit committees increasingly include the review of risk management practices in their agendas. This is also in line with the General Assembly resolution 59/272, in which the Assembly requested the Secretary-

General to establish a high-level follow-up mechanism to ensure proper implementation of all oversight recommendations.

54. In ITC, an Oversight Committee was first formed in June 2006. The Committee was composed of the Deputy Executive Director as the Chair, the Director of the Division of Programme Support, one other Director of a division and the Chief of Financial Management as an ex officio member. Representatives of WTO and UNCTAD would be in attendance. The notification specified that the Committee would meet not less than three times a year.

55. The terms of reference of the Oversight Committee were modified in October 2010, wherein the composition was retained but the frequency of meetings was changed to once a year.

56. ITC again modified the terms of reference of the Oversight Committee in August 2014 to include a member representing UNCTAD and a member representing WTO. They were to be selected by the Secretary-General of UNCTAD and Director General of WTO respectively. The position of Chair of the ITC Oversight Committee would rotate among the members.

57. The Board noted that, at the time of audit in April 2017, the Oversight Committee was not operational and no meetings of the Committee had taken place since its reorganization in 2014.

58. As a consequence, ITC could not establish an effective oversight system to ensure a systematic and timely implementation of oversight recommendations.

59. **The Board recommends that ITC operationalize its independent Oversight Committee to strengthen its internal control mechanisms.**

60. ITC accepted the recommendation.

## 7. Contract management

*Need to comply with rules regarding hiring of consultants*

61. ITC is mandated with the task of supporting the internationalization of small and medium-sized enterprises by building institutional, managerial and entrepreneurial capacities simultaneously at the government, institutional and enterprise levels. All of its activities are dependent on the effective choice, allocation, deployment and motivation of capable people. ITC relies heavily on the services of consultants/individual contractors for project-related activities. The importance of consultants/individual contractors in the operations of ITC can be clearly seen in the fact that, during 2016, 1,270 consultant/individual contractor contracts involving 692 consultants remained effective in ITC.

62. The policy of ITC for the engagement of consultants/individual contractors was issued through an administrative instruction dated 3 March 2014 which is in line with the United Nations administrative instruction dated 19 December 2013 (ST/AI/2013/4) in this regard.

63. Section 4 of the policy specifies that no fewer than three applicants from the ITC consultant roster should be evaluated to ensure transparency and accountability in the selection process. In any exceptions to the competitive selection process, a reasoned and documented justification is required in cases where only one candidate was considered for the job.

64. The Board examined 278 contracts of consultants to check compliance with ITC policy concerning the hiring of consultants. It emerged that, in 204 contracts (73 per cent of the sampled contracts), only one candidate was considered for the job of consultant during the selection process. The main justifications included a

lack of specialized resources, the unavailability of other candidates for the proposed period and prior experience at ITC or in the substantive areas. Considering just one candidate each in various contracts for consultants prevented ITC from ensuring a competitive selection process in the hiring of consultants.

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

66. ITC accepted the recommendation.

*Use of consultants for generic functions*

67. Section 2 of the policy defines a consultant as an individual who is a recognized authority or specialist in a specific field, engaged by ITC under a temporary contract in an advisory or consultative capacity. Section 3 of the policy specifies that terms of reference should include tangible and measurable outputs, objectives and targets of the work assignment, as well as specific activities to achieve the required outputs and targets.

68. The Board noted that, of 278 contracts checked, in 48 cases the work of the consultant was supportive in nature and no tangible and measurable outputs, objectives or targets were defined in the terms of reference.

69. **The Board recommends that ITC (a) select consultants through a competitive process, and (b) avoid using consultants for the performance of generic tasks.**

70. ITC accepted the recommendation.

## 8. Procurement management

*Need to update the local committee on contracts*

71. A local committee on contracts was established by ITC in April 2014 in accordance with an administrative instruction regarding the performance of procurement activities. Section 12.2 of revision 7 of the United Nations Procurement Manual requires that there must be four voting members on the committee. The Board opines that there must be a mechanism to review the composition of the committee with a view to substituting members who leave the organization or members who are unavailable owing to other regular work.

72. The composition of the local committee on contracts was not reviewed to replace members leaving the organization. The existing committee was formed in April 2014 and since then one of its members and one of the alternates has left the organization.

73. ITC stated that it was in the process of reorganizing the local committee on contracts.

*Need to update the Local Property Survey Board*

74. The Assistant Secretary-General for Central Support Services, pursuant to the provisions of ST/AI/2004/1 dated 8 March 2004, delegated procurement and property management authority to the Director of the Division of Programme Support. In accordance with the authority so delegated, the Director of the Division of Programme Support constituted a Local Property Survey Board on 12 November 2010 to function at ITC. The Board was responsible for discharging the functions similar to those discharged by the Headquarters Property Survey Board. In accordance with the composition of the ITC Local Property Survey Board, as

defined in an ITC information circular, the members would serve for a term of three years and rotate with alternate members every three years.

75. However, the existing Local Property Survey Board was formed in November 2010 and, as of the date of writing, its composition has not been reviewed by the ITC so as to replace its members, more than six years after its formation.

76. ITC stated that it would be reviewing and updating the composition of the Local Property Survey Board.

77. **The Board recommends that ITC update its local committee on contracts and its Local Property Survey Board.**

78. ITC accepted the recommendation.

### 9. Travel management

*Need to comply with United Nations rules on advance ticket booking*

79. According to United Nations Staff Rule 7.8, all tickets for official travel of staff members and eligible family members shall be purchased by the United Nations in advance of the actual travel. As a cost-saving measure, minimum days have been defined for submitting travel requests by ITC. In accordance with clause 3.3 of the ITC administrative instruction on official travel, all travel arrangements including advance booking and purchase of tickets should be finalized 16 calendar days in advance of commencement of official travel. Programme or project managers are required to provide justification for all official travel arrangements that are not finalized 16 calendar days in advance of the commencement of travel. These instructions came into force in April 2016.

80. During the period from April to December 2016, a total of 2,087 trips were undertaken in the organization, of which 1,460 trips (70 per cent) were not processed within 16 days of the travel.

81. In 368 of the above 1,460 trips (25 percent), justifications for non-compliance with the above-mentioned administrative instruction were not available. For the remaining non-compliant cases, justifications provided related mainly to changes in the dates of events, late confirmation from partners, the unavailability of funds, last-minute decisions for travel and other similar instances, reflecting the need for improvement with regard to ITC travel planning.

82. The Board also observed that, in 2016, ITC had incurred an expenditure of SwF 80,800 with regard to the rescheduling and cancellation of air tickets. It is pertinent to mention that ITC encourages staff and non-staff who travel to opt for a voluntary downgrade of the class of air travel for which they are eligible. This option was exercised by a number of people, resulting in a savings of SwF 106,960 in 2016.

83. **The Board recommends that ITC adhere to the 16-day clause for advance travel planning to reduce travel expenditure and avoid frequent rescheduling and cancellation of tickets.**

84. ITC accepted the recommendation.

## C. Disclosures by management

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

85. ITC reported that it had formally written off equipment in the amount of \$0.087 million during the year ended 31 December 2016.

### 2. Ex gratia payments

86. ITC reported no ex gratia payments for the year ended 31 December 2016.

### 3. Cases of fraud, presumptive fraud and financial mismanagement

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

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

89. ITC reported no cases of confirmed fraud or presumptive fraud for the year ended 31 December 2016.

## D. Acknowledgement

90. 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*) Shashi Kant **Sharma**
Comptroller and Auditor General of India
Chair of the Board of Auditors
(Lead Auditor)

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

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

30 June 2017

# Annex

## Status of implementation of recommendations up to the year ended 31 December 2015

| *Sl. No.* | *Audit report year(s) and document symbol* | *Chapter and paragraph reference* | *Recommendation of the Board* | *ITC response* | *Board's assessment* | *Status after verification: Implemented* | *Under implementation* | *Overtaken by events* | *Not implemented* |
|---|---|---|---|---|---|---|---|---|---|
| 1. | 2012-2013 (A/69/5 (Vol. III)) | Chap. II, para. 14 | Regularly inform both the General Assembly and the General Council of WTO of the projected future level of funding required to support end-of-service liabilities. | After-service health insurance liabilities are shown in the financial statements of ITC, which are transmitted to the United Nations General Assembly and to the General Council of WTO. The financial statements are now prepared on an annual basis and include these liabilities. If required, ITC could include in note 13 the amount relating to the actuarial valuation of the after-service health insurance liabilities for the General Fund, programme support costs and extrabudgetary resources. | This recommendation remains under implementation. The financial statements show the current level of obligation, but do not anticipate the future funding needs of ITC, in particular in the light of reduced funding from donors. This recommendation is under implementation and the Board considers the analysis proposed by ITC would be useful in future years. | | X | | |
| 2. | 2014 (A/70/5 (Vol. III)) | Chap. II, para. 21 | Use the benefits realization plan and the improved financial information derived from IPSAS to inform and manage financial risk. | Benefits realization is an ongoing process coordinated by the United Nations in New York and ITC is required to report regularly. | Reporting of benefit realization improved since last year. However, ITC needs to embed IPSAS information in decision-making. Therefore, the recommendation is considered to be under implementation | | X | | |
| 3. | 2014 (A/70/5 (Vol. III)) | Chap. II, para. 24 | Develop a fraud risk assessment to identify areas susceptible to fraud risk, and consider the current mitigations to manage this risk. Further, management should utilize improved functionality in Umoja and the consultant's database to produce exception reports to support management review. | ITC identified a case of financial mismanagement (misuse of funds by the implementing partner). This resulted in strengthened monitoring of similar projects. | The Board noted that ITC is looking into strengthening its monitoring processes but more can be done to identify potential fraud and plan how to respond to it through fraud risk assessments and review of exceptions in Umoja. Therefore, the recommendation is considered to be under implementation. | | X | | |

| Sl. No. | Audit report year(s) and document symbol | Chapter and paragraph reference | Recommendation of the Board | ITC response | Board's assessment | Status after verification: Implemented | Under implementation | Overtaken by events | Not implemented |
|---|---|---|---|---|---|---|---|---|---|
| 4. | 2014 (A/70/5 (Vol. III)) | Chap. II, para. 44 | Further review of costs attributable to projects and to identify valid costs that can be directly allocated to projects in line with a clear methodology. ITC should use the new functionalities of Umoja and the next phase of the project portal programme to build better data to inform management's decisions on how programme support costs are identified and the rate at which they should be recovered, and to inform a costing strategy. | Over the past year, ITC has advanced with cost allocation at the level of the six focus areas. ITC also introduced output-based budgeting as mandatory for all new projects. This is enforced through the new project portal templates and the project quality review process. Regarding programme support costs, ITC applies rates that are decided by the United Nations Secretariat. | ITC uses new functionalities in Umoja to record transactions. However, the level of detail is not sufficient and ITC decided to create a new project portal to obtain information for review of costs attributable to the projects. The recent evaluation report has highlighted the need to be a better data-driven organization and a better understanding of project costs is central to this. This recommendation remains under implementation as application of the current United Nations recovery rates does not help ITC ensure full costs are passed on to donors. | | X | | |
| 5. | 2015 (A/71/5 (Vol. III)) | Chap. II, para. 16 | Formally evaluate the success of its resource mobilization strategy and further consider other options such as cost reduction to ensure programme support costs are sufficient to cover the full costs of project activity. | A formal evaluation of the success of the ITC resource mobilization strategy will be carried out on an annual basis, starting in the first quarter of 2017. Progress on resource mobilization targets is already being tracked through key performance indicators on pipeline development and resource mobilization, which were defined in the ITC operational plan for 2016 and are aligned with its strategic plan for 2015-2017. The upgraded project portal allows ITC to monitor the pipeline, projects under implementation and closed projects, in view of specific funders, programmatic areas, regions or project size, among others. Options for cost reduction are considered at the corporate level as part of annual budget planning. Each project budget is reviewed critically as part of the project quality review and approval process. | During 2016, the revenue from voluntary contributions was $26.88 million, up from $26.69 million in 2015. There has been no major improvement in the mobilization of voluntary contributions during the year. Therefore the recommendation is considered to be under implementation. | | X | | |

| Sl. No. | Audit report year(s) and document symbol | Chapter and paragraph reference | Recommendation of the Board | ITC response | Board's assessment | Status after verification: Implemented | Under implementation | Overtaken by events | Not implemented |
|---|---|---|---|---|---|---|---|---|---|
| 6. | 2015 (A/71/5 (Vol. III)) | Chap. II, para. 34 | Continue to review the scale and nature of manual adjustments and journals to identify training needs and process efficiencies. | ITC expects the number of manual adjustments and journals to decrease now that the transition to Umoja from the legacy enterprise resource planning system is complete. | 2016 was the first full year that ITC used Umoja. However, manual adjustments and journal entries continue to be present. Therefore the recommendation is considered to be under implementation. | | X | | |
| 7. | 2015 (A/71/5 (Vol. III)) | Chap. II, para. 35 | In line with instructions issued by the United Nations Secretariat, trial any new accounts production process in advance of year end and ensure robust closure procedures and a clear schedule of reports which will be required to support the financial statements. | The project to automate financial statements is managed by the United Nations Secretariat for all entities using Umoja, and ITC will need their support to implement this recommendation. | The financial statements have been submitted for audit by the end of March 2017 in accordance with the schedule. Therefore the recommendation is considered implemented. | X | | | |
| 8. | 2015 (A/71/5 (Vol. III)) | Chap. II, para. 38 | Develop clear plans to ensure that payroll clearing and control accounts are reconciled on a timely basis with a full supporting trail. | The United Nations Office at Geneva handles the ITC payroll. ITC will liaise with them to ensure that there is no duplication of effort. | ITC has fixed a target date of December 2017 to implement the recommendation. Therefore the recommendation is considered to be under implementation. | | X | | |
| 9. | 2015 (A/71/5 (Vol. III)) | Chap. II, para. 41 | Provide a specific training course for programme staff to ensure they understand the rules and procedures for processing Umoja transactional workflows for which they now have responsibility. | ITC has already conducted training in both 2015 and 2016 and this will be continued. | ITC has conducted training in this respect and assured the Board that further trainings would continue, keeping the progress achieved in mind. Therefore the recommendation is considered implemented. | X | | | |
| 10. | 2015 (A/71/5 (Vol. III)) | Chap. II, para. 44 | Clearly communicate the business benefits of Umoja and allow sufficient resources to continue to support staff to ensure the new system becomes embedded in normal business processes and that there is full utilization of the Umoja functionalities. | As Umoja matures, ITC will be registering business benefits in line with the United Nations Secretariat and continue to deepen knowledge and strengthen business processes. | The target date fixed by ITC for implementing the recommendation was December 2017. Therefore the recommendation is considered to be under implementation. | | X | | |

| *Sl. No.* | *Audit report year(s) and document symbol* | *Chapter and paragraph reference* | *Recommendation of the Board* | *ITC response* | *Board's assessment* | *Status after verification: Implemented* | *Under implementation* | *Overtaken by events* | *Not implemented* |
|---|---|---|---|---|---|---|---|---|---|
| 11. | 2015 (A/71/5 (Vol. III)) | Chap. II, para. 45 | Review the reporting needs of the business and develop a clear schedule for the timely production of regular and extrabudgetary financial reports from Umoja. | Senior management has established a schedule of quarterly internal financial reports. ITC also provides biannual financial reports to its funders and clients via its public website. The reports are presented to the Consultative Committee of the ITC Trust Fund in biannual meetings. The reports have evolved, based on the feedback from the Consultative Committee and senior management. The focus is now on automating the extraction of relevant information from Umoja, such as utilizing the business intelligence functionality for reports, and on displaying key information through dashboards with up-to-date data. | The management has stated that efforts are in process to automate extraction of the reports in Umoja and the target date set is December 2017. Therefore the recommendation is considered to be under implementation. | | X | | |
| 12. | 2015 (A/71/5 (Vol. III)) | Chap. II, para. 49 | To further strengthen internal control, the business intelligence functionality should be used to identify exceptions and patterns of expenditure so as to provide insight and focus for management validation and review. | The reporting of exceptions to provide insight and focus for management validation and review is a system-wide United Nations Secretariat necessity and work has begun to address this with the recent establishment of a global monitoring function of Umoja data that is being progressively rolled out. ITC will therefore liaise with other United Nations entities. | The management has stated that it will liaise with other United Nations entities in the effort to provide reports of exceptions. The target date set is December 2017. Therefore the recommendation is considered to be under implementation. | | X | | |
| 13. | 2015 (A/71/5 (Vol. III)) | Chap. II, para. 53 | Record the costs and benefits of the upgrade of the project portal and ensure that, if information is produced from the portal, it is reconciled to project information in Umoja. | ITC will compile a summary of the costs and benefits of the upgrade of the project portal. As to reconciliation with Umoja data, this has already been accomplished. Financial information in the upgraded project portal is extracted directly from Umoja, and displayed in a user-friendly manner. | ITC has stated that it will compile a summary of the costs and benefits of the upgrade of the project portal. The target date set is June 2017. Therefore the recommendation is considered to be under implementation. | | X | | |

| Sl. No. | Audit report year(s) and document symbol | Chapter and paragraph reference | Recommendation of the Board | ITC response | Board's assessment | *Status after verification* | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | *Implemented* | *Under implementation* | *Overtaken by events* | *Not implemented* |
| 14. | 2015 (A/71/5 (Vol. III)) | Chap. II, para. 60 | Update its fraud policy and response plan and circulate it to reinvigorate fraud awareness both internally and within its implementing partners, consider a programme of training and explore the potential of Umoja to identify unusual transaction trends and patterns. | In line with the OIOS fraud policy, ITC will raise awareness and promote strong anti-fraud values internally and with implementing partners. | The target date fixed by ITC for implementing the recommendation is December 2017. Therefore the recommendation is considered to be under implementation. | | X | | |
| | | | **Total** | | | **2** | **12** | | |
| | | | **Percentage** | | | **14** | **86** | | |

# Chapter III
# Certification of the financial statements

## Letter dated 31 March 2017 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 2016 have been prepared in accordance with financial rule 106.1 of the Financial Regulations and Rules of the United Nations.

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

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

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

# Chapter IV
# Financial report for the year ended 31 December 2016

## 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 2016.

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. The Centre's portfolio of work for 2016 centred on its six focus areas: (a) providing trade and market intelligence; (b) building a conducive business environment; (c) strengthening trade and investment support institutions; (d) connecting to international value chains; (e) promoting and mainstreaming inclusive and green trade; and (f) supporting regional economic integration and South-South links.

5. In 2016, ITC delivered approximately 13.7 per cent less technical assistance, capacity-building and market intelligence than in the previous year, with gross extrabudgetary expenditures of $47.687 million. General performance was in line with outcome targets that were set for the biennium 2016-2017, but also reflected a shortfall in core funding, which was partly offset by additional earmarked funds.

6. The Centre's delivery performance remained strongly supported by corporate initiatives for innovation and project development. At the end of 2016, the pipeline of projects in discussions with funders was valued at more than $166 million. During the year, $0.228 million was approved for innovative projects from the Centre's business development fund. In terms of results, the refined strategic framework for 2016-2017 enabled ITC to better capture the results of its interventions. Through its market intelligence tools and other digital content, complemented by a multitude of awareness-raising events, ITC reached more than 232,000 beneficiaries. In 59 cases, ITC influenced policymakers and contributed to strategy formulations in countries such as the Comoros, Mauritius, Myanmar, Nepal, Pakistan, the Sudan and Tonga. At the institutional level, 170 unique public and private trade and investment support institutions have improved their performance and are now able to better serve their clients. The Centre's refined monitoring better captured both its extensive work with enterprises and the effect of the Centre's interventions across the supply chains. This allowed for the reporting of more than 5,300 entrepreneurs who improved their competitiveness and more than 1,200 enterprises that have transacted new business thanks to ITC assistance. Wherever possible, results were disaggregated by gender, and indicated that the goal of reaching at least 40.0 per cent women-owned enterprises had been achieved. The organization pioneered work on improving the skills and boosting the employment of refugees and economic migrants, with activities in Kenya and several new initiatives in the pipeline. The largest share of the Centre's delivery continued to be focused on sub-Saharan Africa, in line with the continued prioritization of the most

vulnerable countries. In 2016, more than 80.0 per cent of country or region-specific extrabudgetary expenditure was dedicated to least developed countries, landlocked developing countries and small island developing States in sub-Saharan Africa.

7. A peer review of the Centre's evaluation function was conducted, at the request of ITC, by a professional peer review panel of the Development Assistance Committee of the Organization for Economic Cooperation and Development, in conjunction with the United Nations Evaluation Group, between December 2015 and June 2016. The panel found that ITC had created a distinct institutional space for its Evaluation Unit and that it was in line with United Nations evaluation principles and United Nations Evaluation Group evaluation quality standards. The organization has also put in place an earmarked operational budget and critical minimum staff to carry out its annual plan of evaluation work. The evaluation function is respected by the programme and technical departments as credible and useful and the evaluation policy of 2015 represented a leap forward in terms of alignment with United Nations Evaluation Group norms and standards.

8. In 2016, ITC continued to increase its efficiency and effectiveness through a number of initiatives, including the following:

(a) ITC realigned its organizational structure to reflect a programme-based approach. In this new, matrix-like organization, a crucial role is played by the project development task force. It is a cross-cutting unit that develops projects valued at more than $1.000 million and is composed of a core team of subject-matter experts with complementary skills;

(b) The Centre's new project portal was established as a primary tool of project management. The portal's reporting dashboards are integrated and supplied with reports from Umoja business intelligence;

(c) By continually investing in its e-learning initiatives, ITC has increased the number of users of e-learning and reduced costs and its carbon footprint. The Trade Academy for Small and Medium-sized Enterprises registered more than 10,000 enrolments in 2016, certified more than 2,400 course participants and developed 24 new training courses;

(d) As an expertise-driven organization, ITC has invested in technical skills training for its staff, and also conducted a new 360-degree feedback survey for managers at the end of 2016;

(e) ITC has partnered with numerous public, private and non-governmental institutions. New initiatives were launched in an effort to bring beneficiaries to international markets via e-commerce, for example, offering support to small and medium-sized enterprises in project beneficiary countries by promoting them online and providing them with analytical tools, with partners such as Alibaba, eBay and Google;

(f) Following the assistance of the Office of Internal Oversight Services (OIOS), ITC has developed a risk management policy and associated tools which are expected to become fully operational in 2017.

9. At the fiftieth session of the annual meeting of the Joint Advisory Group, convened in Geneva on 4 July 2016, member States expressed appreciation for the comprehensive report on the Centre's management response to the 2014 and 2015 independent and OIOS evaluations and on the progress made in the implementation of the recommendations. Members commended ITC for its investment in impact assessment and efforts to improve its evaluation function. ITC was encouraged to continue investing in enhancing its result management work, especially in the light of the increasingly challenging international financial environment.

## B. Adoption of International Public Sector Accounting Standards

10. The production of financial statements that are compliant with the International Public Sector Accounting Standards (IPSAS) for the third year running for the year ended 31 December 2016, during this IPSAS post-implementation phase, is a confirmation of the Centre's ability and agility to support long-term sustainability of IPSAS compliance. Following the successful production of the Centre's second IPSAS compliant financial statements for the year ended 31 December 2015, this third successful achievement is a testimony to the power of cooperation among many stakeholders to deliver and place change on a sustainable platform.

### Highlights of key changes to the financial statements

11. As presented in the eighth progress report on IPSAS implementation (A/70/329), the IPSAS sustainability concept and approach encompasses five major components identified as the core pillars of IPSAS sustainability, namely: (a) IPSAS benefits management, which entails tracking, monitoring and compiling regular reports, including to the General Assembly, on IPSAS benefits; (b) strengthening of internal controls organization-wide; (c) managing the IPSAS regulatory framework to implement changes in the standards as well as drive related changes to systems, which entails monitoring and tracking the development of new standards by the IPSAS Board and changes to old standards, and keeping the organization abreast of these developments as well as keeping the IPSAS policy framework up to date; (d) supporting the transition to Umoja as the system and book of record for IPSAS-compliant accounting and reporting, including asset accounting and automating financial statements through Umoja; and (e) continued IPSAS training and the deployment of a skills strategy.

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

## C. Overview of the financial statements for the year ended 31 December 2016

13. 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 2016. The notes to the financial statements explain the Centre's accounting and financial reporting policies and provide additional information on the individual amounts contained in the statements.

### Revenue

14. The financial results for the year 2016 amounted to a deficit of $24.406 million, based on the results as follows:

**Financial results**

(Thousands of United States dollars)

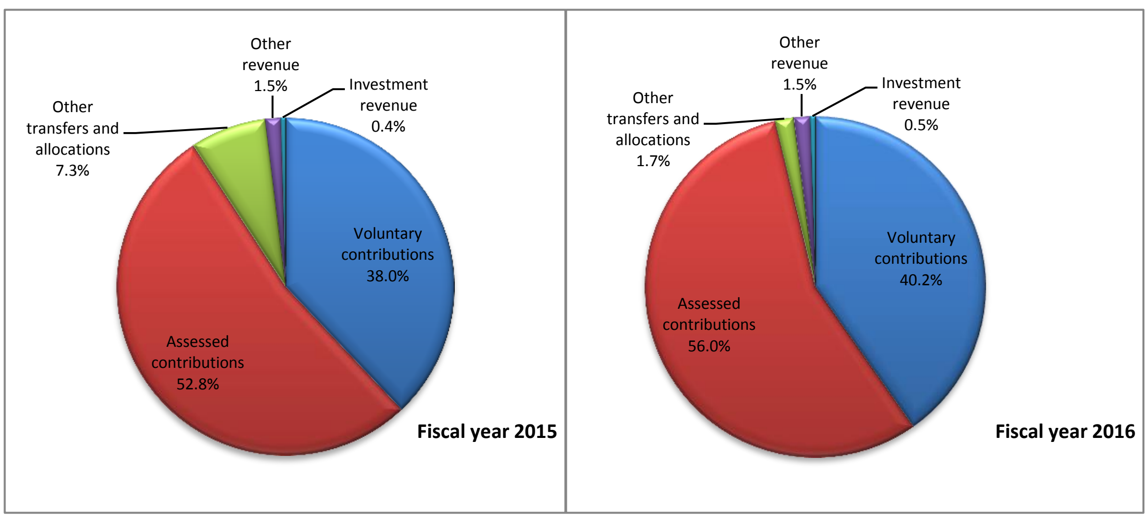
| | *2016* | *2015* |
|---|---|---|
| Total revenue | 66 791 | 70 322 |
| Total expense | 91 197 | 102 349 |
| **Surplus (deficit)** | **(24 406)** | **(32 027)** |

15. In 2016, revenue totalled $66.791 million. The main sources of revenue were assessed contributions of $37.394 million, or 56.0 per cent; voluntary contributions from donors of $26.881 million, or 40.3 per cent; revenue from other transfers and allocations of $1.165 million, or 1.7 per cent; investment revenue of $0.320 million, or 0.5 per cent; and other revenue of $1.031 million, or 1.5 per cent. Total revenue also includes contributions in-kind as a rental subsidy of $2.680 million for the year, which represents the difference between the market value and the actual amount paid for the rental of the building occupied by ITC.

16. As noted in the charts below, the decrease in revenue resulted mainly from a decline in the amount of other transfers and allocations recognized as revenue in 2016 when compared with 2015. Other transfers and allocations are mainly inter-organizational arrangements for contributions received from the United Nations Development Programme (UNDP) and for projects under the Enhanced Integrated Framework trust fund and the One United Nations fund. The resources allocated to ITC under the Enhanced Integrated Framework trust fund and the One United Nations fund decreased by $3.949 million compared with 2015. These are multi-donor trust funds and new projects are approved based on cash availability. Projects are awarded to implementing agencies based on their respective mandates.

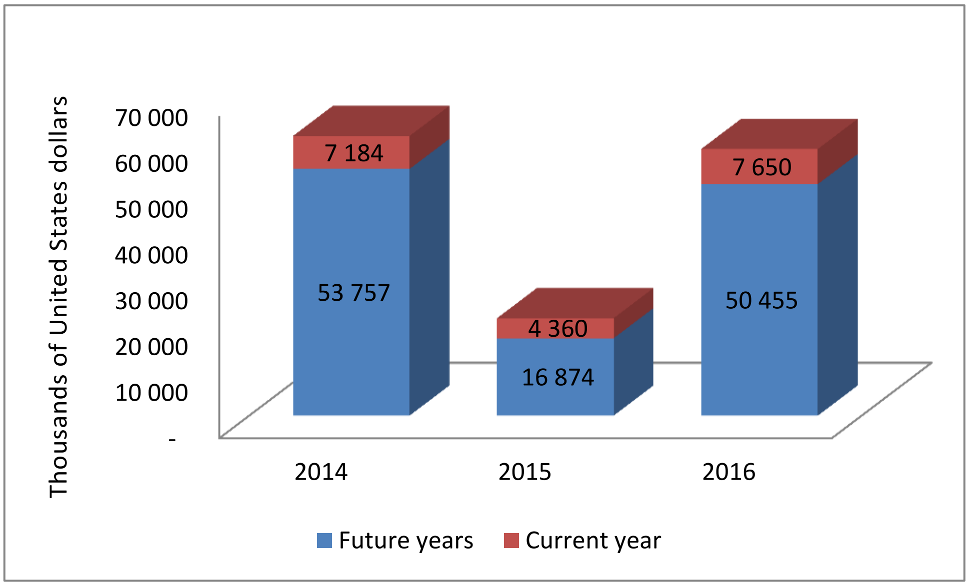
17. Voluntary contributions often cover multi-year periods as they are usually committed for the lifetime of the period, typically 3 or 4 years. This means that part of the revenue recognized in previous years is used for activities in the current year or in future years.

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




18. Overall, on a year-to-year basis, the value of voluntary contribution agreements signed with donors was $58.106 million in 2016, $21.234 million in 2015 and $60.941 million in 2014. A new strategic framework accompanied by a results-focused programmatic approach came into effect in 2015, resulting in a renewed level of support from donors, as demonstrated by the increased level of contributions in 2016.

Figure IV.II
**Voluntary contribution agreements signed with donors (conditional and unconditional) showing current year and future year portions, by fiscal year**

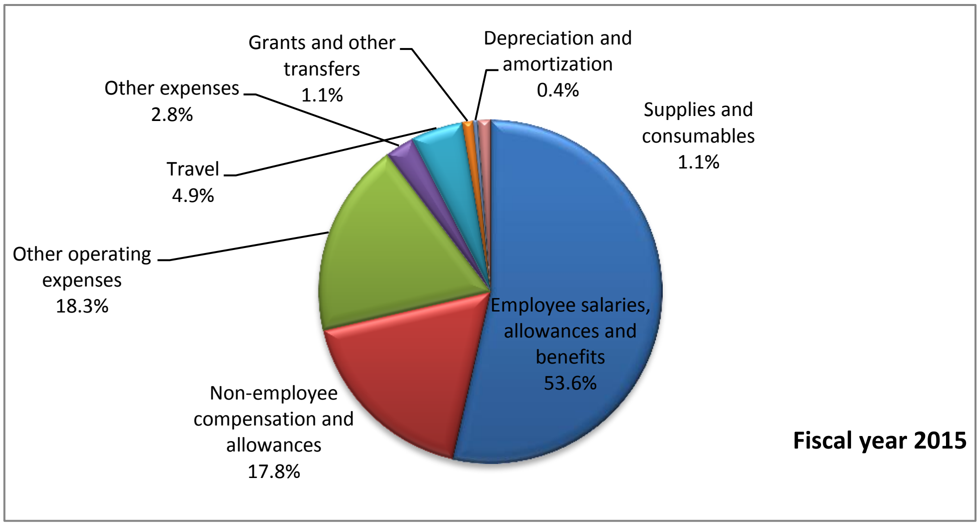



19. The above figure shows voluntary contribution agreements signed in each year and the portion attributable to the current year and to future years.

**Expenses**

20. For the year ended 31 December 2016, expenses totalled $91.197 million. The main expense categories were staff costs of $52.065 million, or 57.1 per cent; non-employee compensation and allowances of $14.502 million, or 15.9 per cent; other operating expenses of $14.670 million, or 16.1 per cent; travel of $5.339 million, or 5.9 per cent; other expenses of $2.738 million, or 3.0 per cent; grants and other transfers of $0.936 million, or 1.0 per cent; depreciation and amortization of $0.674, or 0.7 per cent; and supplies and consumables of $0.273 million, or 0.3 per cent. Staff costs included $4.476 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.III
**Total expenses (IPSAS basis), by fiscal year**




21. Total personnel cost, which includes staff costs and non-employee compensation and allowances, totalled $66.567 million; this amount represents 73.0 per cent of total expenses, which were reported at $91.197 million for the year. Reduction of expenses was primarily owing to reduced staff costs, consultants and other operating expenses, which mainly reflect a lower volume of technical assistance projects than in the previous year. General performance was in line with outcome targets that were set for the biennium 2016-2017.

**Operating results**

22. The net deficit of revenue over expense in 2016 was $(24.406) million. However, the principle of matching revenue and expenses does not apply to revenue received from voluntary contributions related to unconditional agreements. Revenue from these agreements is recognized when the donor executes a binding agreement with ITC, not when the cash is received from the donor. However, expenses resulting from the delivery of the services covered by the contribution are recorded in the financial period when the expense was incurred. This means that contributions received in one financial year may not be spent until a future financial period, in particular where agreements are signed late in the financial year and cover several future years.

**Assets**

23. Assets as at 31 December 2016 totalled $105.028 million compared with the balance at 31 December 2015 of $99.311 million.

24. The main assets as at 31 December 2016 were cash and cash equivalents and investments totalling $47.053 million, representing 44.8 per cent of the total assets, and voluntary contributions receivable from donors for technical cooperation projects of $52.997 million, or 50.5 per cent. The remaining assets consisted of other accounts receivable, other assets and property, plant and equipment and intangible assets.

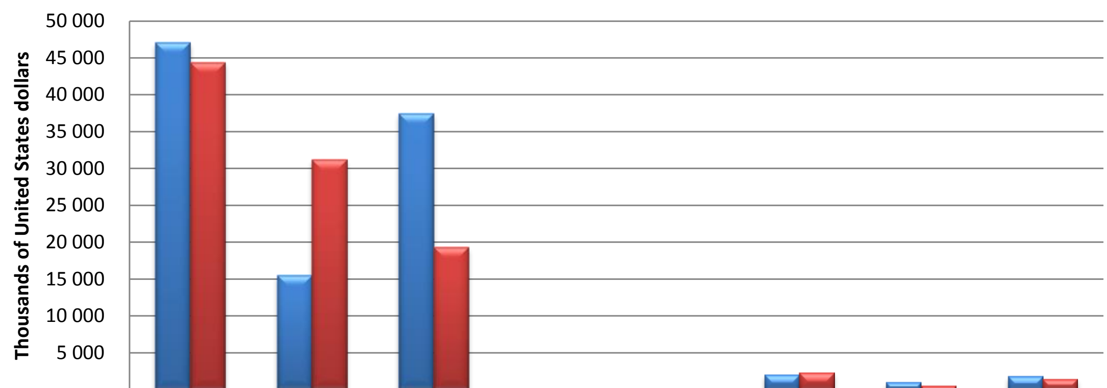
25. Cash and cash equivalents and investments of $47.053 million as at 31 December 2016 are held in the United Nations cash pool and cash held in main and field offices. This represents an increase of $2.657 million over the balance held

at the end of 2015, primarily owing to the cash received in advance during the last quarter of 2016 for activities to be implemented in 2017.

26. Under IPSAS, accounts receivable from voluntary contributions may be recognized in full on signature of an agreement, including amounts due in future financial periods. One exception is agreements such as those with the European Union that contain conditions requiring the return of the contribution if funds spent are not in accordance with the terms and conditions specified by the donor. Of the total of $52.997 million due as at 31 December 2016, $15.525 million is expected to be received in 2017 and the balance of $37.472 million is expected after 2017.

27. As noted in the figure below, long-term voluntary contributions receivable increased from $19.301 million to $37.472 million as a result of multi-year projects signed in 2016 for which initial instalments were received upon signature and for which subsequent tranches are expected in future years. The short-term voluntary contributions receivable decreased from $31.203 million to $15.525 million mainly owing to the settlement received during 2016 for agreements signed in previous years. The net overall increase of voluntary contributions receivable is $2.493 million.

Figure IV.IV
**Summary of assets, by fiscal year**




| | Cash available | Voluntary contributions receivable - current | Voluntary contributions receivable - non-current | Other accounts receivable- short term | Other accounts receivable- long term | Other assets | Property, plant and equipment | Intangibles |
|---|---|---|---|---|---|---|---|---|
| 2016 | 47 053 | 15 525 | 37 472 | 51 | 52 | 2 020 | 1 035 | 1 820 |
| 2015 | 44 396 | 31 203 | 19 301 | 40 | - | 2 304 | 587 | 1 480 |

**Liabilities**

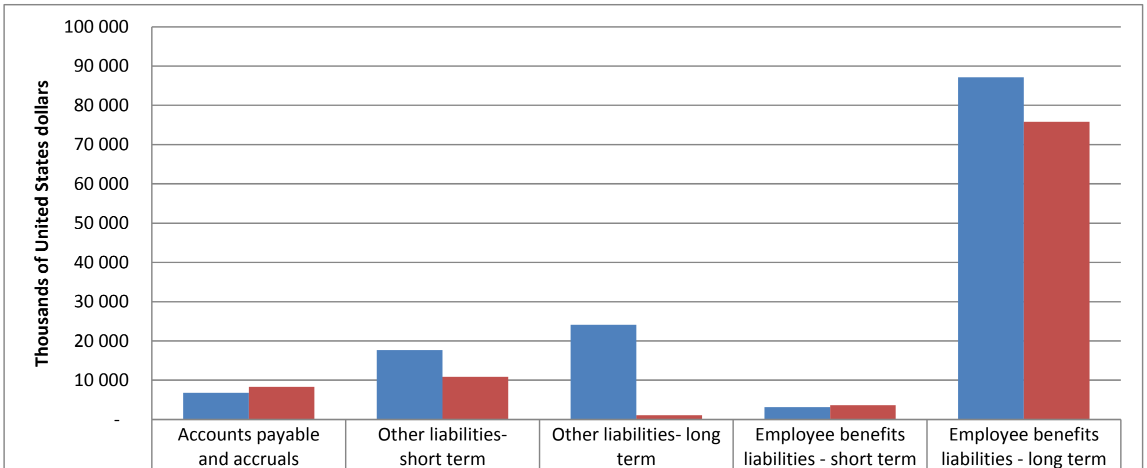
28. Liabilities as at 31 December 2016 totalled $138.923 million compared with the balance as at 31 December 2015 of $99.725 million.

29. The most significant liability was the employee benefits earned by staff members and retirees but not paid as at the reporting date, primarily for after-service health insurance of $74.869 million, or 82.9 per cent. The employee benefits liabilities accounted for $90.316 million, representing 65.0 per cent of the Centre's total liabilities in 2016, and are explained in note 13 to the financial statements. The increase of employee benefits liabilities by $10.882 million is a result of a $9.075 million net actuarial loss, recognized in net assets, and $2.311 million of current service costs and interest net of benefit payments, recognized in the statement of financial performance as a component of staff costs.

30. The other significant liability was other liabilities, which mainly relate to the voluntary contributions from agreements with the European Union that contain

conditions requiring the return of funds spent that are not in accordance with the terms of the agreement. These amounts represent the portion of the contribution that has not been recognized as revenue since it has not been delivered by ITC as at 31 December 2016. Other liabilities increased by $29.843 million, from $11.984 million reported in 2015 to $41.827 million reported in 2016. A number of multi-year projects funded by the European Union were signed during the second half of 2016, and the full value of the contributions were recognized as conditional liabilities upon signature.

Figure IV.V
**Summary of liabilities, by fiscal year**




| | Accounts payable and accruals | Other liabilities- short term | Other liabilities- long term | Employee benefits liabilities - short term | Employee benefits liabilities - long term |
|---|---|---|---|---|---|
| 2016 | 6 780 | 17 719 | 24 108 | 3 184 | 87 132 |
| 2015 | 8 307 | 10 871 | 1 113 | 3 624 | 75 810 |

## Net assets

31. The movement in net assets during the year reflects a further decrease of $(33.481) million from $(0.414) million in 2015 to $(33.895) million in 2016 due to the actuarial change of $(9.075) million as well as an operating deficit of $(24.406) million. Net assets include the operating reserves, which increased from $7.348 million in 2015 to $7.462 million in 2016.

## Liquidity position

32. As at 31 December 2015, the liquidity position of ITC was healthy; the entity had sufficient liquid assets to settle its current liabilities. Liquid funds totalled $51.558 million (cash and cash equivalents of $12.991 million, short-term investments of $22.991 million and accounts receivable of $15.576 million), whereas total current liabilities amounted to $27.683 million and total liabilities amounted to $138.923 million. The Centre’s total cash resources remained fairly stable at $47.053 million.

33. The table below summarizes key liquidity indicators for the financial year ended 31 December 2016, with comparatives for the year ended 31 December 2015.

| *Liquidity indicator* | *2016* | *2015* |
|---|---|---|
| Ratio of liquid assets to current liabilities | 1.9:1 | 2.7:1 |
| Ratio of liquid assets less accounts receivable to current liabilities | 1.3:1 | 1.3:1 |
| Ratio of liquid assets to total assets | 0.5:1 | 0.6:1 |
| Average months of liquid assets less accounts receivable on hand | 4.8 | 3.5 |

34. The ratio of liquid assets to current liabilities indicates the ability of ITC to pay its short-term obligations from its liquid resources. The ratio of 1.9:1 indicates that current liabilities are covered in excess of 1.9 times by liquid assets, and therefore there are sufficient liquid assets available to fully pay liabilities should the need arise. When accounts receivable are excluded from the analysis, the coverage of current obligations is at 1.3 for both the current and previous year.

35. As at 31 December 2016, the Centre's liquid assets were about 49.0 per cent of its total assets and it held sufficient cash and cash equivalents and short-term investments to cover its estimated average monthly expenses of $7.544 million for 4.7 months.

36. As at the reporting date, ITC had employee benefits liabilities of $90.316 million. With total cash and cash equivalents and investments of $47.053 million, 52.1 per cent of the employee benefits liability was covered; no amounts were reserved in the accounts to cover employee benefit liabilities to be paid in the future.

### Budgetary comparison

37. The original budget is adopted in Swiss francs; the final budget takes into consideration the result of 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.

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

| | *2016* | | | *2015* | | |
|---|---|---|---|---|---|---|
| | *Final annual* | *Actual (budget basis)* | *Difference (percentage)* | *Final annual* | *Actual (budget basis)* | *Difference (percentage)* |
| **Revenue** | | | | | | |
| Assessed contributions from the United Nations | 18 546 | 19 043 | 3.0 | 20 216 | 18 647 | (7.7) |
| Assessed contributions from WTO | 18 546 | 19 047 | 3.0 | 20 216 | 18 509 | (8.4) |
| Miscellaneous revenue | 208 | 507 | 143.0 | 210 | 307 | 46.1 |
| **Total revenue** | **37 300** | **38 598** | **3.0** | **40 642** | **37 463** | **(7.8)** |
| **Regular budget** | | | | | | |
| Posts | 29 072 | 28 636 | (2.0) | 32 197 | 29 964 | (6.9) |
| Non-post | 8 228 | 7 790 | (5.0) | 8 445 | 10 246 | 21.3 |
| **Total expenses** | **37 300** | **36 426** | **(2.0)** | **40 642** | **40 210** | **(1.1)** |
| **(Deficit)/surplus for year** | – | **2 172** | | – | **(2 747)** | |

39. The surplus of $2.172 million for fiscal year 2016 will be carried forward to the second year of the biennium 2016-2017. The deficit of $(2.747) million for fiscal year 2015 was offset by the surplus of fiscal year 2014, resulting in an overall biennium budgetary surplus of $0.697 million.

40. Pursuant to IPSAS 24: Presentation of budget information in financial statements, material differences between the final budget and actual expenses that are greater than 10 per cent should be explained. There was no material variance between the final budget and actual expenses at the end of 2016.

# 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 $0.002 million has been written off during 2016.

### Write-off of losses of property

3. Pursuant to financial rule 106.7 (a), total write-offs of non-expendable property for ITC with respect to the financial statements during 2016 comprised two information technology items and one vehicle with a total original acquisition value of $0.087 million. These write-offs resulted from obsolescence and the closure of the project in the field.

### Ex gratia payments

4. There were no ex gratia payments during 2016.

# Chapter V

## Financial statements for the year ended 31 December 2016

### International Trade Centre

### I. Statement of financial position as at 31 December 2016

(Thousands of United States dollars)

| | *Reference* | *31 December 2016* | *31 December 2015* |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | Note 5 | 12 991 | 7 286 |
| Investments | Note 6 | 22 991 | 22 180 |
| Voluntary contributions receivable | Note 7 | 15 525 | 31 203 |
| Other accounts receivable | Note 7 | 51 | 40 |
| Other assets | Note 8 | 2 020 | 2 304 |
| **Total current assets** | | **53 578** | **63 013** |
| **Non-current assets** | | | |
| Investments | Note 6 | 11 071 | 14 930 |
| Voluntary contributions receivable | Note 7 | 37 472 | 19 301 |
| Other assets | Note 8 | 52 | – |
| Property, plant and equipment | Note 9 | 1 035 | 587 |
| Intangible assets | Note 10 | 1 820 | 1 480 |
| **Total non-current assets** | | **51 450** | **36 298** |
| **Total assets** | | **105 028** | **99 311** |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Accounts payable and accrued liabilities[a] | Note 11 | 6 780 | 8 307 |
| Other liabilities[a] | Note 12 | 17 719 | 10 871 |
| Employee benefits liabilities[a] | Note 13 | 3 184 | 3 624 |
| **Total current liabilities** | | **27 683** | **22 802** |
| **Non-current liabilities** | | | |
| Other liabilities | Note 12 | 24 108 | 1 113 |
| Employee benefits liabilities | Note 13 | 87 132 | 75 810 |
| **Total non-current liabilities** | | **111 240** | **76 923** |
| **Total liabilities** | | **138 923** | **99 725** |
| **Net of total assets and total liabilities** | | **(33 895)** | **(414)** |
| **Net assets** | | | |
| Accumulated surplus/(deficit) | | (41 357) | (7 762) |
| Operating reserves | Notes 3.16 and 14 | 7 462 | 7 348 |
| **Total net assets** | | **(33 895)** | **(414)** |

[a] The comparative figures for 2015 have been restated for comparison purposes (see note 4).

The accompanying notes form an integral part of these financial statements

## International Trade Centre

### II. Statement of financial performance for the year ended 31 December 2016

(Thousands of United States dollars)

| | *Reference* | *31 December 2016* | *31 December 2015* |
|---|---|---|---|
| **Revenue** | | | |
| Assessed contributions | Note 15 | 37 394 | 37 156 |
| Voluntary contributions[a] | Note 15 | 26 881 | 26 694 |
| Other transfers and allocations[a] | Note 15 | 1 165 | 5 114 |
| Other revenue[a] | Note 15 | 1 031 | 1 048 |
| Investment revenue | Note 15 | 320 | 310 |
| **Total revenue** | | **66 791** | **70 322** |
| **Expenses** | | | |
| Employee salaries, allowances and benefits | Note 16 | 52 065 | 54 821 |
| Non-employee compensation and allowances | Note 16 | 14 502 | 18 228 |
| Travel[a] | Note 16 | 5 339 | 5 009 |
| Grants and other transfers | Note 16 | 936 | 1 075 |
| Supplies and consumables[a] | Note 16 | 273 | 1 163 |
| Depreciation | Note 9 | 327 | 251 |
| Amortization | Note 10 | 347 | 180 |
| Other operating expenses[a] | Note 16 | 14 670 | 18 770 |
| Other expenses[a] | Note 16 | 2 738 | 2 852 |
| **Total expenses** | | **91 197** | **102 349** |
| **(Deficit)/surplus for the year** | | **(24 406)** | **(32 027)** |

[a] The comparative figures for 2015 have been restated for comparison purposes (see note 4).

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 2016

(Thousands of United States dollars)

| | *Accumulated surplus, restricted* | *Reserves* | *Total* |
|---|---|---|---|
| **Net assets as at 1 January 2015** | **9 997** | **6 577** | **16 574** |
| Actuarial gain on employee benefits liabilities | 15 039 | – | 15 039 |
| (Deficit) for the year | (32 027) | – | (32 027) |
| Transfers | 4 633 | (4 633) | – |
| **Total recognized changes in net assets** | **(12 355)** | **(4 633)** | **(16 988)** |
| **Net assets as at 31 December 2015 (audited)** | **(2 358)** | **1 944** | **(414)** |
| Reinstating borrowings between operating reserves and trust funds[a] | (5 404) | 5 404 | – |
| **Net assets as at 31 December 2015 (restated)** | **(7 762)** | **7 348** | **(414)** |
| Actuarial losses on employee benefits liabilities (note 13) | (9 075) | – | (9 075) |
| (Deficit) for the year | (24 406) | – | (24 406) |
| Transfers | (114) | 114 | – |
| **Total recognized changes in net assets** | **(33 595)** | **114** | **(33 481)** |
| **Net assets as at 31 December 2016** | **(41 357)** | **7 462** | **(33 895)** |

[a] The comparative figures for 2015 have been restated for comparison purposes (see note 4).

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

## International Trade Centre

### IV. Statement of cash flows for the year ended 31 December 2016

(Thousands of United States dollars)

| | *Reference* | *31 December 2016* | *31 December 2015* |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| **(Deficit)/surplus for the year** | | (24 406) | (32 027) |
| *Non-cash movements* | | | |
| Depreciation and amortization | Notes 9 and 10 | 674 | 431 |
| Actuarial gain/(loss) on employee benefits liabilities[a] | Note 13 | (9 075) | 15 039 |
| Loss on disposal of assets | Notes 9 and 10 | 2 | 59 |
| *Changes in assets* | | | |
| Decrease/(increase) in voluntary contributions receivable | Note 7 | (2 493) | 33 121 |
| Decrease/(increase) in other accounts receivable | Note 7 | (11) | 329 |
| (Increase)/decrease in other assets | Note 8 | 232 | (574) |
| *Changes in liabilities* | | | |
| Decrease in accounts payable and accrued liabilities[a] | Note 11 | (1 527) | (140) |
| Increase/(decrease) in employee benefits liabilities[a] | Note 13 | 10 882 | (10 838) |
| Decrease in provisions | | - | (3) |
| Increase in other liabilities[a] | Note 12 | 29 843 | (7 312) |
| Investment revenue presented as investing activities | Note 15 | (320) | (310) |
| **Net cash flows used in operating activities** | | **3 801** | **(2 225)** |
| **Cash flows from investing activities** | | | |
| Pro rata share of net increases in the cash pool | Note 6 | 3 048 | 217 |
| Investment revenue presented as investing activities | Note 15 | 320 | 310 |
| Acquisitions of property, plant and equipment | Note 9 | (777) | (184) |
| Acquisitions of intangibles | Note 10 | (687) | (1 061) |
| **Net cash flows from/(used in) investing activities** | | **1 904** | **(718)** |
| **Net (decrease) in cash and cash equivalents** | | **5 705** | **(2 943)** |
| Cash and cash equivalents, beginning of year | | 7 286 | 10 229 |
| **Cash and cash equivalents, end of year** | **Note 5** | **12 991** | **7 286** |

[a] The comparative figures for 2015 have been restated for comparison purposes (see note 4).

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 2016

(Thousands of United States dollars)

| | *Publicly available budget* | | | | |
|---|---|---|---|---|---|
| | *Original biennial*[a] | *Original annual*[a] | *Final annual*[b] | *Actual (budget basis)* | *Difference (percentage)*[c] |
| **Revenue** | | | | | |
| Assessed contributions from the United Nations | 35 697 | 17 849 | 18 546 | 19 044 | 3 |
| Assessed contributions from WTO | 35 698 | 17 849 | 18 546 | 19 047 | 3 |
| Other revenue | 394 | 197 | 208 | 507 | 144 |
| **Total revenue** | **71 789** | **35 895** | **37 300** | **38 598** | **3** |
| **Expenses** | | | | | |
| Post | 55 954 | 27 977 | 29 072 | 28 636 | -1 |
| Non-post | 15 835 | 7 918 | 8 228 | 7 790 | -5 |
| **Total expenses** | **71 789** | **35 895** | **37 300** | **36 426** | **-2** |
| **(Deficit) for the year** | **–** | **–** | **–** | **2 172** | |

[a] The original biennial budget is the lower of the budget approved by the General Assembly of the United Nations (resolution 70/248 A) or by the General Council of WTO (WT/BFA/151 and WT/GC/M/160). 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 covering year one of the biennium 2016-2017 (resolution 71/272 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 expenses 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 GATT responsibilities) and the United Nations.

2. The Centre's mission 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 Centre's four divisions, the Chief Adviser in the Office of the Executive Director and the Chief of Strategic Planning. The ITC Joint Advisory Group meets annually to examine the activities of ITC on the basis of the ITC annual report and to make recommendations to the UNCTAD Trade and Development Board and the WTO General Council, which review the Centre's programme of work. Both UNCTAD and WTO are represented in the Joint Advisory Group supervising the Centre's work, and have a number of joint technical assistance activities with ITC. The Centre's regular budget is financed equally by the United Nations and WTO, while technical cooperation projects are financed by voluntary contributions from trust fund donors and by allocations from the United Nations Development Programme (UNDP). 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.

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

5. The headquarters of ITC is in Geneva and it maintains leased offices in 12 countries.

**Note 2**
**Basis of preparation and authorization for issue**

6. The accounts of ITC are maintained in accordance with the Financial Regulations of the United Nations as adopted by the General Assembly of the United Nations, the rules formulated by the Secretary-General as required under the Regulations and administrative instructions issued by the Under-Secretary-General for Management or by the Controller. The financial statements of ITC are prepared

on the accrual basis of accounting in accordance with IPSAS. In accordance with the requirements of IPSAS, these financial statements, which present fairly the assets, liabilities, revenue and expenses of ITC, and the cash flows over the financial year, consist of the following:

(a) Statement I: statement of financial position;

(b) Statement II: statement of financial performance;

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

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

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

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

### Going concern

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

### Functional and presentation currency

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

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

10. Non-monetary items that are measured in terms of historical cost or fair value in a foreign currency are translated using the United Nations operational 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.

11. 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

12. 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.

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

### Measurement basis

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

### Authorization for issue

15. These financial statements are certified by the United Nations Assistant Secretary-General, Controller, and approved by the Secretary-General of the United Nations. In accordance with United Nations financial regulation 6.2, the Secretary-General is required to transmit these financial statements as at 31 December 2016 to the Board of Auditors by 31 March 2017. 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 2017.

### Future accounting pronouncements

16. The progress and impact of the following significant future IPSAS Board accounting pronouncements on the Centre's financial statements continues to be monitored:

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

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

(c) 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;

(d) 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);

(e) Consequential amendments arising from chapters 1-4 of the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: this project's objective is to make revisions to IPSAS standards that reflect concepts from these chapters, in particular the objectives of financial reporting and the qualitative characteristics and constraints on information;

(f) Leases: the objective of the project is to develop revised requirements for lease accounting covering both lessees and lessors in order to maintain alignment with the underlying International Financial Reporting Standards. The project will result in a new IPSAS that will replace IPSAS 13. Approval of a new IPSAS on leases is projected for June 2018 with publication in July 2018.

**Future requirements of IPSAS**

17. On 30 January 2015, the IPSAS Board published six new standards: IPSAS 33: First-time adoption of accrual basis IPSASs; IPSAS 34: Separate financial statements; IPSAS 35: Consolidated financial statements; IPSAS 36: Investments in associates and joint ventures; IPSAS 37: Joint arrangements; and IPSAS 38: Disclosure of interests in other entities. Initial application of these standards is required for periods beginning on or after 1 January 2017. IPSAS 33 has no impact on the Organization, which adopted IPSAS with effect from 1 January 2014 for non-peacekeeping operations before the standard was issued.

18. In July 2016, the IPSAS Board issued IPSAS 39: Employee benefits, which repealed IPSAS 25, to align the standard with the underlying International Accounting Standard, IAS 19: Employee benefits. On 31 January 2017, the IPSAS Board published IPSAS 40: Public sector combinations, which prescribes the accounting treatment for public sector combinations and sets out the classification and measurement of public sector combinations, namely, transactions or other events that bring two or more separate operations into a single public sector entity.

19. The impact of these standards on the Organization's financial statements and the comparative period therein has been evaluated to be as follows:

| *Standard* | *Anticipated impact in the year of adoption* |
|---|---|
| IPSAS 34 | The requirements for separate financial statements in IPSAS 34 are very similar to the current requirements in IPSAS 6: Consolidated and separate financial statements. The introduction of IPSAS 34 is not expected to affect the United Nations financial statements reported in volume I. |
| IPSAS 35 | IPSAS 35 still requires that control be assessed with regard to benefits and power, but the definition of control has changed and the standard now provides considerably more guidance on assessing control. Management is assessing the United Nations volume I interests in other reporting entities and arrangements to ensure compliance with the revised definitions. |
| | The other key change introduced by IPSAS 35 is the elimination of the IPSAS 6 exemption from consolidation of temporarily controlled entities. The Organization's financial statements for periods beginning on or after 1 January 2017 will include such an assessment. |
| IPSAS 36 | A key change introduced by IPSAS 36 is the elimination of the IPSAS 7 exemption from application of the equity method where joint control or significant influence is temporary; preparation of financial statements for periods beginning on or after 1 January 2017 will include an assessment of such arrangements. |
| | Furthermore, the scope of IPSAS 36 is limited to entities that are investors with significant influence over, or joint control of, an investee where the investment leads to the holding of a quantifiable ownership interest. The applicability of IPSAS 36 to the United Nations as reported in volume I is therefore limited, as interests generally do not involve a quantifiable ownership interest. |

| *Standard* | *Anticipated impact in the year of adoption* |
|---|---|
| IPSAS 37 | IPSAS 37 introduces new definitions and has a significant impact on the way joint arrangements are classified and accounted for. These financial statements include joint venture arrangements accounted for using the equity method.<br><br>Where these are formed under a binding agreement and assessed as being subject to joint control, they meet the IPSAS 37 definition of a joint arrangement. When assessed as being a joint venture, that is, the United Nations volume I interest gives rise to rights over net assets, IPSAS 37 requires that the equity method be used, which will not represent a change in accounting policy. If there are rights to assets and obligations for liabilities, the interest is classified as a joint operation and the United Nations as reported in volume I will account for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IPSAS standard applicable to the particular assets, liabilities, revenues and expenses. The United Nations is working with the other participants in these arrangements in developing its accounting policies under IPSAS 37. |
| IPSAS 38 | IPSAS 38 increases the extent of disclosures required for interest in other entities and has a significant impact on the United Nations volume I financial statements. |
| IPSAS 39 | At the moment, IPSAS 39 will not have any impact on the Organization since the "corridor method" on actuarial gains or losses, which is being eliminated, was never applied from the initial adoption of IPSAS in 2014. The Organization 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 the Organization procure plan assets. |
| IPSAS 40 | There is no impact on the Organization from the application of IPSAS 40 at the moment as there are as yet no public sector combinations. Any such impact of IPSAS 40 on the Organization's financial statements will be evaluated for application by the Organization by 1 January 2018, the effective date of the standard, should such combinations occur. |

### Comparison figures

20. The United Nations had implemented new business, planning and consolidation software in order to streamline reporting for consistency purposes across all entities and agencies. The financial statements for the year ended 31 December 2016 are prepared on the basis of the new software. Therefore, where applicable, some of the 2015 figures have been restated for comparison purposes (see note 4).

## Note 3
## Significant accounting policies

### Assets

### 3.1 Financial assets

*Classification*

21. 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*

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

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

*Recognition and measurement of assets held in the main cash pool*

24. 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*

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

*Impairment of receivables*

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

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

### 3.2 Advances or prepayments

28. 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.

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

### 3.3 Property, plant and equipment

30. 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.

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

*Subsequent costs*

32. 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*

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

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

34. 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.

35. 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.

### 3.4 Intangible assets

36. Intangible assets are valued at historical cost less accumulated amortization and any impairment losses. Externally acquired software is capitalized if its cost

exceeds $5,000, including costs incurred to acquire and bring the software to use. Internally developed software is capitalized where the accumulated cost is greater than or equal to $100,000, excluding research and maintenance costs and including directly attributable costs such as employees, subcontractors and consultants.

*Amortization of intangible assets*

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

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

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

**Liabilities**

## 3.5 Financial liabilities

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

40. 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.

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

## 3.6 Employee benefits liabilities

42. ITC recognizes the following employee benefits:

*Short-term employee benefits*

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

*Post-employment benefits*

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

*Defined benefit plans*

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

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

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

*Other long-term benefits*

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

*Termination benefits*

49. Termination benefits generally include indemnities for voluntary redundancy.

*United Nations Joint Staff Pension Fund*

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

51. The Pension Fund exposes participating organizations to actuarial risks associated with the current and former employees of other organizations

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

### 3.7 Provisions

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

### 3.8 Operating leases

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

### 3.9 Contingent liabilities and contingent assets

*Contingent liabilities*

54. 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*

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

**Revenue**

### 3.10 Non-exchange revenue and receivables

56. The Centre's administrative arrangements (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.

57. 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.

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

### 3.11 Exchange revenue

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

### 3.12 Investment revenue

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

### 3.13 Expenses

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

### 3.14 Segment reporting

62. 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.

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

### 3.15 Related party disclosures

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.

### 3.16 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 the reserves are presented in the statement of financial position and statement of changes in net assets as a separate component of net assets.

### Note 4
### Prior-period reclassifications

66. For the following prior-period reclassifications, the 2015 comparative figures at the individual line item were restated for comparison purposes, as summarized in the table below.

67. Accounts payable to United Nations staff members are presented as employee benefits liabilities, which were previously presented as accounts payable and accrued liabilities. The effect of this reclassification is a decrease of $0.667 million in accounts payable and a corresponding increase in employee benefits liabilities under current liabilities. There is also an amount of $0.035 million relating to unapplied cash which is presented under other liabilities, which was previously presented under accounts payable and accrued liabilities.

68. Borrowings between operating reserves and trust funds have been reinstated by $5.404 million.

69. Other transfers and allocations of $5.114 million are now presented in a separate line in the statement of financial performance, where previously it was presented under voluntary contributions.

70. Revenue from services rendered has been reclassified to other revenue of $1.065 million and net of inter-fund elimination of $(0.305) million.

71. Previously, training costs amounting to $4.984 million was presented as a separate line in the statement of financial performance. Currently, travel-related expenses for meeting participants are presented under travel in the amount of $0.767 million, and the balance of $4.217 million relating to travel and meeting facilitation is presented under other operating expenses.

72. Supplies and consumables in the amount of $1.163 million (net of inter-fund elimination of $(0.305) million) are now presented as a separate line in the statement of financial performance, where previously it was presented under other operating expenses.

73. Previously, foreign exchange expenses of $3.757 million were presented as a separate line in the statement of financial performance; currently, foreign exchange expenses are presented under other operating expenses.

74. Other expenses in the amount of $2.852 million are now presented as a separate line in the statement of financial performance, where previously it was presented under other operating expenses.

75. Previously, current service cost and interest cost of employee benefits liabilities was presented as a separate line in the statement of cash flow; currently, it is presented as part of the movement in employee benefits liabilities.

76. There is no impact on the financial position and performance of the ITC as a result of these reclassifications.

77. Entity differences for budget revenue and expenditure are related to the inter-fund elimination of $0.305 million.

78. Employee benefits expenses of $0.098 million are presented under accruals of expenses.

(Thousands of United States dollars)

| | *As reported 31 December 2015* | *Presentation changes* | *As restated 31 December 2015* |
|---|---|---|---|
| **Statement of financial position extract** | | | |
| **Liabilities** | | | |
| Accounts payable and accrued liabilities | 8 939 | (632) | 8 307 |
| Advance receipts/other liabilities (current) | 10 906 | (35) | 10 871 |
| Employee benefits liabilities (current) | 2 957 | 667 | 3 624 |
| **Net assets** | | | |
| Accumulated surplus | (2 358) | (5 404) | (7 762) |
| Operating reserves | 1 944 | 5 404 | 7 348 |
| **Statement of financial performance extract** | | | |
| **Revenue** | | | |
| Voluntary contributions | 31 808 | (5 114) | 26 694 |
| Other transfers and allocations | – | 5 114 | 5 114 |
| Other revenue | 288 | 760 | 1 048 |
| Revenue from services rendered | 1 065 | (1 065) | – |
| **Expenses** | | | |
| Training | 4 984 | (4 984) | – |
| Travel | 4 242 | 767 | 5 009 |
| Supplies and consumables | - | 1 163 | 1 163 |
| Other operating expenses | 15 116 | 3 654 | 18 770 |
| Foreign exchange expenses | 3 757 | (3 757) | - |
| Other expenses | – | 2 852 | 2 852 |
| **Statement of cash flows extract** | | | |
| Current service cost and interest cost of employee benefits liabilities | 5 677 | (5 677) | – |
| Actuarial gain on employee benefits liabilities | – | 15 039 | 15 039 |
| Increase/(decrease) in accounts payable and accrued liabilities | 492 | (632) | (140) |
| (Decrease) in employee benefits liabilities | (2 143) | (8 695) | (10 838) |
| (Decrease)/increase in advance receipt/other liabilities | (7 277) | (35) | (7 312) |
| **Reconciliation of actual amounts on a comparable basis and actual amounts in the financial statements** | | | |
| Entity difference, budget revenue | 30 382 | (305) | 30 077 |
| Entity difference, budget expenditure | 61 293 | (157) | 61 136 |
| Elimination of inter-fund transactions | – | (148) | (148) |
| Accruals of expenses | 531 | 98 | 629 |
| Employee benefits expenses | 98 | (98) | – |

## Note 5
## Cash and cash equivalents

### Cash and cash equivalents

(Thousands of United States dollars)

| | *31 December 2016* | *31 December 2015* |
|---|---|---|
| Main cash pool | 12 985 | 7 286 |
| Cash held in main and field offices | 6 | – |
| **Total cash and cash equivalents** | **12 991** | **7 286** |

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

## Note 6
## Financial instruments and financial risk management

(Thousands of United States dollars)

| | *31 December 2016* | *31 December 2015* |
|---|---|---|
| **Financial assets** | | |
| **Fair value through surplus or deficit** | | |
| Investments, main cash pool (short term) | 22 991 | 22 180 |
| Investments, main cash pool (long term) | 11 071 | 14 930 |
| **Total fair value through surplus or deficit** | **34 062** | **37 110** |
| **Loans and receivables** | | |
| Cash and cash equivalents, main cash pool (note 5) | 12 985 | 7 286 |
| Cash and cash equivalents, other (note 5) | 6 | – |
| Accounts receivable (note 7) | 53 048 | 50 544 |
| **Total loans and receivables** | **66 039** | **57 830** |
| **Total carrying amount of financial assets** | **100 101** | **94 940** |
| Of which relates to financial assets held in main cash pool | 47 047 | 44 396 |
| **Financial liabilities** | | |
| **Amortized cost** | | |
| Accounts payable and accrued liabilities (note 11) | (6 780) | (8 307) |
| **Total carrying amount of financial liabilities** | **(6 780)** | **(8 307)** |

80. 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.

81. 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.

82. As at 31 December 2016, ITC participated in the main pool, which held total assets of $9,033.6 million (2015: $7,783.9 million), of which $47.047 million was due to ITC (2015: $44.396 million), and its share of revenue from main pool was $0.320 million (2015: 0.310 million) (see note 15).

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

(Thousands of United States dollars)

| | *31 December 2016* | *31 December 2015* |
|---|---|---|
| **Fair value through surplus or deficit** | | |
| Short-term investments | 4 389 616 | 3 888 712 |
| Long-term investments | 2 125 718 | 2 617 626 |
| **Total fair value through surplus or deficit investments** | **6 515 334** | **6 506 338** |
| **Loans and receivables** | | |
| Cash and cash equivalents | 2 493 332 | 1 265 068 |
| Accrued investment revenue | 24 961 | 12 462 |
| **Total loans and receivables** | **2 518 293** | **1 277 530** |
| **Total carrying amount of financial assets** | **9 033 627** | **7 783 868** |
| **Cash pool liabilities** | | |
| Payable to ITC | 47 047 | 44 396 |
| Payable to other cash pool participants | 8 986 580 | 7 739 472 |
| **Total liabilities** | **9 033 627** | **7 783 868** |
| **Net assets** | – | – |

### Summary of revenue and expenses of the main pool

(Thousands of United States dollars)

| | *31 December 2016* | *31 December 2015* |
|---|---|---|
| Investment revenue | 73 903 | 51 944 |
| Unrealized gains/(losses) | (13 474) | (10 824) |
| **Investment revenue from main pool** | **60 429** | **41 120** |
| Foreign exchange gains/(losses) | (5 105) | (11 720) |
| Bank fees | (646) | (525) |
| **Operating expenses from main pool** | **(5 751)** | **(12 245)** |
| **Revenue and expenses from main pool** | **54 678** | **28 875** |

## 6.1 Financial risk management

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

84. The objective of investment management is to preserve capital and ensure sufficient liquidity to meet operating cash requirements while attaining a

competitive market rate of return on each investment pool. Investment quality, safety and liquidity are emphasized over the market rate of return component of the objectives.

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

### 6.2 Financial risk management: credit risk

86. 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.

87. The 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.

88. 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.

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

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

(Percentage based on carrying value)

| | *Ratings as at 31 December 2016* | | | | *Ratings as at 31 December 2015* | | |
|---|---|---|---|---|---|---|---|
| **Bonds (long-term ratings)** | | | | | | | |
| | *AAA* | *AA+/AA/AA-* | *BBB* | *Not rated* | *AAA* | *AA+/AA/AA-* | *Not rated* |
| Standard & Poor's | 33.6 | 55.1 | 5.6 | 5.7 | 37.7 | 54.2 | 8.1 |
| Fitch | 62.4 | 28.3 | | 9.3 | 61.9 | 26.5 | 11.6 |
| | *Aaa* | *Aa1/Aa2/Aa3* | | | *Aaa* | *Aa1/Aa2/Aa3* | |
| Moody's | 50.3 | 49.7 | | – | 65.8 | 34.2 | – |
| **Commercial papers (short-term ratings)** | | | | | | | |
| | *A-1+* | | | | *A-1+* | | |
| Standard & Poor's | 100.0 | | | | 100.0 | | |
| | *F1+* | | | | *F1+* | | |
| Fitch | 100.0 | | | | 100.0 | | |
| | *P-1* | | | | *P-1* | | |
| Moody's | 100.0 | | | | 100.0 | | |

| | *Ratings as at 31 December 2016* | | | *Ratings as at 31 December 2015* | | |
|---|---|---|---|---|---|---|
| **Reverse repurchase agreement (short-term ratings)** | | | | | | |
| | *A-1+* | | | *A-1+* | | |
| Standard & Poor's | 100.0 | | | 100.0 | | |
| | *F1+* | | | *F1+* | | |
| Fitch | 100.0 | | | 100.0 | | |
| | *P-1* | | | *P-1* | | |
| Moody's | 100.0 | | | 100.0 | | |
| **Term deposits (Fitch viability ratings)** | | | | | | |
| | *Aaa* | *aa/aa-* | *a+/a* | *aaa* | *aa/aa-* | *a+/a* |
| Fitch | – | 48.1 | 51.9 | - | 53.6 | 46.4 |

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

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

*Other credit risk disclosures*

92. Voluntary contributions from governments representing the member States of the two parent organizations of ITC comprise the majority of the Centre's voluntary contributions receivable. Credit risk is considered minimal since most of its donors are sovereign entities. A provision for doubtful receivables of $0.695 million was made for other accounts receivables. The ageing of other accounts receivables are as follows:

(Thousands of United States dollars)

| | *31 December 2016* | | *31 December 2015* | |
|---|---|---|---|---|
| | *Gross receivable* | *Allowance* | *Gross receivable* | *Allowance* |
| Less than one year | 29 | – | 40 | – |
| More than one year | 717 | 695 | 737 | 737 |
| **Total** | **746** | **695** | **777** | **737** |

## 6.3 Financial risk management: liquidity risk

93. 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.

94. 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.

### 6.4 Financial risk management: interest rate risk

95. Interest rate risk is the risk of variability in financial instruments' fair values or future cash flows due to a change in interest rates. In general, as the interest rate rises, the price of a fixed-rate security falls, and vice versa. Interest rate risk is commonly measured by the fixed-rate security's duration, with duration being a number expressed in years. The longer the duration, the greater the interest rate risk. The main pool comprises the Organization's main exposure to interest rate risk, with fixed-rate cash and cash equivalents and investments being interest-bearing financial instruments. As at the reporting date, the main pool had invested primarily in securities with shorter terms to maturity, with the maximum being less than five years (2015: five years). The average duration of the main pool was 0.71 years (2015: 0.86 years), which is considered to be an indicator of low risk.

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

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

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

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

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

*Other market risk: price risk*

97. 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*

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

*Fair value hierarchy*

99. 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.

100. 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).

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

102. 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.

103. 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 2016* | | | *31 December 2015* | | |
|---|---|---|---|---|---|---|
| | *Level 1* | *Level 2* | *Total* | *Level 1* | *Level 2* | *Total* |
| **Financial assets at fair value through surplus or deficit** | | | | | | |
| Bonds, corporates | 697 676 | – | 697 676 | 149 682 | – | 149 682 |
| Bonds, non-United States agencies | 1 903 557 | – | 1 903 557 | 2 190 965 | – | 2 190 965 |
| Bonds, non-United States sovereigns | 124 854 | – | 124 854 | 124 612 | – | 124 612 |
| Bonds, supranational | 213 224 | – | 213 224 | 139 828 | – | 139 828 |
| Bonds, United States treasuries | 586 739 | – | 586 739 | 1 092 139 | – | 1 092 139 |
| Main pool, commercial papers | 149 285 | – | 149 285 | 949 112 | – | 949 112 |
| Main pool, term deposits | – | 2 840 000 | 2 840 000 | – | 1 860 000 | 1 860 000 |
| **Total main pool** | **3 675 335** | **2 840 000** | **6 515 335** | **4 646 338** | **1 860 000** | **6 506 338** |

### 6.5 Financial risk management: foreign exchange risk

104. Foreign exchange risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

ITC operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Swiss franc. Management requires that ITC manage its currency risk against its functional currency by structuring contributions from the United Nations and WTO in Swiss francs, which is the foreign currency needed for operational purposes related to the regular budget. The 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 2016**

(Thousands of United States dollars)

| | *United States dollar* | *Swiss franc* | *Euro* | *Pound sterling* | *Other* | *Total* |
|---|---|---|---|---|---|---|
| Main cash pool | 46 607 | 8 | 185 | 65 | 182 | 47 047 |
| Voluntary contributions receivable | 14 038 | 1 898 | 23 821 | 10 045 | 3 195 | 52 997 |
| Other receivables | 33 | 18 | – | – | – | 51 |
| **Total financial assets** | **60 678** | **1 924** | **24 006** | **10 110** | **3 377** | **100 095** |

**Currency exposure as at 31 December 2015**

(Thousands of United States dollars)

| | *United States dollar* | *Swiss franc* | *Euro* | *Pound sterling* | *Other* | *Total* |
|---|---|---|---|---|---|---|
| Main cash pool | 43 951 | 21 | 88 | 5 | 331 | 44 396 |
| Voluntary contributions receivable | 9 376 | 949 | 9 952 | 23 333 | 6 894 | 50 504 |
| Other receivables | 18 | 20 | – | – | 2 | 40 |
| Total financial assets | 53 335 | 990 | 10 050 | 23 338 | 7 227 | 94 940 |

105. As at 31 December 2016, if the United States dollar had weakened or strengthened by 10 per cent against the currencies other than the United States dollar in which ITC held voluntary contributions and other receivables, with all other variables held constant, the net deficit for the year would have been $3.754 million (2015: $3.960 million) higher or lower, mainly as a result of foreign exchange gains or losses on translation of pounds sterling and higher/lower receivables denominated in euros, Swiss francs and Swedish kroners. Similarly, the impact on net assets would have been $3.754 million (2015: $3.960 million) lower or higher.

## Note 7
## Accounts receivable

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

107. Current voluntary contributions receivable decreased while non-current contributions receivable increased owing to the settlement received in 2016 of approximately $50.816 million for revenue recognized up front in previous years, a large number of new multi-year projects for 2016 amounting to approximately $58.167 million and foreign exchange losses of approximately $4.944 million.

### Voluntary contributions receivable

(Thousands of United States dollars)

| | *31 December 2016* | *31 December 2015* |
|---|---|---|
| Current | 15 525 | 31 203 |
| Non-current | 37 472 | 19 301 |
| **Total voluntary contributions receivable** | **52 997** | **50 504** |

108. Other accounts receivable consist of the following:

### Other accounts receivable

(Thousands of United States dollars)

| | *31 December 2016* | *31 December 2015* |
|---|---|---|
| Receivables from sales | 29 | 26 |
| Other | 717 | 751 |
| Allowance for doubtful debts | (695) | (737) |
| **Total other accounts receivable** | **51** | **40** |

### Allowance for doubtful debts

(Thousands of United States dollars)

| | *31 December 2016* | *31 December 2015* |
|---|---|---|
| At 1 January | (737) | – |
| Current year release of allowance | 42 | (737) |
| **At 31 December** | **(695)** | **(737)** |

## Note 8
## Other assets

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

### Other assets

(Thousands of United States dollars)

| | *31 December 2016* | *31 December 2015* |
|---|---|---|
| Advances to implementing partners | – | 149 |
| Staff advances | 1 318 | 998 |

| | *31 December 2016* | *31 December 2015* |
|---|---|---|
| Other | 702 | 1 157 |
| **Subtotal, current assets** | **2 020** | **2 304** |
| Staff advances | 52 | – |
| **Subtotal, non-current assets** | **52** | **–** |
| **Total other assets** | **2 072** | **2 304** |

## Note 9
## 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 2016** | **200** | **777** | **282** | **441** | **289** | **1 989** |
| Additions | – | 12 | – | – | 765 | 777 |
| Disposals | (38) | (49) | – | – | – | (87) |
| **Cost as at 31 December 2016** | **162** | **740** | **282** | **441** | **1 054** | **2 679** |
| **Accumulated depreciation as at 1 January 2016** | **96** | **611** | **244** | **386** | **65** | **1 402** |
| Depreciation | 30 | 78 | 22 | 38 | 159 | 327 |
| Disposals | (38) | (47) | | | | (85) |
| **Accumulated depreciation as at 31 December 2016** | **88** | **642** | **266** | **424** | **224** | **1 644** |
| **Net carrying amount** | | | | | | |
| 1 January 2016 | 104 | 166 | 38 | 55 | 224 | 587 |
| **31 December 2016** | **74** | **98** | **16** | **17** | **830** | **1 035** |

(Thousands of United States dollars)

| | *Vehicles* | *Communications information technology equipment* | *Furniture and fixtures* | *Machinery and equipment* | *Leasehold improvements* | *Total* |
|---|---|---|---|---|---|---|
| **Cost as at 1 January 2015** | **176** | **721** | **282** | **442** | **235** | **1 856** |
| Additions | 38 | 92 | – | – | 54 | 184 |
| Disposals | (14) | (36) | – | (1) | – | (51) |
| **Cost as at 31 December 2015** | **200** | **777** | **282** | **441** | **289** | **1 989** |
| **Accumulated depreciation as at 1 January 2015** | **78** | **550** | **220** | **345** | **9** | **1 202** |
| Depreciation | 32 | 97 | 24 | 42 | 56 | 251 |
| Disposals | (14) | (36) | – | (1) | – | (51) |
| **Accumulated depreciation as at 31 December 2015** | **96** | **611** | **244** | **386** | **65** | **1 402** |

| | *Vehicles* | *Communications information technology equipment* | *Furniture and fixtures* | *Machinery and equipment* | *Leasehold improvements* | *Total* |
|---|---|---|---|---|---|---|
| **Net carrying amount** | | | | | | |
| 1 January 2015 | 98 | 171 | 62 | 97 | 226 | 654 |
| **31 December 2015** | **104** | **166** | **38** | **55** | **224** | **587** |

110. The increase in property, plant and equipment is mainly due to the increase in leasehold improvements for the remodeling of the ground floor space, previously used as library space, into multiple reconfigurable meeting rooms.

111. Assets are reviewed annually to determine if there is any impairment in their value. The review that was undertaken for the 31 December 2016 reporting date did not result in any equipment being considered impaired. Total write-off of assets amounting to $0.087 million (2015: $0.052 million) occurred during the year.

## Note 10
## Intangible assets

(Thousands of United States dollars)

| | *Software developed internally* | *Software under development* | *Total* |
|---|---|---|---|
| **Opening cost as at 1 January 2016** | **1 421** | **254** | **1 675** |
| Additions | | 687 | 687 |
| Transfers | 526 | (526) | – |
| **Total cost as at 31 December 2016** | **1 947** | **415** | **2 362** |
| **Opening accumulated amortization as at 1 January 2016** | **195** | **–** | **195** |
| Amortization | 347 | – | 347 |
| **Closing accumulated amortization as at 31 December 2016** | **542** | **–** | **542** |
| **Net book value as at 1 January 2016** | **1 226** | **254** | **1 480** |
| **Net book value as at 31 December 2016** | **1 405** | **415** | **1 820** |

(Thousands of United States dollars)

| | *Software developed internally* | *Software under development* | *Total* |
|---|---|---|---|
| **Opening cost as at 1 January 2015** | **504** | **169** | **673** |
| Additions | 807 | 254 | 1 061 |
| Transfers | 110 | (110) | – |
| Assets derecognized | – | (59) | (59) |
| **Total cost as at 31 December 2015** | **1 421** | **254** | **1 675** |
| **Opening accumulated amortization as at 1 January 2015** | **15** | **–** | **15** |

| | *Software developed internally* | *Software under development* | *Total* |
|---|---|---|---|
| Amortization | 180 | – | 180 |
| **Closing accumulated amortization as at 31 December 2015** | **195** | **–** | **195** |
| **Net book value as at 1 January 2015** | **489** | **169** | **658** |
| **Net book value as at 31 December 2015** | **1 226** | **254** | **1 480** |

112. During 2016, there were six projects related to internal development of software, of which three were completed. Of the three completed projects, one was transferred to the category of software developed internally, in the amount of $0.526 million; the other two projects were expensed, as the total costs did not meet the established capitalization threshold. Development of the remaining three projects will continue into 2017 and are recognized as software under development.

## Note 11
## Accounts payable and accrued liabilities

(Thousands of United States dollars)

| | *31 December 2016* | *31 December 2015* |
|---|---|---|
| Vendor and other payables[a] | 3 738 | 5 151 |
| Payables to donors | 2 033 | 1 482 |
| Accruals for goods and services[a] | 1 009 | 1 674 |
| **Total accounts payable and accrued liabilities** | **6 780** | **8 307** |

[a] The comparative figures for 2015 have been restated for comparison purposes (see note 4).

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

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

## Note 12
## Other liabilities

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

116. 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.

117. Conditional voluntary contributions increased owing to approximately $37.390 million in new multi-year agreements signed during the year, while

approximately $6.468 million in multi-year agreements were recognized as revenue during the year.

### Other liabilities

(Thousands of United States dollars)

| | *31 December 2016* | *31 December 2015* |
|---|---|---|
| **Current liabilities**[a] | | |
| Conditional voluntary contributions | 17 719 | 10 871 |
| **Subtotal current liabilities** | **17 719** | **10 871** |
| **Non-current liabilities** | | |
| Conditional voluntary contributions | 24 108 | 1 113 |
| **Subtotal non-current liabilities** | **24 108** | **1 113** |
| **Total other liabilities** | **41 827** | **11 984** |

[a] The comparative figures for 2015 have been restated for comparison purposes (see note 4).

## Note 13
## Employee benefits liabilities

118. The employee benefit liabilities are unfunded.

### Employee benefits liabilities

(Thousands of United States dollars)

| | *31 December 2016* | *31 December 2015* |
|---|---|---|
| **Current liabilities** | | |
| Accrued salaries, allowances and benefits[a] | 168 | 926 |
| Accumulated annual leave | 540 | 550 |
| Home leave | 839 | 585 |
| Repatriation grant | 462 | 449 |
| After-service health insurance | 1 175 | 1 114 |
| **Subtotal current liabilities** | **3 184** | **3 624** |
| **Non-current liabilities** | | |
| Accumulated annual leave | 7 666 | 7 675 |
| Repatriation grant | 5 772 | 5 538 |
| After-service health insurance | 73 694 | 62 597 |
| **Subtotal non-current liabilities** | **87 132** | **75 810** |
| **Total employee benefits liabilities** | **90 316** | **79 434** |

[a] The comparative figures for 2015 have been restated for comparison purposes (see note 4).

119. 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 the Organization. The United Nations recognizes as a liability the actuarial value of the total accumulated unused leave days of all staff members, up to a maximum of 60 days (18 days for temporary staff) as at the date of the statement of financial position. The methodology applies a last-in-first-out assumption in the determination of the annual leave liabilities whereby staff members access current-period leave entitlements before they access accumulated annual leave balances relating to prior periods. Unused annual leave is calculated at 1/261 of net salary plus post adjustment for professional staff and 1/261 of net salary for general service staff. 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 benefit 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 professional staff and pensionable remuneration less staff assessment for general service staff. 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 travel is classified under other long-term benefit 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. Assumptions such as salary increases and retirement rates have been updated since the actuarial valuation carried out in 2013 to determine the Centre's estimated liability for after-service health insurance at the reporting date. The Centre's liability for after-service health insurance is calculated as the residual liability after deducting contributions from retirees and a portion of the contribution from active staff in accordance with cost-sharing ratios authorized by the General Assembly that require the Centre's share of the liability not to exceed one half of the total gross liability. For 2016, the gross liability for all post-employment defined benefit plans was calculated by the actuary as $164.144 million (2015: $141.605 million), offset by contributions from plan participants of $74.835 million (2015: $63.682 million) to equal the Centre's net liability of $89.309 million (2015: $77.923 million). The total increase of $11.386 million is the result of a $9.075 million net actuarial loss recognized in net assets, and $2.311 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 2015** | **63 711** | **5 987** | **8 225** | **77 923** |
| Current service cost | 2 628 | 416 | 105 | **3 149** |
| Interest cost | 803 | 215 | 309 | **1 327** |
| Benefits paid (net of participant contributions) | (1 128) | (466) | (571) | **(2 165)** |
| Liability (gains)/losses due to actuarial assumptions and experience recognized in net assets | 8 855 | 82 | 138 | **9 075** |
| **Defined benefit obligation as at 31 December 2016** | **74 869** | **6 234** | **8 206** | **89 309** |

120. 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.

121. The total expense recognized in the statement of financial performance in 2016 and 2015 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 | 2 628 | 416 | 105 | 3 149 |
| Interest cost | 803 | 215 | 309 | 1 327 |
| **Total expense recognized in statement of financial performance for 2016** | **3 431** | **631** | **414** | **4 476** |

(Thousands of United States dollars)

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

122. The cumulative actuarial loss recognized directly in net assets in the statement of changes in net assets is shown in the following table:

(Thousands of United States dollars)

| | *After-service health insurance* | *Repatriation grant* | *Accumulated annual leave* | *Total* |
|---|---|---|---|---|
| Gain/(loss) in 2016 | (8 855) | (82) | (138) | (9 075) |
| Gain/(loss) in 2015 | 19 312 | (1 081) | (3 192) | 15 039 |
| **Total cumulative gain/(loss) recognized in net assets at year-end** | **10 457** | **(1 163)** | **(3 330)** | **5 964** |

### Actuarial valuation: assumptions

123. 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 2015) | 1.27 | 3.73 | 3.89 |
| Discount rate (31 December 2016) | 0.72 | 3.60 | 3.74 |
| Travel inflation (31 December 2015) | – | 2.25 | – |
| Travel inflation (31 December 2016) | – | 2.25 | – |
| Health care cost trend rate (31 December 2015) | 4.00 | – | – |
| Health care cost trend rate (31 December 2016) | 4.00 | – | – |
| Salary increase rate | Based upon age and calculated separately for Professional and General Service staff | | |

124. Discount rates for the after-service health insurance liability where cash flows are denominated in Swiss francs are based on the Federation bonds yield curve as published by the Swiss National Bank, plus the spread observed between government rates and high-grade corporate bond rates as published by the Swiss Chamber of Pension Actuaries. Discount rates for annual leave and repatriation grants, which are denominated in United States dollars, are based on the Citigroup Pension Discount Curve. Consistent with the changes observed since 31 December 2015 in the interest rates of all maturities in the three areas, lower discount rates were assumed for roll-forward of the Swiss franc-based obligation for after-service health insurance and for the United States dollar-based liabilities for repatriation benefits and annual leave.

125. The per capita claim costs for the after-service health insurance plans are updated to reflect recent claims and enrolment experience. The health-care cost trend rate assumption reflects the current short-term expectations of the after-service health insurance plan cost increases and the economic environment. Medical cost trend assumptions that were used for the valuation as at 31 December 2015, which included escalation rates for 10 years, were modified for 2016 and future periods based on the evolution of observed medical trends. As at 31 December 2016. these escalation rates were a flat health-care yearly escalation rate of 4.0 per cent for non-United States medical plans and health-care escalation rates of 6.0 per cent for all other medical plans (except 5.7 per cent for the United States Medicare plan, and 4.9 per cent for the United States dental plan), grading down to 4.5 per cent over 10 years.

126. With regard to the valuation of repatriation benefits as at 31 December 2015, inflation in travel costs was assumed at 2.25 per cent based on the projected United States inflation rate over the next 10 years.

127. 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 8 years: 0.1 days up to the maximum of 60 days for regular staff and 18 days for temporary staff. This assumption was maintained for roll-forward of the liability to 31 December 2016.

### After-service health insurance plan: sensitivity analysis

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

(Thousands of United States dollars)

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

### Other defined benefit plan information

129. 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 $1.184 million (2015: $1.128 million), for post-employment repatriation and separation entitlements the best estimate is $0.479 million (2015: $0.466 million) and for annual leave entitlements it is $0.561 million (2015: $0.571 million).

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

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

(Thousands of United States dollars)

| | *2016* | *2015* | *2014* | *2013* | *2012* |
|---|---|---|---|---|---|
| After-service health insurance | 74 869 | 63 711 | 79 845 | 55 922 | 58 124 |
| Repatriation benefits | 6 234 | 5 987 | 4 716 | 4 358 | 3 654 |
| Annual leave | 8 206 | 8 225 | 4 562 | 1 866 | 1 864 |
| **Total** | **89 309** | **77 923** | **89 123** | **62 146** | **63 642** |

131. The changes in discount rates are driven by the discount rate curve, which is calculated for the after-service health insurance liability based on the Federation bonds yield curve as published by the Swiss National Bank, plus the spread

observed between government rates and high-grade corporate bond rates published by the Swiss Chamber of Pension Actuaries, and for annual leave and repatriation grants based on the Citigroup Pension Discount Curve. Should the discount rate assumption vary by 1 per cent, its impact on the liabilities would be as follows:

**Discount rate sensitivity to end-of-year liability**

| | *After-service health insurance* | *Repatriation grant* | *Annual leave* |
|---|---|---|---|
| Increase of discount rate by 1 per cent (thousands of United States dollars) | (14 240) | (605) | (823) |
| As a percentage of end-of-year liability | (19) | (10) | (10) |
| Decrease of discount rate by 1 per cent (thousands of United States dollars) | 19 497 | 686 | 976 |
| As a percentage of end-of-year liability | 26 | 11 | 12 |

### United Nations Joint Staff Pension Fund

132. 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.

133. The Centre's financial obligation to the Pension Fund consists of its mandated contribution, at the rate established by the United Nations General Assembly (currently 7.90 per cent for participants and 15.80 per cent for member organizations), together with its share of any actuarial deficiency payments under article 26 of the Regulations of the Fund. Such deficiency payments are only payable if and when the Assembly has invoked the provision of article 26 following 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.

134. The actuarial valuation performed as at 31 December 2013 revealed an actuarial deficit of 0.72 per cent (a deficit of 1.87 per cent in the 2011 valuation) of pensionable remuneration, implying that the theoretical contribution rate required to achieve balance as at 31 December 2013 was 24.42 per cent of pensionable remuneration, compared with the actual contribution rate of 23.70 per cent. The next actuarial valuation will be conducted as at 31 December 2017.

135. As at 31 December 2013, the funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, was 127.50 per cent (130.0 per cent in the 2011 valuation). The funded ratio was 91.20 per cent (86.20 per cent in the 2011 valuation) when the current system of pension adjustments was taken into account.

136. After assessing the actuarial sufficiency of the Pension Fund, the Consulting Actuary concluded that there was no requirement, as at 31 December 2013, for deficiency payments under article 26 of the Regulations of the Fund, as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the Fund. In addition, the market value of assets also exceeded the actuarial value of all

accrued liabilities as at the valuation date. At the time of preparation of the present report, the General Assembly had not invoked the provision of article 26.

137. During 2016, contributions paid to the Pension Fund by ITC amounted to approximately $6.530 million (2015: $6.444 million). Expected contributions due in 2017 are $6.541 million.

138. 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**

139. 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 that may affect the calculation of other long-term and end-of-service employee benefits liabilities are 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. Once implemented, this change is expected to affect future calculations of employee benefits liabilities. |
| Unified salary structure | The salary scales for internationally recruited staff (Professional and Field Service) as at 31 December 2016 were based on single or dependency rates. Those rates affected the staff assessment and post adjustment amounts. The General Assembly approved a unified salary scale that resulted in the elimination of single and dependency rates as from 1 January 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 at the date of separation, whereas |

| *Change* | *Details* |
|---|---|
| | commuted annual leave is calculated on the basis of gross salary, post adjustment and staff assessment at the date of separation. |
| Repatriation benefit | Staff members are eligible to receive a repatriation grant upon separation provided they have been in service for at least one year in a duty station outside their country of nationality. The General Assembly has revised eligibility for the repatriation grant from one year to five years for prospective employees, while current employees retain the one-year eligibility. This change is expected to affect future calculations of employee benefits liabilities. |

140. The impact of the changes will be fully reflected in the actuarial valuation to be conducted in 2017.

## Note 14
## Operating reserves

141. The movement for operating reserves are as follows:

(Thousands of United States dollars)

| | *Trust fund* | *Programme support fund* | *Total* |
|---|---|---|---|
| **Opening balance as at 1 January 2015** | **5 496** | **1 081** | **6 577** |
| Interest income and residual donor balances | 732 | – | 732 |
| Refunds of borrowing to projects | (7) | – | (7) |
| 20 per cent adjustment, per ST/AI/285 | – | 46 | 46 |
| **Closing balance as at 31 December 2015** | **6 221** | **1 127** | **7 348** |
| Interest income and residual donor balances | 255 | – | 255 |
| 20 per cent adjustment, per ST/AI/285 | – | (141) | (141) |
| **Closing balance as at 31 December 2016** | **6 476** | **986** | **7 462** |

## Note 15
## Revenue

### Assessed contributions

(Thousands of United States dollars)

| | *31 December 2016* | *31 December 2015* |
|---|---|---|
| United Nations | 19 044 | 18 647 |
| World Trade Organization | 19 047 | 18 509 |
| **Subtotal** | **38 091** | **37 156** |
| Refunds to donors for prior-years' surplus | (697) | – |
| **Total assessed contributions net of refunds** | **37 394** | **37 156** |

142. 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.

143. 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, 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 2016* | *31 December 2015* |
|---|---|---|
| Voluntary contributions | 28 407 | 27 007 |
| Other transfers and allocations | 1 309 | 5 114 |
| **Subtotal** | **29 717** | **32 121** |
| Refunds to donors for closed projects during the year | (1 670) | (313) |
| **Total voluntary contributions net of refunds** | **28 046** | **31 808** |

144. 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.

145. Other transfers and allocations are mainly inter-organizational arrangements for contributions received from UNDP and projects under the Enhanced Integrated Framework trust fund and the One United Nations fund.

### Other revenue

(Thousands of United States dollars)

| | *31 December 2016* | *31 December 2015* |
|---|---|---|
| Services rendered | 404 | 723 |
| Refunds/savings from prior-year expenditures | 353 | 131 |
| Other revenue[a] | 274 | 194 |
| **Total other revenue** | **1 031** | **1 048** |

[a] The comparative figures for 2015 have been restated for comparison purposes (see note 4).

### Investment revenue

(Thousands of United States dollars)

| | 31 December 2016 | 31 December 2015 |
|---|---|---|
| Investment revenue | 320 | 310 |
| **Total investment revenue** | **320** | **310** |

### In-kind contributions

146. Other voluntary contributions include in-kind contributions, which consist of the rental subsidy from the Fondation des immeubles pour les organisations internationales in the amount of $2.680 million (2015: $2.782 million), which is the difference between the market value of the rental and the actual rent paid. A matching in-kind rent is expensed at the same time as the contribution is recognized as revenue.

147. Services in kind, consisting mainly of contributions to conferences, workshops and training, were estimated at $1.704 million (2015: $2.069 million) received mainly from governments, governmental agencies and non-governmental organizations in support of projects and field office operations during the year. The amount is measured at fair value. The in-kind services are not recognized in the financial statements.

## Note 16
## Expenses

### Employee salaries, allowances and benefits

(Thousands of United States dollars)

| | 31 December 2016 | 31 December 2015 |
|---|---|---|
| Staff salaries, wages and allowances | 39 698 | 41 406 |
| Pension costs and insurance benefits | 11 340 | 11 470 |
| Other benefits | 1 028 | 1 945 |
| **Total employee salaries, allowances and benefits**[a] | **52 066** | **54 821** |

[a] The comparative figures for 2015 have been restated for comparison purposes (see note 4).

148. 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

149. 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 2016* | *31 December 2015* |
|---|---|---|
| Staff travel | 3 812 | 4 242 |
| Representative travel[a] | 1 527 | 767 |
| **Total employee salaries, allowances and benefits** | **5 339** | **5 009** |

[a] The comparative figures for 2015 have been restated for comparison purposes (see note 4).

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

### Grants and other transfers

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

### Other operating expenses[a]

(Thousands of United States dollars)

| | *31 December 2016* | *31 December 2015* |
|---|---|---|
| Contracted services | 8 200 | 10 095 |
| Acquisitions of goods | 518 | 1 182 |
| Acquisitions of intangible assets | 383 | 24 |
| Rent, office and premises | 1 418 | 1 305 |
| Rental, equipment | 375 | 199 |
| Maintenance and repair | 64 | 1 274 |
| Bad debt (write back)/expense | (40) | 884 |
| Net foreign exchange losses | 3 034 | 3 751 |
| Other | 718 | 56 |
| **Total other operating expenses** | **14 670** | **18 770** |

[a] The comparative figures for 2015 have been restated for comparison purposes (see note 4).

### Other expenses[a]

(Thousands of United States dollars)

| | *31 December 2016* | *31 December 2015* |
|---|---|---|
| Expense for contributions in kind | 2 723 | 2 782 |
| Other | 15 | 69 |
| **Total other expenses** | **2 738** | **2851** |

[a] The comparative figures for 2015 have been restated for comparison purposes (see note 4).

152. 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 $2.680 million (2015: $2.782 million), which is the difference between the market value of the rental and the actual rent paid. A matching in-kind contribution is recognized as revenue at the same time as the rent is recognized as expense.

## Note 17
## Budget comparison and reconciliation

153. 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.

154. 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.

155. 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)

156. 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

157. 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

158. 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.

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

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

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

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

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

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

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

(Thousands of United States dollars)

| | *31 December 2016* | *31 December 2015* |
|---|---|---|
| Budget revenue | 38 598 | 37 463 |
| **Basis differences** | 1 983 | 2 782 |
| IPSAS adjustments | | |
| Revenue for contributions in kind | 2 680 | 2 782 |
| Refund of prior–year surplus | (697) | – |
| Entity differences[a] | 26 210 | 30 077 |
| **Actual revenue in statement of financial performance (statement II)** | **66 791** | **70 322** |
| Budget expenditure as per statement V | 36 426 | 40 210 |
| **Basis differences** | 2 057 | 1 003 |
| IPSAS adjustments | | |
| Elimination of unliquidated obligations | (1 003) | (1 285) |
| Accruals of expenses[a] | 767 | 629 |
| Expenses for contributions in kind | 2 680 | 2 782 |
| Depreciation/amortization | 473 | 283 |
| Legal provisions and claims | – | (3) |
| Capitalization of property, plant and equipment and intangibles | (169) | (1 228) |
| Exchange (gains)/losses | 8 | (27) |
| Elimination of inter–fund transactions[a] | (185) | (148) |
| Expenses against prior biennium | (492) | – |
| Expenses against future period budget | (22) | – |
| **Entity differences**[a] | 52 714 | 61 136 |
| **Actual expenditure in statement of financial performance (statement II)** | **91 197** | **102 349** |

[a] The comparative figures for 2015 have been restated for comparison purposes (see note 4).

## Note 18
## Related parties: key management personnel

162. 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 2016 | 31 December 2015 |
|---|---|---|
| **Number of individuals (full-time equivalents)** | 8 | 7.70 |
| Aggregate remuneration | 2 013 | 2 250 |
| Outstanding advances as at 31 December | – | 92 |

163. 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.

164. 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

165. 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.

166. As explained in note 6 above, the Centre's cash and investments are managed by the United Nations Treasury as part of the main cash pool.

## Note 19
## Relationships of significant influence

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

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

## Note 20
## Leases and commitments

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

disclosed below. The minimum lease payments under non-cancellable property leases are shown below:

**Obligations for property operating leases**

(Thousands of United States dollars)

| | *31 December 2016* | *31 December 2015* |
|---|---|---|
| Due in less than 1 year | 1 257 | 1 319 |
| Due in 1 to 5 years | 3 101 | 4 160 |
| **Total minimum operating lease obligations** | **4 358** | **5 479** |

170. 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 ($1.111 million as at 31 December 2016). The lease can be renewed for an additional 5-year period upon explicit agreement between the parties at least six months prior to the expiration date. ITC leases space for field offices which can generally be cancelled by providing a notice of 30 to 90 days.

171. The equipment leases pertain to photocopiers and printing machines. This lease is for a period of up to five years and there is no renewal period after the end of the contract. The termination is the standard United Nations 30-day termination notice period. Each party may terminate the contract, in whole or in part, upon 30 days' notice, in writing, to the other party. The agreements do not contain purchase options. The total lease expense for 2016 was $1.764 million (2015: $1.511 million). This amount does include costs of additional copy charges incurred in accordance with lease agreements.

**Other commitments**

**Open contractual commitments**

(Thousands of United States dollars)

| | *31 December 2016* | *31 December 2015* |
|---|---|---|
| Property, plant and equipment | 67 | 157 |
| Grants | 35 | 183 |
| Goods and services | 5 059 | 8 117 |
| **Total open contractual commitments** | **5 161** | **8 457** |

172. 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 2016.

## Note 21
## Contingent assets and contingent liabilities

173. There is an estimated amount of $0.088 million of contingent liabilities pertaining to the project in Fiji funded by the European Union. The amount is an estimate of the potential financial risk for recovery of expenditures made for the project after the "D+3" 36-month deadline had passed and during the intensified action plan period.

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

### Note 22
### Events after the reporting date

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

### Note 23
### Ex gratia payments, write-offs and fraud

175. No ex gratia payments were recorded during the financial year ended 31 December 2016. ITC wrote off equipment and vehicle expenses of $0.087 million (2015: $0.052 million) during the financial year due to obsolete items and closures of projects in the field and $0.002 million of non-recoverable receivables. There are no cases of fraud or presumptive fraud during the financial year ended 31 December 2016.

# Annex I

## Statement of appropriations (unaudited)

### General fund: statement of appropriations for the year ended 31 December 2016

(Thousands of United States dollars)

| | *Appropriations*[a] | | | *Expenditures* | | | |
|---|---|---|---|---|---|---|---|
| | *Original* | *Changes* | *Revised* | *Disbursements* | *Unliquidated obligations* | *Total* | *Unencumbered balance* |
| International Trade Centre | | | | | | | |
| Programme of activities | 71 789 | 2 811 | 74 600 | 35 423 | 1 003 | 36 426 | 38 174 |

[a] Represents the original appropriation of $71.79 million for the biennium 2016-2017, which was increased to $74.60 million. The General Assembly authorized the United Nations share in its resolutions 70/248 A and 71/272 A.

# Annex II

## Statement of budget and actual amounts for the year ended 31 December 2016 (unaudited)

(Thousands of United States dollars)

| | *Publicly available budget*[a] | | | |
|---|---|---|---|---|
| | *Original biennium* | *Final biennium* | *Actual expenditure on budget basis for 2016* | *Difference (percentage)* |
| Post | 55 954 | 58 145 | 28 636 | (51) |
| Non-post | 15 835 | 16 455 | 7 790 | (53) |
| **Total** | **71 789** | **74 600** | **36 426** | **(51.2)** |

[a] Represents the original appropriation of $71.79 million for the biennium 2016-2017, which was increased to $74.60 million. The General Assembly authorized the United Nations share in its resolutions 70/248 A and 71/272 A.

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