United Nations

Financial report and audited financial statements

for the year ended 31 December 2019

and

Report of the Board of Auditors

Volume III
International Trade Centre

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Supplement No. 5

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Note

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

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Letters of transmittal

Letter dated 27 March 2020 from the Secretary-General addressed to the Chair of the Board of Auditors

In accordance with financial regulation 6.2, I have the honour to transmit the financial statements of the International Trade Centre for the year ended 31 December 2019, which I hereby approve. The financial statements have been completed and certified by the Controller as correct in all material respects.

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

(*Signed*) António **Guterres**

Letter dated 21 July 2020 from the Chair of the Board of Auditors addressed to the President of the General Assembly

I have the honour to transmit to you the report of the Board of Auditors on the financial statements of the International Trade Centre for the year ended 31 December 2019.

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

Chapter I

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

Opinion

We have audited the financial statements of the International Trade Centre (ITC), which comprise the statement of financial position as at 31 December 2019 (statement I) and the statement of financial performance (statement II), the statement of changes in net assets (statement III), the statement of cash flows (statement IV) and the statement of comparison of budget and actual amounts (statement V) for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the International Trade Centre as at 31 December 2019 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS).

Basis for opinion

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

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

The Secretary-General is responsible for the other information, which comprises the financial report for the year ended 31 December 2019, contained in chapter IV, but does not include the financial statements and our auditor's report thereon.

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

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

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentation or the overriding of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the International Trade Centre.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Secretary-General.
- Draw conclusions as to the appropriateness of the Secretary-General's use of the going-concern basis of accounting and, on the basis of the audit evidence obtained, whether a material uncertainty exists in relation to events or conditions that may cast significant doubt on the ability of the International Trade Centre to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to

the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the International Trade Centre to cease to continue as a going concern.

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

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

Report on other legal and regulatory requirements

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

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

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

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

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

21 July 2020

Chapter II
Long-form report of the Board of Auditors

Summary

Audit opinion

1. The Board of Auditors has audited the financial statements and reviewed the operations of the International Trade Centre (ITC) for the year ended 31 December 2019. In the Board's opinion, the financial statements present fairly, in all material respects, the financial position of ITC as at 31 December 2019 and its financial performance and cash flows for the year then ended, and have been prepared in accordance with the International Public Sector Accounting Standards (IPSAS).

Overall conclusion of the Board

2. Net assets for ITC for the year ended December 2019 decreased significantly by $71.65 million, from $32.86 million in December 2018, despite a significant increase in total assets of $88.80 million (32.46 per cent) during the same period. The decrease in net assets was due mainly to an actuarial loss in employee benefits liabilities and additional liability recognized on account of conditional voluntary contributions in 2019. The decrease in net assets resulted in an excess of total liabilities over total assets of $38.80 million as at 31 December 2019. The accumulated surplus of $23.58 million as at 31 December 2018 turned into an accumulated deficit of $49.79 million as at 31 December 2019.

3. The Board noted that the functioning of ITC could be improved in areas such as financial management, human resources management, travel management, low-value procurements and project implementation. The Board has made suitable recommendations to address those weaknesses.

Key findings

Financial management

Financial statements

4. The coronavirus disease (COVID-19) was declared a pandemic on 11 March 2020, which was after the reporting date and before the financial statements were authorized. ITC introduced a note disclosure at the request of the Board, in which it stated that its assessment provided no additional evidence of conditions that existed on the reporting date for which financial statements needed to be adjusted. ITC also stated that, in 2020, operations had slowed owing to the COVID-19 outbreak, but that it was too early to assess the impact of COVID-19 on 2020 operations and that it was not possible to issue a genuine disclosure note on 2020 activities.

Operating reserves

5. In accordance with United Nations business rules, an operating reserve at the level of 15 per cent of the annual estimated expenditure is normally required to be maintained during the implementation of trust fund activities to cover shortfalls and to be utilized to meet the final expenditure of the trust fund, including any liquidating liabilities. ITC has significantly low operating reserves, at 10 per cent of its expenditure.

Business continuity plan

6. The business continuity plan is central to the organization's efforts to ensure that essential and time-critical business services are maintained (or quickly recovered) during and after emergencies. ITC did not have a well-documented business continuity plan to effectively mitigate risks of work interruptions posed by disruptive events.

Human resources management

Appointment of consultants

7. The hiring process for consultants and individual contractors was not competitive in 419 cases, with a total contracted value of $5.22 million (22 per cent), which was not in accordance with the ITC administrative instruction. Some consultants were awarded several contracts in 2019, running concurrently on the same days (while ensuring that the overall number of working days did not exceed the maximum duration of the combined contracts). Selection processes were not rigorous, even for high-value contracts.

Training for staff and non-staff personnel

8. ITC staff members did not complete mandatory training, even 14 months after the administrative instruction had been issued. The overall completion rate of mandatory training as at 31 December 2019 was 77 per cent. The requirement for the mandatory Anti-Fraud and Anti-Corruption Framework awareness online course was not included in the memorandums of understanding or contracts signed with non-staff personnel. The overall completion rate of mandatory training for non-staff personnel as at 31 December 2019 was 43.9 per cent.

Travel management

9. The overall rate of non-compliance with the 16-day advance air ticket purchase policy in 2019 remained high, at 61 per cent. It was 52 per cent among ITC staff and 65 per cent for non-staff, who took the majority of the trips in 2019.

Procurements

Low-value acquisitions

10. ITC has been relying significantly on low-value acquisitions, for which procurement processes are not rigorous. The total value of such acquisitions was $7.11 million in 2019, accounting for 34 per cent of total purchases. There were some cases that were split to circumvent the procurement process. Some procurements could have been under system contracts.

Project implementation

Evaluation of projects

11. Project completion reports were not submitted within the stipulated three months after projects had been operationally closed, and delays were often significant. Recommendations of the Independent Evaluation Unit on the reports and on project evaluation were not acted upon in a time-bound manner.

Financial closure of projects

12. The time taken for the financial closure of projects from their date of operational closure was significant, running to more than 12 months in a number of cases. The project management guidelines do not contain a specific timeline for financial closure after a project is operationally closed.

Adherence to the prescribed template in the grant memorandums of understanding

13. There were deviations from the standard template for signing grant memorandums of understanding with grantees. The incorporation of standard provisions was essential to ensure the veracity of the payments made to the participants in training programmes and workshops and to report in-kind contributions to comply with the United Nations Policy Framework for International Public Sector Accounting Standards and their appropriate disclosure in the financial statements.

Main recommendations

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

(a) **Undertake a review of its operational reserve requirements and progressively augment its operating reserves in line with evolving operational needs;**

(b) **Have a well-documented and adequately tested business continuity plan to effectively mitigate risks of work interruptions posed by disruptive events;**

(c) **Select consultants through a competitive process and establish a more rigorous formal selection process for consultants and individual contractors with annual consultancy fees exceeding a suitable threshold, and annual ex-post review of contracts in all cases by ITC management;**

(d) **Consider setting specific timelines for its entire staff to complete mandatory training;**

(e) **Include the provision for completing mandatory training for consultants, individual contractors and implementing partners clearly in their contracts, and monitor implementation by hiring managers or programme managers;**

(f) **Consider putting in place clear accountability mechanisms at all levels to ensure improved compliance with the advance ticket purchase policy and the effective use of alternative methods, such as videoconferencing and other remote business practices;**

(g) **Consider establishing standard operating procedures for a formal ex-post review by Central Support Services to oversee compliance with organizational rules governing low-value procurements and to take follow-up action. In the ex-post review, it should be considered whether services procured for fulfilling mandates were cost-effective;**

(h) **Enforce accountability at all levels for the timely completion of high-quality project completion reports within the prescribed three months, as well as timely implementation of recommendations from the evaluation and the annual evaluation synthesis report, in accordance with agreed timelines reflected in the management response;**

(i) **Incorporate specific timelines into its project management guidelines for completing the financial closure of a project after its operational closure;**

(j) **Adhere to the provisions of the grant memorandum of understanding template, in particular conditionality for payment in the case of projects with training components.**

Key facts

$125.25 million	Total revenue in 2019, up from $120.11 million in 2018 (4.3 per cent)
$118.95 million	Total expenses in 2019, up from $98.69 million in 2018 (20.5 per cent)
$362.37 million	Total assets in 2019, up from $273.56 million in 2018 (32.5 per cent)
$401.16 million	Total liability in 2019, up from $240.71 million in 2018 (66.66 per cent)
($38.80) million	Net assets became negative in 2019, down from $32.86 million in 2018 (-218.1 per cent)

A. Mandate, scope and methodology

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

2. The Board of Auditors has audited the financial statements of ITC and has reviewed its operations for the year ended 31 December 2019 in accordance with General Assembly resolution 74 (I) of 1946. The audit was conducted in conformity with the Financial Regulations and Rules of the United Nations, as well as the International Standards on Auditing. The latter standards require that the Board comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

3. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements present fairly the financial position of ITC as at 31 December 2019 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS). This included an assessment as to whether the expenditure recorded in the financial statements had been incurred for the purposes approved by the governing bodies and whether revenue and expenses had been properly classified and recorded in accordance with the Financial Regulations and Rules of the United Nations. The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

4. Owing to the prevailing coronavirus disease (COVID-19) pandemic and the consequent ban on international travel, the Board did not visit the ITC headquarters in Geneva, and the audit was conducted remotely from India. The Board continued to work collaboratively with the Office of Internal Oversight Services to provide coordinated coverage.

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

B. Findings and recommendations

1. Follow-up of previous recommendations

6. The Board followed up on the implementation of previous recommendations. Of 17 outstanding recommendations up to the year ended 31 December 2018, ITC had fully implemented 4 (24 per cent), while 13 (76 per cent) were under implementation (see table II.1). The details of the 13 outstanding recommendations are summarized in table II.1.

Table II.1
Outstanding recommendations

	Audit report of the Board			
Status	A/72/5 (Vol. III)	A/73/5 (Vol. III)	A/74/5 (Vol. III)	*Total*
Open recommendations at the end of December 2018	5	4	8	17
Status of implementation in 2019				
(a) Fully implemented	1	2	1	4
(b) Under implementation	4	2	7	13
Recommendations open as at December 2019	4	2	7	13

7. The annex to the present report contains details on the status of implementation of previous recommendations. It may be noted that six recommendations that the Board made earlier have been reiterated in the present report on account of their significant nature. These include recommendations on the appointment of consultants, the completion of mandatory training, compliance with the advance ticket purchase policy, delays in project completion reports and adherence to the provisions of the grant memorandum of understanding template.

2. Financial overview

Financial position

8. As at 31 December 2019, the net assets of ITC had turned negative, at -$38.80 million (2018: $32.86 million). Total assets increased from $273.56 million in 2018 to $362.37 million in 2019, with an increase in voluntary contributions receivable (current voluntary contributions receivable increased from $72.02 million in 2018 to $95.09 million in 2019, while non-current voluntary contributions receivable increased from $102.48 million in 2018 to $120.12 million in 2019), cash and cash equivalents (from $8.96 million in 2018 to $36.66 million in 2019) and investments (while current investment of $76.45 million in 2019 remained close to the 2018 level of $76.72 million, non-current investment increased from $5.94 million in 2018 to $23.81 million in 2019). This change reflects a significant increase in the activities taken up by ITC.

9. ITC reported total liabilities of $401.16 million as at 31 December 2019 (2018: $240.71 million). This significant rise was attributable in particular to an increase in employee benefits liabilities, from $88.90 million as at 31 December 2018 to $170.13 million as at 31 December 2019, and in liabilities recognized for conditional voluntary contributions, from $142.04 million as at 31 December 2018 to

$217.30 million as at 31 December 2019. The higher actuarial valuation of employee benefit liabilities was due to changes in financial assumptions[1] worth $78.78 million.

Financial performance

10. ITC reported a surplus of $6.30 million for the year ended 31 December 2019 (2018: surplus of $21.42 million). Revenue for the year totalled $125.25 million (2018: $120.11 million), the majority of which was earned from assessed contributions of $35.89 million ($37.36 million in 2018) and voluntary contributions of $82.87 million ($76.82 million in 2018).

11. ITC reported expenses of $118.95 million for the year ended 31 December 2019 (2018: $98.69 million). As in previous years, the majority of expenses related to employee salaries, allowances and benefits ($55.59 million). Non-employee costs (consultant and contractor costs) were reported as $25.93 million and other operating expenses were $20.49 million. An increase in non-employee costs indicates an increased use of non-employees. The balance of costs included travel, grants, depreciation, amortization and supplies and consumables. Table II.2 shows the Board’s analysis of ITC expenses.

Table II.2
Expenses of the International Trade Centre for the years ended 31 December 2019 and 31 December 2018

	2019		*2018*	
Expense type	*Thousands of United States dollars*	*Percentage of total*	*Thousands of United States dollars*	*Percentage of total*
Employee salaries, allowances and benefits	55 592	46.73	51 726	52.41
Non-employee compensation and allowances, excluding travel costs	22 707	19.09	14 573	14.77
Travel, including non-employee travel	11 415	9.60	9 012	9.13
Grants and other transfers	4 340	3.65	2 439	2.47
Supplies and consumables	371	0.31	502	0.51
Depreciation	370	0.31	419	0.42
Amortization	824	0.69	642	0.65
Other operating expenses	20 491	17.23	16 599	16.82
Other expenses	2 837	2.38	2 784	2.82
Share of joint arrangement	5	–	(9)	(0.01)
Total	**118 952**	**100**	**98 687**	**100**

Source: Analysis by the Board of Auditors of ITC statements of financial performance for 2018 and 2019. The comparative figures for 2018 have been restated for comparison purposes.

[1] The revision of actuarial financial assumptions was related to contributions to the United Nations Staff Mutual Insurance Society against Sickness and Accidents ($29.93 million), per capita claims ($20.29 million), discount rates ($30.88 million), medical inflation (-$2.31 million) and subsidies for Medicare parts B and D (-$0.006 million).

Financial analysis

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

Table II.3
Ratio analysis

Ratio	*31 December 2019*	*31 December 2018*
Current ratio[a] (current assets to current liabilities)	2.98	3.52
Total assets: total liabilities[b] (assets to liabilities)	0.90	1.14
Cash ratio[c] (cash + short-term investments to current liabilities)	1.57	1.86
Quick ratio[d] (cash + investments + accounts receivable to current liabilities)	2.88	3.43

Source: ITC 2019 financial statements.
[a] A high ratio indicates an entity's ability to pay off its short-term liabilities.
[b] A high ratio is a good indicator of solvency.
[c] The cash ratio is an indicator of an entity's liquidity by measuring the amount of cash, cash equivalents or invested funds there are in current assets to cover current liabilities.
[d] The quick ratio is more conservative than the current ratio because it excludes inventory and other current assets, which are more difficult to turn into cash. A higher ratio means a more liquid current position.

13. The Board noted that the current ratio, cash ratio and quick ratio had decreased compared with the previous year. That was due mainly to an increase in current liabilities compared with the previous year. However, in view of the sound current, cash and quick ratios, ITC has no immediate risk to its liquidity. Although the ratio of total assets to total liabilities decreased from 1:14 in 2018 to 0:90 in 2019, the Board agrees with the assertion of ITC that it remains a going concern.

3. Financial management

Financial statements

14. ITC accepted the following audit observations on the financial statements of 2019 and agreed to take the required corrective action in the accounting year 2020:

(a) ITC had interest income of $208,664 from a non-conditional contribution that was classifiable as an "additional voluntary contribution" and $123,073 that was classifiable as "payable to the donor", available for use after approval by the donor. However, ITC had classified the entire amount of $331,736 as "investment revenue", thereby overstating its investment revenue by $331,736 and understating its "voluntary contribution" by $208,664 and "accounts payable" by $123,073. ITC explained that clarification on that observation would be sought from the Secretariat, and ITC would follow such guidance to ensure consistent treatment and presentation between volume I and ITC statements;

(b) ITC had created a lower provision for settling a legal claim of a former employee before the United Nations Dispute Tribunal, even though it had had the experience of settling a previous, comparable case. The provision created was for $65,000, but ought to have been for $94,764. The short provision resulted in the understatement of non-current liabilities, as well as the overstatement of the surplus for the year 2019 by $29,764. The Board had also pointed that out during the audit of financial statements for the year 2018. ITC agreed to increase the amount of provision to $94,764 should the case not be settled before preparation of the 2020 financial statements;

(c) Advances to implementing partners disclosed in note 7 of the financial statements were arrived at after adjusting a credit balance of $176,964, which was not in line with IPSAS 1: Presentation of financial statements. There was therefore an understatement of accounts receivable and accounts payable by $176,964. ITC explained that the credit balance of $176,964 was a result of human error in entering the posting date of a clearing document, which resulted in the transaction being split between 2019 and 2020. The necessary correction has been made in 2020 through automatic clearing;

(d) Staff recoveries disclosed in note 7 included $13,407 outstanding for more than two years from two staff members. Given that there had been no recovery for the past two years, a suitable allowance for doubtful realization was required to be made. ITC confirmed that consistent efforts had been made to recover the receivables in question and that they were not yet considered irrecoverable. Because the receivables were outstanding for two years, in accordance with ITC policies, the provision would result in 25 per cent of the amounts, or $3,351.75.

COVID-19 pandemic

15. In paragraph 5 of IPSAS 14: Events after the reporting date, events after the reporting date are defined as those events, both favourable and unfavourable, that occur between the reporting date and the date on which the financial statements are authorized for issue. It is also stated that events can be identified as: (a) those that provide evidence of conditions that existed on the reporting date (adjusting events after the reporting date); and (b) those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

16. COVID-19 was declared a pandemic on 11 March 2020, which was after the reporting date and before the financial statements were authorized. ITC introduced a note disclosure at the request of the Board, in which it stated that its assessment provided no additional evidence of conditions that existed on the reporting date for which financial statements needed to be adjusted. ITC also stated that, in 2020, operations had slowed owing to the COVID-19 outbreak, but that it was too early to assess the impact of COVID-19 on 2020 operations and that it was not possible to issue a genuine disclosure note on 2020 activities.

Operating reserves

17. In accordance with United Nations administrative instruction ST/AI/285, in the case of several project trust funds, an operating cash reserve at the level of 15 per cent of the annual estimated expenditure is normally required to be maintained during the implementation of the trust fund activities to cover shortfalls and to be utilized to meet the final expenditure of the trust fund, including any liquidating liabilities. ITC, however, maintained a significantly lower level of operating reserves, at 10 per cent, which was below the required target of 15 per cent prescribed in the administrative instruction.

18. ITC replied that there had been a steady increase in the operating reserve level, from $5.5 million in 2014 to $9.34 million in 2019, and that sufficient measures had already been put in place, namely a standard clause in donor agreements for ITC to keep accrued interest; successful negotiation to include advance payments in most donor agreements; persuading all donors to pay in advance rather than in arrears; and multi-year agreements with large first instalments that resulted in an increase in cash and cash equivalents and accrued interest. ITC also stressed that there had been no

cases in which it had not been able to accommodate the requests for advances from operating reserves.

19. The Board noted that the status of operating reserves presented to the Consultative Committee of the ITC Trust Fund in May 2019 showed that approximately 94 per cent of operating reserves had been utilized for advances as of April 2019. This indicates that a lower than prescribed level of operating reserves is a potential risk for meeting shortfalls in revenue over the final expense of trust funds, as well as temporarily funding projects that are awaiting cash flows from donors.

20. **The Board recommends that ITC undertake a review of its operational reserve requirements and progressively augment its operating reserves in line with evolving operational needs.**

21. ITC accepted the recommendation.

4. Business continuity plan

22. The business continuity plan is central to the organization's efforts to ensure that essential and time-critical business services are maintained (or quickly recovered) during and after emergencies. An organization is therefore required to conduct a business continuity planning process encompassing the determination of the essential and time-critical business services of the entity; the identification of the units or personnel responsible for the delivery of those services; the development of continuity measures for each essential and time-critical business service; the documentation of this process in a business continuity plan; and the testing and continual updating of the business continuity plan.

23. Business continuity planning is one of seven core elements of the United Nations organizational resilience management system, under which policy implementation across the United Nations system and in the field is mandatory. The Board notes that ITC has its independent office premises and that its mandated activities are implemented around the world. It also uses a number of information technology platforms and intranet sites that it maintains and manages. It should therefore have a well-documented and adequately tested business continuity plan to effectively cope with disruptive events.

24. The Board requested ITC to provide a copy of the approved business continuity plan in force on 31 December 2019, including any updates made after the outbreak of COVID-19, as suggested by United Nations Headquarters in February 2020. ITC, however, could not produce a business continuity plan document. Following a discussion with senior ITC managers, it emerged that ITC did not have a documented business continuity plan.

25. The Board appreciates the ability if ITC to manage its business and continue its work remotely during a situation such as COVID-19. However, the Board is of the view that the organization should have a formal and updated business continuity plan document that addresses business continuity risks in the face of disruptive events.

26. **The Board recommends that ITC should have a well-documented and adequately tested business continuity plan to effectively mitigate risks of work interruptions posed by disruptive events.**

27. ITC accepted the recommendation and agreed to update its business continuity plan documentation, procedures and continuity of core business systems and include achievements and lessons learned from the COVID-19 pandemic.

5. Human resources management

5.1 Hiring of consultants

28. The administrative instruction dated 3 March 2014 on consultants and individual contractors (ITC/AI/2014/04), as well as paragraph 4.3 of the 2017 ITC guidelines, contain a list of business rules on the recruitment and administration of consultants and individual contractors. Non-employee compensation and allowances (non-staff costs) incurred for consultants and individual contractors constitute a significant financial outlay, both in quantum and as a proportion of total ITC expenses. Non-staff costs more than doubled over two years, from $11.31 million in 2017 to $25.928 million in 2019. The proportion of non-employee compensation and allowances in total ITC expenses also increased, from 12.83 per cent in 2017 to 21.80 per cent in 2019.

29. The Board, in its reports for the past three years, had highlighted inefficiencies in appointments of consultants and individual contractors. Concerns highlighted included the hiring of consultants without a competitive process, at fees higher than the maximum fee associated with the level of hire. The Board observed that the former observation, which had previously been reported, continued to exist.

Awarding of contracts on a nomination basis

30. The hiring process for consultants and individual contractors was not competitive in the case of 419 contracts worth $5.22 million (22 per cent) awarded on a nomination basis in 2019. This includes 48 contracts worth more than $25,000 individually, with a total value of $1.81 million, including 11 contracts worth more than $50,000 individually valued at $0.66 million. This was not aligned with the ITC administrative instruction, in which it was specified that no fewer than three applicants should be evaluated to ensure transparency in the selection process. It also includes 21 contracts worth $1.52 million that had initially been awarded on a nomination basis and that were extended in 2019.

31. According to paragraphs 5 (c) and 70 of ITC/AI/2014/04 dated 3 March 2014 and section 7.1 of the ITC guidelines, the hiring manager who requests the services of a consultant or individual contractor is fully responsible for the engagement of the consultant or individual contractor from selection to supervision of the work and for the delivery of all listed duties and responsibilities. The average value of individual nomination contracts in ITC (2019) is $12,452, the maximum being $75,000. That is higher than the threshold of $10,000 for the competitive procurement of goods and services through the tender solicitation process and after scrutiny by the procurement committee, as well as the threshold of $30,000 for transfer to implementing partners, post-scrutiny by the division director or Senior Management Committee, along with the approval of the Division of Programme Support. The Board takes note of the contention of ITC that hiring managers issue payments once the requirements in the terms of reference are satisfactorily met but also points out that there is no formal ex-post review of the hiring of consultants or individual contractors to monitor compliance by hiring managers with all the terms, conditions and requirements of ITC/AI/2014/04.

Awarding of several contracts to the same consultants and individual contractors

32. Of the 2,010 contracts awarded to consultants and individual contractors in 2019, 1,296 (64 per cent) were issued to 459 consultants and individual contractors (39 per cent), with a total contract value of $15.02 million. The Board noted that each of the 459 consultants and individual contractors had been awarded more than one

contract during the year. A further analysis of those 1,296 contracts led to the following observations:

(a) Seven consultants and individual contractors were awarded 67 contracts, each consultant or individual contractor being awarded between 8 and 13 contracts during the year. The Board noted instances in which two or more contracts had been issued to a specific consultant or individual contractor for exactly the same period, with the same start or end dates. ITC stated that sometimes it divided the annual consultancy days between contracts with smaller durations so that a consultant was not blocked in Umoja from taking on other assignments. The Board also noted that 77 consultants or individual contractors had been awarded more than four contracts each, on average, during the year;

(b) The Board noted that 29 consultants and individual contractors had been awarded 133 contracts valued at $1.84 million and that they were simultaneously engaged on several contracts, as seen from the period of engagement in their individual contracts;

(c) The Board also noted that 81 of the contractors and individual consultants who had been awarded several contracts during 2019 (294 contracts worth $3.55 million) had been selected through an open competitive process for some contracts and on a nomination basis for others. Their selection through a competitive process for some contracts indicates the presence of more than one eligible candidate, raising doubts as to the need for their simultaneous selection on a nomination basis.

33. ITC replied that it was a capacity-building agency highly dependent on consultants and that it already had a large pool of consultants in its roster. It also stated that its policy did not prohibit the overlapping of contracts as long as the overall duration of the work assignments was within the maximum limit of 24 months within a 36-month period.

34. The reply should be seen in the light of the significant number of consultants and individual contractors engaged on a nomination basis and the substantial value of those contracts, which indicates a need for reviewing the process of such engagements on a nomination basis. The Board also noted that the ITC guidelines did not specifically permit the overlapping of contracts. It is stated in section 4.1 of the ITC guidelines dated February 2018 on the recruitment and administration of consultants and individual contracts that the repeated use of the same consultant or individual contractor must be limited. Awarding several contracts to a consultant or individual contractor, up to 13 contracts in a year with some running concurrently, carries the risk of compromising the quality and effectiveness of the service.

35. **The Board reiterates its previous audit recommendation regarding the selection of consultants and individual contractors through a competitive process and further recommends that ITC establish a more rigorous formal selection process for consultants and individual contractors with annual consultancy fees exceeding a suitable threshold, along with an ex-post review of contracts annually in all cases by ITC management.**

36. ITC agreed with the principle and spirit of the Board's recommendation and proposed that it would implement the following action points:

(a) Where hiring is decentralized to project managers, ensure that justification for hiring is clearly substantiated, including reasons for not selecting the other two candidates;

(b) For contracts above a certain threshold to be decided by senior management, the Certifying Officer/Section Chief and Human Resources undertake a review of the suitability and capabilities of the consultant. This can include asking for reference checks or informal interviews with the proposed candidate;

(c) Senior management is to undertake an annual review of consultants and individual contractors, including contracts issued, geographical diversity, fees and performance.

5.2 Training for staff, consultants and implementing partners

Training for staff members

37. In an administrative instruction dated 31 October 2018 (ITC/AI/2018/06), ITC listed mandatory training programmes for staff members that were to be completed within six months of issuance of the administrative instruction or within six months of a staff member joining ITC or assuming a role for which the additional learning was mandatory (except security-related mandatory programmes, for which different timelines were prescribed). In its report for 2018, the Board had stated that the overall completion rate of mandatory training as of April 2019, namely within six months of issuance of the administrative instruction, was 66.9 per cent.

38. The Board observed that, even by December 2019, ITC staff members could not complete the mandatory training courses that were to have been completed by 30 April 2019. The overall completion rate of mandatory training as at 31 December 2019 was 77.0 per cent, of which 63.8 per cent was within the stipulated timeline. The completion rate of the new courses was 67.4 per cent for Anti-Fraud and Anti-Corruption Framework awareness training and 56.6 per cent for training on sexual exploitation and abuse. The completion rates of the other two mandatory training courses (which were stipulated even before the administrative instruction of 31 October 2018), namely training on United Nations Human Rights Responsibilities and training on the Information Security Awareness – Foundational course, were 55.8 per cent and 69.1, respectively. The Board noted that, of 93 staff members at the supervisory level, only 47 (50.5 per cent) had completed training on supervisory skills, even though those courses were strongly recommended.

39. The Board noted that the completion status of mandatory training programmes was to be reflected in the staff member's performance appraisal, as well as the Chiefs' and Directors' appraisals, and was to be reviewed by the Executive Director to enforce accountability of supervisory officers. It was also noted that the Chief of Human Resources shared the status of compliance every month with all staff members and senior management. Notwithstanding these procedures being in place, ITC could not reach 100 per cent compliance on mandatory training.

Training for non-staff personnel

40. The business rules of ITC also provide that non-staff personnel have to complete some mandatory training. The hiring managers, programme managers or project managers responsible are to ensure that the scope of mandatory training is extended through the inclusion of appropriate clauses in agreements signed with consultants, individual contractors and implementing partners for completing the Anti-Fraud and Anti-Corruption Framework awareness course before commencing work with ITC.

41. The Board reviewed 35 memorandums of understanding signed with implementing partners and found that the clause on the mandatory Anti-Fraud and Anti-Corruption Framework awareness online course was not included in them. The Board reviewed records of 92 contracts awarded to 46 consultants and individual contractors and found that the scope of mandatory training was not included in them.

42. The Board was informed that, of the 1,257 consultants and individual contractors hired between 1 November 2018 and 31 December 2019, 702 (56 per cent)

had completed the training before commencing work with ITC. The overall completion rate of mandatory training by non-staff personnel was 43.9 per cent as at 31 December 2019.

43. **The Board recommends that ITC consider setting specific timelines for its entire staff to complete mandatory training.**

44. ITC accepted the recommendation and stated that it would ensure that all new staff members complete their mandatory training within six months of arrival and others by a date to be agreed by senior management.

45. **The Board also recommends that ITC clearly include a provision for completing mandatory training for consultants, individual contractors and implementing partners in their contracts and monitor implementation by hiring managers or programme managers.**

46. ITC accepted the recommendation and stated that all Section Chiefs would ensure that mandatory training of consultants and individual contractors would be completed by a date to be agreed by senior management. It also stated that the completion of mandatory training would be a precondition for the renewal of contracts.

47. ITC recognized the need to put in place a more rigorous framework to ensure the completion of mandatory training for staff, consultants and individual contractors and stated that senior management would review compliance rates for the completion of mandatory training on a biannual basis. ITC would also update its policy to specify the training courses for implementing partners.

6. Travel management

Use of videoconferences, audioconferences and other remote business practices

48. It is emphasized in paragraph 3.2 of administrative instructions ITC/AI/2018/07 dated 5 June 2018 and ITC/AI/2019/03 dated 28 October 2019 that, prior to authorizing any official travel, programme managers are required to certify in Umoja that alternative methods, such as videoconferences, audioconferences or other remote business practices, including online meetings, have been carefully reviewed and found to be not effective and that travel was therefore necessary. It was observed during the audit that such certification is routinely provided in Umoja without any indication of how the programme managers came to that conclusion. It was noted that travel costs constitute a significant outlay for ITC: 7.3 per cent of total expenses in 2017, increasing to 9.6 per cent in 2019. With remote methods such as videoconferences and other remote business practices available as good alternatives to travel, there is a need to establish guidelines to monitor the need for travel and for increasing the use of remote business practices and methods.

Non-compliance with the 16-day advance ticket purchase policy

49. In accordance with Staff Rule 7.8 and section 3.3 of ST/AI/2013/3 dated 12 August 2013, as well as section 3.3 of ITC/AI/2018/07 and section 3.13 of ITC/AI/2019/03, all travel arrangements for individuals travelling on behalf of the United Nations, including advance booking and purchase of tickets, should be finalized 16 calendar days in advance of the commencement of official travel. Programme managers are required to provide justification regarding all official travel arrangements not finalized within this time frame. Since the implementation of the enterprise resource planning system, travellers are to create their own travel request in Umoja, 21 days in advance of the commencement of official travel, so that the request can be processed to ensure that tickets are purchased 16 days in advance of travel.

50. The results of research conducted by the Joint Inspection Unit (see JIU/REP/2017/3) show that tickets purchased 31 days in advance, compared with 5 days in advance, in first and business class generate average aggregated savings of 17–18 per cent, rising to 42 per cent for economy class. Given that two thirds of air travel is in economy class and one third in business class, the potential for savings through the implementation of the 16-day advance ticket purchase policy could be significant.

51. An analysis of recorded reasons for non-compliant cases in 2019 showed that only 124 (4.5 per cent) of 2,751 non-compliant trips were attributed to exigency of service or operational circumstances. That indicates there was significant scope to improve compliance with the advance ticket purchase policy through diligent travel planning.

Oversight of senior management over travel policy

52. Accountability for ensuring compliance with organizational travel policies necessitates the active involvement and support of senior management. The status with regard to the travel policy is summarized below:

(a) ITC fixed low compliance targets at 50 per cent for 2019 and reduced them to 40 and 45 per cent for 2020 and 2021, respectively. The low target level, close to previous year's compliance rate, may not motivate staff members and their supervisors to improve the situation;

(b) In 2019, bookings for 3,116 (69 per cent) of 4,497 trips were not submitted 21 days in advance of the start date of the journey, as stipulated in the travel business rules. Delays in trip submissions by travellers resulted in the booking of tickets close to the journey date. A total of 2,751 trips (61 per cent) were not booked 16 days in advance of the journey date, including 1,098 (24 per cent) booked within 5 days of the journey date. Central Support Services analysed the compliance of staff who had taken more than 6 trips over a period from 1 January 2017 to 15 May 2019 and found that the compliance rate was less than 50 per cent for 1,605 trips taken by 76 staff members, many of whom were senior staff members;

(c) The Board observed in its past three reports for the years ended 2016, 2017 and 2018 that ITC had not been able to process travel requests within 16 days. The Board's recommendation was not discussed in any of the 22 Senior Management Committee meetings held in 2019, in order to improve compliance.

53. Central Support Services replied that, across the division, quarterly updates on the level of compliance with the policy had been circulated to all staff. Emails were sent to senior management twice a year highlighting the compliance rates of staff who travelled more than five times in a year, identifying divisions and staff members that were relatively more non-compliant, thus allowing for more precise corrective action needed by directors or supervisors. However, no strong corrective measures, such as including a key performance indicator in staff members' or managers' annual performance evaluations, were adopted.

54. **The Board recommends that ITC consider putting in place clear accountability mechanisms at all levels to ensure improved compliance with the advance ticket purchase policy.**

55. ITC accepted the recommendation.

7. Procurements

Low-value acquisitions

56. A low-value acquisition is a direct form of purchasing undertaken by the end user without the involvement of Procurement Services or a formal or informal solicitation. It is used for procuring readily available, off-the-shelf or standard specification goods or services up to or equal to $10,000 (increased with effect from 22 June 2017). Low-value acquisitions by ITC are regulated under administrative instructions ITC/AI/2017/03 dated 22 June 2017 and ITC/AI/2018/05 dated 28 February 2018.

57. In 2019, ITC made 3,105 low-value acquisitions worth $7.11 million, accounting for 34 per cent of total purchases (excluding travel-related purchases) in value terms. ITC had therefore been relying significantly on low-value acquisitions, for which procurement processes were not rigorous. Their total value increased by 76 per cent, from $4.02 million in 2018 to $7.11 million in 2019. A review of such purchases in 2019 indicated instances of split cases and the non-use of existing United Nations system contracts, including the procurement of items on the restricted list through the low-value acquisition process. The Board made the following specific observations in that regard:

(a) In section 3.1 of ITC/AI/2018/05, it is stated that under no circumstances should requirements be split to circumvent the procurement process. If the estimated purchase amount is above $10,000, the requirement should be submitted for procurement action to Procurement Services. The Board randomly analysed 500 low-value acquisitions relating to 3,105 purchase orders for such acquisitions in 2019 and found 8 (worth $51,307) that had been split to circumvent the procurement process. The Board is of the view that ITC should review the remaining low-value acquisitions to check for split purchase orders and establish appropriate controls for addressing them;

(b) In section 3.1 of ITC/AI/2018/05, certain items that should not be procured as low-value acquisitions are specified. Of 3,105 low-value acquisitions in 2019, 122 purchase orders for such acquisitions, valued at $377,000, fall in restricted categories, including information technology equipment. ITC reported that, of those 122 acquisitions of items on the restricted list, Procurement Services had allowed 84 purchase orders related to information technology equipment and furniture valued at $237,563 to be processed as low-value acquisitions, being the most cost-efficient means to procure items for several field offices located in different countries;

(c) In section 2.1 (c) of ITC/AI/2018/05, it is stated that goods or services purchased as low-value acquisitions must be of a non-recurrent nature. The 3,105 such acquisitions included regularly used services from the same vendor at the same place, in many cases more than 35 times in one year, and therefore the feasibility of such regularly used services through a long-term arrangement or system contract could have been considered to obtain more economical rates rather than procuring the services on an as-needed basis. ITC replied that 111 purchase orders valued at $152,138 would qualify for setting up a blanket purchase order arrangement with Procurement Services;

(d) A total of 1,279 low-value acquisitions worth $2.9 million (more than 40 per cent of the total low-value acquisition amount) were for three items alone, namely meeting expenses; hotels, motels and inns; and restaurants and catering. Considering the significant amount incurred on these items, the standard criteria for hiring such services and post-event feedback and review could be a good control measure to ensure value for money obtained.

58. End users and their certifying officers have direct responsibility for low-value acquisitions. Central Support Services carried out year-end reviews of such acquisitions, most recently in 2018. In that review, the splitting of requirements was noted but no administrative action was initiated to address it. Few services were identified for which long-term agreements or system contracts were to be executed by Procurement Services. There was no mechanism of post-low-value acquisition oversight and follow-up based on the review, and the inadequacies in such acquisitions noted in 2018 recurred in 2019.

59. **The Board recommends that ITC consider establishing standard operating procedures for a formal ex-post review by Central Support Services to oversee compliance with organizational rules governing low-value acquisitions and to take follow-up action. As part of the ex-post review, it should be considered whether services procured for fulfilling mandates were cost-effective.**

60. ITC accepted the recommendation and stated that ensuring cost-effectiveness could be problematic and that Central Support Services would oversee compliance, with the oversight of the Senior Management Committee. ITC also agreed to have written standard operating guidelines that would include an annual report of findings and a memorandum to managers when identifying issues of splitting. ITC would also review its administrative instructions in 2020 and adjust them to include clearer wording on restrictions.

8. Project implementation

Evaluation of projects

61. In accordance with 2018 ITC evaluation guidelines, all trade-related technical assistance projects are expected to undergo some form of evaluation. Four types of evaluations are used: project completion reports and self-evaluation, both done by programme managers, independent evaluation led by the ITC Independent Evaluation Unit and funder-led evaluation. Project completion reports not only reflect project findings, achievements and outcomes, but also convey key learning messages and takeaways of the project management teams. All projects are subject to a project completion report, which is a form of self-evaluation conducted by the operational unit responsible at the close of the project. Such reports should be submitted within three months after projects have been operationally closed. The Board had pointed out the delays in evaluation reports and their non-availability on the portal in earlier reports.

62. Of the 275 projects active in 2019, the Board reviewed 21 with closing dates falling in 2019. It observed that project completion reports for 12 of the projects had not been filed by the programme managers, even 4 to 13 months after completion against the 3 months stipulated in the business rules. In five cases, the reports, although available on the portal, were submitted with delays. ITC may review the remaining projects for which reports were either not submitted or submitted with a delay, analyse the reasons for the delay and improve the monitoring accordingly.

63. The Independent Evaluation Unit reviews the completed project completion reports across all ITC divisions on an annual basis, focusing mainly on the quality of the reports and related learning performance. The Unit, in its 2019 review of project completion reports, flagged delays and non-submission, unevenness of quality, the use of such reports as a procedural requirement rather than a learning tool and the importance of such reports being available on the project portal for knowledge management. The Unit made seven recommendations in that regard, and further discussions on them in Senior Management Committee meetings resulted in six actionable points, two of which have been implemented and four were ongoing as at 31 March 2020.

64. The Independent Evaluation Unit also prepares the annual evaluation synthesis report, which is aimed at consolidating findings and conveying the key lessons learned to ITC senior management, project managers and stakeholders. In its report, the Unit consistently noted that the performance monitoring systems of the evaluated projects did not gather enough data that could be used to substantiate the overall impact of their work and that the focus on examining the relationship between outputs, outcomes and intermediate outcomes leading to longer-term changes was lacking. The Board noted that, of 22 evaluation recommendations by the Unit,[2] only 10 had been implemented in accordance with the 2019 annual evaluation synthesis report, while 12 had not been implemented as at 30 April 2020.

65. The Board observed that the untimely submission and non-submission of project completion reports by the project managers remained to be addressed, despite being flagged as a recurring issue and being brought to the notice of ITC senior management in a number of reports of the Independent Evaluation Unit. In addition, the recommendations of the Unit for improving the quality of evaluation took significant time to be implemented.

66. **The Board recommends that ITC enforce accountability at all levels for the completion of high-quality project completion reports within the prescribed period of three months, as well as timely implementation of the recommendations in the annual evaluation synthesis report in accordance with agreed timelines reflected in the management response.**

67. ITC accepted the recommendation and listed further action points that included biannual follow-up on the completion of project completion reports and evaluation recommendations by the Independent Evaluation Unit; regular training; systematic end-of-project discussions among project implementation teams; timely submission of project completion reports by project managers; and annual “lessons learned” meetings to emphasize the requirement for high-quality project completion reports and the implementation of the Unit’s recommendations.

Financial closure of projects

68. In accordance with ITC project management guidelines, all types of trade-related technical assistance projects go through a closure phase. Every project is first closed operationally. Staff contracts are closed, and assets acquired by the project are disposed of in accordance with relevant agreements with partners and regulations. Once all activities have stopped completely, the project moves to the financial closure stage, in which all obligations are closed. A grant is considered financially closed once all commitments are closed and the closing financial transactions are recorded. When the change initiative has no further financial liabilities, it is financially closed.

69. There were 29 projects that had an “operational closure” status in the portal as at 31 December 2019, including 5 with end dates prior to 2018, 19 with end dates in 2018 and 4 with end dates in 2019. Their financial closure was pending.

70. There were 22 projects indicating a “financial closure” status in 2019, including 4 with end dates in 2016, 10 with end dates in 2017 and 8 with end dates in 2018. The time taken for the financial closure of projects from the date of their operational closure ranged from 128 days to 815 days. In 12 cases, it was more than one year. Following the operational closure of a project, the activities to be completed before financial closure include clearing all commitments and processing refunds to donors

[2] Evaluation of Eastern Africa in 2017 (10 recommendations), evaluation of trade for sustainable development in 2018 (7 recommendations) and evaluation of the certified trade advisers programme in 2018 (5 recommendations).

or reprogramming unspent balances. Accordingly, the time taken for financial closure was too long.

71. The Board noted that the project management guidelines did not contain a specific timeline for financial closure after a project was operationally closed. That hindered the monitoring of the compliance of financial closure of projects.

72. ITC stated that there was inconsistency between the closure status shown in the project portal and the closure status of the Umoja budget. This was due to the absence of a linkage between the project portal and Umoja with regard to the closure status.

73. **The Board recommends that ITC incorporate specific timelines into its project management guidelines for completing the financial closure of a project after its operational closure.**

74. ITC accepted the recommendation and stated that it would update its project management guidelines to specify that operational closure would occur at the latest on the project end date, in accordance with the donor agreement, and financial closure would occur within six months of the operational end date or any earlier date specified in the donor agreement. Furthermore, when a project was funded by several grants, the operational or financial closure date would coincide with the closure date contained in the longest grant agreement.

Use of the prescribed template for grant memorandums of understanding

75. ITC enters into memorandums of understanding with grantees (implementing partners and project partners) for the implementation of projects in the field. ITC has prescribed a template (ITC/AI/2007/06) for signing grant memorandums of understanding with grantees. In accordance with section 4.1 of the instruction, the template should be used to the extent possible unless national legislation or internal policies of the grantee prevent such use, and deviations from the standard should be highlighted.

76. The Board audited 35 of the 43 grant memorandums of understanding that were active in 2019. The 35 memorandums of understanding comprised 3 valued at more than $50,000, 6 between $30,000 and $50,000 and 26 below $30,000. In all 35 cases, there were deviations from the standard template:

(a) In accordance with articles 2 and 3 of the grant memorandum of understanding template, for projects with training and workshop components, the outstanding balance to the grantee will be paid upon successful conclusion of the event and submission of a list or roster of participants, duly countersigned by each participant, indicating the payment date of the daily subsistence allowance, including a photocopy of the participant’s passport or identity card. The memorandums of understanding should indicate the number of trainees and the selection or verification criteria that will be used. A total of 23 of the 35 memorandums of understanding reviewed had training and workshop components, but the requirements were not included in the signed memorandums of understanding. The issue had been flagged in the previous report of the Board. The Board noted that nine memorandums of understanding were signed after 25 July 2019, the date of the Board’s report, on which acceptance of the recommendation was formally communicated. Those cases, however, were also not compliant. The Board reiterates that the incorporation of this provision is essential to ensure the veracity of the payments made to participants in training programmes and workshops;

(b) In accordance with article 2 of the grant memorandum of understanding template, a form must be completed in the case of in-kind contributions This is also important for recording the in-kind contribution in the financial statement. The Board observed that 21 memorandums of understanding had an in-kind contribution component, but it did not find evidence that they had been reported, even though a format for reporting exists;

(c) In accordance with paragraph 4 of article 3, the audit report must be forwarded by the grantee in the form of a detailed description verified as factual by its external auditor. None of the 35 memorandums of understanding had this provision;

(d) It was stated in paragraph 2 of article 3 that the payment schedule should be based on the project activity. The grant memorandum of understanding template has provided for activity-based budgeting. It was noticed during the audit that the 21 memorandums of understanding included line item-based budgeting and did not provide for activity-based budgeting.

77. ITC may review the remaining memorandums of understanding on the same lines and consider future improvements in the process of signing memorandums with the implementing partners.

78. **The Board reiterates its recommendation that ITC adhere to the provisions of the grant memorandum of understanding template, in particular conditionality for payment in the case of projects with training components.**

79. ITC accepted the recommendation and stated that it would implement it over the following 12 months as outlined below:

(a) Adapt the grant template to define more clearly the requirements that are incumbent upon a grantee with regard to documentation, deliverables and the selection criteria for trainees;

(b) Implement a checklist that certifying officers will be required to complete before making final payments to grantees, in order to ensure that the required review of deliverables, as well as the necessary documentation provided, has been undertaken.

C. Disclosures by management

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

80. ITC reported that it had formally written off equipment for an amount of $60,466 and an amount of non-recoverable receivables of $640,430 during the year ended 31 December 2019.

2. Ex gratia payments

81. ITC reported no ex gratia payments for the year ended 31 December 2019.

3. Cases of fraud, presumptive fraud and financial mismanagement

82. ITC has no cases of fraud or presumptive fraud to report for the year ended 31 December 2019.

D. Acknowledgement

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

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

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

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

21 July 2020

Annex

Status of implementation of recommendations up to the year ended 31 December 2018

No.	*Audit report year*	*Report reference*	*Board's recommendations*	*Response of ITC*	*Board's assessment*	*Fully implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
1	2016	A/72/5 (Vol. III), chap. II, para. 40	Conduct an independent staffing review to optimize its resources.	ITC conducted a holistic annual review of all posts, resourcing levels and training needs (managerial and technical) to ensure that resources are optimized to operational requirements. Extrabudgetary funded posts are governed under individual donor agreements. For posts funded from the regular budget, detailed resource planning is conducted through the budget approval process first by the World Trade Organization Budget Committee and later by the Advisory Committee on Administrative and Budgetary Questions. Even if an independent review were to result in changes to the approved staffing, ITC is restricted by the above exhaustive approval process.	While ITC did not conduct an independent staffing review, it conducted an annual review process. The recommendation stems from the fact that the number of persons in position at ITC was more than the number of sanctioned posts. It was noted that those persons in position were in sanctioned posts. The recommendation is considered to have been implemented.	X			
2	2016	A/72/5 (Vol. III), chap. II, para. 59	Operationalize its independent Oversight Committee to strengthen its internal control mechanisms.	In view of the audit observation on the status of existing oversight mechanisms at the end of 2019, issued during the audit process in April 2020, ITC would assess whether it was confirmed that the previous oversight committee had been superseded, as it believed was the case. It would then provide documentation to the Board on the alternate oversight body, with justification for change, control and governance responsibilities	The independent Oversight Committee was to liaise with the Independent Audit Advisory Committee. ITC was yet to implement its own executive order issued in 2014, and that Oversight Committee was not operational as of April 2020. Until ITC provides the documentation, the recommendation is considered to be under implementation.		X		

No.	Audit report year	Report reference	Board's recommendations	Response of ITC	Board's assessment	Fully implemented	Under implementation	Not implemented	Overtaken by events
3	2016	A/72/5 (Vol. III), chap. II, para. 65	Select consultants through a competitive process.	In view of the audit observation on 2019 activities, ITC recognized a need for greater oversight and an improved process in the appointment of consultants. ITC agreed to implement certain actionable points in that regard.	In 2019 too, the hiring process for consultants and individual contractors was not competitive. Some consultants were awarded several contracts in 2019 running concurrently on the same days. Selection processes were not rigorous for high-fee contracts. The recommendation is considered to be under implementation.		X		
4	2016	A/72/5 (Vol. III), chap. II, para. 69	(a) Select consultants through a competitive process and (b) avoid using consultants for the performance of generic tasks.	In view of the audit observation on 2019 activities, ITC recognized a need for greater oversight and improved process in the appointment of consultants. ITC agreed to implement certain actionable points in that regard.	In 2019 too, the hiring process for consultants and individual contractors was not competitive. Some consultants were awarded several contracts in 2019 running concurrently on the same days. Selection processes were not rigorous for high-fee contracts. The recommendation is considered to be under implementation.		X		
5	2016	A/72/5 (Vol. III), chap. II, para. 83	Adhere to the 16-day clause for advance travel planning to reduce travel expenditure and avoid frequent rescheduling and cancellation of tickets.	In view of the audit observation on 2019 activities, ITC would consider putting in place clear accountability mechanisms at all levels to ensure improved compliance with the advance ticket purchase policy. It would document this more clearly in enterprise resource planning or Umoja or otherwise when non-compliance is due to factors beyond its control.	The overall non-compliance rate with the 16-day advance air ticket purchase policy in 2019 remained high, at 61 per cent. It was 52 per cent among ITC staff and 65 per cent for non-staff, who took the majority of trips in 2019. The recommendation is considered to be under implementation.		X		
6	2017	A/73/5 (Vol. III), chap. II, para. 44	Conduct an assessment of all implementing partners engaged in its projects.	The new policy for implementing partners and related guidelines issued in November 2019 provides a clear basis for their selection and assessment.	In view of the issuance by ITC of the new policy for implementing partners and related guidelines, the recommendation is considered to have been implemented.	X			

No.	*Audit report year*	*Report reference*	*Board's recommendations*	*Response of ITC*	*Board's assessment*	*Fully implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
7	2017	A/73/5 (Vol. III), chap. II, para. 58	Select consultants through a competitive process. (Refers to a 2016 recommendation (see A/72/5 (Vol. III), chap. II, para. 65).)	In view of the audit observation on 2019 activities, ITC recognized a need for greater oversight and improved process in the appointment of consultants. ITC agreed to implement certain actionable points in that regard.	In 2019 too, the hiring process for consultants and individual contractors was not competitive. Some consultants were awarded several contracts in 2019 running concurrently on the same days. Selection processes were not rigorous for high-fee contracts. The recommendation is considered to be under implementation.		X		
8	2017	A/73/5 (Vol. III), chap. II, para. 62	Apply adequate checks and controls to avoid awarding contracts at fees higher than the maximum fee associated with a particular level.	In view of the audit observation on 2019 activities, ITC recognized a need for greater oversight and improved process in the appointment of consultants. ITC agreed to implement certain actionable points in that regard.	In 2019 too, the hiring process for consultants and individual contractors was not competitive. Some consultants were awarded several contracts in 2019 running concurrently on the same days. Selection processes were not rigorous for high-fee contracts. ITC did not provide any new evidence to indicate that higher fees were not paid to consultants. The recommendation is considered to be under implementation.		X		
9	2017	A/73/5 (Vol. III), chap. II, para. 72	Follow a documented and transparent approach for implementing its agreed termination programme.	The process has been documented in the agreed termination programme (see ITC/IC/2019/06) of 9 May 2019.	In view of the compliance rate, the recommendation is considered to have been implemented.	X			
10	2018	A/74/5 (Vol. III), chap. II, para. 19	Undertake detailed resource planning, and align and optimize resources vis-à-vis operational requirements.	ITC conducted a holistic annual review of all posts, resourcing levels and training needs (managerial and technical) to ensure that resources are optimized to operational requirements. Extrabudgetary funded posts are governed under individual donor	ITC did not conduct an independent staffing review. However, it conducted an annual staffing review process. The recommendation stems from the fact that the number of persons in position at ITC was more than the number of sanctioned posts. It was noted that those persons in	X			

No.	Audit report year	Report reference	Board's recommendations	Response of ITC	Board's assessment	Fully implemented	Under implementation	Not implemented	Overtaken by events
				agreements, For posts funded from the regular budget, detailed resource planning is conducted through the budget approval process, first by the World Trade Organization Budget Committee and later by the Advisory Committee on Administrative and Budgetary Questions. Even if an independent review were to result in changes to the approved staffing, ITC is restricted by the above exhaustive approval process.	position were in the sanctioned posts. The recommendation is considered to have been implemented.				
11	2018	A/74/5 (Vol. III), chap. II, para. 24	Select consultants through a competitive process, ensure that consultants are not engaged for work of a generic or routine nature and clearly define the tangible outputs for each assignment in the terms of reference and maintain proper documentation in case of exceptions.	In view of the audit observation on 2019 activities, ITC recognized a need for greater oversight and improved process in the appointment of consultants. ITC agreed to implement certain actionable points in that regard.	In 2019 too, the hiring process for consultants and individual contractors was not competitive. Some consultants were awarded several contracts in 2019 running concurrently on the same days. Selection processes were not rigorous for high-fee contracts. The recommendation is considered to be under implementation.		X		
12	2018	A/74/5 (Vol. III), chap. II, para. 29	Ensure appropriate internal controls to avoid awarding contracts at fees higher than the maximum fee associated with the particular level.	In view of the audit observation on 2019 activities, ITC recognized a need for greater oversight and improved process in the appointment of consultants. ITC agreed to implement certain actionable points in that regard.	In 2019 too, the hiring process for consultants and individual contractors was not competitive. Some consultants were awarded several contracts in 2019 running concurrently on the same days. Selection processes were not rigorous for high-fee contracts. The recommendation is considered to be under implementation.		X		

No.	Audit report year	Report reference	Board's recommendations	Response of ITC	Board's assessment	Fully implemented	Under implementation	Not implemented	Overtaken by events
13	2018	A/74/5 (Vol. III), chap. II, para. 33	Ensure that all the mandatory training courses are completed by staff members in compliance with the instruction in force.	In view of the audit observation on 2019 activities, ITC recognized the need to put in place a more rigorous framework to ensure completion of mandatory training. ITC would update its policy to specify that training would be limited to implementing partners whose engagement with ITC warrants training. All section chiefs will ensure that mandatory training of staff, consultants and individual contractors is completed by a date to be agreed by senior management (most likely by 30 September 2020). ITC will ensure that all new staff members complete their mandatory training within six months of arrival. Completion of mandatory training will be a precondition for the renewal of contracts, and senior management will review compliance rates for the completion of mandatory training on a biannual basis.	ITC staff members did not complete mandatory training, even 14 months after the issuance of ITC business rules. The overall completion rate of mandatory training as at 31 December 2019 was 77 per cent. The requirement for the mandatory Anti-Fraud and Anti-Corruption Framework awareness online course was not included in memorandums of understanding or contracts signed with non-staff personnel. The overall completion rate for mandatory training as at 31 December 2019 for non-staff personnel was 43.9 per cent. The recommendation is considered to be under implementation.		X		
14	2018	A/74/5 (Vol. III), chap. II, para. 40	Track reasons for non-compliance with the 21-day window for travel in ITC and monitor closely to ensure better compliance.	In view of the audit observation on 2019 activities, ITC would consider putting in place clear accountability mechanisms at all levels to ensure improved compliance with the advance ticket purchase policy. It would document more clearly in enterprise resource planning or Umoja or otherwise when non-compliance is due to factors beyond its control.	The overall non-compliance rate with the 16-day advance air ticket purchase policy in 2019 remained high, at 61 per cent. It was 52 per cent among ITC staff and 65 per cent for non-staff, who took the majority of trips in 2019. There has been a general reluctance within ITC to ensure implementation of its own 16-day advance ticket purchase policy despite being aware of the potential savings.		X		

No.	Audit report year	Report reference	Board's recommendations	Response of ITC	Board's assessment	Fully implemented	Under implementation	Not implemented	Overtaken by events
					The recommendation is considered to be under implementation.				
15	2018	A/74/5 (Vol. III), chap. II, para. 48	Incorporate the standard provisions in all memorandums of understanding, in particular, conditionality for payment in the case of projects with training components. Also consider incorporation of the provision linking the future relationship with a grantee to timely submission of a long-term impact report to the satisfaction of ITC.	In view of the audit observation on 2019 activities, ITC will implement the following action points over the next 12 months: (a) Adapt the grant template to define more clearly the requirements that are incumbent upon a grantee with regard to documentation, deliverables and the selection criteria for trainees; (b) Implement a checklist that certifying officers will be required to complete before making a final payment to grantees, in order to ensure that the required review of deliverables, as well as the necessary documentation provided, has been undertaken; (c) Review and adapt the administrative instruction to ascertain whether the requirement for impact reports should be included in the revision, or instead whether it should be addressed in other corporate ITC documents. For all existing grants above a specific threshold (to be determined by ITC senior management), ITC will obtain long-term impact reports from the grantee, to the largest extent possible.	In 2019 too, there were deviations from the standard template for signing grant memorandums of understanding with grantees. The recommendation is considered to be under implementation.		X		
16	2018	A/74/5 (Vol. III), chap. II, para. 55	Review the project completion reports of all projects and ensure that they are	In view of the audit observation on 2019 activities, ITC implements action points that include biannual follow-up of the	The ITC Independent Evaluation Unit reviewed project completion reports for trade-related technical assistance projects that ended		X		

No.	*Audit report year*	*Report reference*	*Board's recommendations*	*Response of ITC*	*Board's assessment*	*Fully implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
			completed within the prescribed time and uploaded to the project portal. Also appropriately follow up the suggestions made in the evaluation reports, including project completion reports.	completion of project completion reports/evaluation recommendations instead of the annual review presently conducted by the Independent Evaluation Unit; regular training on project completion reports and evaluations; assurance by line managers of systematic end-of-project discussions among project implementation teams and the timely conclusion and submission of project completion reports by project managers; and annual "lessons learned" meetings conducted by divisions to emphasize the requirement for high-quality project completion reports and the implementation of recommendations by the Independent Evaluation Unit.	between 2017 and the first quarter of 2019 and submitted the 2019 synthesis analysis of project completion reports, in which it had reported delays and non-submission of such reports. In the 2019 audit, sampled cases were also examined, and project completion reports were identified that had not been completed within the period of three months. There were recommendations by the Independent Evaluation Unit that remain open for a significant period of time. The recommendation is considered to be under implementation.				
17	2018	A/74/5 (Vol. III), chap. II, para. 63	Consider assessing the long-term sustainability of the results achieved under various projects.	In 2020, the ITC Independent Evaluation Unit will undertake a systematic assessment of the sustainability of the results for projects that ended three or four years ago. It is planned to repeat such assessments on an annual basis, with regular budget resources dedicated to evaluations.	ITC has taken some steps towards implementing the recommendation. The availability of data remains a constraint in relation to which ITC stated that it had initiated steps in 2020. The recommendation is considered to be under implementation.		X		
	Total				**17**	**4**	**13**	**0**	**0**
	Percentage				**100**	**24**	**76**	**0**	**0**

Chapter III
Certification of the financial statements

Letter dated 27 March 2020 from the Assistant Secretary-General, Controller, addressed to the Chair of the Board of Auditors

The financial statements of the International Trade Centre for the year ended 31 December 2019 have been prepared in accordance with financial rule 106.1 of the Financial Regulations and Rules of the United Nations.

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

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

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

Chapter IV
Financial report for the year ended 31 December 2019

A. Introduction

1. The Executive Director has the honour to submit the financial report on the accounts of the International Trade Centre (ITC) for the year ended 31 December 2019.

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

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

4. In 2019, ITC delivery was strategically aligned to 10 of the Sustainable Development Goals, with a focus on Goal 8 (decent work and economic growth), Goal 1 (end poverty), Goal 5 (gender equality) and Goal 17 (partnerships for the Goals). ITC also contributed to Goals 2, 4, 9, 10, 12 and 16. ITC organizes its delivery across six focus areas: (a) providing trade and market intelligence; (b) building a conducive business environment; (c) strengthening trade and investment support institutions; (d) connecting to international value chains; (e) promoting and mainstreaming inclusive and green trade; and (f) supporting regional economic integration and South-South trade and investment.

5. In 2019, measured by expenditure in United States dollars, ITC delivered technical assistance, capacity-building and market intelligence with gross extrabudgetary expenditure of $91.78 million. Extrabudgetary expenditure was approximately 42.5 per cent higher than in the previous year, and general performance was in line with output and outcome targets that were set for the biennium 2018–2019.

6. Delivery performance by ITC continued to be strongly supported by corporate initiatives for innovation and project development. At the end of 2019, the Centre's pipeline of projects under development and in discussions with funders was estimated at $53.631 million. Throughout the year, more than $0.6 million was approved for innovative projects from the Centre's Business Development Fund.

7. In 2019, more than 335,000 beneficiaries became more aware of trade-related topics through the use of ITC market intelligence tools and other digital content, complemented by targeted ITC awareness-raising and knowledge-sharing events. In 52 cases, ITC influenced policymakers and contributed to strategy or policy formulations for the benefit of micro-, small and medium-sized in developing economies. In more than 450 instances, the institutional beneficiaries of ITC, public and private trade and investment support institutions, have improved their performance through ITC interventions and are now able to better serve their clients. The Centre's refined monitoring better captured interventions focusing on marginalized groups, such as smallholders and enterprises owned or operated by women. This allowed for reporting that nearly 15,000 micro-, small and medium-sized enterprises, 40 per cent of which were owned or operated by women, made changes to their business operations to improve their competitiveness. Finally, more than 7,000 micro-, small and medium-sized enterprises have transacted new business

with ITC assistance. While the economic empowerment of women across all ITC work was emphasized, the percentage of micro-, small and medium-sized enterprises owned or operated by women that had new business transactions was only 31 per cent owing to the large number of family enterprises in the agricultural sector that are registered under a man's name. The largest share of the Centre's delivery continued to be focused on sub-Saharan Africa and the Asia-Pacific region, in line with the continued prioritization of the most vulnerable countries. In 2019, more than 57 per cent of country or region-specific extrabudgetary expenditure was dedicated to least developed countries and 86 per cent to the wider group of priority countries, consisting of least developed countries, landlocked developing countries, small island developing States, sub-Saharan Africa, small and vulnerable economies and post-conflict countries.

8. ITC has strengthened its capacity through numerous business process improvements, including process automation, through increased collaboration with local partners and by supporting innovation through the training and advisory services of its Innovation Lab:

(a) ITC uses its annual evaluation synthesis reports to provide an overview of findings and critical lessons learned from internal and external evaluations conducted during the year. Those lessons inform the quality review criteria that ITC uses in its project approval process and inform project management. The key theme of the 2019 report was "complexity", referring to the cause and effect chains that lead to development results and the importance of realizing effective synergies with other actors to achieve the goals of the 2030 Agenda for Sustainable Development. Overall, findings indicate that ITC projects have been successful in addressing increased complexity through adjustment, flexibility and long-term interaction with stakeholders. In response ITC will focus more systematically on establishing joint monitoring mechanisms with partners to make adequate and timely adjustments to interventions and address the challenge of complex results chains together;

(b) In 2019, ITC reassessed existing risks and identified new ones at the corporate level while offering a range of training and information sessions on risk and results-based management to ITC employees and stakeholders. On the basis of lessons learned in previous risk management cycles, ITC updated its overarching risk management framework;

(c) ITC implemented a number of efficiency initiatives, measured by key performance indicators. The Centre has achieved carbon emission neutrality. In the area of human resources, more than 50 per cent of employees have used a minimum of 5 days for personal development. The average amount of time to recruit fixed-term staff is 91 days, the average vacancy rate is 5 per cent for all posts;

(d) In 2019, ITC was very successful in its fundraising efforts, securing more than $300 million of extrabudgetary funding for 2020 and beyond.

9. With regard to inter-agency coordination and liaison, ITC worked closely with other United Nations agencies, including through membership in the United Nations Sustainable Development Group and United Nations country teams. ITC strengthened its relations with the private sector, civil society, academia and international entities to advance the 2030 Agenda. In view of evaluation findings, ITC intensified its collaboration with partners in the field with the goal of ensuring the sustainability of services to target beneficiaries after project interventions. With the same objective, ITC expanded its Alliances for Action – networks of multinational firms, governments, non-governmental organizations, research centres, financial institutions, producer association representatives and international development agencies that collaborate with ITC in selected value chains. At the fifty-third session of the Joint Advisory Group of ITC, convened in Geneva on 2 July 2019, Member

States praised the Centre's excellent work in fostering inclusive and sustainable growth, noting that trade was a powerful contributor to sustainable development and the 2030 Agenda. ITC was praised for its collaboration with the Common Market for Eastern and Southern Africa and the Economic Community of West African States and its involvement in the operationalization of the African Continental Free Trade Area, as well as for its work on export strategy. Delegates encouraged ITC to continue to work with marginalized and vulnerable groups and to support the poorest and those at the base of the pyramid, with a particular emphasis on combating extreme poverty in challenging environments, such as least developed countries and conflict-affected States. Delegations commended ITC for increasing trade transparency through global public goods and demanded expansion of the Centre's offerings in the areas of high-quality infrastructure and product quality, both deemed to be particularly significant for trade. Furthermore, delegates urged ITC to continue to deepen its reporting on gender, youth and climate sustainability provide more qualitative reporting and ensure that its interventions were tailored with consideration for respective national development plans and the 2030 Agenda.

B. Overview of the financial statements for the year ended 31 December 2019

10. Financial statements I, II, III, IV and V show the financial results of ITC activities and its financial position as at 31 December 2019. The notes to the financial statements explain the Centre's accounting and financial reporting policies and provide additional information on the individual amounts contained in the statements.

Revenue

11. The financial results for the year 2019 amounted to a surplus of $6.301 million, based on the results as follows:

Financial results

(Thousands of United States dollars)

	2019	*2018*
Total revenue	125 253	120 111
Total expense	118 952	98 687
Surplus	**6 301**	**21 424**

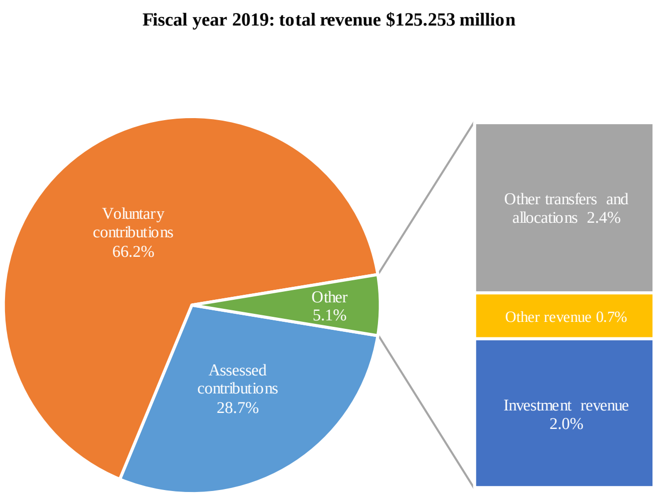
12. In 2019, revenue totalled $125.253 million (2018: $120.111 million). The main sources of revenue were voluntary contributions from donors of $82.873 million, or 66.2 per cent; assessed contributions of $35.887 million, or 28.7 per cent; revenue from other transfers and allocations of $3.025 million, or 2.4 per cent; investment revenue of $2.652 million, or 2.0 per cent; and other revenue of $0.816 million, or 0.7 per cent (see figures IV.I and IV.II). Total revenue also includes contributions in kind as a rental subsidy of $2.817 million for the year, which represents the difference between the market value and the actual amount paid for the rental of the building occupied by ITC.

13. Voluntary contributions through donor agreements are recognized as revenue at the point of signature, except where such agreements contain a condition requiring specific performance and return obligation. Contributions from unconditional agreements of $48.938 million were mainly from the signature of major multi-year agreements with Canada, Denmark, Germany, Japan, the Republic of Korea,

Switzerland and the United Kingdom of Great Britain and Northern Ireland, as well as other transfers and allocations from inter-organizational arrangements and multi-donor initiatives under the Enhanced Integrated Framework trust fund and the One United Nations fund. During the year, an amount of $34.291 million was recognized from conditional agreements.

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

Figure IV.I
Total revenue by fiscal year



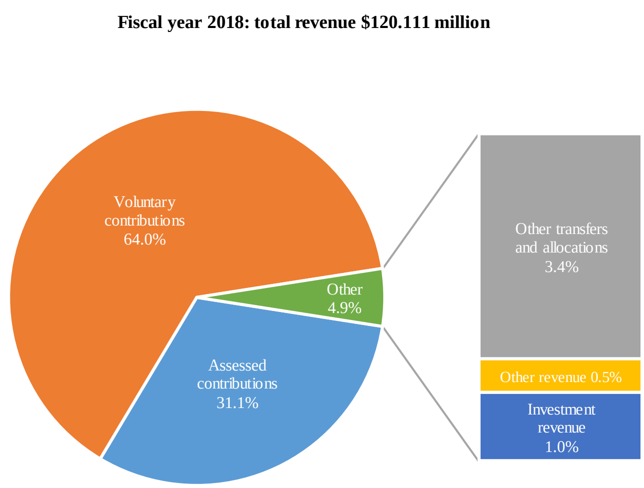
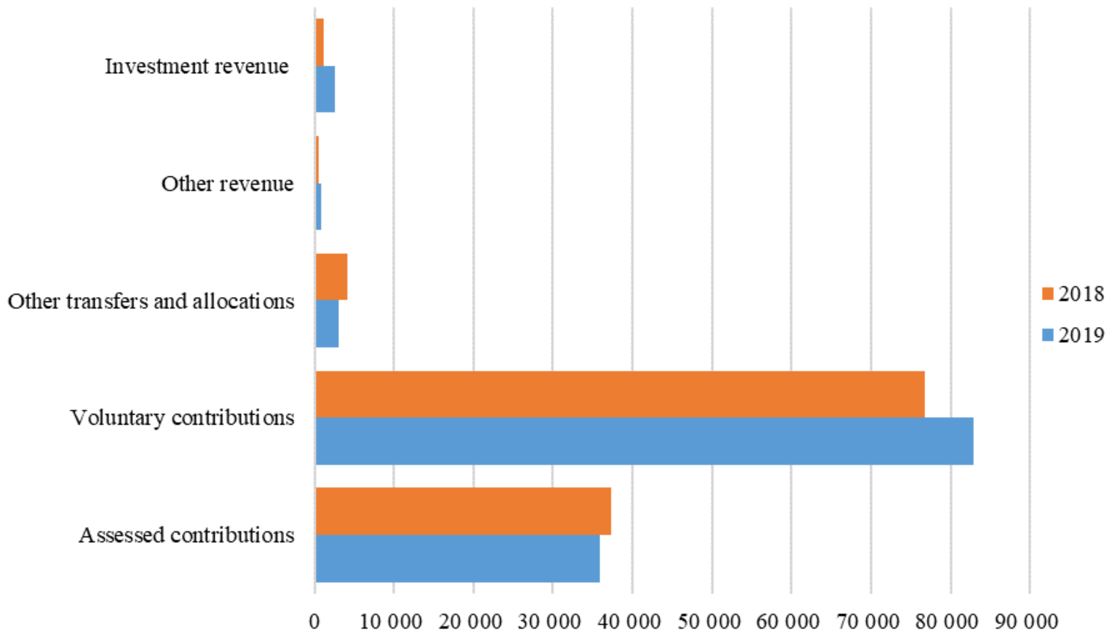


Figure IV.II
Total revenue by category and fiscal year
(Thousands of United States dollars)

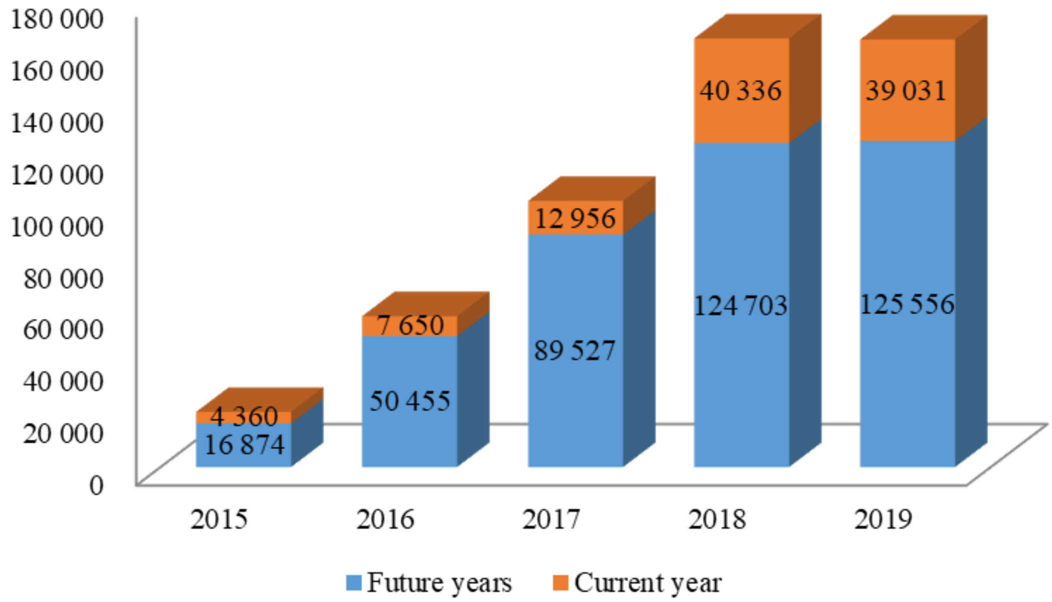


15. Overall, on a year-to-year basis, the value of voluntary contributions and other transfer and allocation agreements signed with donors was $164.587 million in 2019, $165.039 million in 2018, $102.483 million in 2017, $58.106 million in 2016 and $21.234 million in 2015. A new strategic framework accompanied by a results-focused programmatic approach came into effect in 2017, resulting in a renewed level of support from donors.

Figure IV.III

Voluntary contributions and other transfer and allocation agreements signed with donors (conditional and unconditional) showing current year and future year portions by fiscal year

(Thousands of United States dollars)

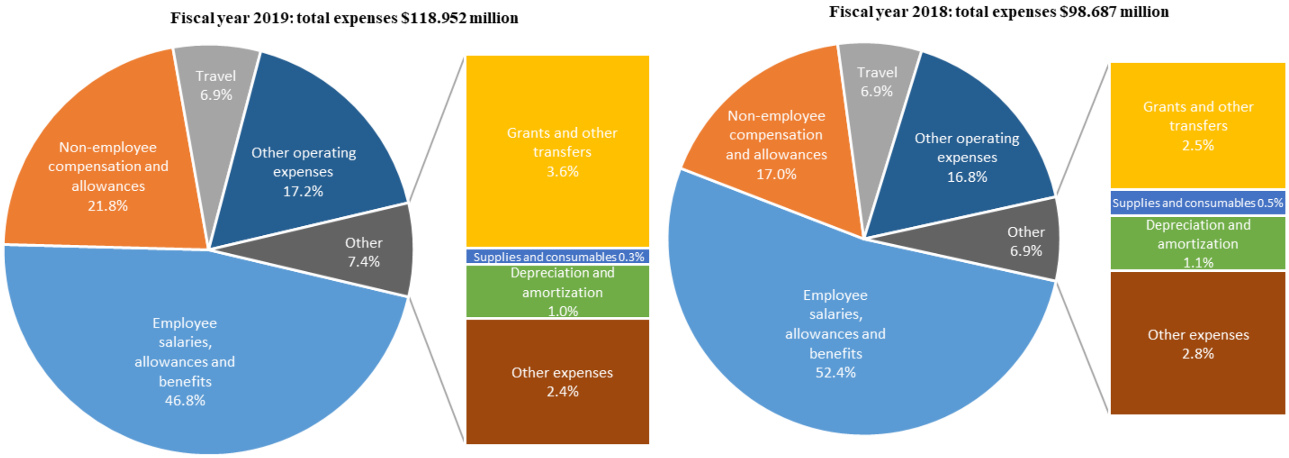


16. The figure above shows voluntary contributions and other transfer and allocation agreements signed in each year and the portion attributable to the current year and to future years.

Expenses

17. For the year ended 31 December 2019, expenses totalled $118.952 million (2018: $98.687 million). The main expense categories were staff costs of $55.592 million (46.8 per cent); non-employee compensation and allowances of $25.928 million (21.8 per cent); other operating expenses of $20.491 million (17.2 per cent); travel of $8.194 million (6.9 per cent); grants and other transfers of $4.340 million (3.6 per cent); other expenses, including share of joint arrangement, of $2.841 million (2.4 per cent); depreciation and amortization of $1.195 million (1.0 per cent); and supplies and consumables of $0.371 million (0.3 per cent) (see figure IV.IV below). Staff costs included $4.862 million of interest costs and current service costs related to defined-benefit obligations (after-service health insurance, annual leave and repatriation grant/travel). In accordance with the policy set by the United Nations Controller, programme support costs on expenses generated by the implementation of project activities are charged based on rates ranging from 7.0 to 13.0 per cent. Those costs are included in the project expenses.

Figure IV.IV
Total expenses by fiscal year



18. Total personnel cost, which includes staff costs and non-employee compensation and allowances, totalled $81.520 million (2018: $68.519 million); this amount represents 68.6 per cent of total expenses for the year and an increase of 18.97 per cent, as compared with 2018. The general performance was in line with outcome targets that were set for the biennium 2018–2019.

Operating results

19. The net surplus of revenue over expense in 2019 was $6.301 million (2018: $21.424 million). Revenue from unconditional agreements is recognized when the donor executes a binding agreement with ITC, not when the cash is received from the donor. However, expenses resulting from the delivery of the services covered by the contribution are recorded in the financial period when the expense was incurred. This means that contributions received in one financial year may not be spent until a future financial period, in particular where agreements are signed late in the financial year and cover several future years. Revenue from voluntary contributions related to agreements that contain a condition requiring the return of the contribution if funds are not spent in accordance with the terms and conditions specified by the donor is recognized as a liability. As ITC satisfies the conditions of the agreement, the carrying amount of the liability is reduced and an equal amount is recognized as revenue.

Assets

20. Assets as at 31 December 2019 totalled $362.365 million, compared with the balance at 31 December 2018 of $273.562 million.

21. The main assets as at 31 December 2019 were cash and cash equivalents and investments totalling $136.929 million (2018: $91.621 million), representing 37.8 per cent of total assets, and voluntary contributions receivable from donors for technical cooperation projects of $215.205 million (2018: $174.500 million), or 59.4 per cent. The remaining assets consisted of other accounts receivable, other assets, property, plant and equipment and intangible assets.

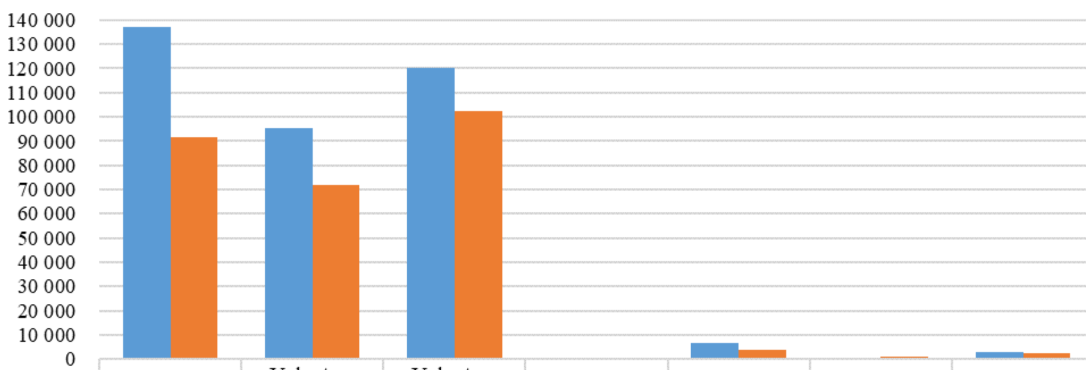
22. Cash and cash equivalents and investments of $136.929 million as at 31 December 2019 are held in the United Nations cash pool and as cash held in main and field offices. This represents an increase of $45.308 million over the balance held at the end of 2018, owing primarily to cash being received in advance during 2019

for activities to be implemented in future periods. In addition, many of the agreements signed in 2019 were multi-year and had large first instalments, resulting in an increase in cash and cash equivalents.

23. Under International Public Sector Accounting Standards (IPSAS), accounts receivable from voluntary contributions may be recognized in full on signature of an agreement, including amounts due in future financial periods. Of the total of $215.205 million due as at 31 December 2019, $95.090 million is expected to be received in 2020 and the balance of $120.115 million is expected after 2020.

24. The overall increase in voluntary contributions receivable of $40.705 million is in line with ITC strategy to build a portfolio of large-scale integrated programmes. As shown in figure IV.V below, short-term voluntary contributions receivable increased, from $72.023 million to $95.090 million, and long-term voluntary contributions receivable increased, from $102.477 million to $120.115 million. The increase is a result of multi-year projects signed in 2019 for which initial instalments were received upon signature and for which subsequent tranches are expected in 2020 and beyond, in accordance with project work plans. It is also a result of continued growth in signed agreements over the past few years, as illustrated in figure IV.III above.

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



	Cash and cash equivalents	Voluntary contributions receivable - current	Voluntary contributions receivable - non-current	Other accounts receivable	Other assets - current and non-current	Property, plant and equipment	Intangibles
2019	136 929	95 090	120 115	8	6 760	576	2 886
2018	91 621	72 023	102 477	62	3 908	889	2 582

Liabilities

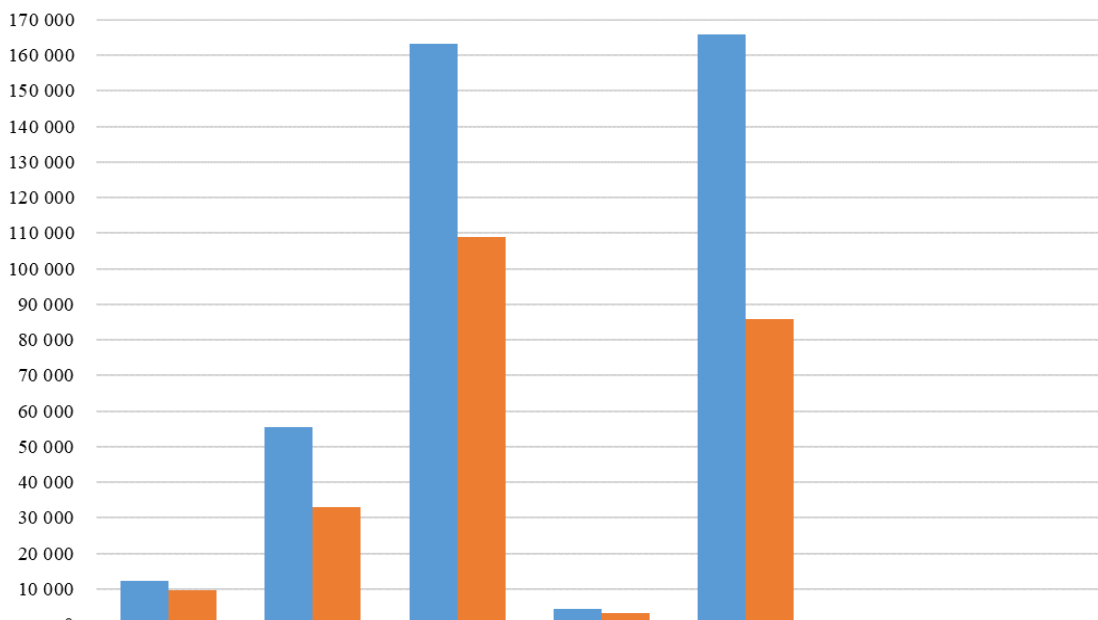
25. Liabilities as at 31 December 2019 totalled $401.161 million, compared with a balance of $240.706 million as at 31 December 2018.

26. The most significant liability was other liabilities, which increased by $76.605 million, from $142.038 million reported in 2018 to $218.643 million reported in 2019, representing 54.5 per cent of the Centre's total liabilities in 2019. Most (99.4 per cent) of the other liabilities, $217.296 million, relate to liabilities for conditional arrangements that contain conditions requiring the return of funds that are not spent in accordance with the terms of the agreement. These amounts represent the portion of the contribution, mainly from the European Union, that has not been recognized as revenue because it had not been delivered by ITC as at 31 December 2019. A number of multi-year projects funded by the European Union were signed

during 2019, and the full value of the contributions were recognized as conditional liabilities upon signature. Conditional voluntary contributions increased owing to approximately $113.184 million in new multi-year agreements signed during the year, while approximately $35.132 million was delivered and recognized as revenue during the year.

27. Another significant liability was the employee benefits earned by staff members and retirees, which amounted to $170.132 million, representing 42.4 per cent of the Centre's total liabilities in 2019 (see figure IV.VI). That liability is explained in note 12 to the financial statements, however, its primary component is the after-service health insurance of $155.948 million, or 91.7 per cent of total employee benefits liabilities. The increase in employee benefits liabilities by $81.234 million is a result of a $77.956 million net actuarial loss, recognized in net assets, and $2.624 million of current service costs and interest net of benefit payments, recognized in the statement of financial performance as a component of staff costs, as well as an increase in accrued salaries, allowances and benefits and home leave of $0.654 million.

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



	Accounts payable and accrued liabilities	Other liabilities - current	Other liabilities - non-current	Employee benefits liabilities - current	Employee benefits liabilities - non-current	Provision	Share of joint arrangement
2019	12 282	55 524	163 119	4 367	165 765	65	38
2018	9 669	33 131	108 907	3 182	85 716	65	36

Net assets

28. The movement in net assets during the year reflects a decrease of $71.652 million, from $32.856 million in net assets in 2018 to $38.796 million in net liabilities in 2019, owing mainly to an actuarial loss of $77.956 million and an operating surplus of $6.301 million. Net assets include the operating reserves, which increased, from $9.272 million in 2018 to $10.989 million in 2019. ITC participates in a jointly financed operation relating to safety and security, which is established

under a binding agreement. ITC reported $0.003 million in net liabilities as its 2019 total share of the joint arrangement, accounted for using the equity method.

Liquidity position

29. As at 31 December 2019, the liquidity position of ITC was healthy; it had sufficient liquid assets to settle its current liabilities. Liquid assets totalled $208.213 million (cash and cash equivalents of $36.663 million, short-term investments of $76.452 million and accounts receivable of $95.098 million), whereas total current liabilities amounted to $72.174 million and total liabilities amounted to $401.161 million. The Centre's total cash resources amounted to $136.929 million.

30. The table below summarizes key liquidity indicators for the financial year ended 31 December 2019, with comparatives for the year ended 31 December 2018.

Liquidity indicator	*2019*	*2018*
Ratio of liquid assets to current liabilities	2.9:1	3.4:1
Ratio of liquid assets less accounts receivable to current liabilities	1.6:1	1.9:1
Ratio of liquid assets to total assets	0.6:1	0.6:1
Average months of liquid assets less accounts receivable on hand	11.5	10.5

31. The ratio of liquid assets to current liabilities indicates the ability of ITC to pay its short-term obligations from its liquid resources. The ratio of 2.9:1 indicates that current liabilities are covered in excess of 2.9 times by liquid assets, and therefore there are sufficient liquid assets available to fully pay liabilities, should the need arise. When accounts receivable are excluded from the analysis, the coverage of current obligations stands at 1.6, which indicates that ITC is able to cover current liabilities when relying on its assets that can be liquidated quickly, such as cash and cash equivalents and short-term investments. As at 31 December 2019, the Centre's liquid assets were about 60 per cent of its total assets, and it held sufficient cash and cash equivalents and short-term investments to cover its estimated average monthly expenses of $9.813 million for 11.5 months.

32. As at the reporting date, ITC had employee benefits liabilities of $170.132 million. With total cash and cash equivalents and investments of $136.929 million, 80.5 per cent of the employee benefits liability was covered; no amounts were reserved in the accounts to cover employee benefits liabilities to be paid in the future.

Budgetary comparison

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

34. In statement V, comparison of budget and actual amounts, the final budget is compared with actual amounts calculated on the same basis as the corresponding budgetary amounts. The comparison is made only in respect of the publicly available regular budget as shown below.

	2019			2018		
	Final annual	*Actual (budget basis)*	*Difference (percentage)*	*Final annual*	*Actual (budget basis)*	*Difference (percentage)*
Revenue						
Assessed contributions from the United Nations	19 283	18 333	(5)	18 677	18 680	–
Assessed contributions from the World Trade Organization	19 283	18 333	(5)	18 677	18 680	–
Other revenue	206	280	36	206	244	18
Total revenue	**38 772**	**36 946**	**(5)**	**37 560**	**37 604**	**–**
Regular budget						
Posts	29 783	29 157	(2)	29 202	28 620	(2)
Non-post	8 989	8 266	(8)	8 358	7 728	(8)
Total expenses	**38 772**	**37 423**	**(3)**	**37 560**	**36 348**	**(3)**
Surplus/(deficit) for year	**–**	**(477)**		**–**	**1 256**	

35. With regard to paragraph 157 below note 17 to the financial statements, and pursuant to IPSAS 24: Presentation of budget information in financial statements, material differences between the final budget and actual expenses that are greater than 10 per cent should be explained. There was no material variance between the final budget and actual expenses at the end of 2019, except for the variance of 36 per cent in other revenue of $0.074 million related to higher interest revenue from the cash pool, which is distributed proportionately to all participants on the basis of year-end balances.

Chapter V

Financial statements for the year ended 31 December 2019

International Trade Centre

I. Statement of financial position as at 31 December 2019

(Thousands of United States dollars)

	Reference	*31 December 2019*	*31 December 2018*
Assets			
Current assets			
Cash and cash equivalents	Note 4	36 663	8 960
Investments	Note 5	76 452	76 719
Voluntary contributions receivable	Note 6	95 090	72 023
Other accounts receivable	Note 6	8	62
Other assets	Note 7	6737	3 873
Total current assets		**214 950**	**161 637**
Non-current assets			
Investments	Note 5	23 814	5 942
Voluntary contributions receivable	Note 6	120 115	102 477
Other assets	Note 7	23	35
Property, plant and equipment	Note 8	577	889
Intangible assets	Note 9	2 886	2 582
Total non-current assets		**147 415**	**111 925**
Total assets		**362 365**	**273 562**
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	Note 10	12 283	9 669
Other liabilities	Note 11	55 524	33 131
Employee benefits liabilities	Note 12	4 367	3 182
Total current liabilities		**72 174**	**45 982**
Non-current liabilities			
Other liabilities	Note 11	163 119	108 907
Employee benefits liabilities	Note 12	165 765	85 716
Provision	Note 13	65	65
Share of joint arrangement	Note 19	38	36
Total non-current liabilities		**328 987**	**194 724**
Total liabilities		**401 161**	**240 706**
Net of total assets and total liabilities		**(38 796)**	**32 856**
Net assets			
Accumulated (deficit)/surplus		(49 785)	23 584
Operating reserves	Note 14	10 989	9 272
Total net assets		**(38 796)**	**32 856**

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

International Trade Centre

II. Statement of financial performance for the year ended 31 December 2019

(Thousands of United States dollars)

	Reference	*31 December 2019*	*31 December 2018*
Revenue			
Assessed contributions	Note 15	35 887	37 360
Voluntary contributions	Note 15	82 873	76 822
Other transfers and allocations	Note 15	3 025	4 086
Other revenue	Note 15	816	593
Investment revenue	Note 15	2 652	1 250
Total revenue		**125 253**	**120 111**
Expenses			
Employee salaries, allowances and benefits	Note 16	55 592	51 726
Non-employee compensation and allowances	Note 16	25 928	16 793
Travel	Note 16	8 194	6 792
Grants and other transfers	Note 16	4 340	2 439
Supplies and consumables		371	502
Depreciation	Note 8	370	419
Amortization	Note 9	824	642
Other operating expenses	Note 16	20 491	16 599
Other expenses	Note 16	2 837	2 784
Share of joint arrangement	Note 19	5	(9)
Total expenses		**118 952**	**98 687**
Surplus for the year		**6 301**	**21 424**

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

International Trade Centre

III. Statement of changes in net assets for the year ended 31 December 2019

(Thousands of United States dollars)

	Accumulated surplus, restricted	*Reserves*	*Total*
Net assets as at 1 January 2018	**(429)**	**7 766**	**7 337**
Actuarial gain on employee benefits liabilities	4 100	–	4 100
Surplus for the year	21 424	–	21 424
Transfers	(1 506)	1 506	–
Share of changes recognized in the net assets of joint arrangement	(5)	–	(5)
Total recognized changes in net assets	**24 013**	**1 506**	**25 519**
Net assets as at 31 December 2018	**23 584**	**9 272**	**32 856**
Actuarial loss on employee benefits liabilities (note 12)	(77 956)	–	(77 956)
Surplus for the year	6 301	–	6 301
Transfers (note 14)	(1 717)	1 717	–
Share of changes recognized in the net assets of joint arrangement (note 19)	3	–	3
Total recognized changes in net assets	**(73 369)**	**1 717**	**(71 652)**
Net assets as at 31 December 2019	**(49 785)**	**10 989**	**(38 796)**

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

International Trade Centre

IV. Statement of cash flows for the year ended 31 December 2019

(Thousands of United States dollars)

	Reference	*31 December 2019*	*31 December 2018*
Cash flows from operating activities			
Surplus for the year		**6 301**	**21 424**
Non-cash movements			
Depreciation and amortization	Notes 8 and 9	1 194	1 061
Actuarial (loss)/gain on employee benefits liabilities	Note 12	(77 956)	4 100
Gains/(losses) on share of joint arrangement	Note 19	3	(5)
Changes in assets			
(Increase) in voluntary contributions receivable	Note 6	(40 705)	(68 596)
Decrease in other accounts receivable	Note 6	54	26
(Increase) in other assets	Note 7	(2 852)	(373)
Changes in liabilities			
Increase in accounts payable and accrued liabilities	Note 10	2 614	1 488
Increase/(decrease) in employee benefits liabilities	Note 12	81 234	(2 434)
Increase in other liabilities	Note 11	76 605	81 751
Increase in provision	Note 13	–	65
Increase/(decrease) in shares of joint arrangement	Note 19	2	(4)
Investment revenue presented as investing activities	Note 15	(2 652)	(1 250)
Net cash flows used in operating activities		**43 842**	**37 253**
Cash flows from investing activities			
Pro rata share of net increases in the cash pool	Note 5	(17 605)	(32 412)
Investment revenue presented as investing activities	Note 15	2 652	1 250
Acquisitions of property, plant and equipment	Note 8	(58)	(312)
Acquisitions of intangibles	Note 9	(1 128)	(1 122)
Net cash flows used in investing activities		**(16 139)**	**(32 596)**
Net increase/(decrease) in cash and cash equivalents		**27 703**	**4 657**
Cash and cash equivalents, beginning of year		8 960	4 303
Cash and cash equivalents, end of year	**Note 4**	**36 663**	**8 960**

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

International Trade Centre

V. Statement of comparison of budget and actual amounts for the year ended 31 December 2019

(Thousands of United States dollars)

	Publicly available budget				
	Original biennial[a]	*Original annual*[a]	*Final annual*[b]	*Actual (budget basis)*[c]	*Difference (percentage)*[d]
Revenue					
Assessed contributions from the United Nations	37 354	19 088	19 283	18 333	(5)
Assessed contributions from the World Trade Organization	37 354	19 088	19 283	18 333	(5)
Other revenue	413	206	206	280	36
Total revenue	**75 121**	**38 382**	**38 772**	**36 946**	**(5)**
Expenses					
Posts	58 404	29 476	29 783	29 157	(2)
Non-post	16 717	8 906	8 989	8 266	(8)
Total expenses	**75 121**	**38 382**	**38 772**	**37 423**	**(3)**
Surplus for the year	**–**	**–**	**–**	**(477)**	**(5)**

[a] The original biennial budget is the lower of the budget approved by the General Assembly of the United Nations (resolution 72/263 A) or by the General Council of WTO (WT/BFA/169 and WT/GC/M/170). The original budget for the second year of the biennium is the portion of the appropriations for the biennium approved by the General Assembly derived from the estimate of resources for use in the second year plus the carry forward from the first year in Swiss francs converted to United States dollars using the first performance report rate.

[b] The final budget for the second year of the biennium is the amount approved by the General Assembly in the second performance report (resolutions 74/250 A and B) less the actual expenditure amount included in the 2018 financial statements. Differences between the original budget and final budget are the result of changes in the United States dollar-Swiss franc exchange rate and the revised estimate of expense included in the second performance report.

[c] Actual expenditure reflects the amounts funded by regular budget contributions, as well as miscellaneous income.

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

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

International Trade Centre
Notes to the financial statements

Note 1
Reporting entity

International Trade Centre and its activities

1. The International Trade Centre (ITC) is the joint technical cooperation agency of the World Trade Organization (WTO) and the United Nations through the United Nations Conference on Trade and Development (UNCTAD). ITC is responsible for the business aspects of trade development. Its mandate derives from the priorities established in the General Agreement on Tariffs and Trade on 19 March 1964 and General Assembly resolution 2297 (XXII) of 12 December 1967. Since 1 January 1968, ITC has operated under the joint auspices of the General Agreement, WTO and the United Nations. In its resolution 1819/LV of 9 August 1973, the Economic and Social Council reaffirmed the Centre's mandate as the focal point for technical assistance and cooperation activities for trade promotion within the United Nations system of assistance for developing countries.

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

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

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

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

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

4. The regular budget of ITC is jointly and equally financed by the United Nations and WTO, while technical cooperation projects are financed by voluntary contributions from trust fund donors and other inter-organizational arrangements and multi-donor initiatives. ITC is regarded as a separate reporting entity and is not deemed to be subject to common control for the purposes of IPSAS-compliant reporting.

5. ITC participates in a jointly financed activity with other United Nations system organizations. Its share of the activity is recognized in its financial statements using the equity method.

6. The headquarters of ITC is in Geneva, and it maintains leased offices in 37 countries.

Note 2
Basis of preparation and authorization for issue

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

(a) Statement I: statement of financial position;

(b) Statement II: statement of financial performance;

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

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

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

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

(g) Comparative information in respect of all amounts presented in the financial statements indicated in subparagraphs (a) to (e) above and, where relevant, comparative information for narrative and descriptive information presented in the notes to these financial statements.

Going concern

8. The financial statements have been prepared on a going-concern basis and the accounting policies, as summarized in note 3, have been applied consistently in the preparation and presentation of these financial statements. The going-concern assertion is based on the approval by the General Assembly and the General Council of WTO of the regular budget appropriations for fiscal year 2020, the positive historical trend of collection of assessed and voluntary contributions over the past years and that the General Assembly and the General Council of WTO have not made any decision to cease the operations of ITC.

Functional and presentation currency

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

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

11. Transactions in currencies other than the functional currency (foreign currencies) are translated into United States dollars at the United Nations operational rate of exchange at the date of the transaction. The United Nations operational rates of exchange approximate the spot rates prevailing at the dates of the transactions. At year end, monetary assets and liabilities denominated in foreign currencies are translated at the United Nations operational rates of exchange. Non-monetary foreign currency denominated items that are measured at fair value are translated at the United Nations operational rate of exchange at the date on which the fair value was determined. Non-monetary items measured at historical cost in a foreign currency are not translated at year end.

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

Materiality and use of judgment and estimation

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

14. The preparation of financial statements in accordance with IPSAS requires the use of estimates, judgments and assumptions in the selection and application of accounting policies and in the reported amounts of certain assets, liabilities, revenue and expenses. Accounting estimates and underlying assumptions are reviewed on an ongoing basis, and revisions to estimates are recognized in the year in which the estimates are revised and in any future year affected. Significant estimates and assumptions that may result in material adjustments in future years include accruals; the selection of useful lives and the depreciation and amortization methods for property, plant and equipment and intangible assets; the impairment of assets; actuarial measurement of employee benefits; the classification of financial instruments and of contingent assets and liabilities; and inflation and discount rates used in the calculation of the present value of provisions.

Measurement basis

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

Authorization for issue

16. These financial statements are certified by the United Nations Assistant Secretary-General, Controller, and approved by the Secretary-General of the United Nations. In accordance with United Nations financial regulation 6.2, the Secretary-General is required to transmit these financial statements as at 31 December 2019 to the Board of Auditors by 31 March 2020. In accordance with financial regulation 7.12, the reports of the Board of Auditors are to be transmitted to the General Assembly through the Advisory Committee on Administrative and Budgetary Questions, together with the audited financial statements authorized for issue on 30 July 2020.

Future accounting pronouncements

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

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

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

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

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

(e) Public sector measurement: the objectives of this project include:

(i) To issue amended standards with revised requirements for measurement at initial recognition, subsequent measurement and measurement-related disclosure;

(ii) To provide more detailed guidance on the implementation of replacement cost and cost of fulfilment and the circumstances under which these measurement bases will be used;

(iii) To address transaction costs, including the specific issue of the capitalizing or expensing of borrowing costs;

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

Recent and future requirements of IPSAS

18. The IPSAS Board has issued the following standards: IPSAS 40: Public sector combinations, issued in 2017 and effective 1 January 2019; IPSAS 41: Financial instruments, issued in August 2018 and effective 1 January 2022; and IPSAS 42: Social benefits, issued in January 2019 and effective 1 January 2022. The impact of these standards on the ITC financial statements and the comparative period therein has been evaluated to be as follows:

Standard	*Anticipated impact in the year of adoption*
IPSAS 40	There is no impact on ITC from the application of IPSAS 40 at the moment because there are no public sector combinations that fall under ITC.
IPSAS 41	IPSAS 41 substantially improves the relevance of information for financial assets and financial liabilities. It will replace IPSAS 29: Financial instruments: recognition and measurement, and improve that standard's requirements by introducing the following: (a) Simplified classification and measurement requirements for financial assets; (b) A forward-looking impairment model; (c) A flexible hedge accounting model. IPSAS 41 will be effective as from 1 January 2022. Its impact on the financial statements will be assessed prior to that date, and the Organization will be ready for its implementation by the time it becomes effective.
IPSAS 42	IPSAS 42 provides guidance on accounting for social benefits expenditure. It defines social benefits as cash transfers paid to specific individuals and/or households to mitigate the effect of social risk. Specific examples include state retirement benefits, disability benefits, income support and unemployment benefits. The new standard requires an entity to recognize an expense and a liability for the next social benefit payment. IPSAS 42 will be effective from 1 January 2022. Its impact on the financial statements will be assessed prior to that date and ITC will be ready for its implementation by the time it becomes effective.

Note 3
Significant accounting policies

Assets

Financial assets

Classification

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

Financial assets at fair value through surplus or deficit

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

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

Recognition and measurement of assets held in the main cash pool

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

Recognition and measurement of receivables

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

Impairment of receivables

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

25. An allowance for doubtful accounts receivable equal to 25 per cent of the carrying value is established to offset receivables aged 12–24 months, equal to 60 per

cent of the carrying value for those aged more than 24 months and 100 per cent of the carrying value for those aged more than 36 months as at the reporting date. If, in a subsequent year, the amount of the impairment loss decreases, the reversal of the previously recognized impairment loss is recognized in the statement of financial performance.

Advances or prepayments

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

27. ITC advances funds to implementing partners (e.g. other United Nations system organizations and trade support institutions) in order for them to provide services to a target population in accordance with binding agreements with ITC. The implementing partner reports to ITC on its progress towards fulfilling the project or programme for which the agreement was signed. Expenses are recognized on receipt of expenditure or service delivery reports. In accordance with the recommendation of the Board of Auditors, the net portion of any advances not yet delivered will be taken to expense at year end, except for the grants that ITC has effective control over.

Property, plant and equipment

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

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

Subsequent costs

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

Depreciation of property, plant and equipment

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

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

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

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

Intangible assets

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

Amortization of intangible assets

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

Class	*Estimated useful life (years)*
Software developed internally	5

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

Liabilities

Financial liabilities

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

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

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

Employee benefits liabilities

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

Short-term employee benefits

41. Short-term employee benefits comprise first-time employee benefits (assignment grants), regular daily, weekly and monthly benefits (wages, salaries, allowances), compensated absences (paid sick leave, maternity and paternity leave) and other short-term benefits (education grant, reimbursement of taxes, death benefit and home leave travel) provided to current employees on the basis of services rendered. Short-term employee benefits are expected to be settled within 12 months of the reporting date and are measured at their nominal values based on accrued entitlements at current rates of pay. All short-term employee benefits that are earned but not paid at the reporting date are recognized as current liabilities in the statement of financial position. Some employees are entitled to home leave every 12 months and others every 24 months; the benefit is classified as a short-term and long-term benefit under IPSAS. However, for practical purposes, the United Nations has decided to treat the entire home leave benefit as a short-term benefit. The calculation, presentation and disclosure of benefits and any liabilities will therefore follow the guidance for short-term employee benefits.

Post-employment benefits

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

Defined-benefit plans

43. The following benefits are accounted for as defined-benefit plans: after-service health insurance, repatriation benefits, pensions through the United Nations Joint Staff Pension Fund (post-employment benefits) and accumulated annual leave that is commuted to cash upon separation from the Organization (other long-term benefit). The liability recognized for the post-employment benefit plans is the present value of the defined-benefit obligations as at the reporting date. Defined-benefit plans are those where the obligation of ITC is to provide agreed benefits and therefore ITC bears the actuarial risks. The liability for defined-benefit plans is measured at the present value of the defined-benefit obligation. Changes in the liability for defined-benefit plans, excluding actuarial gains and losses, are recognized in the statement of financial performance in the year in which they occur. ITC has chosen to recognize changes in the liability for defined-benefit plans from actuarial gains and losses directly through the statement of changes in net assets. At the end of the reporting year, ITC did not hold any plan assets as defined in IPSAS 39: Employee benefits.

44. The defined-benefit obligations are calculated by an independent actuary using the projected unit credit method. The present value of the defined-benefit obligation is determined by discounting the estimated future cash outflows using the interest rates of high-quality corporate bonds with maturity dates approximating those of the individual plans.

After-service health insurance

45. Coverage for the medical expenses of eligible former staff members and their dependants is provided through after-service health insurance. At the end of service, staff members and their dependants may elect to participate in a defined-benefit health insurance plan of ITC, provided that 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 recruited before that date. The after-service health insurance liability represents the present value of the share of the Centre's medical insurance costs for retirees and the post-retirement benefit accrued to date by active staff. A factor in the after-service health insurance valuation is to consider contributions from all plan participants in determining the Centre's residual liability. Contributions from retirees are deducted from the gross liability, together with a portion of the contributions from active staff, to arrive at the Centre's residual liability in accordance with cost-sharing ratios authorized by the General Assembly.

Repatriation benefits

46. At the 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 on length of service, and travel and removal expenses. A liability is recognized from when the staff member joins the Organization and is measured as the present value of the estimated liability for settling these entitlements.

Annual leave

47. The liabilities for annual leave represent unused accumulated leave days that are projected to be settled through a monetary payment to employees upon their separation from ITC. The Centre recognizes as a liability the actuarial value of the total accumulated unused leave days of all staff members, up to a maximum of 60 days (18 days for temporary staff) as at the date of the statement of financial position. The methodology applies a last-in, first-out assumption in the determination of the annual leave liabilities, whereby staff members gain access to current period leave entitlements before gaining access to accumulated annual leave balances relating to prior periods. Effectively, access to the accumulated annual leave benefit is gained more than 12 months after the end of the reporting period in which the benefit arose and, overall, there is an increase in the level of accumulated annual leave days, pointing to the commutation of accumulated annual leave to a cash settlement at the end of service as the true liability of ITC. The accumulated annual leave benefit reflecting the outflow of economic resources from ITC at the end of service is therefore classified under the category of other long-term benefits, while noting that the portion of the accumulated annual leave benefit that is expected to be settled through monetary payment within 12 months after the reporting date is classified as a current liability. In line with IPSAS 39: Employee benefits, other long-term benefits must be valued similarly to post-employment benefits; therefore, ITC values its accumulated annual leave benefit liability as a defined, post-employment benefit that is actuarially valued.

Appendix D benefits

48. Appendix D to the Staff Regulations and Rules of the United Nations governs compensation in the event of death, injury or illness attributable to the performance of official duties on behalf of the United Nations. Those liabilities are valued by actuaries.

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

Other long-term employee benefits

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

Termination benefits

51. Termination benefits are recognized as an expense only when ITC is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate the employment of a staff member before the normal retirement date or to provide termination benefits as a result of an offer made in order to encourage voluntary redundancy. Termination benefits to be settled within 12 months are reported at the amount expected to be paid. Where termination benefits fall due more than 12 months after the reporting date, they are discounted if the impact of discounting is material.

United Nations Joint Staff Pension Fund

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

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

Provisions

54. Provisions are liabilities recognized for future expenditure of uncertain amount or timing when there is a present legal or constructive obligation, as a result of a past event, and it is probable that ITC will be required to settle the obligation and the value

can be estimated reliably. The amount of the provision is the best estimate of the expenditure expected to be required to settle the present obligation as at the reporting date.

Operating leases

55. Leases where the lessor retains a significant portion of the risks and rewards inherent in ownership are classified as operating leases. Payments made under operating leases are recognized in the statement of financial performance as an expense on a straight-line basis over the period of the lease. Donated right-to-use arrangements are accounted for as operating leases or finance leases, depending on whether an assessment of the agreement indicates that control over the underlying assets is transferred to the Organization. The threshold for recognition and measurement of donated right-to-use premises in the financial statements is $5,000 per discrete donated right-to-use arrangement per year.

Contingent liabilities and contingent assets

Contingent liabilities

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

Contingent assets

57. Any possible assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the effective control of ITC are disclosed as contingent assets in the notes when it is more likely than not that economic benefits will flow to ITC.

Revenue

Non-exchange revenue and receivables

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

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

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

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

62. Services in kind are not recognized, but are disclosed in the notes to the financial statements.

Exchange revenue

63. Revenue from the sale of publications is recognized upon acceptance by the customer. Licence fee revenue is recognized over the period of the licence. Revenue from rendering services to governments and other entities is recognized as services are performed in accordance with the agreements.

Investment revenue

64. Investment revenue includes the ITC share of net cash pool revenue and other interest revenue. Net cash pool revenue includes any gains and losses on the sale of investments, which are calculated as the difference between the sales proceeds and the book value. Transaction costs that are directly attributable to the investment activities are netted against revenue, and the net revenue is distributed proportionately to all cash pool participants on the basis of their average daily balances. The cash pool revenue also includes unrealized market gains and losses on securities, which are distributed proportionately to all participants on the basis of year-end balances.

Expenses

65. Expenses are decreases in economic benefits or service potential during the reporting year in the form of outflows or consumption of assets or incurrence of liabilities that result in decreases in net assets and are recognized on an accrual basis when goods are delivered and services are rendered, regardless of the terms of payment. Grants to end beneficiaries of up to $30,000 are considered transfers, and an expense is recognized at the point at which ITC has a binding obligation to pay.

Segment reporting

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

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

Joint arrangement

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

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

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

Related party disclosures

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

Operating reserves

70. The trust fund operating reserve of ITC is maintained to cover delays in payment of voluntary contributions and to meet shortfalls of revenue over final expense of trust funds in accordance with administrative instruction ST/AI/285. In addition, the operating reserve is also maintained by the programme support fund of an amount equal to 20 per cent of estimated support cost revenue in accordance with administrative instruction ST/AI/286. Both these reserves are presented in the statement of financial position and statement of changes in net assets as a separate component of net assets.

Note 4
Cash and cash equivalents

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Main cash pool	36 649	8 947
Cash held in main and field offices	14	13
Total cash and cash equivalents	**36 663**	**8 960**

71. Cash required for immediate disbursement is maintained in the main cash pool. Cash in the main office and field locations is held for meeting immediate financial needs at those locations. In 2019, signed agreements amounted to $164.587 million (2018: $165.039 million). Many of the agreements were multi-year and had large first instalments, which resulted in an increase in cash and cash equivalents.

Note 5
Financial instruments and financial risk management

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Financial assets		
Fair value through surplus or deficit		
Investments, main cash pool (short term)	76 452	76 719
Investments, main cash pool (long term)	23 814	5 942
Total fair value through surplus or deficit	**100 266**	**82 661**
Cash and receivables		
Cash and cash equivalents, main cash pool (note 4)	36 649	8 947
Cash and cash equivalents, other (note 4)	14	13
Accounts receivable (note 6)	215 213	174 562
Total cash and receivables	**251 876**	**183 522**
Total carrying amount of financial assets	**352 142**	**266 183**
Amount of which relates to financial assets held in main cash pool	136 915	91 608
Financial liabilities		
Amortized cost		
Accounts payable and accrued liabilities (note 10)	(12 282)	(9 669)
Total carrying amount of financial liabilities	**(12 282)**	**(9 669)**

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

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

74. As at 31 December 2019, ITC participated in the main pool, which held total assets of $9,339.4 million (2018: $7,504.8 million), $136.915 million of which was due to ITC (2018: $91.608 million), comprising short- and long-term investments of $100.266 million (2018: $82.661 million) and cash and cash equivalents of $36.649 million (2018: $8.947 million). Its share of revenue from the main pool was $2.652 million (2018: $1.250 million) (see note 15).

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

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Fair value through surplus or deficit		
Short-term investments	5 177 137	6 255 379
Long-term investments	1 624 405	486 813
Total fair value through surplus or deficit investments	**6 801 542**	**6 742 192**
Loans and receivables		
Cash and cash equivalents	2 499 980	732 926
Accrued investment revenue	37 868	29 696
Total loans and receivables	**2 537 848**	**762 622**
Total carrying amount of financial assets	**9 339 390**	**7 504 814**
Cash pool liabilities		
Payable to ITC	136 915	91 608
Payable to other cash pool participants	9 202 475	7 413 206
Total liabilities	**9 339 390**	**7 504 814**
Net assets	–	–

Summary of revenue and expenses of the main pool

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Investment revenue	198 552	152 805
Unrealized gains	14 355	3 852
Investment revenue from main pool	**212 907**	**156 657**
Foreign exchange gains	3 313	854
Bank fees	(808)	(805)
Operating gains/(losses) from main pool	**2 505**	**49**
Revenue from main pool	**215 412**	**156 706**

Financial assets held in main cash pool payable to the International Trade Centre

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Investments, main cash pool (short term)	76 452	76 719
Investments, main cash pool (long term)	23 814	5 942
Total investments, main pool	**100 266**	**82 661**
Cash and cash equivalents, main cash pool (note 4)	36 649	8 947
Total cash and cash equivalents, main cash pool	**36 649**	**8 947**
Financial assets held in main cash pool payable to ITC	**136 915**	**91 608**

Financial risk management

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

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

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

Financial risk management: credit risk

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

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

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

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

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

(Percentage based on carrying value)

Main pool	*Ratings as at 31 December 2019*					*Ratings as at 31 December 2018*			
Bonds (long-term ratings)									
	AAA	*AA+/AA/AA-*	*A+*	*Not rated*		*AAA*	*AA+/AA/AA-*	*A+*	*Not rated*
S&P Global Ratings	35.8	58.8		5.4	S&P Global Ratings	15.40	79.00	5.60	–
Fitch	60.2	23.8		16.0	Fitch	55.10	39.30	–	5.60
	Aaa	*Aa1/Aa2/Aa3*	*A1*			*Aaa*	*Aa1/Aa2/Aa3*	*A1*	
Moody's	54.8	45.2			Moody's	49.70	50.00	0.30	
Commercial paper (short-term ratings)									
	A-1+/A-1					*A-1+*			
S&P Global Ratings	100				S&P Global Ratings	100.00			
	F1+/F1					*F1+*			
Fitch	100				Fitch	100.00			
	P-1					*P-1*			
Moody's	100				Moody's	100.00			
Reverse repurchase agreement (short-term ratings)									
	A-1+					*A-1+*			
S&P Global Ratings	–				S&P Global Ratings	100.00			
	F1+					*F1+*			
Fitch	–				Fitch	100.00			
	P-1					*P-1*			
Moody's	–				Moody's	100.00			
Term deposits (Fitch viability ratings)									
	aaa	*aa/aa-*	*a+/a*			*Aaa*	*aa/aa-*	*a+/a/a-*	
Fitch	–	84.2	15.8		Fitch	–	53.50	46.50	

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

Other credit risk disclosures

83. Voluntary contributions from Governments representing the Member States of the two parent organizations of ITC comprise the majority of ITC voluntary contributions receivable. Credit risk is considered minimal since most of its donors are sovereign entities. A provision for doubtful receivables of $0.06 million (2018: $0.661 million) was made for other accounts receivables. The ageing of other accounts receivables are as follows:

(Thousands of United States dollars)

	31 December 2019		*31 December 2018*	
	Gross receivable	*Allowance*	*Gross receivable*	*Allowance*
Less than one year	8	–	62	–
More than one year	60	60	661	661
Total	**68**	**60**	**723**	**661**

Financial risk management: liquidity risk

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

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

Financial risk management: interest rate risk

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

87. The main pool comprises the main exposure of ITC to interest rate risk, with fixed-rate cash and cash equivalents and investments being interest-bearing financial instruments. As at the reporting date, the main pool had invested primarily in securities with shorter terms to maturity, with the maximum being less than five years (2018: three years). The average duration of the main pool was 0.74 years (2018: 0.33 years), which is considered to be an indicator of low risk.

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

Main pool interest rate risk sensitivity analysis as at 31 December 2019

Shift in yield curve (basis points)	*-200*	*-150*	*-100*	*-50*	*0*	*+50*	*+100*	*+150*	*+200*
(Millions of United States dollars)									
Increase/(decrease) in fair value									
Main pool total	134.47	100.84	67.22	33.61	–	(33.60)	(67.20)	(100.79)	(134.38)

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

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

Other market risk: price risk

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

Accounting classifications and fair value hierarchy

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

91. The levels are defined as follows:

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

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

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

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

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

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

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

(Thousands of United States dollars)

	31 December 2019			*31 December 2018*		
	Level 1	*Level 2*	*Total*	*Level 1*	*Level 2*	*Total*
Financial assets at fair value through surplus or deficit						
Bonds, corporate	148 473	–	148 473	205 566	–	205 566
Bonds, non-United States agencies	755 027	–	755 027	791 922	–	791 922
Bonds, non-United States sovereigns	423 230	–	423 230	–	–	–
Bonds, supranational	497 829	–	497 829	174 592	–	174 592
Bonds, United States treasuries	–	347 398	347 398	610 746	–	610 746
Main pool, commercial papers	–	3 419 585	3 419 585	219 366	–	219 366
Main pool, term deposits	–	1 210 000	1 210 000	–	4 740 000	4 740 000
Total main pool	**1 824 559**	**4 976 983**	**6 801 542**	**2 002 192**	**4 740 000**	**6 742 192**

Financial risk management: foreign exchange risk

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

Currency exposure as at 31 December 2019

(Thousands of United States dollars)

	United States dollar	*Swiss franc*	*Euro*	*Pound sterling*	*Swedish krona*	*Other*	*Total*
Main cash pool	134 787	246	1 159	92	–	631	136 915
Voluntary contributions receivable	83 500	4 861	85 122	25 535	9 503	6 684	215 205
Other receivables	–	8	–	–	–	–	8
Total financial assets	**218 287**	**5 115**	**86 281**	**25 627**	**9 503**	**7 315**	**352 128**

Currency exposure as at 31 December 2018

(Thousands of United States dollars)

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

96. As at 31 December 2019, if the United States dollar had weakened or strengthened by 10 per cent against other currencies held in the main cash pool, voluntary contributions and other receivables, with all other variables held constant, the net results for the year would have been $13.384 million (2018: $14.525 million) higher or lower, mainly as a result of foreign exchange gains or losses on translation of receivables denominated in euros, pounds sterling, Swedish kronor and Swiss francs. Similarly, the impact on net assets would have been $13.384 million (2018: $14.525 million) lower or higher.

Note 6
Accounts receivable

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

98. Current and non-current voluntary contributions receivable increased as a result of approximately $164.587 million (2018: $165.039 million) in new multi-year agreements signed during the year, offset by the settlement received in 2019 and foreign exchange losses or gains.

99. The non-current voluntary contributions receivable of $120.115 million (2018: $102.477 million) represent the discounted value of future year receivables.

Voluntary contributions receivable

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Current	95 090	72 023
Non-current	120 115	102 477
Total voluntary contributions receivable	**215 205**	**174 500**

100. Other accounts receivable consist of the following:

Other accounts receivable

(Thousands of United States dollars)

	31 December 2019	31 December 2018
Receivables from sales	8	62
Other	60	661
Allowance for doubtful debts	(60)	(661)
Total other accounts receivable	**8**	**62**

Allowance for doubtful debts

(Thousands of United States dollars)

	31 December 2019	31 December 2018
At 1 January	(661)	(648)
Amounts written off	637	–
Current year (addition)/release of allowance	(36)	(13)
At 31 December	**(60)**	**(661)**

101. Pursuant to financial rule 106.7 (a), an amount of non-recoverable receivables equivalent to $637,286 was written off during 2019. Miscellaneous receivables of $3,145 related to travel advances were also written off during 2019.

Note 7
Other assets

102. Advances to implementing partners are grants issued by ITC covered by binding agreements containing conditions that have not been fulfilled as at the reporting date. Expenses are recognized as conditions contained in the agreement are fulfilled. In accordance with the recommendation of the Board of Auditors, the net portion of any advances not yet delivered by year end will be taken to expense, except for the grants that ITC has effective control over. There were no such advances taken to expense in 2019.

(Thousands of United States dollars)

	31 December 2019	31 December 2018
Advances to implementing partners	5 008	2 089
Advances to United Nations Development Programme	155	477
Advances to vendors	665	401
Staff advances	805	782
Staff recoveries	36	19
Other	68	105
Subtotal, current assets	**6 737**	**3 873**
Staff recoveries	23	35
Subtotal, non-current assets	**23**	**35**
Total other assets	**6 760**	**3 908**

Note 8
Property, plant and equipment

(Thousands of United States dollars)

	Vehicles	*Communications and information technology equipment*	*Furniture and fixtures*	*Machinery and equipment*	*Leasehold improvements*	*Total*
Cost as at 1 January 2019	**366**	**688**	**296**	**371**	**1 054**	**2 775**
Additions	40			18		58
Disposals			(34)	(26)		(60)
Cost as at 31 December 2019	**406**	**688**	**262**	**363**	**1 054**	**2 773**
Accumulated depreciation as at 1 January 2019	**156**	**439**	**283**	**262**	**746**	**1 886**
Depreciation	51	92	1	21	205	370
Disposals			(34)	(26)		(60)
Accumulated depreciation as at 31 December 2019	**207**	**531**	**250**	**257**	**951**	**2 196**
Net carrying amount						
1 January 2019	210	249	13	109	308	889
31 December 2019	**199**	**157**	**12**	**106**	**103**	**577**

(Thousands of United States dollars)

	Vehicles	*Communications and information technology equipment*	*Furniture and fixtures*	*Machinery and equipment*	*Leasehold improvements*	*Total*
Cost as at 1 January 2018	**302**	**910**	**282**	**457**	**1 054**	**3 005**
Additions	64	126	14	108	–	312
Disposals	–	(348)	–	(194)	–	(542)
Cost as at 31 December 2018	**366**	**688**	**296**	**371**	**1 054**	**2 775**
Accumulated depreciation as at 1 January 2018	**106**	**696**	**280**	**442**	**485**	**2 009**
Depreciation	50	91	3	14	261	419
Disposals	–	(348)	–	(194)	–	(542)
Accumulated depreciation as at 31 December 2018	**156**	**439**	**283**	**262**	**746**	**1 886**
Net carrying amount						
1 January 2018	196	214	2	15	569	996
31 December 2018	**210**	**249**	**13**	**109**	**308**	**889**

103. ITC, in accordance with the recommendation of the Board of Auditors, performed an annual review of the residual value of the fully depreciated assets still in use, along with an impairment review that was undertaken for the 31 December 2019 reporting date. The review did not result in any equipment being considered impaired, and no residual value that was material was required to be added back.

However, a total write-off amounting to $0.06 million at cost (2018: $0.542 million) occurred during the year owing to obsolescence.

Note 9
Intangible assets

(Thousands of United States dollars)

	Software developed internally	*Software under development*	*Total*
Opening cost as at 1 January 2019	**4 027**	**174**	**4 201**
Additions	623	505	1 128
Transfers	174	(174)	–
Total cost as at 31 December 2019	**4 824**	**505**	**5 329**
Opening accumulated amortization as at 1 January 2019	**1 619**	**–**	**1 619**
Amortization	824	–	824
Closing accumulated amortization as at 31 December 2019	**2 443**	**–**	**2 443**
Net book value as at 1 January 2019	**2 408**	**174**	**2 582**
Net book value as at 31 December 2019	**2 381**	**505**	**2 886**

(Thousands of United States dollars)

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

104. The Centre’s intangible assets consist of a suite of online tools and databases through which its beneficiaries can make global trade more transparent and facilitate access to new markets. An internally developed software project from 2018 was completed during the year. In addition, there were three software development projects begun and completed during the year. The total value of the four internally developed software projects is $0.797 million. Two 2019 projects, which will continue into 2020 and are recognized as software under development, have a value of $0.505 million. The aggregate amount of research and development expenditure during 2019 was $1.513 million, of which $0.385 million was recognized as an

expense during 2019, $0.623 million was capitalized on the account of completed projects and $0.505 million was accounted for as assets under development. The carrying amounts of the 16 intangible assets, which in total amount to $2.886 million, were individually not material to the ITC financial statements for separate disclosure.

Note 10
Accounts payable and accrued liabilities

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Vendor and other payables	4 190	2 760
Payables to donors	4 403	4 935
Accruals for goods and services	3 690	1 974
Total accounts payable and accrued liabilities	**12 283**	**9 669**

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

106. Payables to donors consist of the balance of unspent contributions for closed projects pending refund or reprogramming, and balances due to the United Nations and WTO for overpayment, savings or surplus from assessed contributions of $0.164 million (2018: $0.157 million) and $2.301 million (2018: $1.919 million), respectively.

Note 11
Other liabilities

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

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

109. Liabilities for conditional arrangements increased as a result of approximately $113.184 million (2018: $105.226 million) in new multi-year agreements being signed during the year, while a total of approximately $35.132 million (2018: $18.500 million) in multi-year agreements was recognized as revenue during the year.

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Current liabilities		
Liabilities for conditional arrangements	54 456	33 131
Advance receipts	800	–
Other liabilities	268	–
Subtotal current liabilities	**55 524**	**33 131**

	31 December 2019	*31 December 2018*
Non-current liabilities		
Liabilities for conditional arrangements	162 840	108 907
Other liabilities	279	–
Subtotal non-current liabilities	**163 119**	**108 907**
Total other liabilities	**218 643**	**142 038**

Note 12
Employee benefits liabilities

110. The employee benefits liabilities are unfunded. The liabilities arising from end-of-service or post-employment benefits are determined by independent actuaries and are established in accordance with the Staff Regulations and Rules of the United Nations. Actuarial valuation is usually undertaken every two years. The most recent full actuarial valuation was conducted as at 31 December 2019.

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Current liabilities		
Accrued salaries, allowances and benefits	919	389
Accumulated annual leave	337	277
Home leave	719	595
Repatriation grant	620	487
After-service health insurance	1 772	1 434
Subtotal current liabilities	**4 367**	**3 182**
Non-current liabilities		
Accumulated annual leave	4 303	3 583
Repatriation grant	7 286	5 450
After-service health insurance	154 176	76 683
Subtotal non-current liabilities	**165 765**	**85 716**
Total employee benefits liabilities	**170 132**	**88 898**

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

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

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

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

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

(e) The mandatory age of retirement for staff who joined the United Nations on or after 1 January 2014 is 65; for those who joined before 1 January 2014 it is 60 or 62. The General Assembly decided to extend the mandatory age of separation to 65 years for staff recruited by organizations of the United Nations common system before 1 January 2014, taking into account the acquired rights of staff, by 1 January 2018 at the latest. This change was implemented as at 1 January 2018 and affects future calculations of employee benefits liabilities.

112. The actuarial results as at 31 December 2019 are based on an actuarial study. Financial and demographic assumptions have been updated since the actuarial valuation carried out in 2018 to determine the Centre's estimated liability for defined-benefit obligations at the reporting date.

113. For 2019, the gross liability for all post-employment defined-benefit plans was calculated by the actuary as $245.379 million (2018: $165.824 million), offset by contributions from plan participants of $76.885 million (2018: $77.910 million) to equal the Centre's net liability of $168.494 million (2018: $87.914 million). The total

increase of $80.580 million is the result of a $77.956 million net actuarial loss (2018: $4.100 million gain) recognized in net assets, and $2.624 million (2018: $2.592 million) in current service costs and interest, net of benefit payments recognized in the statement of financial performance as a component of staff costs.

Movement in employee benefits liabilities accounted for as defined benefits plans

(Thousands of United States dollars)

	After-service health insurance	*Repatriation grant*	*Accumulated annual leave*	*Total*
Defined-benefit obligation as at 31 December 2018	**78 117**	**5 937**	**3 860**	**87 914**
Current service cost	3 013	400	338	3 751
Interest cost	712	241	158	1 111
Benefits paid (net of participant contributions)	(1 445)	(505)	(288)	(2 238)
Liability (gains)/losses due to actuarial financial assumptions				
Change in discount rate	29 530	752	594	30 876
Change in contribution rate for the United Nations Supervision Mission in the Syrian Arab Republic	29 930	–	–	29 930
Change in per capita claims assumption	20 291	–	–	20 291
Change in medical inflation	(2 308)	–	–	(2 308)
Changes in subsidies to Medicare parts B and D	(6)	–	–	(6)
Liability (gains)/losses due to changes in demographic assumptions	(161)	(20)	74	(107)
Liability (gains)/losses due to changes in experience adjustments	(1 725)	1 101	(96)	(720)
Defined-benefit obligation as at 31 December 2019	**155 948**	**7 906**	**4 640**	**168 494**

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

115. The total expense recognized in the statement of financial performance in 2019 and 2018 for each of the defined-benefit obligations is as follows:

(Thousands of United States dollars)

	After-service health insurance	*Repatriation grant*	*Accumulated annual leave*	*Total*
Current service cost	3 013	400	338	3 751
Interest cost	712	241	158	1 111
Total expense recognized in statement of financial performance for 2019	**3 725**	**641**	**496**	**4 862**

(Thousands of United States dollars)

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

116. The total actuarial gain/(loss) recognized directly in net assets in the statement of changes in net assets in 2019 and 2018 is shown in the following table:

(Thousands of United States dollars)

	After-service health insurance	*Repatriation grant*	*Accumulated annual leave*	*Total*
Gain/(loss) in 2019	(75 551)	(1 833)	(572)	(77 956)
Gain/(loss) in 2018	3 427	404	269	4 100

Actuarial valuation: assumptions

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

Assumption	*After-service health insurance*	*Repatriation grant*	*Accumulated annual leave*
Discount rate (31 December 2019)	0.19	3.14	2.56
Discount rate (31 December 2018)	0.92	4.23	4.25
Travel inflation (31 December 2019)		2.20	
Travel inflation (31 December 2018)	–	2.20	–
Health-care cost trend rate (31 December 2019)	3.76 trending down to 2.85 in eight years	–	–
Health-care cost trend rate (31 December 2018)	3.89 trending down to 3.05 in nine years	–	–
Salary increase rate	Based on age and calculated separately for Professional and General Service staff		

118. For the 2019 actuarial valuations, Aon Hewitt developed the yield curves used in the calculation of the discount rates in respect of the United States dollar and the Swiss franc. This is consistent with the decision of the Task Force on Accounting Standards, established under the auspices of the Finance and Budget Network of the High-level Committee on Management of the United Nations System Chief Executives Board for Coordination, taken in the context of the harmonization of actuarial assumptions across the United Nations system and the recommendation of the Advisory Committee on Administrative and Budgetary Questions (A/71/815, para. 26), which were endorsed by the General Assembly in section IV of its resolution 71/272 B.

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

120. The health-care cost trend rate assumption reflects the current short-term expectations of the after-service health insurance plan cost increases and the economic environment. The Aon Hewitt assumption on health-care cost trend rates in Swiss francs was used for the 2019 valuation.

121. With regard to the valuation of repatriation benefits as at 31 December 2019, the Aon Hewitt assumption on inflation in travel costs was based on the projected United States inflation rate over the next 20 years.

122. Annual leave balances were assumed to increase at the following annual rates during the staff member's projected years of service: 0–3 years: 10.9 days; 4–8 years: 1.0 day; and more than 9 years: 0.5 days, up to the maximum of 60 days for regular staff and 18 days for temporary staff.

Sensitivity analysis

123. The principal financial assumptions in the valuation of the defined-benefit obligations are the rate at which medical costs are expected to increase in the future and the discount rate curve, which is calculated on the basis of corporate bonds. The sensitivity analysis looks at the change in liability due to changes in the medical cost trend and discount rates while holding other principal assumptions constant; the assumption held constant is the discount rate used to determine the present value of benefits that will be paid from the plan in the future. Should the medical cost trend assumption vary by 0.5 per cent, this would affect the measurement of the defined-benefit obligations as follows:

(Thousands of United States dollars)

2019	*Increase*	*Decrease*
0.5 per cent movement in the assumed medical costs trend rate[a]		
Effect on the defined-benefit obligation (after-service health insurance)	21 751	(18 459)
Effect on the aggregate of the current service cost and interest cost (after-service health insurance)	1 505	(1 224)

(Thousands of United States dollars)

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

(Thousands of United States dollars)

2019	*Increase*	*Decrease*
0.5 per cent movement in the assumed discount rate[a]		
Effect on the after-service health insurance-defined-benefit obligation	(19 196)	22 989
Effect on the repatriation grant defined-benefit obligation	(334)	362
Effect on the annual leave defined-benefit obligation	(218)	235

(Thousands of United States dollars)

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

[a] 2018 sensitivities are based on a change of rate by 1 per cent, and 2019 sensitivities are based on a change of rate by 0.5 per cent.

Other defined-benefit plan information

124. The Centre's best estimate of future benefit payments net of participant contributions for the next 12 months for the after-service health insurance plan is $1.774 million (2018: $1.445 million), for post-employment repatriation and separation entitlements the best estimate is $0.641 million (2018: $0.505 million) and for annual leave entitlements it is $0.345 million (2018: $0.288 million).

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

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

(Thousands of United States dollars)

	General Fund		*Programme support costs*		*Extrabudgetary*		*Total*	
	2019	*2018*	*2019*	*2018*	*2019*	*2018*	*2019*	*2018*
After-service health insurance	**112 157**	**58 790**	**10 788**	**6 137**	**33 003**	**13 190**	**155 948**	**78 117**
Current	1 299	1 044	128	114	345	276	1 772	1 434
Non-current	110 858	57 746	10 660	6 023	32 658	12 914	154 176	76 683
Repatriation grant	**4 210**	**3 588**	**497**	**458**	**3 199**	**1 891**	**7 906**	**5 937**
Current	404	357	24	27	192	103	620	487
Non-current	3 806	3 231	473	431	3 007	1 788	7 286	5 450
Accumulated annual leave	**2 694**	**2 491**	**260**	**281**	**1 686**	**1 088**	**4 640**	**3 860**
Current	244	214	12	18	81	45	337	277
Non-current	2 450	2 277	248	263	1 605	1 043	4 303	3 583
Total	**119 061**	**64 869**	**11 545**	**6 876**	**37 888**	**16 169**	**168 494**	**87 914**

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

(Thousands of United States dollars)

	2019	*2018*	*2017*	*2016*	*2015*	*2014*
After-service health insurance	155 948	78 117	79 268	74 869	63 711	79 845
Repatriation benefits	7 906	5 937	6 207	6 234	5 987	4 716
Annual leave	4 640	3 860	3 947	8 206	8 225	4 562
Total	**168 494**	**87 914**	**89 422**	**89 309**	**77 923**	**89 123**

United Nations Joint Staff Pension Fund

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

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

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

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

130. The most recent actuarial valuation for the Fund was completed as at 31 December 2017 and the valuation as at 31 December 2019 is currently being performed. A roll-forward of the participation data as at 31 December 2017 to 31 December 2018 was used by the Fund for its 2018 financial statements.

131. The actuarial valuation as at 31 December 2017 resulted in a funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, of 139.20 per cent. The funded ratio was 102.70 per cent when the current system of pension adjustments was taken into account.

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

133. Should article 26 be invoked because of an actuarial deficiency, either during the ongoing operation or due to the termination of the plan, deficiency payments required from each member organization would be based upon the proportion of that member organization's contributions to the total contributions paid to the Fund during the three years preceding the valuation date. Total contributions paid to the Fund during the preceding three years (2016, 2017 and 2018) amounted to $7,131.56 million, of which 0.28 per cent was contributed by ITC.

134. During 2019, contributions paid to the Fund by ITC amounted to approximately $7.131 million (2018: $6.591 million). Expected contributions due in 2020 are approximately the same as in 2019.

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

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

Note 13
Provisions

(Thousands of United States dollars)

	2019	*2018*
Opening balance as at 1 January	**65**	**–**
Current year provision	–	65
Closing balance as at 31 December	**65**	**65**

137. The provision established in 2018 is related to legal claims before the United Nations Tribunals responsible for hearing claims brought by former employees. There were no newly established provisions in 2019.

Note 14
Operating reserves

138. The movements in operating reserves are as follows:

(Thousands of United States dollars)

	Trust fund	*Programme support fund*	*Total*
Opening balance as at 1 January 2018	**6 931**	**835**	**7 766**
Interest income and residual donor balances	1 120	–	1 120
20 per cent adjustment, in accordance with ST/AI/286	–	386	386
Closing balance as at 31 December 2018	**8 051**	**1 221**	**9 272**

	Trust fund	*Programme support fund*	*Total*
Interest income and residual donor balances	1 286	–	1 286
20 per cent adjustment, in accordance with ST/AI/286	–	431	431
Closing balance as at 31 December 2019	**9 337**	**1 652**	**10 989**

Note 15
Revenue

Assessed contributions

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
United Nations	18 333	18 680
World Trade Organization	18 333	18 680
Subtotal	**36 666**	**37 360**
Refunds to donors for prior-year surplus and savings	(779)	–
Total assessed contributions net of refunds	**35 887**	**37 360**

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

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

Voluntary contributions and other transfers and allocations

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Voluntary contributions	80 098	74 288
Contributions in kind	2 817	2 779
Refunds to donors for voluntary contributions	(42)	(245)
Subtotal	**82 873**	**76 822**

	31 December 2019	31 December 2018
Other transfers and allocations	3 131	4 127
Refunds to donors for other transfers and allocations	(106)	(41)
Subtotal	**3 025**	**4 086**
Total voluntary contributions and other transfers and allocations net of refunds	**85 898**	**80 908**

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

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

143. The breakdown for voluntary contributions and other transfers and allocations by type of agreement is as follows:

(Thousands of United States dollars)

	31 December 2019	31 December 2018
Contributions from unconditional agreements	48 938	59 915
Contributions from conditional agreements	34 291	18 500
Total voluntary contributions and other transfers and allocations[a]	**83 229**	**78 415**

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

144. The total unconditional voluntary contributions and other transfers and allocations of $48.938 million consists of approximately $11.340 million for 2019 and $37.598 million for future years (2020: $19.831 million; 2021: $12.187 million; 2022: $4.204 million; 2023: $1.354 million; 2024: $0.022 million).

145. The total amount of donor pledges which have not been formalized is $53.631 million (2018: $97.569 million).

Contributions in kind

146. Contributions in kind of $2.817 million (2018: $2.779 million) consist of the rental subsidy from the Fondation des immeubles pour les organisations internationales, which is the difference between the market value of the rental and the actual rent paid. A matching in-kind rent is expensed at the same time as the contribution is recognized as revenue. There were 55 commercial operating leases in 2019 for ITC project offices in the field, 10 of which were on a free rental basis, and the fair value of each of those properties was estimated to be less than the recognition threshold of $5,000.

147. Services in kind, consisting mainly of contributions to conferences, workshops and training, were estimated at $2.124 million (2018: $2.449 million) received mainly from governments, governmental agencies and non-governmental organizations in support of projects and field office operations during the year. The amount is measured at fair value. The in-kind services are not recognized in the financial statements.

Other revenue

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Services rendered	482	421
Other revenue	334	172
Total other revenue	**816**	**593**

Investment revenue

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Investment revenue	2 652	1 250
Total investment revenue	**2 652**	**1 250**

Note 16
Expenses

Employee salaries, allowances and benefits

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Staff salaries, wages and allowances	42 071	39 323
Pension costs and insurance benefits	12 407	11 396
Other benefits	1 114	1 007
Total employee salaries, allowances and benefits	**55 592**	**51 726**

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

Non-employee compensation and allowances

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Individual consultant fees, insurance and travel	22 226	14 140
Individual contractor costs	481	433
Travel of non-employees	3 221	2 220
Total non-employee compensation and allowances	**25 928**	**16 793**

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

Travel

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Staff travel	4 699	4 099
Representative travel	3 495	2 693
Total travel	**8 194**	**6 792**

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

Grants and other transfers

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

Other operating expenses

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Contracted services	16 387	11 829
Acquisitions of goods	1 353	350
Acquisitions of intangible assets	445	368
Rent, office and premises	1 584	1 531
Rental, equipment	264	421
Maintenance and repair	209	151
Bad debt expense	39	24
Net foreign exchange losses/(gains)	0	1 726
Other	210	199
Total other operating expenses	**20 491**	**16 599**

Other expenses

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Expense for contributions in kind	2 817	2 779
Other	20	5
Total other expenses	**2 837**	**2 784**

152. Included in the expense for contributions in kind is the rental subsidy from the Fondation des immeubles pour les organisations internationales in the amount of $2.817 million (2018: $2.779 million), which is the difference between the market value of the rental and the actual rent paid. A matching in-kind contribution is recognized as revenue at the same time as the rent is recognized as an expense.

Note 17
Budget comparison and reconciliation

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

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

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

Movement between original and final budgets (regular budget)

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

Budget to actual variance analysis

157. Explanations of material differences between the original budget and the final budget and between the final budget and the actual amounts are presented in paragraph 35 of the report of the Executive Director on the financial year accompanying these financial statements (see chap. IV above).

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

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

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

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

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

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

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

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

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

(Thousands of United States dollars)

	Operating	*Investing*	*Financing*	*Total*
Actual amount on a comparable basis (statement V)	**(37 423)**	**–**	**–**	**(37 423)**
Basis differences				
Elimination of unliquidated obligations	1 132	–	–	1 132
Accruals of expenses	(140)	–	–	(140)
Exchange gains/losses	12	–	–	12
Share of joint arrangement	(5)	–	–	(5)
Expenses for contributions in kind	(2 817)	–	–	(2 817)
Elimination of inter-fund transactions	224	–	–	224
Employee benefits expenses	(52 848)	–	–	(52 848)
Acquisitions of property, plant and equipment	17	(18)	–	(1)
Total basis differences	**(54 425)**	**(18)**	**–**	**(54 443)**
Budget revenue in accordance with statement V	36 946	–	–	36 946
Presentation differences				
Revenue for contributions in kind	2 817	–	–	2 817
Refund of prior biennium surplus	(779)	–	–	(779)
Elimination of non-cash changes in assets and liabilities in operating cash flow	1 401	–	–	1 401
Investment revenue presented as investing activities	(131)	131	–	–
Total presentation differences	**40 254**	**131**	**–**	**40 385**
Entity differences				
Other funds expenditure	(79 333)	–	–	(79 333)
Other funds revenue	86 258	–	–	86 258
Elimination of non-cash changes in assets and liabilities in operating cash flow	115 550	–	–	115 550
Actuarial gain/(loss) on employee benefits liabilities	(25 105)	–	–	(25 105)
Investment revenue presented as investing activities	(2 521)	2 521	–	–
Depreciation and amortization	587	–	–	587
Pro rata share of net increases in the cash pool	–	(17 605)	–	(17 605)
Acquisitions of property plant and equipment	–	(40)	–	(40)
Acquisitions of intangibles	–	(1 128)	–	(1 128)
Total entity differences	**95 436**	**(16 252)**	**–**	**79 184**
Actual amount per statement of cash flows (statement IV)	**43 842**	**(16 139)**	**–**	**27 703**

Note 18
Related parties: key management personnel

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

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Number of individuals (full-time equivalents)	8	7.1
Aggregate remuneration	1 998	1 817
Outstanding advances as at 31 December	30	50

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

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

Transactions with related party entities

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

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

Note 19
Interest in joint arrangement

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

168. The Centre's share of the activity's operating loss for the year ended 31 December 2019 is $0.005 million (2018: surplus of $0.009 million) and is recognized in the ITC statement of financial performance as an expense. Where the activity also has transactions, which are recorded directly in net assets, the ITC share of these transactions is accounted for through the statement of changes in net assets

(statement III), and in the year this balance relates to the actuarial gains/losses relating to the employee benefits liability valuation.

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

(Thousands of United States dollars)

	2019	*2018*
Cost as at 1 January	**36**	**40**
Movement for the year:		
Changes in net assets of joint arrangement recognized through statement of changes in net assets	(3)	5
Share of deficit/(gain) for the year of joint arrangement recognized through statement of financial performance	5	(9)
Total changes in joint arrangement for the year	**2**	**(4)**
Share of joint arrangement accounted for using equity method and reported as net liability in statement of financial position as at 31 December	**38**	**36**

Note 20
Leases and commitments

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

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

Obligations for property operating leases

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Due in less than 1 year	1 473	1 479
Due in 1 to 5 years	740	912
Total minimum operating lease obligations	**2 213**	**2 391**

172. The lease for the ITC headquarters in Geneva is between the Fondation des immeubles pour les organisations internationales and ITC for an annual lease payment of SwF 1.085 million ($1.085 million as at 31 December 2019). The lease can be renewed for an additional five-year period upon explicit agreement between the parties or terminated by a formal written notice to the Fondation of at least six months before the expiration date of 30 September 2020. The lease agreement also contains a restriction concerning further leasing without consent from the Fondation.

173. ITC leases for field offices can generally be cancelled by providing notice of 30 to 90 days.

174. The equipment leases pertain to photocopiers and printing machines. The rental of multifunction photocopiers is based on a five-year contract. This lease is based on a fixed annual rental amount for 16 machines and a cost per copy. Since the variable amounts are regular and ongoing, there is a high likelihood that such additional copy costs would be consumed by ITC on an ongoing basis. The rental of printing equipment is based on a fixed amount per year for an initial four-year contract,

renewable twice for a two-year period until 28 February 2026. Neither agreement contains purchase options, and either party may terminate the contract, in whole or in part, upon 30 days' notice, in writing, to the other party. The total lease expense for 2019 was $0.216 million (2018: $0.274 million). This amount includes additional copy charges incurred in accordance with lease agreements.

Other commitments

Open contractual commitments

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Property, plant and equipment	222	438
Grants	6 734	4 008
Goods and services	16 827	11 143
Total open contractual commitments	**23 783**	**15 589**

175. Other commitments relate to the future commitment to transfer funds to end beneficiaries and the acquisition of goods and services, including purchase orders, contracted for but not delivered as at 31 December 2019.

Note 21
Contingent assets and contingent liabilities

176. Geneva-based staff have filed claims before the United Nations Dispute Tribunal to challenge the implementation of the decision of the International Civil Service Commission to reduce the post adjustment in Geneva. If the complaint is successful, the United Nations Secretariat may have to pay the difference between the old and new post adjustment retroactively from the date of the implementation of the new post adjustment.

Note 22
Events after the reporting date

177. There have been no material events, favourable or unfavourable, that occurred between the date of the financial statements and the date on which the financial statements were authorized for issue, except for the coronavirus disease (COVID-19) outbreak, which was declared a pandemic on 11 March 2020. ITC assessment, however, provides no additional evidence of conditions that existed at the reporting date and for which the financial statements need to be adjusted.

Annex I

Statement of appropriations

General fund: statement of appropriations for the year ended 31 December 2019

(Thousands of United States dollars)

	Appropriations[a]			*Expenditures*			
	Original	*Changes*	*Revised*	*Disbursements*	*Unliquidated obligations*	*Total*	*Unencumbered balance*
International Trade Centre							
Programme of activities	75 121	–	75 121	72 639	1 132	73 771	1 350

[a] Represents the original appropriation of $75.12 million for the biennium 2018–2019, which remains unchanged. The General Assembly, in its resolutions 72/263 A and 74/250 A and B, authorized the United Nations share.

Annex II

Statement of budget and actual amounts for the year ended 31 December 2019

(Thousands of United States dollars)

	Publicly available budget[a]		*Actual expenditure on budget basis for 2019*	*Difference (percentage)*
	Original biennium	*Final biennium*		
Posts	58 404	58 404	57 777	(1)
Non-post	16 717	16 717	15 994	(4)
Total	**75 121**	**75 121**	**73 771**	**(2)**

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

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