

UNITED NATIONS

FINANCIAL REPORT AND ACCOUNTS
for the biennium 1976-1977 ended
31 December 1977

and

REPORT OF THE BOARD OF AUDITORS

Volume III
(International Trade Centre)

GENERAL ASSEMBLY
OFFICIAL RECORDS: THIRTY - THIRD SESSION
SUPPLEMENT No. 5 (A/33/5)



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New York, 1978

NOTE

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LETTERS OF TRANSMITTAL

31 March 1978

Sir,

Pursuant to financial regulation 11.4, I have the honour to submit the accounts of the International Trade Centre for the biennium 1976-1977 ended 31 December 1977, which I hereby approve. The financial statements have been prepared and certified as correct by the Controller.

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

Accept, Sir, the assurances of my highest consideration.

(Signed) Kurt WALDHEIM

The Chairman of the Board
of Auditors
United Nations
New York

26 June 1978

Sir,

I have the honour to transmit to you the financial statements of the International Trade Centre as at 31 December 1977, which were submitted by the Secretary-General. These statements have been examined and include the audit opinion of the Board of Auditors.

In addition to the above, I have the honour to present the report of the Board with respect to the International Trade Centre accounts for the biennium 1976-1977.

Accept, Sir, the assurances of my highest consideration.

(Signed) Ahenkora OSEI
Auditor General of Ghana
and
Chairman, United Nations
Board of Auditors

The President of the General Assembly
of the United Nations
New York

I. FINANCIAL REPORT FOR THE BIENNIUM 1976-1977 ENDED 31 DECEMBER 1977

1. The Secretary-General has the honour to submit herewith the financial report on the accounts of the International Trade Centre UNCTAD/GATT for the biennium 1976-1977 ended 31 December 1977, together with the audited accounts comprising four statements and four schedules.

General Fund

Statement I. Combined statement of assets, liabilities and unencumbered fund balance, income and expenditure as at 31 December 1977

2. The assets, liabilities and unencumbered fund balance of the General Fund are as follows:

(a) Assets

- (i) Cash \$48,014;
- (ii) Accounts receivable \$125,797, comprising various advances to staff members amounting to \$41,568, all of which are in the course of recovery; \$78,600 due from GATT; and miscellaneous items amounting to \$5,629;
- (iii) Deferred charges and other assets \$19,358; in implementation of a suggestion made by the Board of Auditors, the accounting policies of the Centre have been amended to include, as deferred charges, that part of the total education grant advances made to staff members pertaining to the portion of the school year which is completed as of the date of the balance sheet. There is thus a corresponding reduction in the amount shown as receivable. This change in accounting policy is reflected in the summary of significant accounting policies contained in the annex to the accounts (sect. III below).

(b) Liabilities

The accounts payable of \$62,581, include \$56,182 in respect of an overhead contributions advance from UNCTAD.

(c) Fund balance

As from 1 January 1976, the assets and liabilities, the income and expenditures relating to and derived from overhead contributions in respect of extrabudgetary resources have been treated apart from the General Fund. Thus, from the adjusted General Fund balance as at 1 January 1976 of \$237,657 the sum of \$222,785 representing that portion of the balance attributable to overheads was transferred to the Overhead Fund. The remaining General Fund balance of \$14,872 was transferred to income (see ITC/OD/BUD/Rev.2), leaving a balance available as at 31 December 1977 of \$57,625.

Non-expendable equipment

3. Furniture, equipment and vehicles are charged to the budget at the time of purchase; the value at cost of the items held at 31 December 1977 was \$161,040. This compares with a total value of \$127,387 as at 31 December 1975.

Income and expenditure for the biennium ended 31 December 1977

4. Income

(a) Contributions. Under the terms of General Assembly resolution 2297 (XXII) of 12 December 1967 and the decision of the Contracting Parties to the General Agreement on Tariffs and Trade (GATT) of 22 November 1967, the regular budget of the International Trade Centre is shared equally between the United Nations and GATT. The Centre's budget as originally approved (ITC/OD/BUD/1) was for a total of \$8,904,000. This figure was based on a rate of 3.10 Swiss francs to the United States dollar. It was then adjusted by the United Nations for submission to the General Assembly at the rate of 2.66 Swiss francs per dollar, giving a total requirement of \$US 10,018,400. This revised budget formed the base figures for the first performance report (ITC/OD/BUD/3), which provided for a revised total budget of \$10,337,600. Taking account of the budgeted income of \$30,000, this budget proposal called for a net contribution of \$10,307,600. This report was approved by both the United Nations (see A/C.5/32/80 and Add.1) and GATT (SR.32/1). The final performance report (ITC/OD/BUD/5) showed an unchanged total requirement, but because of an increase in the budgeted income from \$30,000 to \$65,000, it resulted in a net contribution from each parent body of \$5,136,300. This proposal was approved by the Contracting Parties to GATT (SR.33/1) prior to its consideration by the United Nations. At the time of the submission of this proposal to the United Nations General Assembly, it was stated in document A/C.5/32/82 that:

"Subsequent to the preparation of the performance report by the Director of the International Trade Centre, significant movements occurred in the rate of exchange between the United States dollar and the Swiss franc. The impact of this movement is considered separately in the final performance report of the United Nations in annex IV of that report. The additional impact on the United Nations share of the budget of the International Trade Centre is estimated at \$78,600."

The revised budget estimates, which provide for contributions of \$5,214,900 (schedule 1.1) for the biennium 1976-1977, approved by the General Assembly, have not been submitted to GATT. The additional \$78,600 contribution income was accrued and the receivable from GATT was established. GATT was informed of this situation in January 1978. The revised final performance report will be presented to its Committee on Budget, Finance and Administration at its next session.

(b) Miscellaneous income. As compared with an estimate of \$50,000, income received amounted to \$64,481, which included savings arising from the liquidation of prior year's obligations (\$30,188) and refunds totalling \$17,328 in respect of the organization's contributions to the United Nations Joint Staff Pension Fund.

(c) Transfer from surplus. The sum of \$14,872 representing the 1975 surplus, was transferred to income in accordance with legislative action.

Statement II. 1976-1977 budget appropriations, obligations incurred and unencumbered balance of allotments as at 31 December 1977

5. The appropriations for the year were \$10,494,800. Expenditures incurred totalled \$10,451,528. After taking account of unliquidated obligations of \$237,696, the net balance of allotments was \$43,272. Unliquidated obligations as at 31 December 1977 amounted to \$237,696.

Write-off of receivables

6. In accordance with financial regulation 10.4, it is reported that 15 cases totalling \$226 were approved for write-off during the biennium. Each case, before submission, was examined and it was determined that every effort had been made to collect and that further efforts would be fruitless.

Overhead Fund

Statement III. Combined statement of assets, liabilities and unencumbered fund balance, income and expenditures as at 31 December 1977

7. As from 1 January 1976, the Centre's overhead resources have been treated as a separate fund rather than, as previously, part of the regular programme. This was because of the unpredictability of overhead income and the need to segregate the overhead surplus from that arising on the General Fund. The opening balance transferred from the General Fund was \$222,785. During the biennium the income derived from overhead contributions from extrabudgetary resources amounted to \$2,365,641, of which \$397,375 relates to United Nations Development Programme (UNDP) projects. Total expenditures incurred against the Overhead Fund were \$2,165,099, providing an excess of income over expenditure of \$200,542. This, together with the balance in hand, provided a total unencumbered balance of \$423,327.

Trust funds

Statement IV. Assets and liabilities and unencumbered fund balance as at 31 December 1977

8. The assets, liabilities and unencumbered fund balance of the trust funds are as follows:

(a) Assets

- (i) Funds held totalled \$5,290,343, of which \$337,091 represented cash in banks, \$4,931,786 interest-bearing short-term deposits as detailed in schedule 4.4 and \$21,466, the amount held by imprest holders in the field.
- (ii) Contributions receivable totalled \$7,367,578 in respect of the following:

	<u>United States dollars</u>
Swedish International Development Agency (SIDA)	6,259,016
Sweden	694,136
Netherlands	282,779
Switzerland	77,974
Belgium	43,713
Germany, Federal Republic of	9,960

These sums represent the balances due in respect of approved projects, some of which extend over the years 1978 to 1980.

- (iii) Miscellaneous accounts receivable amounted to \$361,727, which included various advances to staff members (\$89,231), stamp duty and impôt anticipé due for refund by the Swiss Federal authorities (\$129,151), accrued interest (\$17,249) and miscellaneous (\$26,096). These items are all in course of recovery. Also included in the miscellaneous accounts receivable is \$100,000 deposited with UNDP, New York, as an advance to cover expenditures to be made on behalf of the Centre by the UNDP resident representatives. By arrangement with UNDP headquarters, this deposit exempts the Centre from the requirement contained in UNDP directive UNDP/ADM/303 of 24 May 1976 that deposits be made with UNDP field offices by a non-UNDP organization for all anticipated expenditures to be incurred by UNDP on behalf of that organization in excess of \$10,000.
- (iv) Deferred charges and other assets totalling \$94,018 include \$16,886 education grant advances to staff members deemed to be that part of the total advances pertaining to the portion of the school year completed as at 31 December 1977. Also included is \$67,132 in respect of report processing.

(b) Liabilities

- (i) Accounts payable amounted to \$43,731, including \$26,436 in respect of salary assignments and \$4,199 for payment requests issued to field offices.
- (ii) Unliquidated obligations as at 31 December 1977 amounted to \$3,619,291. This figure includes all unliquidated obligations related to the budgeted duration of projects.

(c) Reserves

Reserves totalled \$1,164,593 and comprised a "project" reserve of \$757,872 and a "variance" reserve of \$406,721. The latter, which is a reserve maintained to meet contingencies, such as those arising from the termination of experts or death in service is, inter alia, derived from the difference between the standard costs applied to projects and the actual costs incurred. As reflected in the statement of significant accounting policies (annex I), it is the Centre's policy to maintain this reserve at a predetermined level (\$400,000 approximately, for the biennium 1976-1977). With the donors' agreement, the first charge upon interest accruing from the short-term investment of funds is to maintain this reserve at that level. The "project" reserve, within which the balance of interest earned is located under donor accounts, may be used to provide any additional sum which may be needed for an individual donor's projects or other purposes to which the donor may agree.

(d) Unencumbered fund balance

The unencumbered balance as at 31 December 1977 was \$7,665,598, inclusive of unallocated funds held pending final approval of new projects or the extension

of existing projects. These amounted to \$65,848. These unallocated funds represent moneys donated and earmarked for specific projects but held by the Centre pending the final agreement of all parties concerned. They are constantly under review, prior to final disposition, in the course of the continuing discussions which the Centre maintains with all donors.

Balances available from previous years, allocations and expenditures for the biennium 1976-1977 and balance available as at 31 December 1977

Allocations

9. The balance of allocations available at 1 January 1976 inclusive of unliquidated obligations was \$9,978,145. Additional allocations during the biennium amounted to \$17,336,846 providing a total availability of \$27,314,991. Disbursements amounted to \$19,715,241 of which \$1,960,133 related to overhead contributions. After taking account of unliquidated obligations totalling \$3,619,291, the unencumbered balance on all projects as at 31 December 1977 amounted to \$7,599,750. Of this balance \$7,367,578 is recorded in statement IV as contributions receivable.

10. Details for the individual years of the biennium are provided in schedules 4.2 and 4.3.

Write-offs of receivables

11. In accordance with financial regulation 10.4 it is reported that four cases totalling \$598.50 were approved for write-off. Each case, before submission, was examined and it was determined that every effort had been made to collect and that further effort would be fruitless.

Ex-gratia payments

12. Ex-gratia payments totalling \$869 were made in the biennium as compared with one case totalling \$577 in the biennium 1974-1975.

Implementation of the recommendations of the Board of Auditors

13. The Board of Auditors, in their report upon the Centre's accounts for the year ended 31 December 1975, 1/ suggested that the distribution of financial responsibilities between the United Nations Office at Geneva and the Centre could be improved and that the responsibilities (for both trust funds and general funds) with respect to the accounts, including certification, approval, accounting and financial statements, could be more clearly defined. A further review was therefore undertaken by the United Nations Headquarters and the Centre as a result of which responsibilities for certification and approval were more clearly defined. It was also agreed that the Centre should assume the approving function for its General and Overhead Funds together with responsibility for the preparation of its financial accounts and report. These additional responsibilities were assumed as from March 1977.

1/ Official Records of the General Assembly, Thirty-first Session, Supplement No. 7 (A/31/7), sect. VII.

II. AUDIT OPINION

We have examined the following appended financial statements numbered I to IV, properly identified, and relevant schedules of the International Trade Centre UNCTAD/GATT for the 1976-1977 biennium ended 31 December 1977. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances. As a result of our examination, we are of the opinion that the financial statements properly reflect the recorded financial transactions for the biennium, which transactions were in accordance with the Financial Regulations and legislative authority, and present fairly the financial position of the Centre as at 31 December 1977.

(Signed) Ahenkora OSEI
Auditor General of Ghana

(Signed) J. J. MACDONELL
Auditor General of Canada

(Signed) A. MARTINEZ ZULETA
Controller General of Colombia

23 June 1978

III. ACCOUNTS FOR THE BIENNIUM 1976-1977 ENDED 31 DECEMBER 1977

INTERNATIONAL TRADE CENTRE

GENERAL FUND

COMBINED STATEMENT OF ASSETS, LIABILITIES AND UNENCUMBERED FUND BALANCE,
INCOME AND EXPENDITURE AS AT 31 DECEMBER 1977
(EXPRESSED IN UNITED STATES DOLLARS)

I. <u>Statement of assets, liabilities and unencumbered fund balance</u>	
<u>Assets</u>	
Cash	48 014
Accounts receivable	125 797
Deferred charges	19 358
Due from International Trade Centre trust funds	588 060
Total assets	781 229
 <u>Liabilities and unencumbered fund balance</u>	
<u>Liabilities</u>	
Accounts payable	62 581
Unliquidated obligations	237 696
Due to International Trade Centre Overhead Fund	423 327
Total liabilities	723 604
 <u>Unencumbered fund balance</u>	
Balance available 1 January 1976	220 363
<u>Add:</u> Cancellation of 31 December 1975 unliquidated obligations	17 294
Adjusted balance	237 657
<u>Less:</u> Transfer to establish overhead fund balance (Statement III)	222 785
Transfer to income (Schedule 1.1)	14 872
<u>Add:</u> Net excess of income over expenditure (see below)	57 625
Balance available as at 31 December 1977	57 625
Total liabilities and unencumbered fund balance	781 229
 II. <u>Statement of income and expenditure for the biennium ended 31 December 1977</u>	
<u>Income</u>	10 509 153
 <u>Expenditure</u>	
Salaries and common staff costs	8 410 464
Travel	145 880
Printing	272 434
General operating expenses	1 361 113
Supplies and materials	209 298
Furniture and equipment	52 339
Total expenditure	10 451 528
Net excess of income over expenditure	57 625

CERTIFIED CORRECT

(Signed) Helmut DEBATIN
Assistant Secretary-General (Controller)
Office of Financial Services

30 March 1978

INTERNATIONAL TRADE CENTRE
GENERAL FUND

Approved estimates of income and actual income for the biennium ended 31 December 1977
(expressed in United States dollars)

<u>Contributions</u>	<u>Approved estimates for the biennium 1976-1977</u>	<u>Actual income</u>
From GATT	5 214 900	5 214 900
From UNCTAD	5 214 900	5 214 900
Transfer from surplus account	15 000	14 872
Savings in liquidation of prior year (1975) obligations	-	30 188
Refund of the organization's contributions to the United Nations Joint Staff Pension Fund in respect of withdrawal of participants	-	17 328
Miscellaneous	50 000	16 965
	<u>10 494 800</u>	<u>10 509 153</u>

INTERNATIONAL TRADE CENTRE
GENERAL FUND

1976-1977 BUDGET APPROPRIATIONS, OBLIGATIONS INCURRED AND UNENCUMBERED BALANCE OF ALLOTMENTS
AS AT 31 DECEMBER 1977
(EXPRESSED IN UNITED STATES DOLLARS)

	Appropriations	Expenditures							Unliquidated by disbursements	Unliquidated	Balance of allotments	
		Allotments	Staff services	Travel	Printing	General operating expenses	Supplies and materials	Furniture and equipment				Total expenditure
Section 90 - Secretariat												
Programme 1 - Policy-making organ	114 400	114 400	99 039	-	-	3 349	-	-	102 388	102 388	-	12 012
Programme 2 - Executive direction	821 700	821 700	751 336	37 600	-	807	-	-	789 743	757 013	52 730	31 957
Programme 3 - Substantive activities	4 073 900	4 073 900	4 157 495	99 081	-	664	-	-	4 257 240	4 248 196	9 044	(183 340)
Programme 4 - Support services	5 484 800	5 484 800	3 402 594	9 199	272 434	1 356 293	209 298	52 339	5 302 157	5 126 235	175 922	182 643
	10 494 800	10 494 800	8 410 464	145 880	272 434	1 361 113	209 298	52 339	10 451 528	10 213 832	237 696	43 272

CERTIFIED CORRECT

(Signed) Helmut HERBAST
Assistant Secretary-General (Controller)
Office of Financial Services

30 March 1978

INTERNATIONAL TRADE CENTRE

OVERHEAD FUND COMBINED STATEMENT OF ASSETS, LIABILITIES AND
UNENCUMBERED FUND BALANCE, INCOME AND EXPENDITURE AS AT
31 DECEMBER 1977

(EXPRESSED IN UNITED STATES DOLLARS)

I. <u>Statement of assets, liabilities and unencumbered fund balance</u>	
<u>Assets</u>	
Due from International Trade Centre General Fund	423 327
Total assets	<u>423 327</u>
<u>Liabilities and unencumbered fund balance</u>	
<u>Liabilities</u>	
Unliquidated obligations	-
Total liabilities	<u>-</u>
<u>Unencumbered fund balance</u>	
Balance available 1 January 1976	
<u>Add:</u> Transfer from International Trade Centre General Fund (Statement I)	222 785
Adjusted balance 1 January 1976	<u>222 785</u>
<u>Add:</u> Excess of income over expenditure (see below)	200 542
Balance available 31 December 1977	<u>423 327</u>
Total liabilities and unencumbered fund balance	<u>423 327</u>
II. <u>Statement of income and expenditure for the biennium ended</u> <u>31 December 1977</u>	
<u>Income</u>	<u>2 365 641</u>
<u>Expenditure</u>	
Salaries and common staff costs	2 034 033
Others	131 066
Total expenditure	<u>2 165 099</u>
Excess of income over expenditure	<u>200 542</u>

CERTIFIED CORRECT

(Signed) Helmut DEBATIN
Assistant Secretary-General (Controller)
Office of Financial Services

30 March 1978

INTERNATIONAL TRADE CENTRE

TRUST FUNDS STATEMENT OF ASSETS, LIABILITIES AND
UNENCUMBERED FUND BALANCE AS AT 31 DECEMBER 1977

(EXPRESSED IN UNITED STATES DOLLARS)

<u>Assets</u>	
Cash	358 557
Deposit accounts	4 931 786
Deferred charges and other assets	94 018
Accounts receivable	361 727
Contributions receivable	7 367 578
Total assets	<u>13 113 666</u>
<u>Liabilities and unencumbered fund balance</u>	
<u>Liabilities</u>	
Accounts payable	43 731
Due to United Nations Conference on Trade and Development	32 393
Due to International Trade Centre General Fund	588 060
Unliquidated obligations	3 619 291
Total liabilities	<u>4 283 475</u>
<u>Reserves</u>	
Project reserve	757 872
Variance reserve	406 721
Total reserves	<u>1 164 593</u>
<u>Unencumbered fund balance</u>	
Balance available 1 January 1976	7 822 174
Add: Unliquidated obligations 1976	2 155 971
Allocations	17 336 846
Subtotal	<u>27 314 991</u>
Less: Expenditure	16 095 950
Unliquidated obligations	3 619 291
Subtotal	<u>7 599 750</u>
Add: Unallocated funds	65 848
Balance available 31 December 1977	<u>7 665 598</u>
Total liabilities and unencumbered fund balance	<u>13 113 666</u>

CERTIFIED CORRECT

(Signed) Helmut DEBATIN

Assistant Secretary-General (Controller)

Office of Financial Services

30 March 1978

INTERNATIONAL TRADE CENTRE

Trust funds for extrabudgetary projects

Balance available from previous years, allocations and expenditure for the biennium ended 31 December 1977 and balance available as at 31 December 1977

(Expressed in United States dollars)

	Balance as at 1 January 1976	Unliquidated obligations as at 1 January 1976	Allocations 1976	Total available	Project expenditures	Overhead contributions	Total expenditures	Unliquidated obligations	Unencumbered balance as at 31 December 1977
Austria	88 564	-	144 000	232 564	159 332	22 274	181 606	36 500	14 458
Belgium	7 175	9 390	327 740	344 303	242 738	33 922	276 660	60 780	6 863
Canada	154 421	164 596	1 080 672	1 399 689	1 013 652	141 912	1 155 564	219 754	24 371
Danish International Development Agency	245 000	106 321	799 703	1 151 024	659 967	92 356	752 363	159 049	239 612
Finland	131 022	135 697	549 842	816 561	583 150	81 641	664 791	82 500	69 270
Germany, Federal Republic of	67 869	13 586	198 637	280 092	223 950	31 288	255 238	62 261	(37 407)
Ireland	-	3 449	15 032	18 481	-	-	-	-	18 481
Japan	19 186	-	77 414	96 600	22 039	3 085	25 124	1 692	69 784
Mexico	-	-	5 746	5 746	5 040	706	5 746	-	-
Netherlands	333 155	140 127	1 710 781	2 184 063	1 173 998	163 682	1 337 680	446 276	400 107
Norwegian Agency for International Development	848 507	182 107	2 294 003	3 324 617	2 124 624	297 468	2 422 092	519 848	382 677
Swedish International Development Agency	4 300 450	752 286	7 112 390	12 165 134	4 535 589	631 877	5 167 466	1 171 860	5 825 808
Sweden	1 533 955	648 412	2 893 934	5 076 301	3 254 605	444 934	3 699 539	852 142	524 620
Switzerland	64 867	-	81 740	146 607	99 375	13 913	113 288	6 629	26 690
Indonesian cash counterpart contribution	28 000	-	45 204	73 209	37 758	1 035	38 793	-	34 416
Totals	7 822 174	2 155 971	17 336 846	27 314 991	14 135 817	1 960 133	16 095 950	3 619 291	7 599 750
Unallocated funds									65 848
Balance available as at 31 December 1977									7 665 598

INTERNATIONAL TRADE CENTERS

Trust funds for extrabudgetary projects

Balance available from previous years, allocations and expenditures for the 12 months ended 31 December 1977
and balance available as at 31 December 1977
(Expressed in United States dollars)

	Balance as at 1 January 1977	Unliquidated obligations as at 1 January 1977	Allocations 1977	Total available	Project expenditures	Overhead contributions	Total expenditures	Unliquidated obligations	Unencumbered balance as at 31 December 1977
Austria	39 000	52 364	40 000	131 364	69 876	10 530	80 406	36 500	14 458
Belgium	89 015	2 385	184 967	276 367	183 091	25 633	208 724	60 780	6 863
Canada	312 501	135 895	476 077	924 475	596 796	83 552	680 348	219 754	24 371
Danish International Development Agency	172 888	143 221	424 110	740 219	299 612	41 946	341 558	159 049	239 612
Finland	37 287	132 974	223 025	393 286	211 896	29 660	241 516	82 500	69 270
Germany, Federal Republic of	135 811	19 555	50 000	205 166	198 168	22 144	180 312	62 261	(37 407)
Ireland	-	3 449	15 032	18 481	-	-	-	-	18 481
Japan	76 433	6 995	-	83 428	10 485	1 467	11 952	1 692	69 764
Netherlands	603 792	139 819	857 057	1 600 668	662 248	92 037	754 285	446 276	400 107
Norwegian Agency for International Development	1 006 991	370 357	1 008 812	2 386 160	1 301 433	182 202	1 483 635	519 848	382 677
Swedish International Development Agency	3 018 612	769 422	5 849 340	9 637 374	2 316 311	323 395	2 639 706	1 171 860	5 825 808
Sweden	790 625	692 632	2 147 913	3 631 170	1 986 946	267 462	2 254 408	852 142	524 620
Switzerland	30 386	15 671	81 740	127 797	82 875	11 633	94 478	6 629	26 690
Indonesian cash counterpart contribution	2 589	-	45 204	47 793	12 876	501	13 377	-	34 416
Totals	6 315 930	2 484 539	11 403 277	20 203 746	7 892 573	1 092 132	8 984 705	3 619 291	7 599 750
Unallocated funds									65 848
Balance available as at 31 December 1977									7 665 598

INTERNATIONAL TRADE CENTERS

Trust funds for extrabudgetary projects

Balance available from previous years, allocations and expenditure for the 12 months ended 31 December 1976
and balance available as at 31 December 1976

(Expressed in United States dollars)

	Balance as at 1 January 1976	Unliquidated obligations as at 1 January 1976	Allocations 1976	Total available	Project expenditures	Overhead contributions	Total expenditures	Unliquidated obligations	Unencumbered balance as at 31 December 1976
Austria	88 564	-	104 000	192 564	89 456	11 744	101 200	52 364	39 000
Belgium	7 173	9 390	142 773	159 336	59 647	8 289	67 936	2 385	89 015
Canada	154 421	164 596	604 595	923 612	416 856	58 360	475 215	135 895	312 501
Danish International Development Agency	245 000	105 321	375 593	726 914	360 355	50 450	410 805	143 221	172 888
Finland	131 022	135 697	326 817	593 536	371 294	51 981	423 275	132 974	37 287
Germany, Federal Republic of	67 869	13 586	148 637	230 092	65 782	9 144	74 926	19 355	135 811
Ireland	-	3 449	-	3 449	-	-	-	3 449	-
Japan	19 186	-	77 414	96 600	11 554	1 618	13 172	6 995	76 433
Mexico	-	-	5 746	5 746	5 040	706	5 746	-	-
Netherlands	333 155	140 127	853 724	1 327 006	511 750	71 645	583 395	139 819	603 732
Norwegian Agency for International Development	848 507	182 107	1 285 191	2 315 805	823 191	115 266	938 357	370 357	1 006 991
Swedish International Development Agency	4 300 450	752 286	1 263 058	6 315 794	2 219 278	308 482	2 527 760	769 422	3 018 612
Sweden	1 533 955	648 412	746 021	2 928 388	1 267 659	177 472	1 445 131	692 632	790 625
Switzerland	64 867	-	-	64 867	16 500	2 310	18 810	15 671	30 386
Indonesian cash counterpart contribution	28 005	-	-	28 005	24 882	534	25 416	-	2 589
Totals	7 822 174	2 155 971	5 933 569	15 911 714	6 243 244	868 001	7 111 245	2 484 539	6 315 950
Unallocated funds									239 436
Balance available as at 31 December 1976									6 555 366

INTERNATIONAL TRADE CENTRE

Trust funds for extrabudgetary projects

Deposit accounts as at 31 December 1977

<u>Bank</u>	<u>Period and currency</u>	<u>Annual interest rate</u>	<u>Principal</u> (United States dollars)	<u>Accrued interest</u>
Banque Scandinave Geneva	30.12.77 to 3.01.78 SF 2,800,000.00	3 %	1 290 323.00	107.00
Union des Banques Suisses Geneva	23.11.77 to 23.02.78 US dollars	7 %	200 000.00	1 478.00
Banque Scandinave Geneva	30.12.77 to 30.06.78 US dollars	7.75%	1 588 084.00	342.00
First National Bank of Chicago Geneva	23.12.77 to 23.03.78 US dollars	7 %	561 974.00	874.00
First National Bank of Chicago Geneva	16.12.77 to 16.03.78 US dollars	7 %	369 596.00	1 078.00
First National Bank of Chicago Geneva	12.10.77 to 12.01.78 US dollars	7.06%	517 988.00	8 129.00
Banque Scandinave Geneva	27.10.77 to 27.01.78 US dollars	7.1875%	403 821.00	5 241.00
			4 931 786.00	17 249.00

ANNEX

Notes to the financial statements

Summary of significant accounting policies

The following are some of the significant accounting policies of the International Trade Centre:

1. General

- (a) The International Trade Centre accounts are maintained in accordance with the Financial Regulations of the United Nations as adopted by the General Assembly, the rules formulated by the Secretary-General as required under the regulations, and administrative instructions, and in conformity with generally accepted accounting principles.
- (b) The financial period of the organization is a biennium and consists of two consecutive calendar years.
- (c) The assets and liabilities and revenues and expenditures are recognized on the accrual basis of accounting.
- (d) Translation of currencies. The accounts of the organization are presented in United States dollars. Accounts maintained in other currencies are translated into United States dollars at the time of the transaction at rates of exchange established by the Controller of the United Nations. At year-end, cash and investments are retranslated at the applicable United Nations rates of exchange.
- (e) Deferred charges. For balance-sheet purposes only, that portion of the education grant advance which is assumed to pertain to the scholastic year completed as of the date of the financial statement is treated as a deferred charge. The full amount of the advance is maintained as an account receivable from a staff member until such time as he or she produces the required proof of entitlement to the education grant, at which time the budgetary account is charged and the advance recovered.
- (f) Gain or loss on exchange. The balance for loss or gain on exchange is debited to the budget if there is a net loss; if there is a net profit, the profit is credited to miscellaneous income. However, gains or losses on exchange are treated differently for Trust Funds as indicated in paragraph 2 (h) below.
- (g) Fixed assets, consisting of items such as furniture and equipment, are not included in the assets of the organization. Acquisitions are charged against budget accounts in the year of purchase.
- (h) Miscellaneous income:
- (i) Any refund of expenditures which had been charged in the same financial period against the budgetary accounts is credited

against the same accounts, but refunds of expenditures relating to the prior financial periods are credited to miscellaneous income;

- (ii) The proceeds from the sale of surplus property are credited as miscellaneous income to the regular budget, or to the appropriate trust fund.

2. Trust fund accounts

(a) All moneys accepted for purposes specified by the donor are treated as trust funds or special accounts. Separate trust funds are set up for each project as approved by the donor and the recipient country. The accounting for such funds is on a "project" basis as opposed to an annual basis, that is, allocations comprise the total original budget for the life of the project subject to adjustments which are recorded annually. Expenditures are charged against these allocations on a cumulative basis. Schedules to the financial statements are presented together with a consolidated schedule for the biennium showing prior year and current year expenditures.

(b) Financing. There is no standard method for the funding of trust fund projects, separate arrangements being made with individual donors. Steps were taken during the biennium to rationalize these arrangements and funding is now closely aligned to actual cash requirements.

(c) Obligations. Trust funds are accounted for on a project basis; therefore, commitments are incurred and obligations recorded for the life of the project.

(d) Standard costs. Projects are charged at standard costs for the provision of experts' services, the annual difference between the standard applied and the actual costs incurred being transferred to the variance reserve.

(e) Interest. Interest accruing to donors as a result of the investment of funds is credited first to the variance reserve and secondly to the project reserve (see subparas. (f) and (g) below).

(f) Variance reserve. The Centre's policy is to maintain the variance reserve at a predetermined level and agreement has been reached with donors that the first charge upon interest will be for the purpose of maintaining the reserve at that level.

(g) Project reserve. Balances of interest are held in donor accounts within the project reserve for subsequent utilization in meeting additional sums which may be needed for any of their ongoing projects.

(h) Loss or gain on exchange. Any exchange difference incurred in respect of normal day-to-day transactions is borne by the appropriate project budget. Those differences which cannot be attributed to any particular project are borne by the variance reserve.

(i) The proceeds from the sale of surplus property and any refunds of expenditures are credited to the trust fund project from which the purchase or expenditure was originally financed. If the appropriate trust fund project has been closed these proceeds are credited to the donor's unallocated funds.

(j) Income accruing from the sale of any publication, training pack or similar item financed from trust fund resources is credited to a special account and utilized to finance the costs of reprinting and translation of productions financed by trust funds. For balance-sheet purposes only the balance held is treated as part of the project reserve.

(k) Refunds of United Nations Joint Staff Pension Fund contributions are credited to the project bearing the original expenditure. If the project has been closed the refund is credited to the variance reserve.

(l) Unallocated funds. Unallocated funds comprise residual balances of completed projects held pending the agreement of the donor as to their utilization.

IV. REPORT OF THE BOARD OF AUDITORS

Introduction

1. As required by General Assembly resolution 74 (I), the Board of Auditors has audited the accounts of the International Trade Centre (ITC) for the biennium ended 31 December 1977.
2. The examination was made in accordance with article XII of the Financial Regulations of the United Nations and the annex thereto and with the common auditing standards adopted by the Panel of External Auditors of the United Nations and Specialized Agencies. The examination was conducted at ITC headquarters in Geneva.
3. Since January 1976, the Centre's parent organizations, the United Nations Conference on Trade and Development (UNCTAD) and the General Agreement on Tariffs and Trade (GATT), have agreed to submit biennial budget programmes following the same procedures adopted for the United Nations Headquarters budget. It was also agreed that the accounts of the Centre would be closed on a biennial basis.

Accounts receivable

4. Statement I, combined statement of assets, liabilities and unencumbered fund balance, income and expenditure as at 31 December 1977, contains an amount of \$78,600 due from GATT. This amount represents an additional contribution to be made by GATT to the regular budget of ITC as it was approved in 1977. The Contracting Parties to GATT were unable to approve a similar increase on its contributions for the biennium 1976-1977 since its Budget Committee is due to convene again only in October 1978.
5. In our opinion, this accounting should be reviewed since there is no evidence that the Contracting Parties to GATT, after approval of the budget of the Centre, will approve similar increases in their own budget.

Overhead Fund

6. The ITC financial statements include for the first time, separate statements for the General Fund, the Overhead Fund and the combined trust funds. The Overhead Fund represents general programme costs which cannot be practically identified as a cost of a specific project. Projects are charged an "over-all allowance" of 14 per cent of the expended amounts to cover these administrative costs which cannot be practically identified by project.
7. The Board noted that no allotment system had been set up to administer these overhead funds, contrary to United Nations Headquarters instructions that all such revenue be subject to allotment controls. In the absence of such instructions they were being used on an ad hoc basis as required for expenditures not financed from other sources.

8. The Board recommends that priority be given to the implementation of an allotment control system and the development of appropriate guidelines and procedures for the administration of programme support resources.

Operational funds

9. Besides the General Fund resources of the Centre financed by UNCTAD and GATT, the ITC field programme is financed from two sources: voluntary contributions (trust funds made available to ITC by a number of Governments) and funds made available by UNDP to UNCTAD for projects in the field of trade promotion, which ITC manages on behalf of UNCTAD. The volume of this programme in 1977 reached the amount of \$13.7 million from trust funds and \$3.7 million from UNDP resources, as much as twice the regular budget.

10. The above trust funds are accepted by the Centre in accordance with General Assembly resolution 3359 (XXIX) of 18 December 1974 which affirmed the assumptions that the Centre has the authority to exercise the responsibilities it has assumed relative to the acceptance and use of trust funds together with authority to approve payments from trust funds.

11. Our examination disclosed that financial controls over the recording and accounting for trust funds are not operating as effectively as they should be. We noted in particular:

(a) Lack of clearly defined administrative procedures;

(b) Periodic reviews of the financial status of trust funds are not being carried out on a systematic or a timely basis;

(c) Proper review and follow-up procedures do not appear to have been established for the winding-up of inactive trust funds;

(d) Inadequate communication of information among the various divisions involved in the administration and accounting of trust funds resulted in the inaccurate recording of financial transactions.

12. The Board recommends the establishment of specific administrative guidelines and procedures for the administration, recording, accounting and disposition of all trust funds, and that these guidelines and procedures should specifically take into account policies concerning the charging of overhead expenditures and the use and disposition of investment income.

Reorganization of the International Trade Centre

13. During 1977, a management study of the organization of the International Trade Centre was carried out by an independent firm with the main purpose of improving programme delivery, in accordance with suggestions made by the Joint Advisory Group on the International Trade Centre at its tenth session. At the time of our review, many of the recommendations made by the consultants were already being implemented and others were still under review. The Technical Committee of the Joint Advisory Group hopes that the reorganization would be reflected in terms of future programme delivery. For our part, we welcome reviews of this nature.

Comments on matters dealt with in the 1975 report

14. The Board of Auditors is pleased to note that the Administration has taken satisfactory action on all the recommendations made in the 1975 report. 2/

Acknowledgement

15. The Board of Auditors wishes to express its appreciation for the co-operation and assistance extended by the Director of the International Trade Centre, his officers and their staff.

(Signed) Ahenkora OSEI
Auditor General of Ghana

(Signed) J. J. MACDONELL
Auditor General of Canada

(Signed) A. MARTINEZ ZULETA
Controller General of Colombia

2/ Ibid.

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