United Nations

Financial report and audited financial statements

for the biennium ended 31 December 2009

and

Report of the Board of Auditors

Volume III
International Trade Centre UNCTAD/WTO

General Assembly
Official Records
Sixty-fifth Session
Supplement No. 5

General Assembly
Official Records
Sixty-fifth Session
Supplement No. 5

Financial report and audited financial statements

for the biennium ended 31 December 2009

and

Report of the Board of Auditors

Volume III
International Trade Centre UNCTAD/WTO

United Nations • New York, 2010

Note

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

ISSN 0257-0815

[8 July 2010]

Contents

Letters of transmittal

31 March 2010

In accordance with financial regulation 6.5, I have the honour to submit the accounts of the International Trade Centre UNCTAD/WTO for the biennium ended 31 December 2009, which I hereby approve. The financial statements have been completed and certified as correct by the Controller.

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

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

Mr. Terence Nombembe
Chair
United Nations Board of Auditors
New York

30 June 2010

I have the honour to transmit to you the report of the Board of Auditors on the financial statements of the International Trade Centre UNCTAD/WTO for the biennium ended 31 December 2009.

(*Signed*) Terence **Nombembe**
Auditor-General of South Africa
Chair, United Nations Board of Auditors

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

Chapter I

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

We have audited the accompanying financial statements of the International Trade Centre UNCTAD/WTO, which comprise the statement of assets, liabilities and reserves and fund balances (statement II) as at 31 December 2009; the statement of income and expenditure and changes in reserves and fund balances (statement I); the statement of cash flows (statement III); the statement of appropriations (statement IV) for the biennium then ended; and schedule 1.1 and explanatory notes.

Management's responsibility for the financial statements

The United Nations Controller is responsible for the preparation and fair presentation of these financial statements in accordance with the United Nations system accounting standards, and for such internal control as management deems is necessary to permit the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. The Standards require that we 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.

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the International Trade Centre UNCTAD/WTO as at 31 December 2009 and its financial performance and cash flows for the biennium then ended, in accordance with the United Nations system accounting standards.

Report on other legal and regulatory requirements

Furthermore, in our opinion, the transactions of the International Trade Centre UNCTAD/WTO 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 and the related annex, we have also issued a long-form report on our audit of the International Trade Centre UNCTAD/WTO.

(*Signed*) Terence **Nombembe**
Auditor-General of South Africa
Chair of the United Nations Board of Auditors

(*Signed*) Didier **Migaud**
First President of the Court of Accounts of France
(Lead Auditor)

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

30 June 2010

Chapter II
Long-form report of the Board of Auditors

Summary

The Board of Auditors has audited the financial statements and reviewed the operations of the International Trade Centre UNCTAD/WTO (ITC) for the biennium ended 31 December 2009. The audit was carried out through a review of the financial transactions and operations at headquarters in Geneva.

Audit opinion

The Board issued an unmodified audit opinion as reflected in chapter I.

Follow-up of previous recommendations

Of the four recommendations made for the biennium 2006-2007, one (25 per cent) was fully implemented and three (75 per cent) were under implementation.

Financial overview

For the period under review, total income was $141.6 million, compared with $124 million for the previous biennium, an increase of 14.2 per cent. Total expenditure amounted to $129.5 million, compared with $119.8 million for the previous biennium, an increase of 8.1 per cent. This resulted in an excess of income over expenditure of $12.1 million, compared with an excess of $4.2 million for the preceding biennium.

Progress towards the implementation of the International Public Sector Accounting Standards

ITC is closely associated with the projects steered by the United Nations Secretariat for the implementation of the International Public Sector Accounting Standards (IPSAS). It is dependent upon observance of the timetable defined by the United Nations. ITC, however, has not made any progress since the Board's last audit as regards assessing the impact of applying IPSAS on its administrative and accounting procedures.

Statement of income and expenditure

The implementation of the principle of equal sharing of funding of the regular budget of ITC by the United Nations and WTO, as specified in the administrative arrangements approved by the General Assembly, is unfavourable to ITC when one of the two organizations approves a smaller contribution than the other. In such cases, for the principle of equal sharing to be observed, the amount of the contribution selected for each of the two organizations is the smaller of the two.

Statement of assets, liabilities and reserves and fund balances

The Integrated Management Information System (IMIS) maintained as unliquidated some old obligations which had been cancelled. Although the amounts at stake were not material for the 2008-2009 biennium, IMIS needed to be corrected to prevent the recurrence of such errors.

Statement of cash flows

In order to implement a recommendation made by the Board in its last report regarding the presentation of more detailed information on the actual status of the organization's cash flow, ITC restated the comparatives in the cash flows statement. However, this new presentation was not adequately explained and described in the notes to the financial statements.

Technical cooperation activities

The level of the operating reserves was $2.9 million, which was 9.1 per cent of expenditures pertaining to technical cooperation activities in 2009. ITC had to pursue efforts to reach the prescribed level of 15 per cent in accordance with administrative instruction ST/AI/284 concerning the management of trust funds.

End-of-service liabilities, including after-service health insurance

The financial statements for the period under review reflected end-of-service and post-retirement liabilities amounting to $41.6 million. Of this amount, $37.5 million represented after-service health insurance, $1.6 million related to unused vacation leave credits, and $2.8 million represented repatriation benefits. A decision had still not been made regarding the funding of the Organization's future obligations towards its employees. The annual leave liability of $1.6 million calculated through the actuarial valuation was not compliant with IPSAS 25.

Results-based management/budgeting

ITC did not attempt to assess the qualitative impact of its projects on international trade. The programme performance report contained indicators of achievement of the organization's activities, but no relationship existed between the achievements and the resources allocated.

Management of non-expendable property

Non-expendable property amounting to $558,448 relating to projects completed in the field between 2002 and 2006 were still in the field inventory records, although project officers should have taken action to write them off.

Management of expendable property

ITC did not disclose the value of its expendable property in its financial statements as required by paragraph 49 of the United Nations system accounting standards.

Disclosures by management

Management has made certain disclosures in section C of the present report as regards the write-off of losses of cash, receivables and property, ex gratia payments, and cases of fraud and presumptive fraud.

Recommendations

The Board has made 10 recommendations based on its audit. These recommendations are that the International Trade Centre UNCTAD/WTO:

(a) **Analyse the impact of applying the International Public Sector Accounting Standards to its administrative and financial procedures (para. 22);**

(b) **Highlight during the next review of the budgetary process the impact of the principle of equal sharing of the regular budget by the United Nations and WTO (para. 29);**

(c) **Examine any deficiencies in the end-of-year automated processing of IMIS which have led to invalid obligations remaining in the financial statements (para. 38);**

(d) **Pursue its efforts to increase the level of the operating reserve until the prescribed level is reached (para. 41);**

(e) **Consider a review of its policy for the valuation of leave liability in its implementation of IPSAS (para. 63);**

(f) **Develop a funding plan for end-of-service liabilities for the consideration of and approval by the General Assembly and the General Council of WTO (para. 67);**

(g) **Refine its indicators of achievement and associated targets with a view to better assessing the qualitative impact of its projects (para. 76);**

(h) **Reflect on the method of creating links between budgetary resources and results (para. 78);**

(i) **Ensure that: (a) field inventory records are correctly managed and updated; and (b) non-expendable property has been removed from field inventory and entrusted to other users or disposed of, if appropriate (para. 85).**

A. Mandate, scope and methodology

1. The Board of Auditors (the Board) has audited the financial statements of the International Trade Centre UNCTAD/WTO (ITC) and has reviewed its operations for the biennium from 1 January 2008 to 31 December 2009 in accordance with General Assembly resolution 74 (I) of December 1946. The audit was conducted in conformity with article VII of the Financial Regulations and Rules of the United Nations and the annex thereto, as well as the International Standards on Auditing. The 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.

2. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements presented fairly the financial position of ITC as at 31 December 2009 and the results of its operations and cash flows for the biennium then ended, in accordance with the United Nations system accounting standards. This included an assessment as to whether the expenditure recorded in the

financial statements had been incurred for the purposes approved by the governing bodies and whether income and expenditure had been properly classified and recorded in accordance with the Financial Regulations and Rules of the United Nations. The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

3. In addition to the audit of the accounts and financial transactions, the Board carried out reviews of the operations of ITC under financial regulation 7.5. It requires the Board to make observations with respect to the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of the Centre's operations. Furthermore, the General Assembly had requested the Board to follow up on previous recommendations and to report on them accordingly. Those matters are addressed in the relevant sections of the present report.

4. The Board continues to report the results of its audit to ITC in the form of management letters containing detailed observations and recommendations. That practice allows for ongoing dialogue with the Administration. In that regard, one management letter was issued covering the biennium 2008-2009.

5. The Board coordinates with the Office of Internal Oversight Services (OIOS) in the planning of its audits in order to avoid duplication of efforts and to determine the extent to which it can rely on the work of OIOS.

6. The present report covers matters that, in the view of the Board, should be brought to the attention of the General Assembly, including specific requests from the Assembly and the Advisory Committee on Administrative and Budgetary Questions. In particular, in its report of 8 October 2008 (A/63/474), the Advisory Committee requested the Board to:

(a) Strengthen its validation process with a view to improving its ability to evaluate the results and impact of efforts made to implement the Board's recommendations;

(b) Continue to closely monitor the application of the International Public Sector Accounting Standards (IPSAS) as well as the preparatory process for the enterprise resource planning system;

(c) Follow up on the completion of the risk-based methodological framework of the Internal Audit Division of OIOS as well as the low completion rate of planned assignments;

(d) Continue to place emphasis on the review of results-based budgeting and results-based management;

(e) Continue to follow up on the monitoring of the audit process and on the regular reviews of the nationally executed projects made by the United Nations entities;

(f) Provide guidance on the implementation of internal control procedures related to non-expendable property.

7. The observations and conclusions of the Board were discussed with the Administration, whose views have been appropriately reflected in the present report.

8. The recommendations contained in the present report do not address steps which ITC may wish to consider taking with respect to officials in relation to instances of non-compliance with its financial regulations and rules, administrative instructions and other related directives.

B. Findings and recommendations

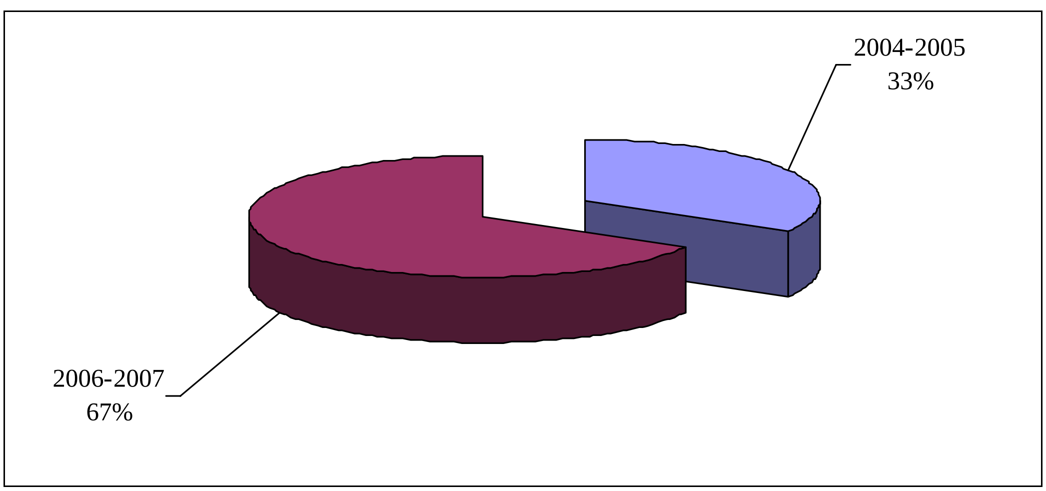
1. Follow-up of previous recommendations

9. Of the four recommendations made for the biennium 2006-2007, as set out in the previous report (A/63/5 (Vol. III), one (25 per cent) was fully implemented and three (75 per cent) were under implementation. Details regarding the status of implementation of these recommendations are presented in the annex to the present chapter.

10. For the three recommendations that were under implementation, the implementation depended on the introduction of medium-term projects involving in-depth reforms (funding of after-service and post-retirement liabilities and the pursuit of efforts to increase the level of the operating reserve). In one case, the implementation was also dependent on the ongoing upgrade of computerized databases and procedures in the context of IPSAS preparation (record software as non-expendable property). Such matters are commented on further in the relevant sections of the present report.

11. In response to the request made by the Advisory Committee on Administrative and Budgetary Questions in its report of 22 April 2005 (see A/59/736, para. 8), the Board evaluated the ageing of its previous recommendations that had not yet been fully implemented, and figure II.I indicates the financial periods during which such recommendations were first made.

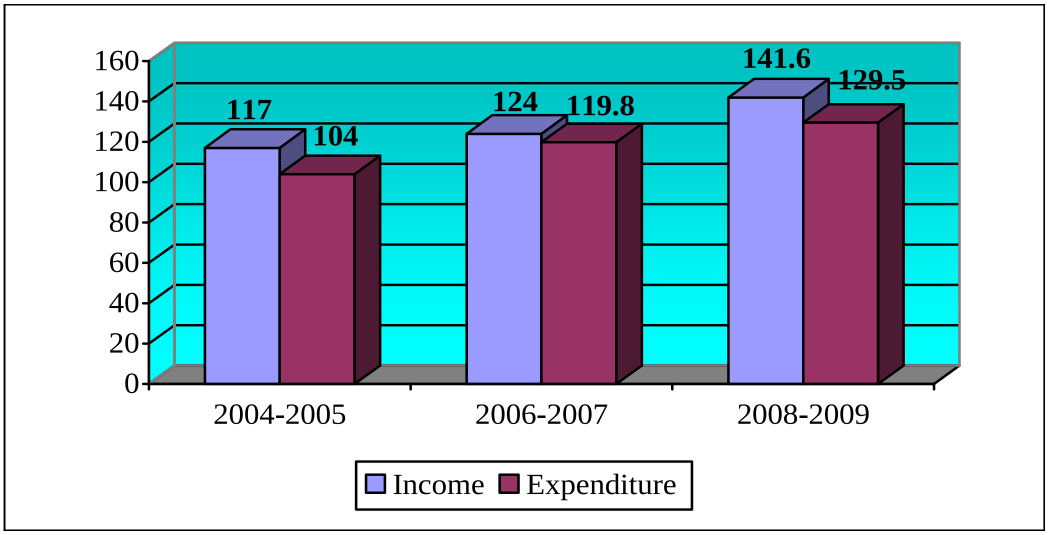
Figure II.I
Ageing of recommendations under implementation/not implemented for the previous biennium



2. Financial overview

12. Total income for the period under review amounted to $141.6 million, while total expenditure amounted to $129.5 million, resulting in an excess of income over expenditure of $12.1 million. Comparative income and expenditure for the bienniums 2004-2005, 2006-2007 and 2008-2009 are shown in figure II.II.

Figure II.II
Comparative income and expenditure
(Millions of United States dollars)



13. The analysis of the key financial ratios is presented in table II.1. The change in the ratios of cash and term deposits to total liabilities and unliquidated obligations to total liabilities was the result of a change in accounting policy, which modified the level of liabilities of ITC. Since 2007, the United Nations has modified the method of presenting the amounts of end-of-service and post-retirement liabilities. Those amounts were disclosed and explained in the financial statements. Due to the increase in liabilities resulting from the recording of end-of-service and post-retirement liabilities, the ratio of cash and term deposits to liabilities was significantly reduced in 2007 to 0.60:1, compared with 2.00:1 as at 31 December 2005.

14. The increase of the ratio of cash and term deposits/total liabilities from 0.60:1 to 0.89:1 was owing to a decrease in liabilities resulting from a reassessment of the after-service health insurance, repatriation and annual leave benefits. This matter is commented on further in the relevant section of the present report.

Table II.1
Ratios of key financial indicators

Description of ratio	*Financial year ending on 31 December* 2003	2005	2007	2009	Dividend and divisor of ratio for 2009[a]
Receivable/total assets[b]	0.29	0.30	0.18	0.21	14 979/70 405
Cash and term deposits/total assets[c]	0.71	0.70	0.82	0.79	55 426/70 405
Cash and term deposits/total liabilities[d]	1.77	2.00	0.60	0.89	55 426/62 425
Unliquidated obligations/total liabilities[e]	0.89	0.92	0.21	0.31	19 602/62 425

[a] In millions of United States dollars.
[b] A low indicator depicts a healthy financial position.
[c] A high indicator depicts a healthy financial position.
[d] A low indicator is a reflection that insufficient cash is available to settle debts.
[e] A low indicator is a positive reflection that obligations are being liquidated.

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

15. In accordance with General Assembly resolution 61/233 and in response to the comments of the Advisory Committee on Administrative and Budgetary Questions in its report A/61/350, the Board again performed a gap analysis relating to the implementation of IPSAS as well as new or upgraded enterprise resource planning systems. The Advisory Committee had commented on the desirability of such systems taking fully into account the detailed requirements of IPSAS.

16. ITC applies the United Nations Financial Regulations and Rules, and its financial statements are the responsibility of the United Nations Controller. Consequently, ITC adheres to the calendar and project requirements established by the United Nations relative to the presentation of its financial statements. The Head of Finance participates in United Nations working groups, which report regularly to the High-level Committee on Management.

17. The date of implementation of IPSAS by the United Nations has been postponed to 2014. ITC considered that at this stage, it was important that all staff be trained to increase their awareness of the implications of IPSAS.

18. The United Nations system-wide IPSAS team developed a relevant IPSAS training package, and the courses were released to individual United Nations organizations. By January 2010, the United Nations had deployed seven self-study computer-based IPSAS training courses to its staff.

19. ITC indicated that as a first step, it had requested all staff in Financial Management and Chiefs in the Division of Programme Support to complete two introductory-level courses by the end of April 2010, so as to increase their awareness of and acquire a comprehensive background in and a working knowledge of IPSAS in order to understand the implications for their own areas of work. All staff in Financial Management were subsequently encouraged to complete the other five courses by the end of June 2010.

20. However, ITC had not made any progress since its last audit with regard to reorganizing its method of operation and adapting its administrative and accounting procedures to make them compatible with the use of IPSAS.

21. The Board was concerned that a lack of preparation by ITC for the adoption of IPSAS would entail a risk of problems at a later date, for example, in updating the administrative, budgetary and financial procedures.

22. **The Board recommends that ITC analyse the impact of applying IPSAS to its administrative and financial procedures.**

23. ITC indicated that since it applied the United Nations Financial Regulations and Rules and used the United Nations enterprise resources planning system, the administrative and accounting procedures would be similar to those that the United Nations would be developing. In this regard, ITC staff were participating in the workshops organized by the United Nations IPSAS Team and Umoja Team to review and discuss the implications of IPSAS. During these workshops and meetings, ITC would express any issues that could affect its internal procedures.

4. Statement of income and expenditure

24. ITC, as a joint technical cooperation agency of the United Nations Conference on Trade and Development (UNCTAD) and the World Trade Organization (WTO) for business aspects of trade development, is financed on an equal basis by WTO and the United Nations and, from an administrative point of view, operates on the basis of administrative arrangements approved by the General Assembly in its resolution 59/276. Those arrangements focus to a large extent on the budgetary approval process, that is, the preparation and presentation of the Centre's budget documents for approval by the WTO General Council and the General Assembly and supporting statutory committees (Advisory Committee on Administrative and Budgetary Questions for the United Nations, and the Committee on Budget, Finances and Administration for WTO).

25. The statement of income and expenditure and changes in reserves and fund balances as at 31 December 2009 shows that the assessed contributions for the biennium 2008-2009 were $30.813 million for the United Nations and $30.824 million for WTO, respectively, as a result of the implementation of the principle of equal sharing of the funding of ITC by the United Nations and WTO.

26. This principle, however, is unfavourable to ITC when one of the two organizations approves a smaller contribution than the other. In such cases, for the principle of equal sharing to be observed, the amount of the contribution selected for each of the two organizations is the smaller of the two.

27. For example, for the biennium 2008-2009, the initial difference between the total contributions announced by the two organizations and the loss of income which resulted from the alignment to the smallest contribution was $1.6 million. This difference was made possible by the fact that the budget proposal was presented separately to both the United Nations and WTO, and the two organizations came up with different decisions.

28. In addition, ITC underscored that during the budgetary process for the biennium 2010-2011, the members of the Committee on Budget, Finances and Administration of WTO had expressed their concern over the lengthy delay in

presentation and complicated examination of ITC budget proposals. Several members called for a thorough review of this process in 2010 (WT/BFA/114, para. 12).

29. **ITC agreed with the recommendation of the Board that, in the review of the budgetary process requested by the Committee on Budget, Finances and Administration of WTO, it highlight the impact of the principle of equal sharing of the regular budget in the event that one parent organization approves a lower amount.**

5. Statement of assets, liabilities and reserves and fund balances

Contributions receivable

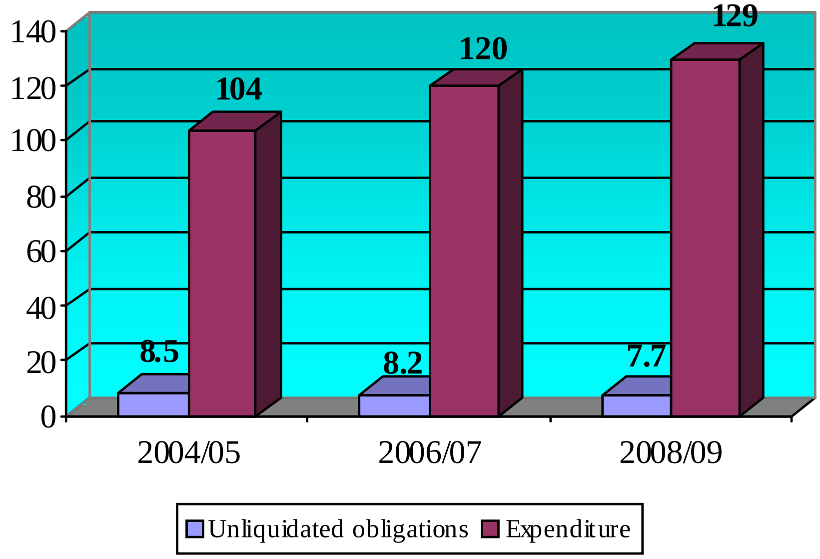
30. The regular budget of ITC for the biennium 2008-2009, with that of UNCTAD, was jointly defined by the United Nations and WTO, in equal shares of $30.8 million each. In addition, ITC received voluntary contributions amounting to $72.8 million for its technical cooperation activities. As at 31 December 2009, receivables amounting to $1.1 million from the United Nations Development Programme (UNDP) for technical cooperation projects remained outstanding, representing 1.5 per cent of voluntary contributions for technical cooperation activity for the biennium and 0.7 per cent of all contributions.

Unliquidated obligations

31. Unliquidated obligations as at 31 December 2009, as disclosed in the statement of assets, liabilities and reserves and fund balances as at 31 December 2009 (statement II), amounted to $19.6 million, representing 15.1 per cent of total expenditure and an increase of $4.2 million, or 27.3 per cent, compared with $15.4 million in 2007/2008.

32. The total unliquidated obligations in the liabilities of statement II consisted of unliquidated obligations for prior periods of $0.3 million, for the current period of $7.3 million, and for future periods of $11.9 million. Figure II.III shows unliquidated obligations (excluding future periods) against total expenditures for the bienniums 2004-2005, 2006-2007 and 2008-2009.

Figure II.III
Unliquidated obligations as against total expenditures
(Millions of United States dollars)



Source: ITC financial statements.

33. Rule 105.9 of the Financial Regulations and Rules of the United Nations provides that "an obligation must be based on a formal contract, agreement, purchase order or other form of undertaking, or on a liability recognized by the United Nations. All obligations must be supported by an appropriate obligating document".

34. Regulation 5.3 states that "appropriations shall remain available for twelve months following the end of the financial period to which they relate to the extent that they are required to discharge obligations in respect of goods supplied and services rendered in the financial period and to liquidate any other outstanding legal obligation of the financial period. The balance of the appropriations shall be surrendered".

35. Regulation 5.4 states that "at the end of the 12-month period provided in regulation 5.3 above, the then remaining balance of any appropriations retained will be surrendered. Any unliquidated obligations of the financial period in question shall at that time be cancelled or, where the obligation remains a valid charge, transferred as an obligation against current appropriations".

36. The Board noted that unliquidated obligations amounting to $1,691, $211 and $2,162, respectively, related to 2005, 2006 and 2007 were still outstanding as at 31 December 2009 because of a system problem. Those obligations should have been closed by the IMIS batch system. Those amounts were not material, and ITC settled them during 2010.

37. In the view of the Board, even if the amounts were not significant, the continued presence of unliquidated obligations in the financial statements, although

they had been cancelled, reflects a deficiency in the software which should be corrected.

38. The Board recommends that ITC examine any deficiencies in the end-of-year automated processing of IMIS which have led to invalid obligations remaining in the financial statements.

6. Technical cooperation activities

39. Statements I, II and III include the transactions pertaining to technical cooperation activities financed by trust funds. As described in note 2 (n) (x) to the financial statements, since the 2006-2007 biennium, in consultation with donor Governments, ITC decided to increase the level of operating reserves with a view to reaching 15 per cent of the annual estimated expenditure by retaining the exchange gain on investments and the donor Governments share of interest earned or by crediting to it any lump sum contributions received for the reserve. The level of the operating reserve had reached $2.9 million as at 31 December 2009.

40. In its previous report (see A/63/5 (Vol. III), chap. II, para. 23), the Board had recommended that ITC pursue its efforts to increase the level of the operating reserves up to the prescribed level of 15 per cent of annual expenditure, in accordance with administrative instruction ST/AI/284 on the management of trust funds. As at 31 December 2009, the operating reserves for technical cooperation activities had reached $2.9 million, that is, 9.1 per cent of expenditure pertaining to technical cooperation activities of $31.7 million for 2009.

41. **The Board reiterates its previous recommendation that ITC pursue its efforts to increase the level of the operating reserves until the prescribed level is reached.**

7. End-of-service liabilities, including after-service health insurance

42. The financial statements for the period under review reflected end-of-service and post-retirement liabilities amounting to $41.6 million. Of this amount, $37.1 million represented after-service health insurance, $1.6 million related to unused credits for vacation days (annual leave), and $2.8 million represented repatriation benefits.

43. In its resolution 64/241, the General Assembly requested the Secretary-General to continue to validate the accrued liabilities for after-service health insurance with figures audited by the Board and to include this information and the outcome of the validation is his report to the General Assembly at its sixty-seventh session.

44. During the 2006-2007 biennium, total end-of-service and post-retirement liabilities amounted to $59 million, broken down as follows: $50.8 million for after-service health insurance; $5.8 million for repatriation benefits; and $2.4 million for unused vacation days.

45. The amount of end-of-service and post-retirement liabilities reflected a drop of 29.5 per cent (from $59 million to $41.6 million), broken down as follows: 27 per cent for after-service health insurance (from $50.8 million to $37.1 million); 31 per cent for unused vacation days (from $2.4 million to $1.6 million); and 52 per cent for repatriation benefits (from $5.8 million to $2.8 million).

46. This revaluation of liabilities was the consequence of an increase in the discount rate from 5.5 to 6 per cent for all end-of-service and post-retirement benefits.

Discount rate

47. A discount rate is an interest rate used as a common financial practice by which to estimate the present value of an amount to be earned or lost at a future date. In other words, it represents the time value of money. As the end-of-service liabilities consist of benefits that will be paid out by ITC to its retired staff in future, IPSAS, like most other accounting frameworks, require that those amounts be "discounted" so that the reporting entity takes the present value of the future benefits as an estimate for its liability.

48. In practical terms, the higher the discount rate, the lower the present value of future amounts (conversely, the lower the rate, the higher the present value). Hence, all things being equal, the increase in the discount rate used by ITC resulted in a lower after-service health insurance liability compared with the previous financial period.

49. IPSAS 25, which serves as a reference for the actuarial methodology used for the valuation of after-service health insurance liability in accordance with General Assembly resolution 61/264, does not prescribe any particular discount rate. However, it states that: "The rate used to discount post-employment benefit obligations (both funded and unfunded) shall reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money shall be consistent with the currency and estimated term of the post-employment benefit obligations" (para. 91). It further specifies that "an entity makes a judgement whether the discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds, high-quality corporate bonds or by another financial instrument. In some jurisdictions, market yields at the reporting date on government bonds will provide the best approximation of the time value of money. However, there may be jurisdictions in which this is not the case, for example, jurisdictions where there is no deep market in government bonds, or in which market yields at the reporting date on government bonds do not reflect the time value of money. In such cases, the reporting entity determines the rate by another method, such as by reference to market yields on high-quality corporate bonds" (para. 94).

50. Like most of the methodological elements used for the actuarial valuation of after-service health insurance liability, the discount rate was selected by the United Nations on behalf of all entities participating in the same health insurance plans, and for which the United Nations coordinated the valuation exercise.

51. According to the United Nations, the purpose of selecting a discount rate when valuing end-of-service liability benefits is to measure the single amount that, if invested in a portfolio of high-quality debt instruments, would provide the future cash flow necessary to pay the accrued benefits when due. The United Nations has historically established the discount rate assumption by referring to rates of return on available high-quality, fixed-income investments with cash flow that match the timing and amount of expected benefit payments. The rates of return used as a reference by the United Nations have been those of high-quality, long-term corporate bonds.

52. While the Board acknowledges that this methodology is compliant with IPSAS 25, it makes the following comments for consideration in the discussion on the funding of these liabilities:

(a) The increase in the discount rate does not reflect the trend in interest rates, which have generally tended to decrease during the recent period. That increase caused the United Nations to decide not to increase the discount rate for the previous valuation, although the application of the methodology described above would have resulted in an increase from 5.5 per cent to 6.5 per cent at that time. Given the uncertainties regarding the prescriptions of the Accounting Standards (IPSAS 25 had not been adopted yet), the United Nations conservatively decided to maintain the 5.5 per cent rate. Had it chosen to raise the rate to 6.5 per cent, the rate would have decreased — rather than increased — for the last valuation, which would have been consistent with the economic environment;

(b) The discount rate is only one example reflecting the high level of uncertainty inherent in the actuarial valuation of a liability. While compliant with the Accounting Standards, the present valuation is only an estimate of the actual value of the liability. Consequently, the General Council of WTO and the General Assembly may wish to not regard this as an absolute reference. Valuations based on standards other than the Accounting Standards may yield different results. In that regard, the Board wishes to emphasize that a financial valuation of funding needs (or a “funding valuation”) would result in a value different from that determined through an accounting valuation which is generally more conservative.

Annual leave actuarial valuation

53. Note 2 (m) (vi) indicates that previously, the accrued liability recorded for after-service health insurance was based on an actuarial valuation, whereas the liabilities for repatriation benefits and unused vacation days were recorded based on current costs without discounting or other adjustments. With effect from the biennium ended 31 December 2009, the accrued liabilities of ITC for all three groups of accrued liabilities for end-of-service and post-retirement benefits are determined on the basis of an actuarial valuation, which was undertaken by an external actuarial firm.

54. Accrued liabilities represent the present value of benefits (excluding retiree contributions) earned between the recruitment date of United Nations staff and the date of the actuarial evaluation. They comprise benefits linked to the status of international staff, including financial compensation for unused annual leave (unused vacation days) and repatriation benefits.

55. Whereas the annual leave liability and repatriation grants had previously been estimated using the current-cost methodology, ITC changed its accounting policy and calculated the annual leave liability based on an actuarial valuation performed by an external consultant.

56. The Board reviewed the actuarial valuation report where the liability amounts for after-service health insurance, repatriation grant and annual leave were determined by the actuary. As far as the annual leave liability is concerned, the extracts of the assumptions detailed in the actuarial valuation report were as follows:

(a) “Annual leave benefits provide staff members with periods of time off from work at full pay for personal reasons and for the purposes of health, rest and recreation. Upon separation from service, staff members who have accrued unused annual leave will be paid for each day of unused leave up to a maximum of 60 days. This benefit is referred to as ‘annual leave’”;

(b) “Annual leave projection: the annual leave balance upon separation from service was projected to be equal to a staff member’s current annual leave balance as of 1 January 2010, plus additional days of annual leave earned and not taken after 1 January 2010…”;

(c) “The obligations were valued based on a discount rate of 6 per cent as at 31 December 2009”.

57. ITC justified the change in the valuation method of annual leave by reference to IPSAS 25, although no mention of IPSAS is made in the financial statements. This change is considered by ITC as an enhancement of the financial information which, while compliant with United Nations system accounting standards, is a step towards the full implementation of IPSAS.

58. The Board took this fact into consideration and checked whether this new valuation method would be compliant with IPSAS once it is fully applicable to ITC.

59. An important distinction made by IPSAS 25 is the one between short- and long-term benefits. ITC applied the actuarial valuation method to the leave liability based on the assumption that annual leave is a long-term benefit.

60. IPSAS 25 defines short-term employee benefits as benefits (other than termination benefits) which fall due wholly within 12 months after the end of the period in which the employees render the related service. Furthermore, paragraph 11 of IPSAS 25 provides examples of items that are classified as short-term benefits, and the examples include short-term compensated absences (such as annual leave and paid sick leave) where the absences are expected to occur within 12 months after the period in which the employees render the related service. The fact that, as provided for by the staff rules of the United Nations, employees may accumulate unused leave days from one period to the next and are entitled to a cash payment for unused leave days upon ceasing service does not in itself make annual leave a long-term benefit. IPSAS 25 (paras. 14-19) provides for these cases, which are classified under short-term benefits.

61. In addition, paragraph 12 of IPSAS 25 states that accounting for short-term employee benefits is generally straightforward because no actuarial assumptions are required to measure the obligation or the cost, and there is no possibility of any actuarial gain or loss. Moreover, short-term employee benefit obligations are measured on an undiscounted basis.

62. Therefore, the Board is of the opinion that the annual leave liability of $1.6 million calculated through the actuarial valuation is not compliant with IPSAS 25 as (a) it includes future days to be accumulated; and (b) it is a discounted amount.

63. **The Board recommends that ITC, in conjunction with the United Nations, consider a review of its policy for the valuation of leave liability in its implementation of IPSAS.**

Funding plan

64. In its previous report (A/63/5 (Vol. III)), the Board had recommended that options be proposed to address the negative impact on the financial statements of ITC of the recognition of end-of-service liabilities, including after-service health insurance liabilities. ITC informed the Board that it intended to adopt a funding policy in line with that of the United Nations, and that it was pending the approval by the General Assembly of the proposed funding submitted by the Secretary-General. Once a decision is made by the General Assembly, ITC will submit a funding policy to the United Nations and the General Council of WTO for approval.

65. A funding plan would include a comprehensive and effective funding strategy that considers the nature of the liabilities to be funded and the nature of the investments to be maintained for such liabilities. The funding plan may also need to consider the appropriateness of the ring-fencing of the investments that are set aside for such liabilities.

66. Where end-of-service and post-retirement liabilities were not supported by an approved funding plan, there was a risk that ITC might not be in a financial position to fully meet its obligations with regard to end-of-service liabilities and post-retirement benefits as and when those liabilities become due.

67. **The Board reiterates its previous recommendation that ITC, in conjunction with the United Nations, develop a funding plan for the end-of-service liabilities for the consideration of and approval by the General Assembly and the General Council of WTO.**

8. Results-based management/budgeting

68. Results-based budgeting is a programme budgetary process in which: (a) programme formulation revolves around a set of predetermined objectives and expected results; (b) expected results are derived from and are linked to outputs; and (c) actual performance is measured by objectives and performance indicators. It uses a logical framework, which is formulated to ensure that expected results are specific, measurable, attainable, realistic and time-bound.

69. The strategic framework for the biennium 2008-2009 was drawn up pursuant to General Assembly resolutions 58/269 and 59/275, and the Regulations and Rules Governing Programme Planning, the Programme Aspects of the Budget, the Monitoring of Implementation and the Methods of Evaluation (see ST/SGB/2000/8).

70. This framework highlights the presentation of objectives, expected achievements and indicators of success. These points are incorporated in the biennium budget document for approval. The objectives of ITC for the biennium 2008-2009, the expected achievements, the indicators of success and the measurement of results are described in the programme budget of ITC (see A/62/6 (Sect. 13)/Add.1). In paragraph 19 of its resolution 58/269, the General Assembly stressed the need to strengthen the monitoring and evaluation system, and in that regard urged the Secretary-General to improve the format and timing of programme performance and evaluation reports.

71. The report evaluating the results of activities, known as the programme performance report, was prepared based on the Integrated Monitoring and Documentation Information System (IMDIS).

72. The goal of ITC was to promote sustainable human development and contribute to the achievement of the Millennium Development Goals in developing or transition countries by the development of trade and enterprise at the international level.

73. Three achievements were expected:

(a) Assisting decision makers with a view to integrating the private sector into the global economy;

(b) Reinforcing the capacities of trade promotion institutions which provide support for businesses;

(c) Improving the international competitiveness of businesses.

74. Eight indicators were defined to assess those results. This involved measuring the number of: trade development strategies; national networks; improved negotiating positions; trade promotion institutions which have progressed; proposals submitted by the promotion institutions; and businesses which are able to formulate commercial strategies, are able to export or have met potential customers and then finalized contracts. All the indicators were quantified and associated with targets.

75. The Board nevertheless noted that ITC merely measured the number of organizations or businesses concerned but did not attempt to assess the impact of the three actions on international trade.

76. **ITC agreed with the Board's recommendation to refine its indicators of achievement and associated targets with a view to better assessing the qualitative impact of its projects.**

77. The programme performance report made no link between the achievements and the resources allocated. The fact that the planned goal was not achieved did not entail consequences in terms of the reallocation of funds. In addition, no comparison was made between the financial and programming data. This was due in part to the lack of interface between the two systems (IMIS and IMDIS) that process the two sets of data.

78. **The Board recommends that ITC consider ways of creating links between budgetary resources and results.**

9. Management of non-expendable property

79. According to the administrative instruction on property management and inventory control (ST/AI/2003/5) and chapter D2 of the guidelines for property management control of ITC, non-expendable property consists of: (a) property and equipment valued at $1,500 or more per unit at the time of purchase and having a serviceable life of five years or more (generators, etc.); (b) special items, which are property items considered to be of an attractive nature and easily removable from the premises because of their size, costing $500 or more per unit at the time of purchase and with a serviceable life of three years or more (e.g., cameras, computers); and (c) group inventory items with a serviceable life of five years or more, irrespective of value.

80. Note 9 to the financial statements indicates that the balance of non-expendable property as at 31 December 2009 was $4.9 million. In its previous report (A/63/5

(Vol. III), chap. II, para. 36), the Board had recommended that ITC record software as non-expendable property at its initial cost.

81. ITC explained that the booking of software as non-expendable property at its initial cost was one of the tasks it undertook as a priority in preparation for the implementation of IPSAS. The Board noted that work still remained to be done because ITC had not been able to make a physical inventory of the software packages used abroad in dedicated projects. The Board is of the view that it would be appropriate to establish and schedule procedures for management and control of these assets before any of them were recorded.

82. According to articles E and F of the guidelines for property management control of ITC, non-expendable property is monitored only by means of a physical inventory. This inventory distinguishes the property items in the field from those which are used at headquarters. Article E 4 (c) states that field inventory records should be updated by field staff and project managers at 31 December each year and should be sent to the inventory clerk.

83. The Board noted that non-expendable property relating to projects in the field that had been completed between 2002 and 2006 were still present in the field physical inventory. This concerned 22 projects, for a total amount of $558,548.

84. Contrary to article E 4 (c), those items had not been removed from the field physical inventory after the projects were completed.

85. **ITC agreed with the Board’s recommendation to ensure that: (a) field inventory records are correctly managed and updated; and (b) non-expendable property relating to projects completed in the field has been removed from field inventory and entrusted to other users or disposed of, if appropriate.**

86. In its response, ITC explained that an amount of $229,430 related to projects for which the process of write-off had started but had been slow. The balance of $329,118 related to projects for which the project officers should have taken action to write them off.

10. Management of expendable property

87. According to administrative instruction ST/AI/2003/5, expendable property consists of property and equipment valued at less than $1,500 per unit at the time of purchase or at $1,500 and more and with a serviceable life of less than five years.

88. Paragraph 5 of the United Nations system accounting standards requires observance of the principles of prudence, substance over form, and materiality in the selection and application of accounting policies. In addition, paragraph 49 of the accounting standards requires disclosure of the value of inventory (other than non-expendable equipment, furniture and motor vehicles) as an asset in the financial statements at the end of the financial period.

89. There was, however, no disclosure of the value of expendable property in the financial statements, although significant amounts of such property were held at 31 December 2009. The administration explained that it had not been its policy to disclose expendable property.

90. **The Board recommends that ITC disclose in the financial statements the value of unused expendable property in order to improve transparency,**

accountability and financial reporting, and in preparation for the implementation of IPSAS.

C. Disclosures by management

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

91. As provided in financial regulation 6.4 and financial rules 106.8 and 106.9, ITC provided the Board with details of cash losses, receivables and other assets written off during the biennium ended 31 December 2009.

92. ITC informed the Board that in accordance with financial rule 106.8, losses of cash and receivables amounting to $23,902.26 (no losses of cash and receivables were reported in 2006-2007) had been written off. In accordance with financial rule 106.9, losses amounting to $1,625 ($2,914 in 2006-2007) had also been written off in respect of non-expendable property.

93. The losses of cash and receivables included an amount of $17,436 due from a contractor that was deemed irrecoverable, since the entity had ceased operations.

2. Ex gratia payments

94. As required by financial rule 105.12, ITC reported no ex gratia payments during the biennium ended 31 December 2009.

3. Cases of fraud and presumptive fraud

95. In accordance with the additional terms of reference governing the audit of the United Nations (see ST/SGB/2003/7, annex, para. 6 (c) (i)), ITC reported no cases of fraud or presumptive fraud to the Board for the biennium ended 31 December 2009.

D. Acknowledgement

96. The Board wishes to express its appreciation for the cooperation and assistance extended to its staff by the International Trade Centre Executive Director and members of their staff.

(*Signed*) Terence **Nombembe**
Auditor-General of South Africa
Chair, United Nations Board of Auditors

(*Signed*) Didier **Migaud**
First President of the Court of Accounts of France
(Lead Auditor)

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

30 June 2010

Annex

Status of implementation of recommendations of the Board of Auditors for the biennium ended 31 December 2007[a]

	Summary of recommendation	*Paragraph reference*	*Financial period first made*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
1.	Propose options to address the negative impact on the financial statements of ITC of the recognition of end-of-service liabilities, including after-service health insurance liabilities	13	2006-2007		X		
2.	Pursue efforts to increase the level of the operating reserves until the prescribed level is reached	23	2004-2005		X		
3.	Ensure that the statement of cash flows includes the ITC share in the United Nations offices away from Headquarters cash pools	26	2006-2007	X			
4.	Record software as non-expendable property so that it is entered into inventory	36	2006-2007		X		
	Total	**4**		**1**	**3**	**—**	**—**
	Percentage	**100**		**25**	**75**	**—**	**—**

[a] See A/63/5 (Vol. III), chap. II.

Chapter III
Certification of the financial statements

The financial statements of the International Trade Centre UNCTAD/WTO for the biennium ended 31 December 2009 have been prepared in accordance with financial rule 106.10.

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

I certify that the appended financial statements of the International Trade Centre UNCTAD/WTO, numbered I to IV, are correct.

(*Signed*) Jun **Yamazaki**
Assistant Secretary-General, Controller

29 March 2010

Chapter IV
Financial report for the biennium ended 31 December 2009

A. Operations

1. The International Trade Centre UNCTAD/WTO (ITC) is the joint technical cooperation agency of the United Nations Conference on Trade and Development (UNCTAD) and the World Trade Organization (WTO) for business aspects of trade development. The mission of ITC is to make small business export success possible in developing and transition countries by providing, with partners, inclusive and sustainable trade development solutions to the private sector, trade support institution and policymakers. Co-sponsored by UNCTAD and WTO, it acts as the focal point for all United Nations technical cooperation activities in trade promotion, as affirmed by the Economic and Social Council in its resolution 1819 (LV) of 9 August 1973. As stipulated by the Secretary-General in his report to the General Assembly on the proposed strategic framework for the biennium 2006-2007 (A/59/6 (Prog. 10)/Rev.1), ITC is responsible for the implementation of subprogramme 6, "Operational aspects of trade promotion and export development". For the 2008-2009 biennium, the programme reduced its five principal goals to three, with a clear focus on the clients served by ITC: (i) to strengthen the integration of the business sector into the global economy through enhanced support to policymakers; (ii) to increase the capacity of trade support institutions to support businesses; and (iii) to strengthen the international competitiveness of enterprises through International Trade Centre training and support.

2. The 2008-2009 biennium was characterized by continuous improvement to both the organization and its delivery operations. ITC concentrated on four main elements to drive its change process, namely, (i) greater focus on impact and results, (ii) greater emphasis on building managerial and technical competencies within the organization, (iii) a greater country/regional focus in ITC technical assistance, and (iv) re-engineering the Centre's business processes, including a more efficient utilization of information technology-enabled technical assistance. Key results of the continuous improvement process have included specific service upgrades, improved client relations and a stronger commitment to timeliness, significant steps to raise quality assurance standards of project design, a more rigorous monitoring of project delivery with steps to increase annual progress on delivery, and ongoing programmes for giving staff the necessary skills to perform in the multi-year and multipartner larger programmes which came on stream during the biennium. A critical development in the biennium was the compilation and the approval by the Joint Advisory Group of a four-year strategic plan 2009-2012 at its forty-third meeting, in December 2009. The plan sets out responses of ITC to challenges from the external environment, beneficiaries' needs and its own experience. It describes the organization's responses to these challenges in terms of programme delivery and internal organization. The responses are based on shared objectives, are aligned to the mandate of ITC and ensure a close link between regular budget and extrabudgetary funding. They build greater coherence between the organizational strategic plan and internal operational plans, which are the prime means of reporting. The five programme delivery responses are: (i) focusing on the needs of least developed countries, landlocked developing countries, small island developing States and sub-Saharan Africa (with ITC committed to devoting at least 50 per cent

of its extrabudgetary resources to this priority); (ii) export capacity-building through country solutions; (iii) regionally structured solutions; (iv) global public goods for globally accessed solutions; and (v) targeting the Millennium Development Goals. Since 2006, ITC focused on generating a greater number of large multi-year programmes as a means of increasing delivery efficiency and achieving greater impact in developing countries. By 2008, it was clear that this effort was starting to bear fruit, as a number of large multi-year programmes were moving towards the stage of contracts being signed. Senior management recognized that 2009 would be a year in which the focus of the organization would need to change in order to accommodate this new way of working, with nearly 50 per cent of its delivery being contained in large multi-year programmes. These larger programmes started to work in 11 countries and three regions in the Programme for Building African Capacity for Trade, the Enhancing Arab Capacity for Trade and the Netherlands Trust Fund programmes.

3. In recent years the international trade environment has grown increasingly complex. In addition to the challenges posed by the recent economic downturn, the traditional themes of tariffs and quotas are gradually being replaced by a new generation of international trade issues, which are reflected on the global agenda; and some also in regional and bilateral trade agreements. These include, but are not limited to, non-tariff measures and related non-tariff barriers; trade in services; trade and climate change; trade and investment; transparency in government procurement; competition policy; and trade facilitation. Many developing countries, in particular least developed countries, do not have sufficient capacity to manage this new trade agenda or other matters relating to globalization and the related internationalization of trade, and there is a growing need for trade-related technical assistance to address this need. ITC advocates a multilateral response to the new generation of international trade issues and, in collaboration with other international organizations and developing countries, will be working with countries to develop their capacity to adapt to the changing trade arena.

4. Particular attention was paid in 2009 to clarifying and defining the Centre's partnerships with UNCTAD and WTO. The Secretary-General of UNCTAD and the Director-General of WTO met with the Executive Director and senior staff of ITC to agree on priorities for the short and medium term. A similar exercise took place with the World Bank, and agreement was reached on objectives. During 2009, ITC also engaged significantly with the United Nations System Chief Executives Board for Coordination (CEB) cluster, the Enhanced Integrated Framework for Trade-related Technical Assistance to Least Developed Countries and the "One United Nations" process. Discussions and joint programmes took place with a number of other partners, such as the United Nations Industrial Development Organization (UNIDO), the International Labour Organization (ILO) and the Fairtrade Labelling Organizations International, and more work will be done in the next biennium to consolidate strategic partnerships with those organizations. ITC also responded positively to new requests for contributions and involvement in a number of global initiatives. These included a request from WTO to increase private sector involvement in the Aid for Trade Global Review, analysing the impact of the global financial crisis, and working with an increasing number of large organizations wishing to partner with ITC, including a number of development banks.

5. While implementing all of these improvements and responding to the challenges that developed, ITC managed to grow in its activities and extend the

impact of its work. Some of the highlights of the successes are listed as follows. ITC successfully completed the first stage of the Agricultural Commodities Programme, funded by the European Union. Sector strategies and implementation plans were completed for nine countries and regions. Export strategies were completed for more than seven countries, including the gender enhancement of the Uganda National Export Strategy. The evaluation of the work of the Centre in Tajikistan and Kyrgyzstan praised its effective contribution to the sustainable development and diversification of small and medium-sized enterprise exports aimed at the textile and clothing sectors and quality assurance infrastructure. By the end of 2009 there were around 80,000 registered users of the Centre's market analysis tools with an average of 9,000 different users logging on each month. The users are located in all 49 least developed countries and 131 developing countries and territories, with a further 41 developed economies using the tools, bringing the total geographical reach of tools users to 221 countries and territories. Following the redesign and repositioning of *Trade Forum* magazine in 2008, the 2009 editions have continued to engage a more diverse set of opinions and commentary from a wide circle of contributors. Four issues were produced, in English, French and Spanish, in print and online versions. The Ethical Fashion project has successfully linked around 40 groups of microproducers (over 2,000 households impacted) from marginalized communities in Kenya and Uganda into an export supply chain that meets buyer needs in the fashion markets of London, Paris, Rome and Florence, Italy. In addition to supplying European markets, with over $2 million of exports in 2009, the network of producers also showed a strong commitment to supporting families in gaining access to better housing, giving children support for schooling, improving health and supporting other community developments. The full results achieved, and impact of these increased activities, are captured in several ITC documents, including its two annual reports for 2008 and 2009.

6. The biennium ended with the December 2009 meeting of the Joint Advisory Group on ITC which brought together the Centre's parent bodies, member States of UNCTAD and members of WTO, donors and beneficiaries. Regular consultations with donors and beneficiaries were also held within the framework of the Consultative Committee of the ITC Global Trust Fund. At the 2009 meeting of the Joint Advisory Group, many delegates referred appreciatively to the connection made between ITC programmes and support to countries in their efforts to achieve the Millennium Development Goals. There was particular emphasis on the need for further efforts towards mainstreaming gender concerns and focusing on the role of women entrepreneurs. Delegates also noted the importance of factoring into ITC programmes concerns about climate change — which was likely to affect the poorest countries disproportionately — and other aspects of the environment. There was a wide appreciation of the focus on promoting regional and intraregional trade, and also on the priority given by ITC planning to the least developed countries, landlocked developing countries, small island developing States and sub-Saharan Africa. The approved consolidated programme document for 2010 outlined specific components of the proposed programme for work of ITC for the biennium 2010-2011, based on the identified business needs in developing countries. The next biennium begins in stronger shape, continuing to adapt and improve with a firmer commitment to having positive impact on exports and contributing to the Millennium Development Goals.

B. Financial results

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

Income and expenditures

8. More than half of the Centre's activities are financed by extrabudgetary funds, and the rest are financed by the regular budget. Under administrative and budgetary arrangements between the United Nations and the WTO, endorsed by the General Assembly in its decision 53/411 and its resolution 59/276, the regular budget of the Centre is assessed in Swiss francs and shared equally between the United Nations and WTO. The contributions of the respective organizations, net of miscellaneous income, are also fixed in Swiss francs. Statement IV provides summary information on the regular budget appropriation and expenditure.

9. Total resources expended, by source of funds, during the biennium ended 31 December 2009, compared with the previous biennium, were as follows:

	2008-2009	*2006-2007*
	(Thousands of United States dollars)	
Regular budget	62 024	54 603
Technical cooperation activities[a]	64 579	61 678
Programme support costs	7 095	7 441
Revolving funds and other funds	3 957	4 033
End of service and post retirement liabilities	190	—
All funds eliminations	(8 392)	(7 949)
Total expenditure	**129 453**	**119 806**

[a] Includes activities carried out under the integrated framework where UNDP acts as trust fund manager on behalf of the integrated framework.

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

10. Compared with the biennium ended 31 December 2007, the Centre's regular budget expenditure overall increased by $7.4 million to $62.0 million, owing mainly to the higher costs of the approved posts, inflation and exchange rate fluctuations.

11. Technical cooperation expenditure amounted to $31.3 million in 2008 and $33.3 million in 2009, totalling $64.6 million for the biennium 2008-2009. This represents a 5 per cent increase compared with total technical cooperation expenditures of $61.7 million for the biennium 2006-2007. This growth of $2.9 million resulted, in part, from accessing increased financial support via trust funds. Expenditures rose owing to change management initiatives, increased activities focusing on the Millennium Development Goals, and additional projects in

Asia, Africa and the least developed countries, in line with the Centre's strategic objectives.

Assets, liabilities and reserves and fund balances

12. The Centre's share of the United Nations offices away from Headquarters cash pool totalled to $55,417,000 as at 31 December 2009, comprising cash and term deposits of $18,587,000, short-term investments of $14,338,000, long-term investments of $22,197,000 and accrued interest receivable of $295,000. Of this amount, $46,219,000 pertains to technical cooperation activities.

13. The Centre's accrued liabilities for end-of-service and post-retirement benefits comprise those for after-service health insurance, repatriation benefits and unused vacation days. Previously, the accrued liability recorded for after-service health insurance was based on an actuarial valuation, whereas the liabilities for repatriation benefits and unused vacation days were recorded based on current costs without discounting or other adjustments. With effect from the biennium ended 31 December 2009, the liabilities of all three groups of accrued liabilities for end-of-service and post-retirement benefits were determined on an actuarial basis. The Centre's accrued liability for after-service health insurance, repatriation benefits and unused vacation days as of 31 December 2009 were estimated at $37,144,000, $2,784,000 and $1,641,000, respectively.

14. The Centre's General Fund balance of $1,618,000 as at 1 January 2008 was refunded equally to the United Nations and WTO in 2008. Contributions of $61,637,000 received from the United Nations and WTO, investment income of $255,000 and miscellaneous income of $366,000 resulted in total funds available of $62,258,000 for the biennium 2008-2009. Expenditures, including unliquidated obligations of $2,903,000, amounted to $62,024,000. Taking into account the above, as well as the cancellation of prior period obligations of $444,000, the balance of the General Fund as at 31 December 2009 was $695,000.

Annex

Supplementary information

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

Write-off of losses of cash and receivables

2. In accordance with financial rule 106.8, receivables of $23,902 were written off during the biennium 2008-2009.

Write-off of losses of property

3. In accordance with financial rule 106.9, a loss of property amounting to $1,625 was written off during the biennium 2008-2009.

Ex gratia payments

4. There were no ex gratia payments during the biennium 2008-2009.

Chapter V

Financial statements for the biennium ended 31 December 2009

Statement I
International Trade Centre UNCTAD/WTO
Statement of income and expenditure and changes in reserves and fund balances[a]

(Thousands of United States dollars)

	General Fund	*Technical cooperation activities*[b]	*Programme support costs*	*Revolving funds and other funds*	*End-of-service and post-retirement liabilities*	*All funds eliminations*	*Total 2009*	*Total 2007*
Income								
Assessed contributions[c]								
WTO	30 824	-	-	-	-	-	30 824	27 597
United Nations	30 813	-	-	-	-	-	30 813	27 533
Voluntary contributions	-	72 767	-	-	-	-	72 767	58 669
Funds received under inter-organization arrangements	-	2 916	-	-	-	-	2 916	2 971
Income for services rendered	-	-	7 496	1 212	-	(7 765)	943	1 948
Interest income	255	1 984	117	150	29	-	2 535	3 880
Other/miscellaneous	366	150	198	-	639	(581)	772	1 408
Total income	**62 258**	**77 817**	**7 811**	**1 362**	**668**	**(8 346)**	**141 570**	**124 006**
Expenditure								
Staff and other personnel costs	49 462	42 348	6 174	2 980	190	(639)	100 515	85 964
Travel	601	1 978	-	81	-	-	2 660	2 916
Contractual services	2 465	4 413	72	209	-	(40)	7 119	11 531
Operating expenses	5 474	1 549	2	108	-	(20)	7 113	7 029
Acquisitions	1 888	699	26	78	-	(164)	2 527	2 823
Other	2 134	6 551	821	46	-	(33)	9 519	9 543
Total direct expenditure	**62 024**	**57 538**	**7 095**	**3 502**	**190**	**(896)**	**129 453**	**119 806**

	General Fund	*Technical cooperation activities*[b]	*Programme support costs*	*Revolving funds and other funds*	*End-of-service and post-retirement liabilities*	*All funds eliminations*	*Total 2009*	*Total 2007*
Programme support costs	-	7 041	-	455	-	(7 496)	-	-
Total expenditure	**62 024**	**64 579**	**7 095**	**3 957**	**190**	**(8 392)**	**129 453**	**119 806**
Excess (shortfall) of income over expenditure	**234**	**13 238**	**716**	**(2 595)**	**478**	**46**	**12 117**	**4 200**
Non-budgeted accrued income (expenses) for end-of-service and post-retirement benefits[d]	-	-	-	-	17 419	-	17 419	(11 402)
Prior-period adjustments	17	127	3	11	46	(46)	158	76
Net excess (shortfall) of income over expenditure	**251**	**13 365**	**719**	**(2 584)**	**17 943**	**-**	**29 694**	**(7 126)**
Cancellation of prior-period obligations	444	-	36	-	-	-	480	348
Transfers (to) from other funds	-	(1 715)	(28)	1 743	-	-	-	-
Refund to donors	(1 618)[e]	(390)	-	(18)	-	-	(2 026)	(735)
Other adjustments to reserves and fund balances	-	-	-	-	-	-	-	(47 586)
Reserves and fund balances, beginning of period	1 618	31 846	2 074	3 084	(58 790)	-	(20 168)	34 931
Reserves and fund balances, end of period	**695**	**43 106**	**2 801**	**2 225**	**(40 847)**	**-**	**7 980**	**(20 168)**

[a] See note 2.
[b] Includes UNDP-financed projects.
[c] See note 3 (a).
[d] Represents net decrease in accrued liabilities for after-service health insurance costs of $13,683,000, for unused vacation days of $727,981, and for repatriation benefits of $3,008,307; see note 7.
[e] Represents return of surplus as of 31 December 2007 to the United Nations and WTO.

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

Schedule 1.1
International Trade Centre UNCTAD/WTO
Schedule of voluntary contributions received for technical cooperation activities

(Thousands of United States dollars)

	2008	*2009*	*Total 2008-2009*	*Total 2006-2007*
Government				
Australia	-	261	261	-
Belgium — Flemish Government	1 212	-	1 212	-
Brazil	796	548	1 344	80
Cambodia	-	30	30	-
Canada	2 073	11 316	13 389	3 652
China	80	270	350	140
Denmark	2 395	2 633	5 028	4 600
Egypt	-	130	130	180
Finland	1 265	2 308	3 573	1 392
France	1 172	-	1 172	1 439
Germany	3 416	3 077	6 493	5 757
India	50	70	120	100
Ireland	1 554	1 506	3 060	2 555
Italy	104	46	150	1 319
Japan	66	-	66	265
Jordan	-	-	-	22
Mali	161	59	220	-
Mauritius	201	-	201	201
Mexico	20	40	60	-
Netherlands	4 318	3 970	8 288	7 199
New Zealand	193	146	339	320
Norway	3 832	3 701	7 533	4 885
Romania	-	134	134	-
Saudi Arabia	-	-	-	24
Spain	369	216	585	-
Sweden	3 162	4 209	7 371	6 422
Switzerland	2 523	2 246	4 769	7 778
United Kingdom of Great Britain and Northern Ireland	596	-	596	80
Uruguay	-	-	-	52
United States of America	81	30	111	147
Subtotal	**29 639**	**36 946**	**66 585**	**48 609**
Other government organizations				
Peru-Ecuador Binational Fund	-	-	-	133
Commonwealth Business Council	-	-	-	30

	2008	2009	Total 2008-2009	Total 2006-2007
Commonwealth Secretariat	56	-	56	52
Department of Economic Development, Dubai	-	-	-	25
European Commission	295	2 992	3 287	9 010
International Labour Office	34	7	41	-
International Organization of la Francophonie	165	194	359	110
Islamic Development Bank	65	222	287	-
Syrian Enterprise and Business Centre	57	-	57	69
UNIDO	-	370	370	-
World Bank	600	900	1 500	527
World Health Organization	-	-	-	40
World Trade Organization	33	23	56	33
Subtotal	**1 305**	**4 708**	**6 013**	**10 029**
Public donations				
Integration International Management Consultants	119	-	119	-
International Institute for Trade and Development	50	-	50	-
Business Development Company Ltd.	-	-	-	31
Subtotal	**169**	**-**	**169**	**31**
Total	**31 113**	**41 654**	**72 767**	**58 669**

Statement II
International Trade Centre UNCTAD/WTO
Statement of assets, liabilities and reserves and fund balances[a]

(Thousands of United States dollars)

	General Fund	*Technical cooperation activities*[b]	*Programme support costs*	*Revolving funds and other funds*	*End-of-service and post-retirement liabilities*[c]	*All funds eliminations*	*Total 2009*	*Total 2007*
Assets								
Cash and term deposits	-	9	-	-	-	-	9	4
Offices away from Headquarters cash pool[d]	2 923	46 219	2 998	2 481	796	-	55 417	44 938
Inter-fund balances receivable	-	709	-	-	101	(810)	-	-
Receivable from funding sources	-	1 072	-	-	-	-	1 072	620
Other accounts receivable	549	950	16	-	-	-	1 515	1 684
Deferred charges	2 958	8 500	6	928	-	-	12 392	7 540
Total assets	**6 430**	**57 459**	**3 020**	**3 409**	**897**	**(810)**	**70 405**	**54 786**
Liabilities								
Unliquidated obligations — prior period	-	328	-	6	-	-	334	675
Unliquidated obligations — current period	2 903	4 096	147	186	-	-	7 332	7 551
Unliquidated obligations — future periods	2 714	8 294	-	928	-	-	11 936	7 182
Inter-fund balances payable	-	1 427	4	64	-	(1 495)	-	-
Other accounts payable	118	208	68	-	175	685	1 254	558
End-of-service and post-retirement liabilities[e]	-	-	-	-	41 569	-	41 569	58 988
Total liabilities	**5 735**	**14 353**	**219**	**1 184**	**41 744**	**(810)**	**62 425**	**74 954**
Reserves and fund balances								
Operating reserves	-	2 889[f]	767	-	-	-	3 656	2 624
Balances related to projects funded by donors	-	40 217	-	-	-	-	40 217	29 955

	General Fund	*Technical cooperation activities*[b]	*Programme support costs*	*Revolving funds and other funds*	*End-of-service and post-retirement liabilities*[c]	*All funds eliminations*	*Total 2009*	*Total 2007*
Cumulative surplus (deficit)	695	-	2 034	2 225	(40 847)	-	(35 893)	(52 747)
Total reserves and fund balances	**695**	**43 106**	**2 801**	**2 225**	**(40 847)**	**-**	**7 980**	**(20 168)**
Total liabilities, reserves and fund balances	**6 430**	**57 459**	**3 020**	**3 409**	**897**	**(810)**	**70 405**	**54 786**

[a] See note 2.
[b] Includes UNDP financed projects.
[c] See note 7.
[d] Represents share of the United Nations offices away from Headquarters United States dollar cash pool of $55,417,226 and comprises cash and term deposits of $18,586,884, short-term investments of $14,337,961 (market value $14,416,563), long-term investments of $22,197,173 (market value $22,490,601) and accrued interest receivable of $295,208.
[e] Represents accrued liabilities as of 31 December 2009 for after-service health insurance costs of $37,144,000, for unused vacation days of $1,641,000 and for repatriation benefits of $2,784,000. See note 7.
[f] See note 4 (b).

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

Statement III
International Trade Centre UNCTAD/WTO
Statement of cash flows for the biennium[a]

(Thousands of United States dollars)

	General Fund	Technical cooperation activities[b]	Programme support costs	Revolving funds and other funds	End-of-service and post-retirement liabilities[c]	All funds eliminations	Total 2009	Total 2007[d]
Cash flows from operating activities								
Net excess (shortfall) of income over expenditure (statement I)	251	13 365	719	(2 584)	17 943	-	29 694	(7 126)
(Increase) decrease in inter-fund balances receivable	117	705	86	-	(33)	(875)	-	-
(Increase) decrease in receivable from funding sources	-	(452)	-	-	-	-	(452)	970
(Increase) decrease in other accounts receivable	(72)	114	52	75	-	-	169	3 291
(Increase) decrease in other assets	(1 371)	(3 224)	5	(262)	-	-	(4 852)	1 898
Increase (decrease) in unliquidated obligations	1 461	2 517	52	164	-	-	4 194	(2 024)
Increase (decrease) in inter-fund balances payable	-	(494)	4	38	-	452	-	-
Increase (decrease) in other accounts payable	(6)	129	47	-	103	423	696	(897)
Increase (decrease) in end-of-service and post-retirement liabilities	-	-	-	-	(17 419)	-	(17 419)	58 988
Less: interest income	(255)	(1 984)	(117)	(150)	(29)	-	(2 535)	(3 880)
Net cash flows from operating activities	**125**	**10 676**	**848**	**(2 719)**	**565**	**-**	**9 495**	**51 220**
Cash flows from investing activities								
Interest income	255	1 984	117	150	29	-	2 535	3 880
Net cash flows from investing activities	**255**	**1 984**	**117**	**150**	**29**	**-**	**2 535**	**3 880**
Cash flows from financing activities								
Cancellation of prior-period obligations	444	-	36	-	-	-	480	348
Transfers (to) from other funds	-	(1 715)	(28)	1 743	-	-	-	-
Refunds to donors	(1 618)	(390)	-	(18)	-	-	(2 026)	(735)
Other adjustments to reserves and fund balances	-	-	-	-	-	-	-	(47 586)
Net cash flows from financing activities	**(1 174)**	**(2 105)**	**8**	**1 725**	**-**	**-**	**(1 546)**	**(47 973)**

	General Fund	*Technical cooperation activities*[b]	*Programme support costs*	*Revolving funds and other funds*	*End-of-service and post-retirement liabilities*[c]	*All funds eliminations*	*Total 2009*	*Total 2007*[d]
Net increase (decrease) in cash and term deposits and cash pool	**(794)**	**10 555**	**973**	**(844)**	**594**	**-**	**10 484**	**7 127**
Cash and term deposits and cash pool, beginning of period	3 717	35 673	2 025	3 325	202	-	44 942	37 815
Cash and term deposits and cash pool, end of period	**2 923**	**46 228**	**2 998**	**2 481**	**796**	**-**	**55 426**	**44 942**

[a] See note 2.
[b] Includes UNDP-financed projects.
[c] See note 7.
[d] Comparative figures have been reclassified to conform to current presentation.

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

Statement IV
International Trade Centre UNCTAD/WTO
General Fund: Statement of appropriations for the biennium

(Thousands of United States dollars)

	Appropriations[a]			*Expenditures*			
	Original	*Changes*	*Revised*	*Disbursements*	*Unliquidated obligations*	*Total*	*Unencumbered balance*
International Trade Centre UNCTAD/WTO							
Programme of activities	56 783	5 403	62 186	59 121	2 903	62 024	162

[a] Represents original appropriation of $56,782,900 for the biennium 2008-2009 as authorized by the General Assembly in its resolution 62/237, which was increased to $62,396,000 in accordance with General Assembly resolution 63/264, and subsequently decreased to $62,185,850 in accordance with resolution 64/242.

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

Notes to the financial statements

Note 1
The International Trade Centre and its activities

(a) On 12 December 1967, the General Assembly adopted resolution 2297 (XXII) approving the establishment of the International Trade Centre "to be jointly operated by the United Nations Conference on Trade and Development and the General Agreement on Tariffs and Trade (GATT) on a continuing basis and in equal partnership" with effect from 1 January 1968. This arrangement had previously been endorsed by the GATT Council on 22 November 1967. In 1995, GATT responsibilities were assumed by the World Trade Organization (WTO). The WTO General Council then requested its secretariat to negotiate with the United Nations Secretariat for revised budgetary arrangements with regard to the International Trade Centre (the "Centre"). On 18 December 1998, the General Assembly, in its decision 53/411 B, endorsed the recommendation of the Secretary-General of the United Nations and the Director-General of WTO that the arrangements governing the status of the Centre as a joint body be confirmed and renewed with the WTO, and approved the revised administrative arrangements of the Centre as set out in paragraph 11 of the report of the Advisory Committee on Administrative and Budgetary Questions (A/53/7/Add. 3). The General Assembly, in part I of resolution 59/276 of 23 December 2004, took note of the revised administrative arrangements for the International Trade Centre UNCTAD/WTO (ITC) as set out in the report of the Secretary-General (A/59/405). Governmental supervision of the Centre is exercised by the Members of WTO and by the Trade and Development Board of UNCTAD. The Joint Advisory Group is responsible for advising on the work programme and activities of the Centre.

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

Note 2
Summary of significant accounting and financial reporting policies

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

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

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

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

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

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

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

(b) The Centre's accounts are maintained on a "fund accounting" basis. Each fund is maintained as a distinct financial and accounting entity with a separate self-balancing, double-entry group of accounts.

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

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

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

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

(g) The cash flow summary statement is based on the "indirect method" of cash flow as referred to in the United Nations System Accounting Standards.

(h) The Centre's financial statements are presented in accordance with the ongoing recommendations of the Task Force on Accounting Standards to the High-Level Committee on Management.

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

(j) Income:

(i) General Fund income reflects the actual contributions received from the United Nations and from WTO during the financial period;

(ii) Interest income includes all interest earned on deposits in various bank accounts, investment income earned on marketable securities, and other negotiable instruments and investment income earned in the cash pool. All realized losses and net unrealized losses on short-term investments are offset against investment income. Investment income and costs associated with the operation of investments in the cash pool are allocated to participating funds;

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

(iv) Refunds of expenditure which are charged in the same financial period against the budgetary accounts are credited to the same accounts, but refunds of expenditure related to prior financial periods are credited to miscellaneous income;

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

(k) Expenditure:

(i) Expenditure is incurred against authorized allotments. Total expenditure reported includes unliquidated obligations and disbursements;

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

(iii) Expenditure for future financial periods is not charged to the current financial period and is recorded as deferred charges, as referred to in paragraph (1) (iii) below.

(l) Assets:

(i) Cash and term deposits represent funds held in demand deposit accounts and interest-bearing bank deposits, certificates of deposit and call accounts;

(ii) Cash pool comprise participating funds' share of cash and term deposits, short-term and long-term investments and accrual of investment income, all of which are managed in the pool. The investments in the cash pool include marketable securities and other negotiable instruments acquired to produce income. Short-term investments in the cash pool are stated at lower of cost or market value; long-term investments in the cash pool are stated at cost. Cost is defined as the nominal value plus or minus any unamortized premium or discount. The share in the cash pool is reported separately in each participating fund's statement and its composition and the market value of its investments are disclosed in footnote d to the statement of assets, liabilities and reserves and fund balances;

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

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

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

(m) Liabilities and reserves and fund balances:

(i) Operating and other types of reserves are included in the totals for "reserves and fund balances", shown in the financial statements;

(ii) Unliquidated obligations for future years are reported both as deferred charges and as unliquidated obligations;

(iii) Deferred income includes income received but not yet earned;

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

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

(vi) Accrued liabilities for end-of-service and post-retirement benefits comprise those for after-service health insurance, repatriation benefits and unused vacation days. Previously, the accrued liability recorded for after-service health insurance was based on an actuarial valuation, whereas the liabilities for repatriation benefits and unused vacation days were calculated on the basis of current costs, without discounting or other adjustments. With effect from the biennium ended 31 December 2009, all three groups of accrued liabilities for end-of-service and post-retirement benefits are determined on an actuarial basis. The change with respect to repatriation benefits and unused vacation days is considered to be a change in accounting policy. The change, which is in accordance with paragraph 18 of the United Nations System Accounting Standards, is made so that reasonable estimates of such liabilities can be incorporated in the financial statements. See note 7;

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

(viii) Contingent liabilities, if any, are disclosed in the notes to the financial statements;

(ix) The Centre is a member organization participating in the United Nations Joint Staff Pension Fund, which was established by the General Assembly to provide retirement, death, disability and related benefits. The Pension Fund is a funded, multi-employer-defined benefit plan. An actuarial valuation of the assets and pension benefits of the Pension Fund is prepared every two years. As there is no consistent and reliable basis for allocating the related liabilities/assets and costs to individual organizations participating in the plan, the United Nations is not in a position to identify its share of the underlying financial position and performance of the plan with sufficient reliability for accounting purposes, and hence has treated this plan as if it were a defined contribution plan; thus the United Nations share of the related net liability/ asset position of the UNJSPF is not reflected in the financial statements. The Centre's contribution to the Pension Fund consists of its mandated contribution at the rate established by the General Assembly, which is currently 7.9 per cent for the participant and 15.8 per cent for the Organization, respectively, of the applicable pensionable remuneration, together with its share of any actuarial deficiency payments under article 26 of the Regulations of the Pension Fund. Such deficiency payments are payable only if and when the General Assembly has invoked the provision of article 26, following a determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Pension Fund as at the valuation date. As at the reporting date of the current financial statements, the General Assembly had not invoked this provision.

(n) Technical cooperation accounts:

(i) Statements I, II and III include the financial reports on technical cooperation activities financed by the trust funds and UNDP;

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

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

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

(v) Interest accruing from trust funds is credited first to the operating reserve to maintain that reserve at the agreed level, then to programme support costs to meet any annual deficit attributable to currency fluctuations, and thereafter to donors' funds or to increase operating reserves (see subpara. (n) (x) below). Trust fund miscellaneous income accruing from the sale of surplus property or refunds of expenditure is credited to the project under which the purchase or expenditure was originally financed. If the project is closed, this income is credited to the donor;

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

(vii) Unliquidated obligations for future financial periods are reported both as deferred charges and as future-year unliquidated obligations;

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

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

(x) Operating reserve. Since the biennium 2006-2007, in consultation with donor governments, the Centre decided to gradually increase the level of operating reserve to 15 per cent of the annual estimated expenditure by retaining the exchange gain on investments and the donor Governments' share of interest earned or by crediting to it any lump-sum contributions received for the reserve. The level of the operating reserve had reached $2,888,694 as at 31 December 2009;

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

(xii) Provision to meet contingent liabilities for compensation under appendix D to the staff rules of the United Nations for personnel financed by trust funds is calculated on the basis of 1 per cent of the net base pay and charged to the project allocations.

(o) Programme support costs:

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

(ii) Unliquidated obligations in respect of special accounts for programme support costs are accounted for on the same basis as for the General Fund;

(iii) Any balance in the support costs fund is carried forward to the next biennium;

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

(p) Revolving funds and other funds:

(i) Revolving funds initially funded with seed money from extrabudgetary sources are established for the purpose of carrying on specific activities or attaining certain objectives. The income derived from the revolving fund's activities is credited to the fund and is used to cover all related costs of its activities. Revolving funds are operated in accordance with the established terms of reference and operational and financial objectives;

(ii) Business advisory services revolving fund:

Sale of materials, tools and related services for ongoing research, development and dissemination of up-to-date materials on enterprise competitiveness are utilized to finance the provision of new and updated materials;

(iii) International purchasing and supply chain management revolving fund:

Sales of training materials and related services are utilized to finance the costs of reprinting and translation and other related costs;

(iv) Strategic and operational market research revolving fund:

Sales of trade data analyses, tools and services at the global, regional, national and enterprise levels are utilized to finance the provision of further services;

(v) South-South trade promotion revolving fund:

Sales of standard output, ready-made and tailor-made advisory and operational services, training materials, matchmaking and related services are credited to (a) South-South trade promotion and (b) market development activities and are utilized to finance the provision of further services and updated materials.

Note 3
General Fund

(a) Income during the biennium 2008-2009:

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, and the new administrative arrangements between the United Nations and WTO as endorsed by the General Assembly in its decision 53/411 and its resolution 59/276, the regular budget of the International Trade Centre is assessed in Swiss francs and shared equally between the United Nations and WTO.

The revised budget of the Centre for the biennium 2008-2009, as established by the General Assembly in its resolution 64/242, provided for estimated expenditure of $62,185,850, equivalent to SwF 66,606,900, as compared with SwF 68,174,300 for the biennium 2006-2007, thus reflecting a decrease of 2.3 per cent in Swiss francs. Miscellaneous income was estimated at $559,650 (equivalent to SwF 622,400), thus requiring a contribution of $30,813,100 (equivalent to SwF 32,992,250) each from the United Nations and WTO.

During the biennium 2008-2009, the contributions received from the United Nations and WTO were $30,813,099 (equivalent to SwF 33,336,995) and $30,823,954 (equivalent to SwF 33,336,995) respectively, totalling $61,637,053.

Other income during the biennium 2008-2009 comprised (in thousands of United States dollars):

	2008-2009	*2006-2007*
Income from rental of premises	183	164
Sale of publications	28	68
Refund of prior-year expenditures	134	138
Other	21	66
Total	**366**	**436**

(b) Deferred charges:

Deferred charges comprised (in thousands of United States dollars):

	2008-2009	*2006-2007*
Unliquidated obligations — future periods (note 2 (1) (iii))	2 714	1 389
Education grant advances to staff (note 2 (1) (iv))	215	174
Other	29	24
Total	**2 958**	**1 587**

(c) Reserves and fund balances:

The surplus balance in the Centre’s General Fund at the end of a biennium is credited to the United Nations and WTO in the following biennium. Accordingly, the fund balance of $1,617,700 brought forward from the biennium 2006-2007 was refunded in equal amounts to the United Nations and WTO in 2008. The surplus account of $695,100 as at 31 December 2009 arose from the excess of income over expenditure for the biennium 2008-2009 of $251,140 and the cancellation of prior period obligations of $443,960.

Note 4
Technical cooperation activities

(a) Deferred charges:

Deferred charges comprised (in thousands of United States dollars):

	2008-2009	*2006-2007*
Unliquidated obligations for future periods (note 2 (1) (iii))	8 294	5 129
Education grant advances to staff (note 2 (1) (iv))	118	40
Other	88	107
Total	**8 500**	**5 276**

(b) Operating reserve:

The operating reserve is maintained to cover delays in payment of pledged contributions and to meet shortfalls of income over final expenditure of the trust funds, including any liquidating liabilities. As reflected in the summary of significant accounting policies (note 2 (n) (x)), the Centre decided to increase this reserve so that, over the years, it reaches a level of 15 per cent of the annual estimated expenditure. During the biennium 2008-2009, with the agreement of donor governments, the level of the operating reserve was increased from $1,890,649, as at 31 December 2007, to $2,888,694, as at 31 December 2009.

Note 5
Special account for programme support costs

Reserves and fund balances totalled $2,800,468 as at 31 December 2009 and reflected the following movements during the biennium 2008-2009 (in thousands of United States dollars):

	2008-2009	*2006-2007*
Fund balances, beginning of period	1 341	1 469
Excess (shortfall) of income over expenditure	716	122
Prior-period adjustments	3	—
Cancellation of prior-period obligations	36	23
Transfers to revolving funds	(28)	(104)
Transfers to operating reserve	(34)	(169)
Fund balances, end of period	**2 034**	**1 341**
Operating reserves, beginning of period	733	564
Transfers from surplus account	34	169
Operating reserve balances, end of period	**767**	**733**
Total reserves and fund balances	**2 801**	**2 074**

Note 6
Revolving funds and other funds

Income for services rendered during the biennium 2008-2009 comprised (in thousands of United States dollars):

	2008-2009	*2006-2007*
Business advisory services revolving fund	168	469
International purchasing and supply chain management revolving fund	384	386
Strategic and operational market research revolving fund	595	1 931
South-South trade promotion revolving fund	65	73
Total	**1 212**	**2 859**

Note 7
Accrued liabilities for end-of-service and post-retirement benefits

(a) End-of-service and post-retirement benefits comprise after-service health insurance coverage, repatriation benefits and commutation of unused vacation days. As disclosed in note 2 (m) (vi), with effect from the biennium ended 31 December 2009, all three liabilities are determined on the basis of an actuarial valuation, which was undertaken by an independent, qualified actuarial firm.

(b) After-service health insurance:

(i) Upon end of service, staff members and their dependants may elect to participate in a defined-benefit health-insurance plan of the United Nations, provided they have met certain eligibility requirements, including 10 years of participation in a United Nations health plan for those who were recruited after 1 July 2007, and 5 years for those who were recruited prior to that date. This benefit is referred to as after-service health insurance;

(ii) The major assumptions used by the actuary to determine the liabilities for after-service health insurance as at 31 December 2009 were a discount rate of 6.0 per cent; health-care escalation rates of 8.4 per cent in 2010, grading down to 4.5 per cent in 2027 and later years for United States medical plans, and of 6.0 per cent in 2010, grading down to 4.5 per cent in 2027 and later years for medical plans outside the United States; and retirement, withdrawal and mortality assumptions consistent with those used by the United Nations Joint Staff Pension Fund in making its own actuarial valuation of pension benefits. By comparison, the assumptions used to determine the liabilities for after-service health insurance as at 31 December 2007 were a discount rate of 5.5 per cent; health-care escalation rates of 9.5 per cent in 2008, grading down to 5.0 per cent in 2015 and later years for United States medical plans, and of 5.7 per cent in 2008, grading down to 4.5 per cent in 2012 and later years for medical plans outside the United States. There were no changes in the Pension Fund retirement, withdrawal and mortality assumptions since the 2007 valuation;

(iii) Another factor in the after-service health insurance valuation is to consider contributions by all plan participants in determining the Centre's residual liability. Thus, contributions from retirees are deducted from the gross liability and, commencing with the 31 December 2009 valuation, a portion of the contributions from active staff is also deducted to arrive at the Centre's residual liability in accordance with cost-sharing ratios authorized by the General Assembly. These ratios require that the Centre's share shall not exceed one half for non-United States health plans, two thirds for United States health plans, and three quarters for the medical insurance plan. This refinement in the determination of plan participant contributions is reflective of the fact that both active and retired staff participate in the same health-insurance plans and that their collective contributions serve to meet the approved cost-sharing ratios;

(iv) On the basis outlined in (ii) and (iii) above, the present value of the accrued liability as at 31 December 2009, net of contributions from plan participants, was estimated at $37,144,000. This reflects actuarial gains of $19,751,000 resulting from the updating and refinement of actuarial assumptions noted in (ii) and (iii) above and based on updated census, health insurance claims and other data;

(Thousands of United States dollars)

After-service health insurance liability	*Accrued liability*
Gross liability	74 289
Offset by contributions from plan participants	(37 145)
Net liability	**37 144**

(v) Further to the assumptions set out in (b) (ii) above, it is estimated that the present value of the liability would increase by 17.0 per cent or decrease by 14.0 per cent, respectively, if the medical cost trend increased or decreased by 1.0 per cent, all other assumptions remaining constant. Similarly, it is estimated that the accrued liability would increase by 17.0 per cent or decrease by 14.0 per cent, respectively, if the discount rate is decreased or increased by 1.0 per cent, all other assumptions remaining constant.

(c) Repatriation benefits:

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

(ii) As referred to in note 2 (m) (vi), a consulting actuary was engaged to carry out an actuarial valuation of repatriation benefits as at 31 December 2009. Previously, the liabilities for repatriation benefits were calculated on the basis of current costs as at the reporting date, without discounting or other adjustments;

(iii) The major assumptions used by the actuary were a discount rate of 6.0 per cent, annual salary increases ranging from 10.6 per cent to 5.5 per cent based on age and category of staff members, and travel cost increases of 4.0 per cent per annum;

(iv) On the basis of these assumptions, the present value of the accrued liability for repatriation benefits as at 31 December 2009 was estimated at $2,784,000, comprising $1,575,000 for the General Fund, $1,030,000 for technical cooperation activities, $173,000 for programme support costs, and $6,000 for revolving and other funds;

(v) The change in accounting policy to an actuarial basis for measuring the liability for repatriation benefits has not been applied retroactively, owing to the impracticality of undertaking an actuarial valuation as at 31 December 2007. Had the former, current-cost methodology been continued, the liability would have been $5,086,000 as at 31 December 2009. Hence, the effect of adopting this new policy in the current period is a decrease in both the liabilities and non-budgeted accrued expenses in the amount of $2,302,000;

(d) Unused vacation days:

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

(ii) As referred to in note 2 (m) (vi), a consulting actuary was engaged to carry out an actuarial valuation of unused vacation days as at 31 December 2009. Previously, the liabilities for unused vacation days were calculated on the basis of current costs as at the reporting date, without discounting or other adjustments;

(iii) The major assumptions used by the actuary were a discount rate of 6.0 per cent, and an annual rate of increase in accumulated annual leave balances of 15 days in the first year, 6.5 days per year in the second to sixth years, and 0.1 days annually thereafter, capping at an accumulation of 60 days. Salaries are assumed to increase annually at rates ranging from 10.6 per cent to 5.5 per cent based on age and category of the staff members;

(iv) On the basis of these assumptions, the present value of the accrued liability for unused vacation days as at 31 December 2009 was estimated at $1,641,000, comprising $985,000 for the General Fund, $504,000 for technical cooperation activities, $142,000 for programme support costs, and $10,000 for revolving and other funds;

(v) The change in accounting policy to an actuarial basis for measuring the liability for unused vacation days has not been applied retroactively, owing to the impracticality of undertaking an actuarial valuation as at 31 December 2007. Had the former, current-cost methodology been continued, the liability would have been $2,827,000 as at 31 December 2009. Hence, the effect of adopting this new policy in the current period is a decrease in both the liabilities and non-budgeted accrued expenses in the amount of $1,186,000.

Note 8
Contributions in kind

During the biennium ended 31 December 2009, the value of the contributions in kind received is estimated to be $2,509,153, based on standard costs methodology developed by the Centre. The contributions in kind consist mainly of conferenceservicing facilities provided by governments and other organizations/counterparts for the organization of local events/workshops.

Note 9
Non-expendable property

In accordance with the Centre's accounting policies, non-expendable property is charged against the current allotment in the year of purchase. During the biennium 2008-2009, the movement in non-expendable property, valued at historical cost, was as follows (in thousands of United States dollars):

	2008-2009
Balance as at 1 January 2008	4 338
Acquisitions	969
Less write-offs — accidents, theft and damage	(1)
Less dispositions	(359)
Balance as at 31 December 2009	**4 947**

10-44147 (E) 290710