United Nations

Audited financial statements

for the biennium ended 31 December 1999 and

Report of the Board of Auditors

Volume III
International Trade Centre UNCTAD/WTO

General Assembly
Official Records
Fifty-fifth session
Supplement No. 5 (A/55/5)

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Note

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

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Contents

Letters of transmittal

13 June 2000

Dear Mr. Chairman,

In accordance with financial regulation 11.4, I have the honour to submit the accounts of the International Trade Centre UNCTAD/WTO for the biennium 1998-1999, which I hereby approve. The financial statements have been drawn up and certified as correct by the Controller.

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

(*Signed*) Kofi A. **Annan**

Chairman of the Board of Auditors
United Nations
New York

30 June 2000

Sir,

I have the honour to transmit to you the financial statements of the International Trade Centre UNCTAD/WTO for the biennium 1998-1999 ended 31 December 1999, which were submitted by the Secretary-General. These statements have been examined and include the audit opinion of the Board of Auditors.

In addition, I have the honour to present the report of the Board of Auditors with respect to the above accounts.

Accept, Sir, the assurances of my highest consideration.

(*Signed*) Sir John **Bourn**
Comptroller and Auditor General
of the United Kingdom of Great Britain and Northern Ireland
and Chairman
United Nations Board of Auditors

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

Chapter I

Financial report for the biennium ended 31 December 1999

A. Operations

1. The International Trade Centre UNCTAD/WTO (ITC) is a technical cooperation organization whose mission is to support developing countries and transition economies, particularly their business sectors, in their efforts to realize their full potential for developing exports and to improve import operations with the ultimate goal of achieving sustainable development. As a joint subsidiary organ of the World Trade Organization (WTO) and the United Nations — the latter acting through the United Nations Conference on Trade and Development (UNCTAD) — ITC deals specifically with the operational aspects of trade promotion and export development. It acts as the focal point for all United Nations technical cooperation activities in trade promotion, as affirmed by the Economic and Social Council in its resolution 1819 (LV) of 9 August 1973. Within the medium-term plan of the United Nations for the period 1998-2001,[1] ITC is responsible for the implementation of subprogramme 9.6, “Institutional development and support services for trade promotion, export development and international purchasing and supply management”, and subprogramme 9.7, “Market development and trade information”.

2. The principal programme targets during the biennium 1998-1999 were: facilitating the understanding of, and response to, the rules of the multilateral trading system; formulating a better export strategy; raising the competitiveness of enterprises and the effectiveness of their support institutions; and identifying and exploiting new export opportunities. Priority was given to least developed countries and to the special needs of small and medium-sized enterprises. ITC played an active role in the implementation of the integrated framework for trade-related technical assistance to least developed countries. In particular, it operated the Administrative Unit of the Inter-Agency Working Group of the six integrated framework core agencies (International Monetary Fund, ITC, UNCTAD, United Nations Development Programme (UNDP), World Bank and WTO). Programme development work for the least developed countries intensified during the biennium, increasingly in coordination with other agencies, including within the Joint ITC/UNCTAD/WTO Integrated Technical Assistance Programme in selected least developed and other African countries.

3. During the biennium 1998-1999, in addition to a number of interregional projects, ITC implemented 88 regional and country-specific projects of which 42 were monodisciplinary and 46 were multidisciplinary, i.e., covering elements of both subprogrammes. The level of activities financed by trust funds continued the consolidation of recent years, rising in 1998-1999 by 12 per cent from the 1996-1997 level to reach $22.9 million. However, the decline experienced since the early 1990s in UNDP-funded activities persisted, dropping down to a level of $4.5 million in 1998-1999, i.e., 38 per cent lower than in 1996-1997. Despite the decline in UNDP project implementation, overall, ITC project delivery in 1998-1999 reached $27.4 million, basically maintaining the same level as the prior biennium. Several factors beyond the Centre’s control still affect the level and pace of implementation.

[1] *Official Records of the General Assembly, Fifty-third Session, Supplement No. 6* (A/53/6/Rev.1).

These include increasing use of the national execution modality, a highly positive development that has nevertheless reduced ITC latitude for action and led to a greater focus on specialized short-term inputs; and low absorptive capacity, particularly in the least developed countries, often owing to limited resources and administrative constraints. Scarce resources for country-specific projects have led ITC to seek the most effective use of its regular budget to address, in the most cost-effective way possible, the collective needs of partner countries to generate benefits for a larger number of countries. Generic technical assistance tools developed by ITC and adapted locally by national partners are a case in point. National partner institutions acted as multiplier agents for ITC products and services under a "product-network" approach. Two external evaluations confirmed that this strategic approach is a cost-effective one for maximizing ITC's outreach to, and impact on, its clientele.

4. Under subprogramme 9.6, which accounted for 47 per cent of the technical cooperation expenditures during the biennium, ITC continued to emphasize the reinforcement of trade support institutions, such as trade promotion organizations, chambers of commerce and other entities offering basic services in trade promotion, as well as specialized institutions in the areas of packaging, quality management, finance, purchasing and supply management, and human resources development. ITC also devoted special attention to providing technical assistance in strategy analysis and development, notably through its ongoing executive forum on national export strategies initiative, and within country-specific projects. To help businesses address the implications of the WTO agreements, ITC, working closely with UNCTAD and WTO, played a catalytic role in the development of interactive national networks that bring together all groups dealing with WTO issues and link them at the international level through a world trade net. Human resource development activities emphasized the training of trainers and counsellors with a view to creating and delivering sustainable and replicable services to enhance the trade-related abilities of enterprises. Overall, within the subprogramme, more than 4,500 people benefited from some 80 ITC-sponsored events. About 30 publications were completed and disseminated worldwide, while an increasing number of other technical materials and services were being made available, especially through Internet-based applications.

5. Under subprogramme 9.7, which accounted for 53 per cent of the technical cooperation expenditures during the biennium, ITC provided direct support to the business community in product development and international marketing. Emphasis was given to about 18 product and 5 services clusters, which offer the best potential for export from developing countries. ITC strategic market research tools were in strong demand. In-depth assistance to enterprises was provided through a process that linked counselling to individual enterprises with assistance to trade support institutions or business associations in order to obtain national capacity-building and other multiplier effects. New avenues for international marketing and promotion set in motion by the Internet were explored, including virtual exhibitions and online matchmaking. The ITC methodology for the promotion of South-South trade continued to be successfully applied. The assessments of supply and demand complementarities and subsequent buyers-sellers meetings paved the way to actual business transactions. In the area of trade information, ITC started implementing its new strategy, which focuses on capacity-building through the establishment of effective and sustainable trade information services and networks at both national

and regional level. Overall, within the subprogramme, about 2,500 people, especially entrepreneurs, benefited from 40 events organized by ITC, and over 30 publications were completed and disseminated.

6. Annual meetings of the Joint Advisory Group on ITC, which brings together ITC parent bodies, States members of UNCTAD and members of WTO, donors and beneficiaries, as well as special technical meetings and informal sessions, provided for the regular review of ITC work and guidance on strategies and priorities. At its thirty-second session, in 1998, the Joint Advisory Group praised ITC for the initiatives taken to enhance the competitiveness of small and medium-sized enterprises, strengthen the capacities of trade support institutions and achieve sustainable development through ownership of the development process by the beneficiaries themselves. Regular consultations with donors and beneficiaries also took place within the framework of the Consultative Committee on the ITC Global Trust Fund.

B. 1998-1999 budget and expenditure

7. The financial statements and schedules in chapter V show the financial results of the Centre's activities. At the end of that chapter, notes to the financial statements explain the Centre's accounting and financial reporting policies and provide additional information on the individual funds.

8. Approximately half of the Centre's activities are financed by extrabudgetary funds, and the other half by the regular budget. The regular budget is assessed to the Member States of the United Nations and the States members of WTO in equal share. The current administrative and budgetary arrangements between the two organizations were decided by the General Assembly at its fifty-third session. The contributions by the respective organizations are fixed in Swiss francs as the net of miscellaneous income. Details of the regular budget appropriations are provided in statement IV.

9. Total resources expended during 1998-1999 by source of funds are as follows:

	Thousands of United States dollars
Regular budget	38 739
Trust funds	22 890
UNDP	4 503
Programme support costs	3 952
Revolving funds and other funds	734
Total	**70 818**

10. For the presentation of the financial statements, the Centre has adopted the format indicated in appendix IIA (option A) of the United Nations System Accounting Standards (A/51/523).

C. Financial results

11. The Centre's General Fund balance at 1 January 1998 was $768,435. This, together with the contributions of $36,983,058 received from the United Nations and WTO, investment income of $198,672, miscellaneous income of $1,156,611, and the savings on/or cancellation of prior periods' obligations of $277,494, resulted in funds available totalling $39,384,270. Expenditures, including unliquidated obligations of $1,370,324 amounted to $38,739,148. After taking into account the above, the fund balance as at 31 December 1999 reflected a net surplus of $645,122, which will be carried forward to the biennium 2000-2001.

12. Statement I shows the income and expenditure and the balances of the Centre's General Fund as well as for all other funds. Statement II shows the Centre's assets and liabilities for the General Fund and for all other funds. It should be noted, however, that these other balances are earmarked for special purposes and they would not be available to cover part of the costs of the Centre's core programmes, if such a need arose.

13. Statement III shows the cash flow for the General Fund for the biennium and that the Centre had $1,724,371 cash and term deposits at the end of the biennium. This amount will be required to cover mainly the outstanding obligations of the Centre for goods and services rendered of $1,370,324.

14. Note 3 (a) to the financial statements provides details of the income and note 3 (b) gives the breakdown by types of expenditure for the General Fund. Details of the assets and liabilities for the General Fund are provided in notes 3 (c) and (d) to the financial statements. The details of income and expenditure as well as the assets and liabilities for all other funds are provided in notes 4 to 6 to the financial statements.

Chapter II

Report of the Board of Auditors

Summary

The Board of Auditors has reviewed the operations of the International Trade Centre UNCTAD/WTO (ITC) in Geneva. The Board has also audited the financial statements of ITC for the biennium ended 31 December 1999, and has conducted management audits of the Centre's Joint Integrated Technical Assistance Programme and the Corporate Management Information System.

The Board's main findings are as follows:

(a) ITC has not yet complied with the requirement of the United Nations System Accounting Standard, introduced in October 1999, to disclose liabilities for end-of-service benefits, post-retirement benefits and annual leave;

(b) Implementation of the Integrated Management Information System had to be deferred because the system did not meet the Centre's specific reporting requirements to report in Swiss francs and United States dollars;

(c) For the initial budget of $10,344,100 for the Joint Integrated Technical Assistance Programme, ITC had secured pledges of $7,548,270 at 31 December 1999, of which only $5,043,919 had been received at that date;

(d) Although ITC manages the programme delivery of the Joint Integrated Technical Assistance Programme on a "cluster basis", whereby activities are grouped around 15 themes, the system does not provide information on expenditure incurred against a particular cluster;

(e) The ITC Corporate Management Information System was developed at a cost of $290,000 but the data on the system has not been kept up to date and the system was not, therefore, providing an accurate or reliable summary of achievements against the annual operations plan.

The Board made recommendations to improve compliance with accounting and disclosure requirements; and to strengthen efforts to obtain funding.

A list of the Board's main recommendations is presented in paragraph 11 of the present report.

A. Introduction

1. The Board of Auditors has audited the financial statements of the International Trade Centre UNCTAD/WTO (ITC) for the period from 1 January 1998 to 31 December 1999 in accordance with General Assembly resolution 74 (I) of 7 December 1946. The audit has been conducted in conformity with article XII of the Financial Regulations and Rules of the United Nations and the annex thereto, and the common auditing standards of the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency.

These standards require that the Board plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

2. The audit was conducted primarily to enable the Board to form an opinion as to whether the expenditures recorded in the financial statements for the biennium 1998-1999 had been incurred for the purposes approved by the governing bodies; whether income and expenditures were properly classified and recorded in accordance with the Financial Regulations and Rules; and whether the financial statements of ITC presented fairly the financial position at 31 December 1999. The audit included a general review of financial systems and internal controls and a test examination of accounting records and other supporting evidence, to the extent the Board considered necessary to form an opinion on the financial statements.

3. In addition to its audit of the accounts and financial transactions, the Board carried out reviews under article 12.5 of the Financial Regulations of the United Nations. The reviews primarily concern the efficiency of financial procedures, the internal financial controls and, in general, the administration and management of ITC.

4. In 1998-1999, the Board examined the Centre's management of the Joint Integrated Technical Assistance Programme, the implementation of the Corporate Management Information System and progress in implementing the Integrated Management Information System (IMIS).

5. The Board continued its practice of reporting the results of specific audits in management letters containing detailed observations and recommendations to the Administration.

6. 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 observations and conclusions were discussed with the Administration, whose views, where appropriate, have been reflected in the present report.

7. The Board's main recommendations are reported in paragraph 11. The Board's detailed findings are in paragraphs 13 to 64.

8. The General Assembly, in its resolution 52/212 B of 31 March 1998, accepted the recommendations of the Board of Auditors for improving implementation of its recommendations approved by the Assembly subject to the provisions contained in the resolution. The Board's proposals, which were transmitted to the General Assembly in a note by the Secretary-General (A/52/753, annex), included the following main elements:

(a) The need for specification of timetables for the implementation of recommendations;

(b) The disclosure of office holders to be held accountable;

(c) The establishment of an effective mechanism to strengthen oversight in regard to the implementation of audit recommendations. Such a mechanism could be in the form of either a special committee comprising senior officials or a focal point for audit and oversight matters.

The Board noted that the Administration had generally complied with those requirements.

1. Previous recommendations not fully implemented

9. In accordance with section A, paragraph 7, of General Assembly resolution 51/225 of 3 April 1997, the Board has reviewed the action taken by ITC to implement the recommendations made in the Board's report relating to the biennium 1994-1995 and confirms that there are no outstanding matters.

10. In accordance with General Assembly resolution 48/216 B of 23 December 1993, the Board also reviewed the measures taken by the Administration to implement the recommendations made in its report for the period ended 31 December 1997. Details of the action taken and the comments of the Board are set out in the annex to the present report.

2. Main recommendations of the present report

11. The Board's main recommendations are that ITC:

(a) Ensure that the liabilities for end-of-service benefits, post-retirement benefits and annual leave are disclosed in the financial statements for the biennium 2000-2001 (para. 14);

(b) Liaise with the United Nations Controller to review the accounting treatment of amounts relating to future financial periods (para. 18);

(c) Liaise closely with the United Nations Office at Geneva to ensure that the IMIS module required to address the Centre's specific reporting requirements is developed and implemented as soon as possible (para. 23);

(d) Strengthen its efforts to secure donor contributions to support the full Joint Integrated Technical Assistance Programme and seek the Steering Group's approval to increase the level of window 1 funding in order to provide more flexibility (para. 37);

(e) Take concerted action to ensure that the Corporate Management Information System is kept up to date so that it can be used as an effective management tool in the biennium 2000-2001 (para. 63).

12. The Board's other recommendations are shown in paragraphs 31, 44, 47 and 48.

B. Financial issues

1. United Nations System Accounting Standards

13. The Board assessed the extent to which the Centre's financial statements for the biennium ended 31 December 1999 comply with the requirements of the United Nations System Accounting Standards. The review revealed that the Centre's financial statements do not comply with the Standards in its disclosure of liabilities for end-of-service benefits, post-retirement benefits and annual leave, as discussed below.

End-of-service benefits, post-retirement benefits and annual leave

14. The United Nations System Accounting Standards were amended in October 1999 to require organizations to disclose the liabilities for end-of-service benefits,

post-retirement benefits and annual leave. Insofar as such liabilities are not fully provided for, appropriate disclosures should be made in the notes to the financial statements and the estimated liabilities quantified where possible. The Board notes that ITC has not yet complied with the requirements of the Standards. However, ITC has assured the Board that it intends to quantify and disclose these liabilities in the financial statements for the biennium 2000-2001. **The Board recommends that ITC ensure that the liabilities for end-of-service benefits, post-retirement benefits and annual leave are disclosed in the financial statements for the biennium 2000-2001.**

2. Assets and liabilities relating to future financial periods

15. ITC has included in its statement of assets and liabilities an amount of $2,575,701 as unliquidated obligations for future periods, representing estimates of amounts that ITC expects to pay in future financial periods for such items as consultancies.

16. The United Nations System Accounting Standards state that when commitments are incurred against future financial periods they should be recorded in the organization's accounts or disclosed in a note to the financial statements. The Board suggests that the option of disclosing such commitments in a note is more consistent with the accruals concept, which is a basic assumption of the standards and which requires expenditure to be recognized when obligations arise or liabilities are incurred.

17. Similarly, ITC has included in its statement of assets and liabilities an amount of $7,520,313 for voluntary contributions receivable, which includes an amount of $7,497,313 receivable in future financial periods. The Board considers that this latter amount should be disclosed in a note to the financial statements rather than included in the statement of assets and liabilities, since it does not relate to the biennium 1998-1999.

18. **The Board recommends that ITC liaise with the United Nations Controller to review the accounting treatment of amounts relating to future financial periods.**

3. Financial position

19. The Board reviewed the Centre's financial statements to assess the organization's financial position. The financial statements disclose a net shortfall of income over expenditure of $401,000 on the Centre's General Fund in 1998-1999. ITC informed the Board that it aimed to match income and expenditure closely during a biennium and, where possible, has used amounts saved or reserved in previous bienniums to reduce the assessed contributions required from the United Nations and the World Trade Organization (WTO). The net shortfall of $401,000 on the General Fund in 1998-1999 has therefore been covered by savings on cancellation of prior period obligations of $277,000 and by decreasing General Fund reserves by $124,000 from $769,000 to $645,000.

20. Income from trust fund donors increased by approximately $4 million to $24.7 million and the net excess of income over expenditure for trust funds increased from $320,000 in 1996-1997 to $1.8 million in 1998-1999. The Board also notes,

however, a reduction of $2.7 million in amounts received from the United Nations Development Programme (UNDP) during the biennium.

21. The Board reviewed the Centre’s liquidity position by comparing current assets and liabilities and notes that assets comfortably exceed the liabilities on each Fund. The Board analysed the age of the Centre’s accounts receivable and found that only $230,000 out of $2.95 million (7.8 per cent) related to items more than one year old. The Board’s review confirmed that ITC had taken appropriate action to regularly review and follow up accounts receivable.

4. Integrated Management Information System

22. The implementation of IMIS in the United Nations Office at Geneva was originally planned for the autumn of 1999. However, for a number of practical and technical reasons it was decided to defer IMIS implementation until April 2000. The Board reviewed the Centre’s preparations for implementing IMIS and found that staff had attended relevant training courses and were generally well prepared to adopt the new system. However, the Board was concerned that the new IMIS system could not meet the Centre’s needs owing to problems in accounting procedures and accounting, including the inability of the system to maintain accounting records in two currencies (Swiss franc and United States dollar). That was a fundamental requirement for ITC and should have been clearly specified and understood. Rather than proceeding with IMIS, ITC had therefore requested that the United Nations Office at Geneva continue to maintain the Centre’s accounting records on the old system.

23. **The Board recommends that ITC liaise closely with the United Nations Office at Geneva to ensure that the IMIS module required to address the Centre’s specific reporting requirements is developed and implemented as soon as possible.**

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

24. ITC informed the Board that during the biennium 1998-1999 it had written off amounts totalling $772,790. These comprised $351,311 for items transferred to Governments or institutions upon completion of project activities; $275,679 for equipment sold to third parties; $82,159 for equipment presumed to be lost or stolen; and $63,641 for obsolete equipment.

6. Ex gratia payments

25. No ex gratia payments were reported in the period.

C. Management issues

1. Joint Integrated Technical Assistance Programme

Background

26. In 1998, the Centre, WTO and the United Nations Conference on Trade and Development (UNCTAD) established the Joint Integrated Technical Assistance Programme for selected least-developed and other African countries. The Programme is the first attempt by the three organizations to jointly deliver a range

of technical assistance inputs, drawing on their individual areas of expertise, to several countries simultaneously. The main purpose of the Programme is to build capacity in recipient countries to enable them to benefit from the new multilateral trading system. Seven African countries are directly involved in the Programme, namely Benin, Burkina Faso, Côte d'Ivoire, Ghana, Kenya, Uganda and the United Republic of Tanzania. In addition, Tunisia participates in the Programme through financial support provided and managed by UNDP.

27. The three cooperating organizations carried out needs assessment missions in the partner countries during 1996 and 1997 and drew up national project documents. The three organizations and donors recognized the similarities in the needs of the different countries and saw the potential for combining the individual projects into an overall programme that could achieve synergies and economies of scale. In March 1998, the three organizations set up a common trust fund to mobilize donor support. The trust fund is managed by a steering group of representatives from donor agencies and recipient countries, as well as staff of the three cooperating organizations. The steering group meets every six months to review progress and agree the high-level direction for the programme.

28. ITC acts as the lead on administration of Joint Integrated Technical Assistance Programme funds and all amounts are brought to account by it in accordance with a common trust fund agreement signed by ITC, UNCTAD and WTO. The overall budget for Programme activities in the seven directly managed countries is $9,888,000, with a further $456,100 being provided outside the common trust fund by UNDP for Tunisia. This total of $10,344,100 is the budget for activities specified in the eight country project documents. The common trust fund has two resource "windows" to which donors can contribute: window 1 is a general pool of monies that can be used for preparatory and generic activities; and window 2 funds are for activities in countries specified by donors. By 31 December 1999 nearly $8.1 million had been pledged to window 2 and $946,000 to window 1.

Programme and project structure

29. In managing Joint Integrated Technical Assistance Programme activities, ITC provides the majority of administrative support for the programme and maintains the financial accounts. To deliver the programme of the Joint Integrated Technical Assistance Programme, ITC developed a cluster strategy, grouping related activities together into 15 themes, or clusters, to be implemented on a regional basis. Such clusters include, for example, contribution to the adjustment of trade laws and regulations, the assessment of export and market potentials, and export financing. Technical staff from the three organizations work together to deliver each cluster, with the leadership of a cluster being undertaken by the organization to which the focus of that cluster most closely relates.

30. The three organizations also retained the individual country-based project documents, which they used as the basis for soliciting donor funding. Donors, recipient countries and the coordinating organizations jointly signed the project documents. The individual country project documents all had three identical objectives:

(a) Building a national capacity for understanding the changing multilateral trading system and its implications for the country's trade, and for the awareness of related-trade policy issues;

(b) Conforming to, and seeking maximum advantage from, the multilateral trading system;

(c) Enhancing the country's export readiness.

31. ITC reports progress by clusters across the programme and also reports on activities within individual countries by cluster rather than by objective or output. Thus, although the underlying activities are the same, there is a difference in the way they are summarized in the project documents and in the cluster reports. The Board considers that greater clarity would be achieved if the classification of activities in project documents corresponded to how ITC is managing and reporting on the Programme. The Board notes that the cluster approach has been endorsed by all parties on the steering group and represents the reality of programme management and reporting. **The Board therefore recommends that future Joint Integrated Technical Assistance Programme project documents classify activities on a cluster basis within the country context.**

Delivery

32. The delivery of the original Joint Integrated Technical Assistance Programme budget of $9,888,000 was to be undertaken by the three cooperating institutions as follows: ITC, $6,188,000 (63 per cent); UNCTAD, $2,984,000 (30 per cent); and WTO, $716,000 (7 per cent). As noted in paragraph 28 above, UNDP provided a further $456,100 to allow Tunisia to participate in Programme activities. The cooperating organizations originally planned to deliver the majority of Programme activities in 1998 and 1999 (43 and 42 per cent of total expenditure respectively). They achieved slower than expected delivery in both years. The table below analyses the planned and actual deliveries in dollar and percentage terms.

Planned delivery of the Joint Integrated Technical Assistance Programme

Delivery planned in original budgets (set in September to November 1998)				*Delivery planned in revised budget (set in November 1999)*		
Delivery year	*Amount (United States dollars)*	*Percentage of total delivery*	*Actual delivery*	*Delivery year*	*Amount (United States dollars)*	*Percentage of total delivery*
1998	4 443 808	43	542 287	1998	542 287	5
1999	4 379 892	42	2 708 980	1999	3 543 701	34
2000	1 520 400	15	..	2000	6 258 162	61
Total	**10 344 100**	**100**	**3 251 267**	**Total**	**10 344 100**	**100**

Note. The timing of the majority of programme expenditure has shifted from 1998 and 1999 to 1999 and 2000.

33. The three cooperating organizations disbursed approximately $540,000 (12 per cent) against a total of some $4.4 million originally planned for delivery in 1998. They achieved a higher rate of delivery in 1999, with $2.7 million (61 per cent) of the planned original total of $4.4 million for that year. By 31 December 1999, they had delivered $3.3 million (36 per cent) against the original plan of $8.8 million for 1998 and 1999. The Board notes that, although the Joint Integrated Technical Assistance Programme is still expected to be completed by the end of 2000, slow

delivery in earlier years means that 61 per cent of the expenditures are now planned for the final year, compared with 15 per cent under the original plan.

34. ITC acted to identify and address the specific problems causing slow delivery. In March 1999, some five months into the project, it commissioned a consultant to carry out a business process review to analyse delivery problems and recommend solutions. In July 1999, in response to the consultant's report, ITC introduced the following key changes:

(a) Technical divisions were given greater responsibilities for managing the delivery of cluster activities without recourse to senior management on detailed implementation issues;

(b) Regional coordinators were given greater responsibility for making decisions at field level;

(c) Extra resources of $500,000 were allocated to assist countries with national implementation activities.

35. ITC considers that the new management measures it introduced will enable it to complete the programme by the end of 2000, despite the slow start.

36. The Board notes that the budgeted level of funding to complete the programme has not been fully pledged by donors. Total pledges were $8,094,644 at 31 December 1999, of which $5,043,919 had actually been received. The spread of funds between countries was also uneven, with pledges to particular countries at 31 December 1999 ranging from zero to 101 per cent. These factors create difficulties for full delivery by the end of 2000. ITC cannot allocate funding in advance of receipt under the common trust fund rules, and the range of activities which can be undertaken in under-funded countries is limited to the resources ITC is able to allocate from window 1 resources.

37. **The Board recommends that ITC strengthen its efforts to secure donor contributions to support the full Joint Integrated Technical Assistance Programme and that it seek the steering group's approval to increase the level of window 1 funding in order to provide more flexibility.**

38. The Board reviewed activities under one of the 15 clusters to assess progress made: human resource development and improvement of multilateral trading system knowledge. The Board selected this cluster because it encapsulates the training and learning activities at the core of the programme; it needs a high level of commitment by both the cooperating organizations and national bodies; and it has a relatively high level of expected expenditure ($849,000 in 1998-1999).

39. ITC identified 26 generic activities related to the cluster in the statement of services and facilities to be provided. It identified the body responsible for delivering each, and established target start and finish dates. The cooperating institutions took lead responsibility for generic activities, including a Geneva-based training course on general multilateral trading system issues; and a series of specialized subregional workshops on subjects such as customs valuation, agriculture and textiles. National bodies were responsible for activities such as the assessment of national training needs, the development of networks of national trainers and dissemination of training by local resource persons.

40. The three cooperating organizations delivered the outputs expected of them almost within the planned time frame (three specialized courses were delivered slightly later than originally planned). The organizations have also been able to include specialized courses on additional topics in their plans for 2000. The Board found that the three organizations were working closely together to design and deliver courses. ITC believes that the joint approach has allowed the limited numbers of technical experts in the three organizations to reach more trainees more quickly than would have been the case if individual experts from the three organizations had visited individual countries at different times. ITC collects feedback on all workshops from participants and incorporates comments made into new courses. The course evaluations reviewed by the Board presented a positive picture of the quality of training provided.

41. ITC was unable to quantify any economies of scale achieved by the joint approach for subregional workshops. The Board noted that ITC had sought to manage the programme in an economical way by organizing subregional courses on a back-to-back basis, and using the same trainers at each location where possible. The same teaching materials were also reused on courses delivered in East and West Africa.

42. The Board considers that the procedural mechanisms put in place by ITC should generate synergies and economies of scale, although these could not be quantified from available data. In the cluster reviewed by the Board, the three organizations had succeeded in developing practical working arrangements, and preparing a variety of joint training modules.

43. The Board notes, however, that national bodies were unable to complete within target dates most of the outputs assigned to them. For example, national implementation plans for 1999 included activities to undertake an assessment of training needs by early 1999 and for national trainers to begin leading specialist workshops to train others from February 1999 onwards. No country had met those targets and by the end of 1999 only three of the seven countries had been able to deliver any nationally led training workshops.

44. **The Board recommends that ITC ensure that realistic timetables are agreed with national bodies for those activities to be delivered by them and that ITC monitor progress to ensure the timetables are met.**

Enhancement of national capacity

45. One of the main aims of the Joint Integrated Technical Assistance Programme is to develop a national capacity to comply with the new set of multilateral trading system rules. The coordinating organizations envisaged an important role for national bodies in implementing the Programme and intended that local participants should lead many activities in the field.

46. The Board notes, however, that the process of planning the Joint Integrated Technical Assistance Programme was centralized, as was its initial management. The three cooperating organizations prepared project documents and work plans individually before sharing them for consultation. Local participants were not expected to become fully involved until after project implementation began.

47. The Board notes also that there were difficulties in filling key staff positions in some countries once the project had started. These recruitment delays contributed to

early delays in project implementation. The lack of confirmed national counterparts before implementation, and at the earliest stages of the project, also made it more difficult for the cooperating organizations to assess the contribution which national counterparts would be able to make to the project. **The Board recommends that ITC, in cooperation with its partner organizations, determine the most effective ways of involving national participants at an early stage in the preparation of project documents and work plans.**

48. From its examination of the project documents, the Board concluded that ITC paid insufficient consideration to implementation risks, particularly regarding the national capacity to deliver, and carried out insufficient planning in advance to address such risks or identify and prioritize areas where national resources might need to be supported. The Board notes, however, that ITC had recognized that delivery was behind schedule and had acted quickly to gather more information on the problems and institute changes. The Board welcomes the Centre's rapid response and active management approach in this respect. **To minimize the need for remedial measures in future, the Board recommends that ITC undertake more extensive country specific risk analysis before projects begin.**

49. The cooperating organizations have identified concerns about the long-term sustainability of project achievements within recipient countries. Most countries were initially unable to implement planned national activities without additional support from the Joint Integrated Technical Assistance Programme. Project managers had organized a capacity-building survey in early 2000 and intended to assess longer-term sustainability problems in more depth and to seek workable solutions through a project evaluation to be carried out in late spring 2000. The capacity-building survey indicated that different countries had achieved varying levels of capacity, but none was likely to be able to sustain the full range of project measures alone in the long term.

50. The Board shares the Centre's concern that sustainability should be maximized, and supports the active approach it is taking to gather more information on the nature of the capacity problems and how they can best be addressed.

Monitoring and evaluation

51. The three organizations have emphasized the importance of an open and transparent approach in the management of the Joint Integrated Technical Assistance Programme. The Board found that ITC had put such an approach in place and was collecting and providing information on the project to the key parties involved. The common trust fund steering group provides the main forum for progress to be discussed. The steering group holds regular meetings and ITC prepares reports for each cluster and for each country, as well as information on the latest financial standing of the project. The Board considers that the steering group, which brings donors, recipients and project managers face to face, is a valuable mechanism for all concerned.

52. ITC carries out regular monitoring of activities being implemented under the project. Each cluster manager provides quarterly reports on activities undertaken, breaking down work done by country. The regional coordinators also provide quarterly reports on activities at the national level. Project managers summarize this information into progress reports for the steering group.

53. Financial monitoring has been more complex. The management of the Joint Integrated Technical Assistance Programme wanted financial reports by cluster, so that inputs could be linked to programme outputs, and the cost of achieving a particular objective could be clearly seen. However, the Centre's financial reporting is on the basis of expenditure incurred under resource categories, such as national staff, international staff, equipment and travel, and is further analysed by the country to which it relates. The existing system does not automatically draw together different categories of expenditure and produce reports on cluster or output basis across different countries.

54. ITC prepared operational budgets on a cluster basis, entering data manually into a spreadsheet system. For 1998, it reanalysed expenditure data obtained from the United Nations financial system by cluster, but did not repeat this for 1999, since such reanalysis was time-consuming and costly. Thus, although ITC manages programme delivery on a cluster basis, the system did not provide information on expenditure incurred against a particular cluster. ITC informed the Board that, as of the year 2000, the system had been modified to enable the reporting of expenditures by cluster.

55. The Board welcomes the Centre's efforts to link inputs to outputs in a direct way and to show the cost of completing particular pieces of work. This should improve accountability by showing more clearly what is being achieved for the money expended. The Board recognizes the considerable efforts ITC has made to address the financial reporting difficulties.

56. As a result of implementation problems on the project and its concerns about national capacity, ITC commissioned two additional reviews, a business process review, which reported in May 1999, and the capacity-building survey, which reported in March 2000. These were carried out to obtain more information and to find remedial solutions to emerging problems, providing findings that the full evaluations will be able to build on. The three organizations originally planned to carry out two project evaluation exercises: one mid-term and one after the project ended. ITC expects the mid-term evaluation report by late spring or early summer 2000. The Board is pleased to note the high level of evaluation effort that has gone into this project and the active efforts ITC has made to learn lessons from it.

2. Corporate Management Information System

57. The Board noted in its report on the Centre's 1996-1997 financial statements that ITC had established new planning and evaluation tools. In particular, ITC prepared an annual operating plan and a rolling three year medium-term plan to improve the performance, efficiency and transparency of its activities. ITC also developed and implemented a Corporate Management Information System in 1998-1999 and produced its 1999 annual operations plan using the system.

58. The Corporate Management Information System is intended to provide ITC with an operational and management tool to make planning, monitoring and reporting of activities more effective and transparent. The System was developed at a cost of $290,000 and includes the following modules:

(a) The **annual operations plan** records details of the Centre's annual programme of work and individual tasks of staff, and allows the status of implementation of planned outputs to be monitored. The System facilitates the preparation of the plan and its maintenance, and the access and retrieval of information;

(b) The **project implementation module** is designed to record descriptions and basic data related to all projects together with information on progress achieved. This module facilitates the preparation of project reports as well as summaries required for the Joint Advisory Group. The status of tasks is available online to support monitoring by project managers;

(c) The **project development module** records the complete process leading to the formulation of a project proposal, from the request for technical assistance stage up to the donor's approval. The system shows the complete pipeline of projects and the status of their submission to donors.

59. The Corporate Management Information System also provides other facilities, such as profiles and preferences of donors; decisions of the Project Appraisal Clearance Committee; and storage and retrieval of full text documents (such as mission reports).

60. The Board reviewed the Corporate Management Information System to assess the extent to which it had delivered the benefits expected.

61. Test checking of data confirmed that the annual operations plan had been accurately input. However, the Board found that, as at March 2000, out of 817 final outputs planned for delivery in 1999, 170 (21 per cent) were still classified as planned, 538 (66 per cent) were classified as ongoing, 97 (12 per cent) were recorded as completed and 12 (1 per cent) had been deleted. ITC informed the Board that the position reported by the Corporate Management Information System was incorrect because some ITC staff had failed to update the System's records with the latest position on progress of projects. The System was not, therefore, providing an accurate or reliable summary of achievements against the annual operations plan.

62. ITC set up a focus group to find out why the Corporate Management Information System was not being used in the way intended. The focus group preliminary findings were that ITC staff wanted to use the system and considered it to be comprehensive, but the benefits of the System were still to be proved. ITC was examining ways of streamlining the System.

63. While it recognizes that the Corporate Management Information System was still only in its first year of operation, the Board is concerned that although $290,000 has been incurred in developing the System, no significant benefits have yet accrued. **The Board recommends that ITC take concerted action to ensure that the Corporate Management Information System is kept up to date so that it can be used as an effective management tool.**

3. Cases of fraud and presumptive fraud

64. No cases of fraud or presumptive fraud were reported to the Board during 1998-1999.

D. Acknowledgement

65. The Board of Auditors wishes to express its appreciation for the cooperation and assistance extended by the Executive Director and the staff of the International Trade Centre during its audit.

(Signed) Sir John **Bourn**
Comptroller and Auditor General
of the United Kingdom of Great Britain and Northern Ireland

(Signed) Osei Tutu **Prempeh**
Auditor-General of Ghana

(Signed) Celso D. **Gangan**
Chairman, Philippine Commission on Audit

30 June 2000

Annex

Follow-up on action taken to implement the recommendations of the Board of Auditors in its report for the biennium ended 31 December 1997[a]

Recommendation 13

1. ITC, in liaison with United Nations Headquarters, should review the accounting treatment of deferred charges and deferred income to ensure that it is consistent with best accounting practice.

Measures taken by the Administration

2. ITC awaits instructions from United Nations Headquarters on modifications to the United Nations System Accounting Standards regarding the treatment of deferred charges and deferred income.

Comments of the Board

3. The Board is disappointed to note that no further progress has been made in this area. The Board has again raised the treatment as inappropriate in the present report.

Recommendation 29

4. ITC should issue guidance on the enterprise oriented approach to ensure that enterprise projects are designed and implemented on a clear and consistent basis.

Measures taken by the Administration

5. In view of resource constraints and the new priorities of beneficiaries and donors, the full-fledged enterprise oriented approach could not be pursued. The issuance of guidelines, therefore, was no longer considered necessary. Emphasis is now placed on the “product network” approach by which the Centre’s technical assistance products reach the enterprise through a network of partner institutions responsible for national customization and widespread applications, thus minimizing costs, maximizing outreach and better contributing to the Centre’s overriding objective, which is national capacity-building.

Comments of the Board

6. The Board notes the Centre’s revised approach.

Recommendation 33

7. ITC should include in its resource mobilization strategy clear objectives for widening the Centre’s funding base and targets against which to measure achievements; specify when and how ITC would engage existing and potential

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[a] *Official Records of the General Assembly, Fifty-third Session, Supplement No. 5* (A/53/5), vol. III, chap. I.

donors; and set out clearly defined responsibilities for the strategy's implementation and review.

Measures taken by the Administration

8. ITC has published a paper on the elements of a strategy for resource mobilization by ITC, which is supplemented by detailed internal guidelines for resource mobilization. ITC is also running a number of workshops in 2000 on understanding donors, which are included in the ITC staff development programme.

Comments of the Board

9. The Board welcomes the Centre's progress in this area and urges it to take further steps to implement their revised policies.

Recommendation 38

10. ITC should ensure that project documents are of a consistent standard, supported by assessments of need and incorporate frameworks to facilitate effective monitoring and evaluation.

Measures taken by the Administration

11. ITC employed a consultant to address the recommendation. The consultant's report was used as the basis for a "needs assessment and programme design road map", which was issued in March 2000.

Comments of the Board

12. The Board notes the Centre's progress in this important area. The Board has reviewed the consultant's report and the "road map" and considers that the documents address the recommendation. The Board therefore urges ITC to make use of the procedures in future project design.

Recommendation 43

13. ITC should ensure that, as part of project design, suitable arrangements are made to collect basic data to help facilitate future assessments of project impact.

Measures taken by the Administration

14. ITC acknowledges that data collection is necessary, although the practicalities of collecting relevant data can prove difficult as ITC often works in areas where external factors have an impact on success, as well as on the Centre's input. However, ITC has included data collection clauses in new project proposals, such as the Joint Integrated Technical Assistance Programme.

Comments of the Board

15. The Board has reviewed six of the Centre's latest project proposals and documents and is pleased to note that data collection requirements are now included.

Recommendation 49

16. ITC should develop, as a priority, corporate performance indicators and a system through which achievements could be recorded and aggregated to provide an annual assessment of impact.

Measures taken by the Administration

17. ITC carried out extensive research on the subject of result-based management over the past biennium. It has analysed the systems and experiences of other development agencies and participated in the related ongoing debate of the United Nations Inter-agency Working Group on Evaluation. All agencies have been experiencing methodological difficulties in applying the result-based management concept to the business of providing technical assistance services (notably the reliability of data and the attribution and aggregation issues). The matter is being pursued by a newly established organization change team, which focuses on the improvement of managerial processes.

Comments of the Board

18. The Board is concerned to note that little progress has been made in this important area. The Board urges ITC to develop appropriate indicators as a matter of urgency.

Recommendation 55

19. ITC should ensure that proposals for publication include justification of need and resource implications.

Measures taken by the Administration

20. The Publications Board of ITC planned to review this matter in May 2000. An important input for consideration of the point will be the report of the Office of Internal Oversight Services on the management review of ITC publications.

Comments of the Board

21. The Board notes the action taken by ITC and urges it to implement the revised policy as soon as possible.

Recommendation 59

22. ITC should review its procedures for determining the number of publications to be printed, with a view to reducing the level of excess stocks.

Measures taken by the Administration

23. The ITC Working Group on Policy Matters related to the Publications Programme considered this matter in 1998-1999 and recommended revised procedures to require departments to specify more precisely the number of publications that need to be printed. The revised procedures were implemented in 2000 and will avoid the build-up of excess stocks in future.

Comments of the Board

24. The Board is pleased to note the action taken by ITC and trusts that the revised procedures will have the desired impact in 2000-2001.

Recommendation 61

25. ITC should improve its planning and prioritization of research and development work, adopt a more prudent approach and strengthen its management of contractors to assure timely delivery of outputs.

Measures taken by the Administration

26. The Centre's annual operations plan allows senior management to review the work plans of individual units (including the research and development components and inputs to be provided by contractors), at both the planning and implementation stages. The annual operations plan is a module of the Corporate Management Information System, which should be updated regularly and should record deviations from the original plan. However, these tools so far have been used mainly for record purposes and less for programme monitoring. An organization change team has been tasked with finding ways to ensure that the Corporate Management Information System is applied more systematically in future.

Comments of the Board

27. The Board notes the limited progress to date and comments further in the present report.

Recommendation 65

28. ITC should ensure that all systems are tested for year 2000 compliance, with sufficient lead time to address any deficiencies.

Measures taken by the Administration

29. ITC extensively tested all systems in advance of the new millennium and encountered no problems with the millennium bug.

Comments of the Board

30. The Board is pleased to note that the Centre's actions ensured that all systems were year 2000 compliant.

Chapter III

Audit opinion

We have audited the accompanying financial statements, comprising statements I to IV and the supporting notes of the International Trade Centre UNCTAD/WTO for the financial period ended 31 December 1999. The financial statements are the responsibility of the Executive Director. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with the common auditing standards of the Panel of External Auditors of the United Nations, specialized agencies and the International Atomic Energy Agency. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, and as considered by the auditor to be necessary in the circumstances, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Executive Director, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for the audit opinion.

In our opinion, these financial statements present fairly, in all respects, the financial position at 31 December 1999 and the results of operations and cash flows for the period then ended in accordance with the Centre's stated accounting policies set out in note 2 to the financial statements, which were applied on a basis consistent with that of the preceding financial period.

Further, in our opinion, the transactions of the Centre which we have tested as part of our audit, have in all significant respects been in accordance with the Financial Regulations and legislative authority.

In accordance with article XII of the Financial Regulations, we have also issued a long-form report on our audit of the Centre's financial statements.

(*Signed*) Sir John **Bourn**
Comptroller and Auditor General
of the United Kingdom of Great Britain and Northern Ireland

(*Signed*) Osei Tutu **Prempeh**
Auditor-General of Ghana

(*Signed*) Celso D. **Gangan**
Chairman, Philippine Commission on Audit

30 June 2000

Chapter IV

Certification of the financial statements

9 June 2000

1. The financial statements of the International Trade Centre UNCTAD/WTO for the biennium 1998-1999 ended 31 December 1999 have been prepared in accordance with financial rule 111.4.

2. The summary of significant accounting policies applied in the preparation of these statements is included in note 2 to the financial statements. The notes provide additional information and clarifications for the financial activities undertaken by the Centre during the period covered by these statements for which the Secretary-General has administrative responsibility.

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

(*Signed*) Jean-Pierre **Halbwachs**
Assistant Secretary-General, Controller

Chapter V

Financial statements for the biennium ended 31 December 1999

Notes to the financial statements

Note 1
International Trade Centre UNCTAD/WTO and its activities

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

(b) The Centre is a technical cooperation organization whose mission is to support developing and transition economies, and particularly their business sectors, in their efforts to realize their full potential for developing exports and improving import operations with the ultimate goal of achieving sustainable development. The Centre deals specifically with the operational aspects of trade promotion and export development. Its regular budget is financed jointly and equally by the United Nations and WTO, and technical cooperation projects are financed by voluntary contributions from trust fund donors and by allocations from the United Nations Development Programme (UNDP).

Note 2
Summary of significant accounting and financial reporting policies of the Centre

(a) The Centre's accounts are maintained in accordance with the Financial Regulations of the United Nations as adopted by the General Assembly, the rules formulated by the Secretary-General as required under the regulations, and administrative instructions issued by the Under-Secretary-General for Management or the Controller, and in conformity with generally accepted accounting principles. They also take fully into account the United Nations System Accounting Standards as adopted by the Administrative Committee on Coordination. The General Assembly took note of these standards in its resolution 48/216 C of 23 December 1993. The Centre follows the United Nations System Accounting Standards (revision III) on the disclosure of accounting policies, as adopted by the Consultative Committee on Administrative Questions at its ninetieth session.

(b) The Centre’s accounts are maintained on a “fund accounting” basis and each fund is maintained as a distinct financial and accounting entity with a separate self-balancing double-entry group of accounts.

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

(d) Income from contributions to the General Fund and from investment of funds, expenditure, assets and liabilities are recognized on the accrual basis of accounting. All other income, including voluntary contributions, is accounted for on a cash basis.

(e) The accounts of the Centre are presented in United States dollars. Accounts maintained in other currencies are translated into United States dollars at the time of the transaction at rates of exchange established by the Controller. In respect of such currencies, the financial statements prepared at such intervals as may be prescribed by the Controller under delegation of authority from the Under-Secretary-General for Management, shall reflect the cash, investments, unpaid contributions and current accounts receivable and payable in currencies other than United States dollars, translated at the applicable United Nations rates of exchange in effect at the date of the statements.

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

(g) The results of the Centre’s operations presented in statements I and II are shown at the summary level by general type of activity. Their presentation in summarized format does not imply that the various separate funds can be intermingled in any way, since normally resources may not be utilized between funds.

(h) The Centre is a member organization participating in the United Nations Joint Staff Pension Fund which was established by the General Assembly to provide retirement, death, disability and related benefits. The Pension Fund is a funded defined benefit plan. The financial obligation of the organization to the Pension Fund consists of its mandated contribution at the rate established by the General Assembly together with its share of any actuarial deficiency payments which might become payable pursuant to article 26 of the Regulations of the Pension Fund.

(i) General Fund:

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

(ii) Other/miscellaneous income includes income from the rental of premises, sales of publications, subscription to the market news service, interest earned on various bank accounts and time deposits, refunds of prior years’ expenditures and other miscellaneous items, including sales of obsolete equipment;

(iii) Refunds of expenditures that are charged in the same financial period against the budgetary accounts are credited to the same accounts, but refunds of expenditure relating to the prior financial periods are credited to miscellaneous income;

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

(v) Savings on liquidation of prior periods' obligations are credited directly to the fund balance.

Assets:

(vi) Cash and term deposits comprise funds on deposit in interest-bearing bank accounts, certificate of deposits and call accounts. They are shown in the statements of assets and liabilities as cash and term deposits, and apart from changes in value arising from the retranslation of currencies as provided for in paragraph (e) above, all amounts are stated at cost;

(vii) Deferred charges comprise expenditure items that are not properly chargeable in the current financial periods and will be charged as expenditure in the subsequent financial period. the expenditure items include commitments approved by the Controller for future financial periods in accordance with financial rule 110.6. Such commitments are normally restricted to administrative requirements of a continuing nature and to contracts or legal obligations where long lead times are required for delivery;

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

(ix) Furniture, equipment and other non-expendable property are not included in the assets of the Centre. Acquisitions are charged against allotments in the year of purchase.

Liabilities and reserves and fund balances:

(x) Reserves are considered to be one component of the category encompassing both reserves and fund balances, and they are accordingly included in the totals for "Reserves and fund balances" shown in the financial statements;

(xi) Commitments of the Centre relating to the current financial period are shown as unliquidated obligations, which remain valid for 12 months following the end of the year to which they relate;

(xii) Deferred income includes pledged contributions received for future periods and other income received but not yet earned;

(xiii) No provisions made in the General Fund for repatriation grant entitlement, as funds are provided for in budget appropriations;

(xiv) Provision to meet contingencies under appendix D to the staff rules of the United Nations for personnel is calculated on the basis of 1 per cent of the net base pay and charged to the budget appropriations. This provision is disclosed in the United Nations General Fund;

(xv) Liabilities do not include any provision for benefits payable to staff on termination of service.

(j) Technical cooperation accounts:

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

(ii) Funds received under interorganization arrangements — UNDP. The figures for allocation income from UNDP are the same as reported for total expenditure in line with UNDP procedures, which require that allocations be adjusted to equal actual expenditure;

(iii) Voluntary contributions — trust funds. Contributions from Governments or other donors are recorded upon receipt of the contribution. All monies accepted for purposes specified by the donor are treated as trust funds or special accounts. Separate trust funds are set up for each project approved by the donor and the recipient country;

(iv) Interest and miscellaneous income arising from UNDP activities are credited to the operating fund accounts maintained with that organization. Interest accruing from the short-term investment of trust funds is credited first to the operating reserve to maintain that reserve at the agreed level (see para. (j) (xi)), then to support costs to meet any annual deficit attributable to currency fluctuations and thereafter to donors' funds. Trust fund miscellaneous income accruing from the sale of surplus property or refunds of expenditure are credited to the project from which the purchase or expenditure was originally financed. If the project is closed, this income is credited to the donor;

(v) Unspent allocations/other liabilities — UNDP. The unspent balance of allocations issued for the current year, together with allocations issued for future years, is reflected as an asset and as other liabilities. Unspent allocations for UNDP-financed projects are based on the project budgets. Unspent allocations for UNDP-administered trust funds are based on allocation advices issued by UNDP;

(vi) Contributions received in advance for other trust funds comprise contributions received in respect of project budgets that extend beyond the current period, including the programme support income relating to those project budgets;

(vii) Unliquidated obligations for the current period in respect of trust funds and UNDP financed activities remain valid for 12 months following the end of the year, rather than the biennium, to which they relate. However, in accordance with UNDP reporting requirements, executing agencies may retain unliquidated obligations beyond 12 months when a firm liability to pay still exists; in such cases liabilities are reported as accounts payable in the financial statements. Savings in the liquidation of prior period obligations are credited to individual projects as a reduction of current period expenditure in accordance with UNDP reporting requirements;

(viii) Unliquidated obligations for future financial periods are reported both as deferred charges and as other liabilities;

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

(x) Gain or loss on exchange. Any exchange difference incurred in respect of UNDP projects is debited or credited to the operating fund maintained with that organization. Any differences accruing on trust fund projects in respect of normal day-to-day transactions are borne by the appropriate project budgets. Those currency fluctuations, which cannot be attributed to any particular project, are debited/credited to the operating reserve (see subpara. (xi));

(xi) Operating reserve — trust funds. The Centre's policy is to maintain this reserve at a predetermined level and agreement has been reached with donors that the first charge upon interest be for the purpose of maintaining the reserve at that level. Since 1993, in consultation with donor Governments, the operating reserve has been maintained at $1,087,816;

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

(xiii) Miscellaneous income. All monies accepted for purposes specified by the donors are treated as trust funds or special accounts. However, monies accepted in respect of which no purpose is specified are treated as miscellaneous income;

(xiv) Provision to meet contingent liabilities for compensation under appendix D to the staff rules of the United Nations for personnel financed by technical cooperation trust funds is calculated on the basis of 1 per cent of the net base pay and charged to the project allocations. This provision is disclosed in the United Nations General Fund.

(k) Support costs:

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

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

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

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

(l) Revolving funds and other funds:

(i) *Training Materials Revolving Fund*

Income accruing from the sale of any training pack or similar item is credited to the Training Materials Revolving Fund and utilized to finance the costs of reprinting, translation and other related costs.

(ii) *Trade Information Services Revolving Fund*

Income accruing from the sale of electronic data-processing services is credited to the Trade Information Services (previously called Electronic Data Processing/International Computing Centre) Revolving Fund and utilized to finance the provision of further services.

(iii) *Trade Flow Analysis Revolving Fund*

Income accruing from the sale of trade data analyses at the global, regional, national and enterprise levels is credited to the Trade Flow Analysis Revolving Fund and utilized to finance the provision of further services.

(iv) *Market News Service Fund*

Income accruing from the subscription fees for providing up-to-date information needs of producers, exporters and importers of selected products in developing countries and economies in transition is credited to the Market News Service Fund and utilized to finance MNS activities.

(v) *Report Processing Account*

A system of standard costs is applied for charging technical cooperation projects with costs for reports, which are drafted by project personnel and consultants. The standard rate used per report was $950 in 1998 and in 1999. The expenditures incurred against this account cover mainly administrative staff costs involved in editing and reproduction and the costs of stationery and materials used in document reproduction.

Note 3
General Fund (statements I and II)

(a) Income (expressed in United States dollars, at 31 December 1999 and 1997):

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, and the new administrative arrangements between the United Nations and the World Trade Organization (WTO) as endorsed by the General Assembly at its fifty-third session (decision 53/411), the regular budget of ITC is assessed in Swiss francs and shared equally between the United Nations and WTO.

The total contribution received from each of the parent bodies during the biennium 1998-1999 was $18,491,529.

Other income during the biennium comprised:

	1999 $	1997 $
Income from rental of premises	435 327	348 195
Sale of publications	39 420	63 005
Refund of prior years' expenditures	158 918	67 134
Miscellaneous	522 946	367 700
Total	**1 156 611**	**846 034**

(b) **Expenditure** during the biennium comprises:

	1999 $	1997 $
Salaries and common staff costs	31 163 348	32 912 280
Travel	402 878	355 377
Contractual services	1 941 562	1 924 945
General operating expenses	3 971 188	4 572 109
Hospitality	10 437	12 898
Supplies and materials	604 727	500 455
Furniture and equipment	645 008	727 077
Total	**38 739 148**	**41 005 141**

(c) **Assets**:

(i) *Cash and term deposits* represent the total of all cash balances. The amount of $1,724,371, includes $1,676,755 (1997: $1,169,480) held in interest earning deposits;

(ii) *Accounts receivable* comprise:

	1999 $	1997 $
Advances to staff	261 418	241 583
ICC costs paid in advance	186 256	436 994
Value-added tax (VAT) to be reimbursed by Governments	2 115	2 250
Accrued interest	33 841	39 304
Miscellaneous items	45 376	62 828
Total	**529 006**	**782 959**

(iii) *Deferred charges* comprise:

	1999 $	1997 $
Education grant advances to staff (note 2 (i) (viii))	128 408	118 000
Miscellaneous items paid in advance	30 253	36 277
Total	**158 661**	**154 277**

(iv) *Non-expendable property*: in accordance with the United Nations accounting policies, non-expendable property is not included in the fixed assets of the Centre but is charged against the current appropriations when acquired. The inventory records at 31 December 1999 totalled $5,763,778, which includes $3,992,506 for ITC technical cooperation projects.

(d) Liabilities:

(i) *Accounts payable* comprise:

a. Interfund balances reflect transactions between the Centre's funds participating in the United Nations accounting system.

b. Other

	1999 $	1997 $
Balances due to staff	17 963	43 081
Other items	63 125	40 511
Total	**81 088**	**83 592**

(ii) In addition to the above-mentioned liabilities, ITC has financial commitments in respect of leases extending beyond the financial period ended 31 December 1999. The estimated costs of these arrangements to be met from the appropriations of the bienniums 2000-2001 and 2002-2003 are:

	2000-2001 $	2002-2003 $
Lease of ITC headquarters building	1 945 167	1 945 167
Rental of reprographic equipment	308 860	272 283
Rental of photocopiers	63 094	-
Rental of fax machines	11 245	-

(iii) *Reserves and fund balances*

The surplus account of the Centre's General Fund represents funds available for the credit of the United Nations and WTO arising from the unobligated balance of appropriations and the savings on the liquidation of obligations for the prior period. The Centre's General Fund ended the biennium with a shortfall of income over expenditure of $400,807. During the biennium 1998-1999, a surplus of $1,045,929, comprising $768,435 brought forward from the biennium 1996-1997 and $277,494 representing the savings on the liquidation of 1996-1997 obligations was offset against the contributions of the United Nations and WTO. The net surplus as at 31 December 1999 of $645,122 will be carried forward to the biennium 2000-2001.

Note 4
Technical cooperation activities (statements I and II)

(a) **Trust funds**:

(i) *Income* during the biennium comprises:

	1998-1999 $	*1996-1997* $
Voluntary contributions	23 056 443	19 184 998
Interest	1 596 5420	1 579 144
Total	**24 652 963**	**20 764 142**

(ii) *Expenditure* during the biennium comprises:

	1998-1999 $	*1996-1997* $
Salaries and common staff costs	12 733 277	12 885 224
Travel	1 714 073	1 532 923
Contractual services	2 445 382	1 317 146
General operating expenses	788 542	818 896
Acquisitions	636 824	303 282
Fellowships, grants, other	1 948 400	1 241 113
Total project costs	**20 266 498**	**18 098 584**
Programme support costs	2 623 453	2 345 167
Total expenditure	**22 889 951**	**20 443 751**

(iii) *Assets*

a. *Cash* comprises:

	1999 *$*	*1997* *$*
Cash at banks	833 028	378 297
Interest-bearing deposits	15 909 756	13 348 705
Held by imprest holders	1 082	2 829
Total	**16 743 866**	**13 729 831**

b. *Inter-fund balances receivable* comprise:

	1999 *$*	*1997* *$*
Due from ITC General Fund	71 353	-
Due from ITC support costs	16 928	-
Inter-fund balances receivable	2 962 779	2 123 327
Total	**3 051 060**	**2 123 327**

c. *Other accounts receivable* comprise:

	1999 *$*	*1997* *$*
Advances to staff members	254 618	205 509
Accrued interest	329 630	402 343
VAT recoverable from Governments	11 395	10 427
Amounts billed to various organizations	-	2 915
Other items	20 548	17 058
Total	**616 191**	**638 252**

d. *Deferred charges and other assets* comprise:

	1999 *$*	*1997* *$*
Unliquidated obligations for future periods	2 575 701	1 736 443
Inter-office vouchers in suspense	7 139	4 830
Education grant advances to staff (note 2 (i) (viii))	26 624	7 443
Allocations to WTO and UNCTAD	563 138	-
Miscellaneous items	3 260	1 818
Total	**3 175 862**	**1 750 534**

(iv) *Liabilities*

a. *Inter-fund balances payable* comprise:

	1999 *$*	*1997* *$*
Due to ITC General Fund	-	54 043
Due to ITC support costs	-	516 399
Due to Training Materials Revolving Fund	61 506	80 974
Due to Trade Information Services Revolving Fund	112 778	165 711
Due to Trade Flow Analysis Revolving Fund	223 122	85 765
Due to Market News Service Fund	153 757	68 571
Due to Report Processing Account	10 685	13 980
Due to UNDP	2 210 447	374 611
Total	**2 772 295**	**1 360 054**

b. *Other accounts payable* comprise:

	1999 *$*	*1997* *$*
Due to United Nations General Fund	1 450 188	1 253 331
Outdated cheques	-	115
Payable to staff	83 716	70 012
Miscellaneous items	85 417	30 493
Total	**1 619 321**	**1 353 951**

c. *Other liabilities* comprise:

	1999 *$*	*1997* *$*
Contributions receivable for future years	7 520 313	2 908 343
Commitments for future years	2 575 701	1 736 443
Total	**10 096 014**	**4 644 786**

(v) *Operating reserve*

The operating reserve is maintained to meet contingencies arising from the termination of employment of experts, etc. As reflected in the summary of significant accounting policies (note 2 (k) (xi)), it is the Centre’s policy to maintain this reserve at a predetermined level ($1,087,816 for the biennium 1998-1999), and, with the general agreement of the donors, the first charge upon interest accruing from the investment of funds is to maintain this reserve at that level.

(b) **United Nations Development Programme**:

(i) *Expenditure* during the biennium comprises:

	1998-1999 *$*	*1996-1997* *$*
Salaries and common staff costs	1 922 611	4 142 875
Travel	371 383	334 485
Contractual services	279 434	134 494
General operating expenses	427 170	410 209
Acquisitions	410 411	387 937
Fellowships, grants, other	426 406	670 713
Total, project costs	**3 837 415**	**6 080 713**
Programme support costs	665 738	1 140 663
Total expenditure	**4 503 153**	**7 221 376**

(ii) *Assets*

a. *Cash* comprises:

	1999 *$*	*1997* *$*
Held by imprest holders	2 926	2 070
Total	**2 926**	**2 070**

b. *Other accounts receivable* comprise*:*

	1999 *$*	*1997* *$*
VAT recoverable from Governments	3 173	471
Due from UNDP	1 706 434	2 476 756
Due from other agencies	-	44 060
Due from staff	49 436	182 353
Miscellaneous items	11 023	23 877
Total	**1 770 066**	**2 727 517**

c. *Deferred charges* comprise:

	1999 $	1997 $
Unliquidated obligations for future periods	222 580	528 823
Inter-office vouchers in suspense	7 776	13 612
Other items	197	15 402
Total	**230 553**	**557 837**

(iii) *Liabilities*

a. *Inter-fund balances payable* comprise:

	1999 $	1997 $
Inter-fund balances payable	2 962 779	2 123 327
Total	**2 962 779**	**2 123 327**

b. *Other accounts payable* comprise:

	1999 $	1997 $
Unliquidated obligations billed to other agencies	-	374 611
Payable to staff	60 662	43 162
Miscellaneous items	-	23 470
Total	**60 662**	**441 243**

c. *Other liabilities* comprise:

	1999 $	1997 $
Unspent allocations for future years	1 635 203	3 925 767
Commitments for future years	222 580	528 823
Total	**1 857 783**	**4 454 590**

d. Statement I excludes expenditure of $2,765,634 (net of programme support cost) on projects executed by the Centre for various organizations as an implementing agency for the biennium 1998-1999. Those expenditures are reported fully in the executing agencies' own financial statements. The programme support cost income earned from these activities, $525,471 ($523,575 in 1996-1997) is included in statement I.

Note 5
Special account for programme support costs (statements I and II)

(a) **Income** during the biennium comprises:

	1998-1999 *$*	*1996-1997* *$*
Support costs on trust fund projects	2 623 453	2 345 167
Support costs on UNDP projects	665 738	1 140 663
Support costs on associated agency projects	525 471	523 575
Interest	191 303	113 152
Miscellaneous	123 267	48 910
Total	**4 129 232**	**4 171 467**

(b) **Expenditure** during the biennium comprises:

	1998-1999 *$*	*1996-1997* *$*
Salaries and common staff costs	3 322 104	2 472 149
Travel	1 020	-
Contractual services	76 777	106 680
General operating expenses	10 656	7 231
Fellowships, grants, other	540 792	239 960
Total	**3 951 349**	**2 826 020**

(c) **Reserves and fund balances**

The reserves and fund balances totalled $1,673,443 as at 31 December 1999 and reflected the following movements during the biennium:

	$
Fund balance at 1 January 1998	1 100 879
Savings on liquidation of prior periods' obligations	2 603
Transfers from operating reserve	10 056
Excess of income over expenditure	177 883
Fund balance at 31 December 1999	**1 291 422**
Operating reserves at 1 January 1998	392 077
Transfers to surplus account	(10 056)
Reserve balance at 31 December 1999	**382 021**

Note 6
Revolving funds and other funds (statements I and II)

For the biennium 1998-1999, Other funds, such as the Market News Service Fund and the Report Processing Account previously included in the technical cooperation activities trust funds are now presented in the “Revolving funds and other funds”, previously called “Revolving funds”. Certain reclassifications have therefore been made to the comparative figures shown in the financial statements for the period from 1 January 1996 to 31 December 1997 in order for them to conform to the current classifications. None of these reclassifications of the 1997 figures represents any real change in the financial results for that period.

(a) **Income** during the biennium comprises:

	1998-1999 *$*	*1996-1997* *$*
Training Materials Revolving Fund	3 202	19 614
Trade Information Services Revolving Fund	160 262	198 848
Trade Flow Analysis Revolving Fund	247 120	106 251
Market News Service Fund	163 514	96 225
Report Processing Account	252 584	431 902
Interest	54 430	38 206
Total	**881 112**	**891 046**

(b) **Expenditure** during the biennium comprises:

	1998-1999 *$*	*1996-1997* *$*
Training Materials Revolving Fund	30 549	3 220
Trade Information Services Revolving Fund	224 877	200 272
Trade Flow Analysis Revolving Fund	125 689	24 643
Market News Service Fund	92 688	27 654
Report Processing Account	260 462	429 114
Total	**734 265**	**684 903**

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