Executive Council

100th session
Rovinj, Croatia, 27-29 May 2015
Provisional agenda item 5(b)

CE/100/5(b)
Madrid, 13 April 2015
Original: English

Report of the Secretary-General

Part II: Administrative and statutory matters

(b) UNWTO financial report and audited Financial Statements for the year ended 31 December 2014

I. Introduction

1. In accordance with Financial Regulation 14.7, the Financial Statements of the World Tourism Organization for the year ended 31 December 2014 are submitted by the Secretary-General to the Executive Council.

2. The Financial Statements were subjected to external audit in accordance with Annex 1 to Financial Regulations. The audit opinion and the report of the External Auditors on the Financial Statements is submitted to the Executive Council in accordance with Financial Regulation 17.2.

3. The following document includes also the Secretary-General's discussion and analysis of UNWTO's financial and budgetary performance for the financial year ended 31 December 2014.

II. Actions to be taken by the Executive Council

4. The Executive Council is invited:

(a) To take note of the opinion of the External Auditors that the UNWTO Financial Statements for the year ended 2014 presents fairly the financial position of the UNWTO as at 31 December 2014 and the results of the operations for this period, in compliance with International Public Sector Accounting Standards;

(b) To recommend the General Assembly to approve the UNWTO Financial Statements for the year ended 2014, as reported by the External Auditors;

(c) To note that in the financial year 2014 the level of budgetary expenditure was maintained within the limit of approved appropriations, resulting in an implementation rate of 99 per cent of

UNWTO Financial Report and Audited Financial Statements for the Year Ended 31 December 2014

Report of the Secretary-General on the Financial Statements of UNWTO f the year ended 31 December 2014

Introduction

1. In accordance with Financial Regulation (FR) 14.7 I have the honour to submit to the Executive Council (EC) the Financial Statements of the World Tourism Organization (UNWTO) for the year ended 31 December 2014.

2. The Financial Statements were subjected to an external audit in accordance with Annex 1 to the Financial Regulations. The audit opinion and report of the External Auditors (

(e) Inventories of a material nature such as publications are expensed on sale or distribution;

(f) The recognition of all employee liabilities to be paid out in future periods on an accrual basis including accumulated annual leave, end of service benefits and after-service medical liabilities determined by independent actuaries;

(g) Fixed and intangible assets are presented under new accounting policies;

(h) Recognition of the in-kind contribution of the annual lease of t

11. Under the accrual basis of accounting, revenues and expenses are recognized in the Financial Statements in the period to which they relate. The excess of revenues over expenses results in a surplus which is carried forward to the accumulated surplus. These accumulated surpluses represent the unexpended portion of contributions to be utilized, as authorized, in requirements of the Organization.

12. Under IPSAS, the matching principle of revenue and expenses does not apply for non-exchange transactions. The focus of IPSAS is the financial position which is evidenced by the recognition of assets, when there is sufficient control, and of liabilities, when the criteria to recognize liabilities exist.

Financial Statements highlights

Budgetary performance of the Regular Budget

Budgetary result of the Regular Budget

Table 1 - Comparison of budget and actual amounts and budgetary cash balance - Regular Budget
for the year ended 31 December 2014
Euros

	Approved income / Original budget[1]	Final budget[2]	Actual amounts on comparable basis	Differences budget and actual[3]	Budgetary cash balance (cash-in less expenditure)
Budgetary difference	0.00	0.00	164,054.46	-164,054.46	-906,599.16
Budgetary income	13,124,000.00	13,124,000.00	13,137,071.62	-13,071.62	12,066,418.00
Contributions from Full and Associate Members	11,937,000.00	11,937,000.00	11,934,622.00	2,378.00	10,338,447
Other income sources	1,187,000.00	1,187,000.00	1,202,449.62	-15,449.62	964,728.13
Allocation from accummulated surplus - RB	394,000.00	394,000.00	394,000.00	0.00	394,000.00
Allocation from accummulated surplus - Publications store	250,000.00	250,000.00	250,000.00	0.00	250,000.
Affiliate Members	543,000.00	543,000.00	558,449.62	-15,449.62	320,728.13
Arrear contributions					763,242.59
Budgetary expenditure	13,124,000.00	13,124,000.00	12,973,017.16	150,982.84	12,973,017.16
A Member Relations	2,367,000.00	2,367,000.00	2,328,862.50	38,137.50	2,328,862.50
B Operational	3,657,000.00	3,531,159.85	3,477,783.36	53,376.49	3,477,783.36
C Support, Direct to Members	3,906,000.00	4,031,840.15	4,031,840.15	0.00	4,031,840.15
D Support, Indirect to Members	3,194,000.00	3,194,000.00	3,134,531.15	59,468.85	3,134,531.15

[1] In accordance to Programmes structure and appropriations approved originally by A/RES/619(XX) and its modification approved by CE/DEC/9(XCVIII) and CE/DEC/10(XCIX).

[2] After transfers

[3] Differences between final and actual budgetary income are due to (a) deduction of EUR 2,610.00 applied to Seychelles as per Annex I, (b) rounding of EUR 232.00 and (c) Affiliate Members budgetary income was prepared based on an estimated number of Members.

19. This section analyses the Regular Budget as approved by the General Assembly. The Regular Budget is voted by the General Assembly of UNWTO for a biennium of two consecutive calendar years beginning with an even-numbered year[5]. The biennial budget is presented on an annual basis to cover the proposed programme of work of the Regular Budget for each financial year of the financial period[6].

20. The Regular Budget is financed from assessed contributions from Members[7] and budgetary allocations. Appropriations are available for budget commitments during the financial period to which they relate and for a further twelve months[8].

21. The Regular Budget of the Organization covering the two-year budget period 2014-2015 (A/20/5(I)(c)) was approved by the General Assembly (A/RES/619(XX)) at EUR 26,616,000 broken down by the 2014 and 2015 annual budgets which amount to EUR 13,124,000 and EUR 13,492,000 respectively. 2014 annual budget was adjusted by transfers[9] of EUR 273,977 as explained in Annex II on Appropriations transfers for the financial year 2014 - Regular Budget.

22. In 2014, total budgetary income and total budgetary expenditure amounts to EUR 13,137,072 and EUR 12,973,017 respectively, resulting in an implementation rate of 99% of the total budgetary income. Therefore, the budgetary result (total budgetary income less budgetary expenditure) shows a

[5] FR 2, FR 4.4
[6] FR3, DFR IV.4
[7] FR 6
[8] FR 5.1(a), FR 5.2 (a)
[9] FR 5.3 (b)

surplus of EUR 164,054. UNWTO reports bi-annually to the Executive Council on the status of the budget implementation[10] of the Regular Budget.

23. The total budgetary income received (cash-in) amounts to EUR 12,066,418, including the Members' arrears received during the year ended 31 December 2014 (EUR 763,243), which represents 92% of the approved budgetary income.

24. The budgetary cash balance (total budgetary income received (cash-in) less budgetary expenditure) resulted in a cash deficit of EUR 906,599 which was advanced by the Working Capital Fund[11] (see Annex II on Budgetary cash balance vs WCF advance as at 31 December 2014).

Comparison of financial performance to budgetary result of the Regular Budget

25. The budget and the accounting bases differ. Consequently, the following differences have to be taken into account in the reconciliation between financial performance (Statement of Financial Performance) and the budgetary result (Statement of Comparison of Budget and Actual Amounts):

(a) Entity differences

The Statement of Financial Performance includes all operations of UNWTO while the Statement of Comparison of Budget and Actual Amounts is limited to the operations related to the Regular Budget.

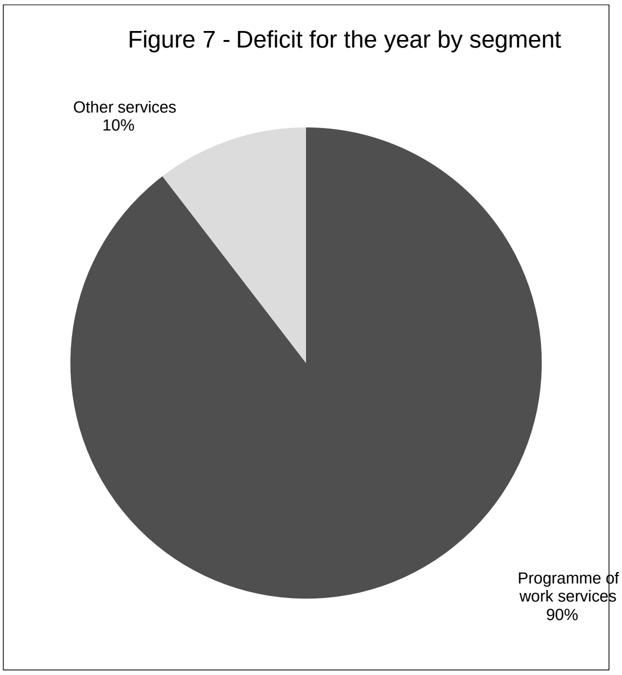
[10] DFR III.4
[11] FR 10.2(b)

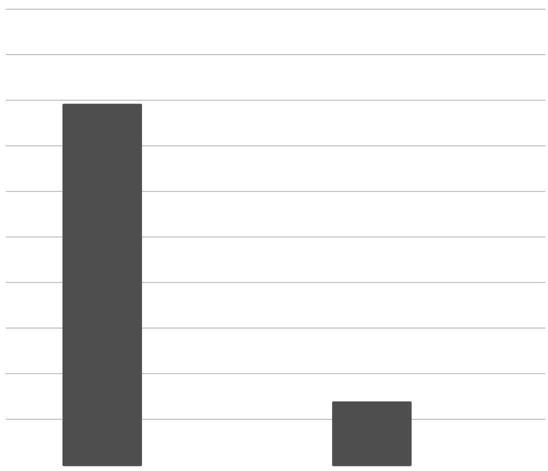
The General Fund[12] of the Organization is established for the purpose of accounting: (a) financial transactions in relation to the Regular Budget, and (b) other financial transactions not related to the Regular Budget (such as, miscellaneous revenues). The latter transactions (b) as well as the

Performance segment analysis

32. The Programme of Work Services segment recorded a deficit of EUR 1,776,441. The deficit is mainly due to the impact of non-funded interest costs and service costs for after-service employee benefits and actuarial losses for other employee liabilities arising during 2014 (EUR 1,316,595).

33. The Other Services segment recorded a deficit of EUR 206,800 covered





Financial position

Position segment analysis

34. The net assets/equity of the Programme of Work Services segment amounts to EUR -3,583,357. It is represented by: (a) the reserves of the Organization, i.e. the Working Capital Fund, the Replacement Reserve and the Special Contingency Reserve (EUR 4,597,940), (b) the restricted accumulated surplus corresponding to non-RB projects within the GF and budgetary allocations from accumulated surplus to finance the 2015 budget (EUR 1,453,501), and (c) an unrestricted accumulated deficit of EUR -9,634,798 explained by the non-funded after-service employee benefits liability (EUR -10,261,309) and the publications store unrestricted accumulated surplus (EUR 626,511).

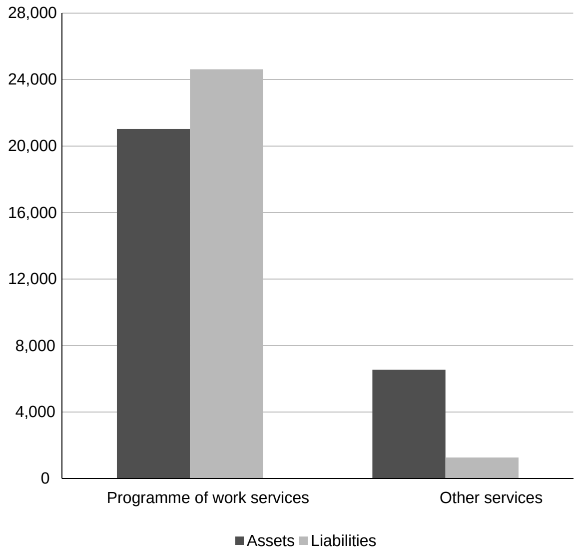
35. Other Services segment net assets/equity amounts to EUR 5,281,568 mainly corresponding to the restricted balances of extra-budgetary projects funded by voluntary contributions and funds in trust.

36. It should be noted that the reserves and the restricted accumulated surplus available to the Organization for future use are not without restrictions. Such net assets can only be applied in accordance with the terms of reference of the reserve or project concerned or the appropriate contractual agreement with the donor, and as such there are restrictions over their future use.

37. An overall working capital (current assets less liabilities) of EUR 16,140,350 with 75% of current assets in cash and cash equivalents indicates a strong liquidity position. The Organization's ability to meet its short-term obligations could be impacted if delays are encountered in the collection of Members' contributions.

38. However, the impact of the after-service employee liabilities brings a non-current position (non-current assets less non-current liabilities) of EUR -14,442,139.

Figure 9 - Assets vs liabilities by segment (EUR thousands)



Working Capital Fund

39. The purpose of the Working Capital Fund (WCF) is to provide the financing of budgetary expenditures pending the receipt of contributions from Members.[15]

40. As at 31 December 2014 the nominal level of the WCF was EUR 2,142,016 while the available balance was EUR 1,907,417. The movements of the WCF during the year 2014 are shown under Annex III on the Working Capital Fund (WCF) available balance at 31 December 2014.

Assessed contributions

41. Gross outstanding assessed contributions amounted to EUR 16,570,943, an increase of 6% over the level at 1 January 2014. As required under IPSAS, an allowance of EUR -11,361,162 was made against the amount outstanding, bringing net assessed contributions in the Statement of Financial Position to EUR 5,209,781. The gross assessed contributions are due and payable to the Organization in accordance with the Statutes[16] and Financial Regulations[17] of the Organization.

42. The collection rate of assessed contributions has deteriorated in recent years and at the end of 2014 represented 85% of contributions. The General Fund cash balance is dependent on the timing of the payment of assessed contributions by Members. The list of Members' outstanding assessed contributions as at 31 December 2014 is shown under Annex IV on Statement of Contributions Due to the General Fund and the Working Capital Fund as at 31 December 2014.

43. At 31 December 2014, 21 Members have payment plans for a total of EUR 5,121,837 to settle their outstanding contributions.

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[15] FR10.2(b)
[16] Statutes/Financing Rules Annex, para. 12
[17] FR 7.2

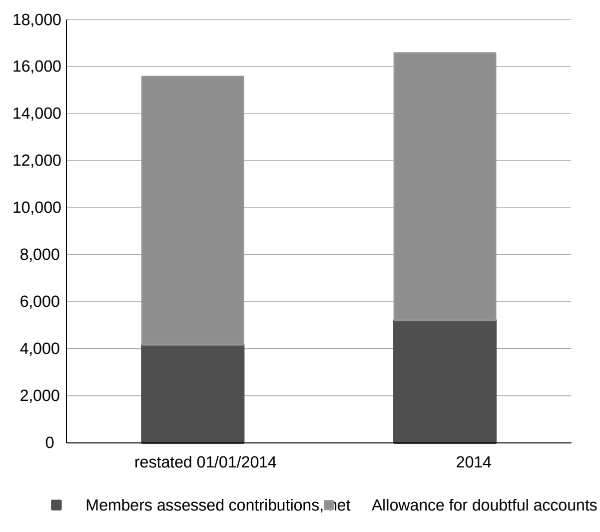

Figure 11 - Gross outstanding contributions vs allowance (EUR thousands)

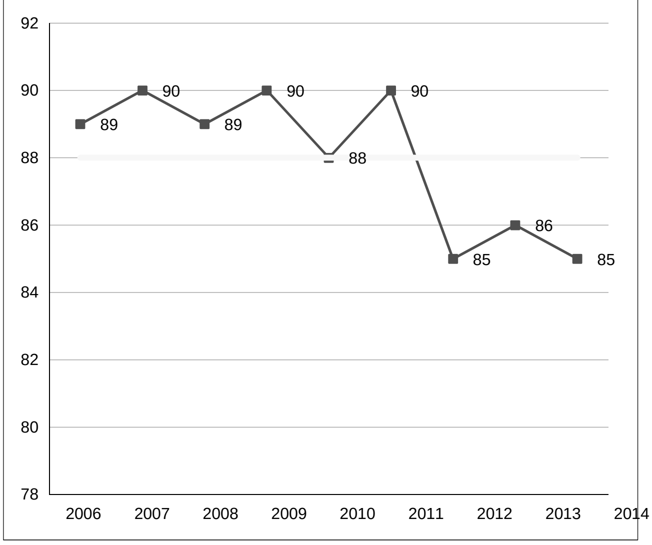

Figure 12 - Assessed contributions collection rate (%) and period average

After-service employee benefits liabilities

44. At UNWTO after-service employee benefits include: After Service Health Insurance (ASHI), Accumulated Annual Leave (AAL) and End of Service Benefits (EoSB) (repatriation grant, end of service transport costs and removal expenses). These liabilities are calculated by a professional firm of actuaries. The most recent valuation carried out by UNWTO is dated 31 December 2014.

45. Primarily due to an actuarial difference caused by a significant reduction in the discount rate, the after-service employee benefit liability, also called defined benefit obligation (DBO), has increased by EUR 6.6M (61%) over the prior valuation at 31 December 2013, and at 31 December 2014 amounts to EUR 17.3M. To summarize the main actuarial differences from the 2013 actuarial expectations:

(a) The DBO was expected to increase by EUR 0.9M in 2014 based on the prior valuation.

(b) The DBO decreased by EUR 1.0M due to favourable claims experience.

(c) The DBO increased by EUR 6.8M due to a decrease in the discount rates.

(d) The remaining EUR 0.1M decrease was the net effect of other changes.

Discount rates are driving an increase in liabilities

46. This large increase of the liability is mainly due to a very sharp drop in Spanish government bond rates during 2013 and 2014, the discount rates have fallen by about 3% from 5.25% to 2.29%. The changes in discount rates alone increased the total DBO by about EUR 6.8M.

47. The discount rate is one of the principal assumptions in the valuation. It also has an especially significant impact on the net present value of DBO for the ASHI because benefits will be paid over the entire lifetime of current and future retirees.

48. As required by IPSAS 25, UNWTO's discount rates are based on spot bond yields at the measurement date. Specifically, UNWTO sets its rates by applying the spot interest rates on a Spanish government zero-coupon bond yield curve to the expected benefit payments from the valuation model. A single rate (discount rate) for each is then computed as the rate which produces the same present value of benefits as the full yield curve. As a result, lower yields result in a correspondingly-lower discount rate, leading to a higher DBO.

49. While discount rates can be volatile, the drop in Spanish government bond rates during 2013 and 2014 was unusually large. Factors contributing to the fall in rates include market concerns about Spanish debt in 2012 which had subsided by 31 December 2014, the impact of quantitative easing on global bond markets which drove down yields worldwide and falling inflation expectations impacting on yields.

50. Using the discount rates from the prior valuation as of 31 December 2012, the hypothetical DBO at 31 December 2014 would have decreased from EUR 10.7M at 31 December 2013 to EUR 10.5M at 31 December 2014 as medical claims experience, general inflation and medical inflation have been favourable for the calculation of the liability. In summary, the volatility of the discount rate could lead to a decrease of the liability in the short-term just as dramatically as it has just increased. The next valuation is planned for 2016.

51. Other UN organizations are also experiencing a similar dynamic though the impact is particularly severe for UNWTO because Spanish government bond rates have recently fallen even more than most other bond rates. It should be noted that should the Spanish government bond rate recover in the future th actuarial impact would result in a decrease in the liabilities.

Funding of the liabilities

52. While IPSAS requires the recognition of after-service employee benefit liabilities on an accrual basis in an organization's Financial Statements the question of funding of such liabilities is a matter for the individual organization to decide upon. The obligation on an organization reporting under IPSAS 1

After-Service Health Insurance (ASHI)

56. ASHI is the most significant after-service employee liability. Staff members with at least 10 years of service from the date of entry at UNWTO and having reached the minimum age of 55 at the time of separation can continue to benefit from the Organization's health insurance scheme. The ASHI liability reflects the total future costs associated with providing health insurance benefits to existing retirees and current staff upon retirement.

57. The total ASHI liability as at 31 December 2014 amounted to EUR 15.1 M, an increase of 64% over the 2013 level.

58. The active population (current regular staff) has remained mostly stable over the years. On the other hand, the number of retirees who benefit from ASHI has increased by 18% over the past two years.

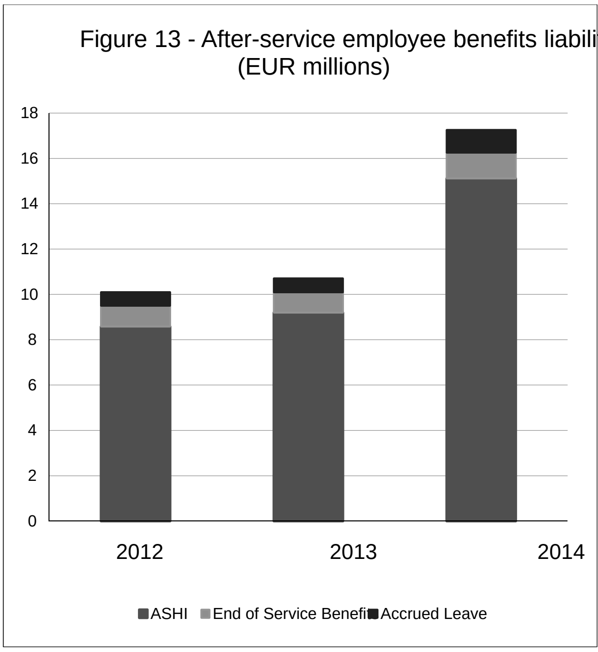

Figure 13 - After-service employee benefits liability (EUR millions)

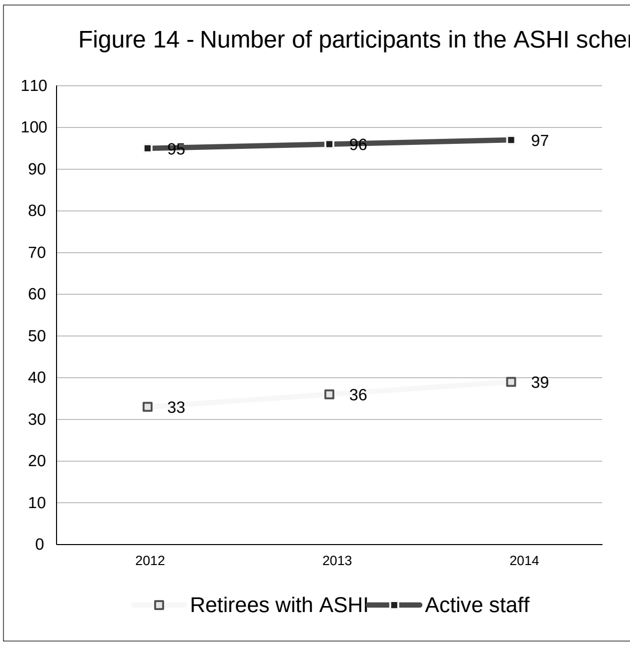

Figure 14 - Number of participants in the ASHI scheme

Financial risk management

59. UNWTO financial risk management policies are set out in the UNWTO Detailed Financial Rules[22] of the Organization.

60. UNWTO is exposed to a variety of financial risks related to exchange rate variations, interest rates variations, credit risk for banks/financial institutions and debtors and counterpart risk. UNWTO maintains a constant review of the extent of the financial risk exposure.

Exchange risk

61. The Organization is exposed to foreign currency exchange risk arising from fluctuations of currency exchange rates. As the Organization receives assessed contributions in euros and most of the Regular Budget's programme of work expenses are denominated in that currency, this ensures that much of the exposure to exchange fluctuations between euros and other currencies is removed. The Organization also has expenses in other currencies than euros, mainly in US dollars (USD).

62. UNWTO maintains a minimum level of assets in USD and in Japanese yen (JPY) and, whenever possible, holds accounts in euros. USD holdings primarily relate to contributions made by donors in

[22] DFR Annex V

currencies other than EUR. As revenue and most of the expenses for extra-budgetary projects are normally in the same currency, there is limited exposure to foreign currency exchange risk.

63. At 31 December 2014, 71% of cash and cash equivalents were denominated in EUR currency.

Interest risk

64. The Organization is exposed to interest rate risk on its financial interest-bearing assets. Interest rate risk is managed by limiting investments to defined periods.

Credit risk

65. Credit risk on receivables being mostly related to the payment of Members contributions is managed by using the Working Capital Fund and by restricting expenditures to available cash resources. Periodical reporting is made to the Executive Council of the Organization's financ

72. UNWTO's framework of external review includes the External Auditors and the UN Joint Inspection Unit (JIU).

73. The Organization is committed to further enhancing transparency and accountability in future years, taking acco73.73l04 TaE8 acc in f.S9(7dc)-a94a0lyTr0ei2R.885 -1.7 11r3grr ctak /TT7

Submission of the Financial Statements at 31 December 2014

74. The Financial Statements of UNWTO are prepared on a going concern basis reflecting our confidence in the continued commitment by Members to achieving the aims of the UNWTO and providing the necessary financial resources accordingly.

75. The statement on going concern is based on (i) the approved budget for 2014[23] (ii) the sound financial position as reflected by the assets, reserves and retained surpluses as at 31 December 2014 and (iii) continued Member and donor support through the payment of assessed contributions and voluntary contributions.

76. We hereby certify that to the best of our knowledge and information the Financial Statements include all transactions incurred for the period and that these transactions have been properly recorded and that the following Financial Statements and notes fairly present the financial results for 2014 and position of UNWTO at 31 December 2014.

Statement I – Statement of Financial Position at 31 December 2014

Statement II – Statement of Financial Performance for the year ended 31 December 2014

Statement III – Statement of Changes in Net Assets/Equity for the year ended 31 December 2014

Statement IV – Cash Flow Statement for the year ended 31 December 2014

Statement V – Statement of Comparison of Budget and Actual Amounts for the year ended 31 December 2014 – Regular Budget

Signed

Taleb Rifai

Secretary-General

José García-Blanch

Director of Administration and Finance

Madrid, 26 March 2015

[23] A/RES/619(XX)

Opinion of the External Auditors

Financial Statements

I. Statement of Financial Position at 31 December 2014

Statement of financial position
at 31 December 2014
Euros

	Note	31/12/2014	restated 01/01/2014
Assets		22,448,632.86	21,471,539.59
Current assets		19,616,470.52	18,469,519.31
Cash and cash equivalents	5	14,730,414.89	15,636,321.06
Inventories	7	69,770.00	129,872.65
Members assessed contributions receivable, net	8	3,110,725.61	1,704,839.36
Other contributions receivables, net	8	1,383,122.27	671,808.96
Other receivables, net	9	235,596.96	192,113.12
Other current assets	10	86,840.79	134,564.16
Non-current assets		2,832,162.34	3,002,020.28
Investments	6	204,540.43	178,730.74
Members assessed contributions receivable, net	8	2,099,054.97	2,465,583.60
Other contributions receivable, net	8	246,000.00	217,500.00
Property, plant and equipment	11	204,328.50	137,037.40
Intangible assets, net	12	75,069.90	0.00
Other non-current assets	10	3,168.54	3,168.54
Liabilities and Net Assets/Equity		22,448,632.86	21,471,539.59
Liabilities		20,754,022.12	18,621,126.73
Current liabilities		3,	

II. Statement of Financial Performance for the year ended 31 December 2014

Statement of financial performance
for the year ended 31 December 2014
Euros

	Note	31/12/2014
Revenues	20	18,323,649.08
Members assessed contributions		12,928,222.00
Other contributions (VC and FIT), net of reduction		2,023,349.16
Publications revenue, net of discounts and returns		345,174.69
Currency exchange differences		522,676.14
Other revenues		2,504,227.09
Expenses	21	20,306,890.20
Wages, salaries and employee benefits		13,801,400.82
Grants and other transfers		1,083,439.60
Travel		1,737,462.71
Supplies, consumables and running costs		2,626,331.58
Depreciation, amortization and impairment		105,143.70
Other expenses		953,111.79
Deficit for the year		-1,983,241.12

III. Statement of Changes in Net Assets/Equity for the year ended 31 December 2014

Statement of changes in net assets/equity
for the year ended 31 December 2014
Euros

	Note	Restricted accumulated surplus	Unrestricted accumulated surplus	Total accumulated surplus	Surplus	Working capital fund	Replacement reserve	Special reserve for contingency	Total net assets
Net assets, 31/12/2013		5,556,176.74	19,102,314.69	24,658,491.43		2,814,015.92	1,695,457.90	485,419.96	29,653,385.2
IPSAS adjustments		843,698.03	[illegible]	-20,802,972.35					-20,802,972.35

V.

VI. Notes to the Financial Statements

Note 1 – Reporting organization

77. The World Tourism Organization (previously WTO) held its first General Assembly in 1975. WTO was established through a transformation from the International Union of Official Travel Organizations (IUOTO) created in 1946 which in turn replaced the International Union of Official Tourist Propaganda Organizations (IUOTPO), established in 1934. In 2003 the WTO General Assembly approved the transition of WTO into a specialized agency of the United Nations by resolution 453(XV). The WTO transition was ratified by the United Nations General Assembly by resolution A/RES/58/232.

78. The World Tourism Organization (UNWTO after the transition) is the United Nations agency responsible for the promotion of responsible, sustainable and universally accessible tourism. UNWTO promotes tourism as a driver of economic growth, inclusive development and environmental sustainability and offers leadership and support to the sector in advancing knowledge and tourism policies worldwide.

79. UNWTO is governed by a General Assembly, consisting of representatives of its Full Members and Associate Members, which determine the policies and main framework of the Organization. Affiliate Members and representatives of other international organizations participate as observers, The Executive Council, which is composed by Full Members elected by the General Assembly in a ratio of one for every five Full Members, takes all necessary measures to ensure the effective and rational execution of the programme of work and the budget by the Secretary-General.

80. The Headquarters of the Organization is in Madrid, Spain. It also maintains an office in Japan (Regional Support Office for Asia and the Pacific).

81. UNWTO is not a controlled organization as defined under IPSAS 7.

Note 2 – Significant accounting policies

2.1. Basis of preparation

82. The Financial Statements have been prepared on an accrual and going concern basis and comply with the requirements of International Public Sector Accounting Standards (IPSAS).

83. The Financial Statements cover the period 1 January to 31 December 2014 and are presented rounded off to two decimal places.

84. The Cash Flow Statement is prepared using the indirect method.

85. As IPSAS was adopted by UNWTO with effect 1 January 2014, the first set of Financial Statements includes a restatement of the 31 December 2013 assets and liabilities with the changes being shown in the Statement of Changes in Net Assets/Equity. The restatement provides prior period comparable information in the Statement of Financial Position as at 31 December 2014. For the initial set of Financial Statements IPSAS recognizes that comparative information for the previous period is not available for the Statement of Financial Performance or the Cash Flow Statement.

86. The functional and reporting currency of UNWTO is the euro[24] (EUR). Transactions in currencies other than EUR are translated into EUR, using the "indirect quotation" method, at the prevailing United Nations Rate of Exchange (UNORE) at the date of transaction. Monetary assets and liabilities in currencies other than EUR are translated into EUR at the prevailing UNORE period end closing rate and any resulting gains or losses are accounted for in the Statement of Financial Performance.

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[24] UNWTO FR 14.4

87. The accounting policies set out below have been applied consistently in the preparation and presentation of these Financial Statements including the opening balances of the Statement of Financial Position.

2.2. Jointly controlled entity

88. The Themis Foundation is jointly controlled by UNWTO and the Government of Andorra. The Themis Foundation’s mission is to enable UNWTO Full Members to develop and implement education and training policies, plans and tools that fully harness the employment potential of their tourism sector and

Subsequent costs

109. 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 UNWTO and the cost of the item can be measured reliably.

Depreciation

110.

2.9. Leases

Finance leases

116. Leases under which substantially all of the risk and reward of ownership have been transferred to the Organization through the lease agreement are treated as finance leases.

117. Assets purchased under a finance lease are shown as an asset at the lower of the fair value of the asset and the present value of the minimum lease payments. An associated lease obligation is recognized at the same value.

118. Lease payments made under a finance lease are apportioned between payment of finance charges and reduction of the balance of the liability.

119. Assets acquired through a finance lease are depreciated over the shorter of the lease term or the useful life of the asset, except where such assets become the property of the Organization on completion of the lease term. In such cases, the asset is depreciated over its useful life. The finance charge will be calculated so as to produce a constant periodic rate of interest on the annual balance of the liability.

Operating leases

120. Leases which are not categorized as finance leases, with the balance of risk and reward remaining with

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.

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. UNWTO and the UNJSPF, in line with the other participating organizations in the Fund, are not in a position to identify UNWTO's respective proportionate share of the defined benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence UNWTO has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 25. UNWTO's contributions to the plan during the financial period are recognized as expenses in the Statement of Financial Performance.

After Service Health Insurance (ASHI)

The After Service Health Insurance programme extends subsidized health insurance coverage to retirees and their dependants under the same health insurance scheme as for active staff based on certain eligibility requirements. The ASHI programme at UNWTO is a defined benefit plan. Accordingly a liability is recognized to reflect the present value of the defined benefit obligation.

Actuarial gains and losses which may arise from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur as a separate item directly in Statement of Changes in Net Assets/Equity.

(c) Other long-term employee benefits

Other long-term employee benefits are benefits which are expected to be settled more than 12 months after the end of the reporting period. These are treated as non-current liabilities.

(d) Termination benefits

Termination benefits include indemnities upon termination, and are expected to be settled within 12 months of the reporting date.

2.11. Provisions and contingencies

123. UNWTO recognizes a provision for future liabilities where a present obligation (legal or constructive) as a result of a past event exists and it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

124. Provisions are established to reflect an approximation of sales returns for publications using a percentage of the previous financial year sales based on the historical levels of returns.

125. Provision for refunds to donors is based on past experience of refunds.

126. Other commitments which do not meet the recognition criteria for liabilities are disclosed in the notes to the Financial Statements as contingent liabilities when their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the control of UNWTO.

127. Possible assets arising from past events, 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 UNWTO, and

where the inflow of economic benefit or service potential is probable, are disclosed in the notes to the Financial Statements as contingent assets.

2.12. Revenue recognition

128. Revenue is recognized when it is probable that economic benefits or service potential will flow to UNWTO and those benefits can be measured reliably.

129. Accrual accounting for non-exchange transactions under IPSAS does not require the matching of revenue to related expenses. The cash flows arising from revenue and related expenses can tak in current and future accounting periods.

Non-exchange revenue

130. Revenue from non-exchange transactions is measured from an increase in net assets recognized. Where the full criteria for recognition of an asset under a non-exchange agreement are not fulfilled, a contingent asset may be disclosed.

131. Assessed contributions are assessed and approved for a two-year budget period. The amount of these contributions is then apportioned between the two years of the budget period. Assessed contributions are recognized as revenue in the Financial Statements at the beginning of the apportioned year in the relevant two-year budget period.

132. Other contributions, voluntary contributions and trust funds which are supported by written confirmation or agreement are recognized as revenue at the time the confirmation is received or agreement becomes binding and when control of the asset is deemed to be present, unless the confirmation or agreement establishes a condition on transferred assets that requires recognition of a liability. In such cases, revenue is recognized as the liability is discharged. Voluntary contributions which are not supported by written confirmation or binding agreement are recognized as revenue when received.

133. In-kind contributions that directly support approved operations and activities and can be reliably measured, are recognized and valued at fair value at the time of receipt. These contributions include PPE, the use of premises or conference rooms and donated travel. In-kind contributions that cannot be reliably measured will be disclosed by way of note only if they are considered material to the objectives of the UNWTO.

134. Revenue from in-kind contributions is matched by corresponding expense in the Financial Statements except for PPE which is capitalized.

Exchange revenue

135. Revenue from exchange transactions is measured at the fair value of the consideration received and is recognized as the goods are delivered, with the exception of inventories under consignment held by distributors. Where the consideration is in cash or in a monetary amount, the measurement is at this amount. At UNWTO, only the sale of publications is considered as revenues from exchange transactions.

2.13. Expense recognition

136. Expenses are recognized on an accrual basis when the transactions occur and on the basis of goods or services delivered and represent outflows or consumption of assets or incurrences of liabilities during the reporting period.

2.14. Budget comparison

137. UNWTO prepares the Regular Budget on a modified accrual basis, which is the same basis as prior to IPSAS adoption.

138. The Statement of Comparison of Budget and Actual Amounts compares the final budget to actual amounts calculated on the same basis as the corresponding budgetary amounts. As the bases used to prepare the budget and Financial Statements differ, a disclosure note provides reconciliation between the actual amounts presented in the Statement of Comparison of Budget and Actual Amounts to the actual amounts presented in the Cash Flow Statement.

Note 3 – Accounting estimates

139. The preparation of Financial Statements in accordance with IPSAS necessarily includes the use of accounting estimates and management assumptions and judgement. The areas where estimates, assumptions or judgement are significant to UNWTO's Financial Statements include, but are not limited to: post-employment benefit obligations, provisions for litigation, financial risk on inventories and accounts receivable, accrued charges, contingent assets and liabilities, and degree of impairment of fixed assets. Actual results could differ from those estimates. Changes in estimates are reflected in the period in which they become known.

Note 4 – Segment reporting

140. The Financial Statements are prepared on a fund accounting basis, showing at the end of the period, the consolidated position of all UNWTO funds. A fund is a self-balancing accounting entity established to account for the transactions of a specified purpose or objective. Fund balances represent the accumulated residual of revenue and expenses and in the VC and FIT represent the unspent portion of contributions that are intended for utilization for future operations.

141. UNWTO classifies all programmes, projects, operations and activities into two segments as follows:

(a) The Programme of Work Services (PoWS)

The Programme of Work Services segment, mainly financed from the assessed contributions of Members, covers (a) the main operations of the Organization for which programme appropriations for the financial period are voted by the General Assembly and, (b) other activities within the GF (i.e., the publications store activities). This segment comprises the General Fund.

(b) Other Services (OS)

The Other Services segment mainly relates to projects and activities financed from voluntary funding provided by donors through agreements or other legal authority. This segment comprises the Voluntary Contributions Fund and the Trust Fund. The main sub-funds under this category are the Voluntary Contributions, the United Nations Development Programme, the Trust Funds and the UN Multi Donor Trust Fund activities.

Statement of financial position by segment
at 31 December 2014
Euros

	Programme of work services	Other services	Inter-segment elimination*	Total UNWTO
Assets	21,028,880.60	6,543,546.81	-5,123,794.55	22,448,632.86
Current assets	18,442,718.26	6,297,546.81	-5,123,794.55	19,616,470.52
Cash and cash equivalents	11,055,056.78	3,675,358.11	0.00	14,730,414.89
Inventories	69,770.00	0.00	0.00	69,770.00
Members assessed contributions receivable, net	3,110,725.61	0.00	0.00	3,110,725.61
Other contributions receivables, net	201,700.84	1,181,421.43	0.00	1,383,122.27
Other receivables, net	232,918.56	2,678.40	0.00	235,596.96
Other current assets	3,772,546.47	1,438,088.87	-5,123,794.55	86,840.79
Non-current assets	2,586,162.34	246,000.00	0.00	2,832,162.34
Investments	204,540.43	0.00	0.00	204,540.43
Members assessed contributions receivable, net	2,099,054.97	0.00	0.00	2,099,054.97
Other contributions receivable, net	0.00	246,000.00	0.00	246,000.00
Property, plant and equipment	204,328.50	0.00	0.00	204,328.50
Intangible assets, net	75,069.90	0.00	0.00	75,069.90
Other non-current assets	3,168.54	0.00	0.00	3,168.54
Liabilities and Net Assets/Equity	21,028,880.60	6,543,546.81	-5,123,794.55	22,448,632.86
Liabilities	24,612,237.64	1,261,979.03	-5,123,794.55	20,750,422.12
Current liabilities	7,337,936.11	1,261,979.03	-5,123,794.55	3,476,120.59
Payables and accruals	614,446.61	69,583.39	0.00	684,030.00
Transfers payable	820.00	414,882.83	0.00	415,702.83
Employee benefits	144,605.78	0.00	0.00	144,605.78
Advance receipts	2,027,349.27	0.00	0.00	2,027,349.27
Provisions	27,121.80	18,395.11	0.00	45,516.91
Other current liabilities	4,523,592.65	759,117.70	-5,123,794.55	158,915.80
Non-current liabilities	17,274,301.53	0.00	0.00	17,274,301.53
Employee benefits	17,246,581.96	0.00	0.00	17,246,581.96
Advance receipts	1,600.00	0.00	0.00	1,600.00
Other non-current liabilities	26,119.57	0.00	0.00	26,119.57
Net Assets/Equity	-3,583,357.04	5,281,567.78	0.00	1,698,210.74
Accumulated surplus/(deficit)	-8,181,297.01	5,281,567.78	0.00	-2,899,729.23
Reserves	4,597,939.97	0.00	0.00	4,597,939.97

*Internal activities lead to transactions between segments. They are reflected here to accurately present this financial state

142. Internal activities lead to accounting transactions that create inter-segment assets and liabilities as well as inter-segment revenue and expenses. Inter-segment transactions are eliminated in the Statement of Financial Position by segment and the Statement of Financial Performance by segment respectively to

145. The non-current investment is the UNWTO's investment in its joint venture with Themis accounted for using the equity method, i.e., Themis is recognize

Contributions receivable by type Euros		
	31/12/2014	restated 01/01/2014
Contributions receivable, net	6,838,902.85	5,059,731.92
Members assessed contributions, net	5,209,780.58	4,170,422.96
Members assessed contributions receivable	16,570,942.91	15,573,644.26
Allowance for doubtful accounts	-11,361,162.33	-11,403,221.30
Voluntary contributions, net	1,629,122.27	889,308.96
Voluntary contributions receivable	1,697,026.13	980,470.47
Allowance for doubtful accounts	-67,903.86	-91,161.51

150. All contributions receivable, whether assessed or voluntary relate to non-exchange transactions.

151. Contributions receivable represent unpaid assessed contributions by Full, Associate and Affiliate Members, unpaid voluntary and trust fund contributions and receivables to the Working Capital Fund (WCF).

152. Non-current contribution receivables are those contributions and advances which are expected to be received, on the basis of agreed payment plans, more than 12 months after the reporting date.

153. The allowance for doubtful accounts of assessed contributions receivable from Full and Associate Members and of the WCF is calculated as follows:

(a) No allowance is applied to those receivables in arrears for the current and prior year;

(b) Receivables in arrears for periods exceeding the current and prior year but with payment plans, have an allowance of 50% of total outstanding receivables applied;

(c) An allowance of 100% of total outstanding receivables is applied for:

(i) Receivables in arrears for periods in excess of (a) and are without payment plans;

(ii) Receivables with payment plans but which are in default for two years.

154. The allowance for doubtful accounts of assessed contributions receivable from Affiliate Members and Other contributions receivable (Voluntary Contributions and Funds in Trust) is calculated as follows:

(a) No allowance is applied to receivables for the current and prior year;

(b) An allowance of 50% of total outstanding receivables is applied to:

(i) Receivables in arrears between three to four years;

(ii) Receivables in arrears having payment plans;

(c) An allowance of 100% of total outstanding receivables in excess of four years without payment plans.

155. Affiliate Members unpaid receivables are written off after five years upon approval of the General Assembly in accordance with Detailed Financial Rules[25].

156. For assessed and voluntary contribution receivables due, adjustments or allowances are made to reflect the fair value of the receivables in the Financial Statements because of the uncertainty surrounding the

[25] DFR IV.2 and DFR IV.3

timing of the future cash flows from the receivables. However such adjustments or allowances constitute neither a formal write-off of the receivable nor do they release Members/donors from their obligation.

157. The following table illustrates the composition of Members assessed contributions receivables only:

Members assessed contributions receivable by year of assessment
Euros

Year of assessment	31/12/2014	%	restated 01/01/2014	%
Members assessed contributions receivable	16,570,942.91	100.00	15,573,644.26	100.00
2011 and earlier	12,650,077.56	76.34	13,050,574.20	83.80
2012	874,963.11	5.28	961,271.84	6.17
2013	1,040,064.80	6.28	1,561,798.22	10.03
2014	2,005,837.44	12.10	-	

158. The movements of the allowance for doubtful accounts during 2014 are as follows:

Allowance for doubtful accounts movements
Euros

	restated 01/01/2014	Utilization	Increase / (decrease)	31/12/2014
Allowance for doubtful accounts movements	11,494,382.81	-413,474.89	348,158.27	11,429,066.19
Assessed Contributions	11,403,221.30	-390,131.14	348,072.17	11,361,162.33
Voluntary Contributions	91,161.51	-23,343.75	86.10	67,903.86
Funds in Trust	0.00	0.00	0.00	0.00

Note 9 – Other receivables

Other receivables
Euros

	31/12/2014	restated 01/01/2014
Other receivables	235,596.96	192,113.12
VAT receivable	72,956.76	72,488.97
Receivables from exchange transactions	162,640.20	119,624.15
Publications sales receivables, net	7,507.64	18,025.79
Publications sales receivables	14,483.62	18,069.54
Allowance for doubtful accounts	-6,975.98	-43.75
Employee receivables	21,778.37	21,726.41
Accrued interest receivable	693.73	5,678.46
Miscellaneous receivables	132,660.46	74,193.49

159. Other receivables is composed by receivables from exchange transactions (publications sales receivable, employee receivables, interest receivable and other miscellaneous receivables from exchange transactions) and by the value-added tax (VAT) recoverable from the government of the host country (Spain) under the terms of the relevant host country agreement[26].

160. Miscellaneous receivables from exchange transactions include receivables for donations paid in advance and other miscellaneous receivables. Receivables for donations paid in advance mainly refer to donated air tickets where the Organization advances the cost of the donated tickets, thus it expects to be reimbursed in exchange for the amount it paid out.

[26] Convention between the World Tourism Organization and Spain concerning the Organization's legal status in Spain/ Art. 9, BOE of Spain no. 313 of 30 December 2000 / Article 3/1.

Note 11 – Property, plant and equipment

165. As at 31 December 2014, UNWTO holds fully depreciated PPE which is still in use.

166. Assets are reviewed annuaD -ic4o

168. The capitalized value of the internally developed software excludes those costs related to research and maintenance.

169. The costs recognized as “software under development” relate to development work or implementation of new modules in Athena (UNWTO financial management information system) under the so-called Athena II project. Costs are identified based on payment schedules and project milestones of the development phase of the project. Once the project is complete and implemented, these costs shall be classified under the account “Software Internally Developed”.

Note 13 – Payables and accruals

Payables and accruals
Euros

170. Accounts payable relate to amounts due for goods and services for which invoices have been re
Accounts payable – personnel refer to amounts due to staff, collaborators and other temporary services.
Accrued expenses represent estimates for the value of goods and services that have been received or provided to UNWTO during the period and which have not been invoiced to UNWTO.

Note 14 – Transfers payable

171. Transfers payable include technical cooperation grants payable to recipients and to the UN for jointly funded activities. It also includes transfers due to donors of unspent project funds, accrued interest payable, and the other payables to Full and Associate Members arising from distributions of surpluses, if applicable.

Note 15 – Employee benefits

172. Employee benefit liabilities are determined by professional actuaries or calculated by UNWTO based on personnel data and past payment experience.

Employee benefits – current

173. Current or short-term employee benefits include accrued employee benefits (salary, post adjustment, family allowance and language allowance), education grant and home leave travel.

Employee benefits – non-current

174. Non-current employee benefits are to post-employment and other long-term employee benefits. These include: After Service Health Insurance, Accumulated Annual Leave and End of Service Benefits (repatriation grant, end of service travel costs and removal expenses).

175. After Service Health Insurance (ASHI) – UNWTO operates the ASHI scheme which is a defined employee benefit plan. Under the scheme, staff retiring from UNWTO, at the age of 55 or above and with at least ten years' of service from the date of entry at UNWTO, may opt to remain (indefinitely) in that ASHI scheme with UNWTO responsible for the continued partial funding of insurance premiums. UNWTO performs biannually an actuarial valuation of the ASHI scheme to measure its employee benefits obligation.

176. Accumulated Annual Leave (AAL) – UNWTO staff can accumulate unused annual leave up to a maximum of 60 working days. On separation from UNWTO, staff members are entitled to receive a sum of money equivalent to their pay for the period of AAL that they hold at the date of separation. Although annual leave is a short-term employee benefit, the right to receive payment for unused annual leave, and consequently the Organization's liability for this balance, is shown as a long-term employee benefit as that right only crystallizes on separation, typically more than twelve months from the reporting date.

177. End of Service Benefits (EoSB) – A non-locally recruited staff member who has completed one year of service outside the country of his/her recognized home is entitled upon separation from UNWTO to a repatriation grant payable on the basis of completed years and months of qualifying service outside the country of his/her recognized home. Staff members are also entitled to travel and removal costs for repatriation on separation from UNWTO.

Actuarial valuations

178. Liabilities arising from ASHI, accrued annual leave and end of service benefits are determined by consulting actuaries. The following assumptions and methods have been used to determine the value of post-employment and other separation-related employee liabilities for UNWTO as at 31 December 2014:

Measurement date	31 December 2014		
Actuarial method	Projected unit credit		
Discount rate	ASHI	2.92%	Based on the Defined Benefit Obligation cash flows from the 31 December 2014 valuations and the interest rates from a custom Spanish government bond yield curve as of 31 December 2014.
	AAL	2.29%	
	EoSB	2.29%	
Expected rate of return of ass	Not applicable		
General inflation rate	1.7%		
Salary growth	2.2% (1.7% inflation, plus 0.5% per year productivity growth) plus merit component		
Annual cost of living increase	1.9%		
Future exchange rates	Equal to United Nations spot rates at 31 December 2014		
Mortality rates	Based on those in the 31 December 2013 valuation of the United Nations Joint St Pension Fund		
Disability rates	Based on those in the 31 December 2013 valuation of the United Nations Joint St Pension Fund		
Withdrawal rates	Based on those in the 31 December 2013 valuation of the United Nations Joint St Pension Fund		

<table>
<tr><td colspan="2">Retirement rates</td><td colspan="3">It was assumed that all participants hired prior to 2014 retire at age 62 and that tho hired after retire at age 65.</td></tr>
<tr><td colspan="2">Advance payments</td><td colspan="3">No future advance payments are assumed</td></tr>
<tr><td colspan="2">New hires</td><td colspan="3">It is assumed to maintain a level headcount and stable demographics for the acti staff population</td></tr>
<tr><td rowspan="6">ASHI</td><td rowspan="2">Medical costs increas</td><td>Initial</td><td>Ultimate</td><td>Year ultimate increase reached</td></tr>
<tr><td>2.0%</td><td>3.5%</td><td>2021</td></tr>
<tr><td>Average annual med claim cost</td><td colspan="3">EUR 3,744 per adult in 2015</td></tr>
<tr><td>Future participar contributions</td><td colspan="3">In the long run, premiums will be adjusted as needed to stabilize the percentage of retiree claims and administrative expenses covered by retiree contributions.</td></tr>
<tr><td>Participation and lap rates</td><td colspan="3">90% of future retirees will elect coverage and retain coverage for life</td></tr>
<tr><td>Coverage of adu dependents for futu retirees</td><td colspan="3">85% of male and 55% of female retirees have an adult dependent who elect coverage in the plan</td></tr>
<tr><td rowspan="2">AAL</td><td>Accumulated balance</td><td colspan="3">As the accumulation of annual leave by employees historically remains stable year on year, it is assumed that the total accumulated balance is a long-term employee ben taken by staff members on separation from UNWTO.</td></tr>
<tr><td>Annual leave days</td><td colspan="3">It is assumed to accrue (up to the 60-day cap) at rates of 10.0 days per year for the first four years of service, 0.8 days per year for the next 26 years, and 0.0 days per year thereafter.</td></tr>
</table>

After service employee benefits recognized in the Statement of financial performance
Euros

	ASHI	AAL	EoSB	Total
Total expenses recognized at 31/12/2014	840,629.00	454,158.00	306,808.00	1,601,595.0
Service costs	309,430.00	48,728.00	43,157.00	401,315.00
Interest costs	531,199.00	30,557.00	43,770.00	605,526.00
Loss on actuarial valuation	0.00	374,873.00	219,881.00	594,754.00

184. Current service cost is the increase in the present value of the defined obligation resulting from employee service in the current period. Interest cost is the increase during the period in the present value of the defined benefit obligation which arises because the benefits are one period closer to settlement.

185. Two of the principal assumptions in the valuation of the ASHI are the rate of future medical cost increases (3.5%) and the discount rate (2.92%). The table below shows the estimated impact of unfavourable 1% per year changes in these assumptions on the liability at 31 December 2014:

ASHI sensitive analysis
Euros

Long-term medical inflation rate

186. One of the principal assumptions in the valuation of accrued leave and end of service benefits is the discount rate (2.29%). The table below shows the estimated impact of unfavourable 1% per year in that rate on the liability at 31 December 2014:

United Nations Joint Staff Pension Fund (UNJSPF)

187. The Pension Fund's Regulations 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 Pension Fund will be sufficient to meet its liabilities.

188. UNWTO financial obligation to the UNJSPF consists of its mandated contribution, at the rate established by the United Nations General Assembly (currently at 7.9% for participants and 15.8% for member organizations) together with any share of any actuarial deficiency payments under Article 26 of the Regulations of the Pension Fund. Such deficiency payments are only payable if and when the United Nations General Assembly has invoked the provision of Article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Pension Fund as of the valuation date. Each member organization shall contribute to this deficiency an amount proportionate to the total contributions which each paid during the three years preceding the valuation date.

189. The actuarial valuation performed as of 31 December 2013 revealed an actuarial deficit of 0.72 (1.87% in the 2011 valuation) of pensionable remuneration, implying that the theoretical contribution rate required to achieve balance as of 31 December 2013 was 24.42% of pensionable remuneration, compared to the actual contribution rate of 23.7%. The next actuarial valuation will be conducted as of 31 December 2015.

190. At 31 December 2013, the funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, was 127.5% (130% in the 2011 valuation). The funded ratio was 91.2% (86.2% in the 2011 valuation) when the current system of pension adjustments was taken into account.

191. After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as of 31 December 2013, for deficiency payments under Article 26 of the Regulations of the Fund as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the Fund. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as of the valuation date. At the time of this report, the General Assembly has not invoked the provision of Article 26.

192. In December 2012 and April 2013, the General Assembly authorized an increase to 65 in the normal retirement age and in the mandatory age of separation respectively for new participants of the Fund, with effect not later than from 1 January 2014. The related change to the Pension Fund's Regulations was approved by the General Assembly in December 2013. The increase in the normal retirement age is reflected in the actuarial valuation of the Fund as of 31 December 2013.

193. The United Nations Board of Auditors carries out an annual audit of the UNJSPF and reports to the UNJSPF Pension Board on the audit every year. The UNJSPF publishes quarterly reports on its investments and these can be viewed by visiting the UNJSPF at www.unjspf.org.

Contributions paid to UNJSPF Euros	
	31/12/2014
Contributions paid to UNJSPF	1,353,071.36

Note 16 – Advance receipts

Advance receipts Euros		
	31/12/2014	restated 01/01/2014
Advance receipts	2,028,949.27	1,202,520.46
Current liabilities	2,027,349.27	1,202,520.46
Advance receipts - Contributions	2,006,224.47	1,198,468.64
Miscellaneous advance receipts	21,124.80	4,051.82
Non-current liabilities	1,600.00	0.00
Advance receipts - Contributions	1,600.00	0.00

194. UNWTO recognizes as a liability amounts received under non-exchange contracts where either a binding agreement is not considered to be in place yet or where the payments received will be due in the following or more financial years. Those payments received for contributions which are actually due after 12 months or more are classified under non-current advance receipts.

195. At 31 December 2014 there are no liabilities related to conditional contributions.

201. There are no sublease payments to be received on leased assets. Ownership does not transfer to the Organization on conclusion of the lease, nor are any options in place to purchase the equipment at that time.

Note 19 – Net assets / equity

202. UNWTO accumulated surplus consists of: (a) Unrestricted accumulated surplus, and (b) Restricted accumulated surplus. The latter are mainly balances relating to projects funded by donors held for use on specific identified projects and project support costs (PSC), and as such are considered to be restricted.

203. The Working Capital Fund (WCF) has been established in an amount and for the purposes to be fixed by the General Assembly[27]. It is financed by contributions from Members made in accordance with the scale of contributions as determined by the General Assembly and by any other transfer from net equity which the Assembly decides may be so used[28].

204. In addition to the WCF the statutory reserves comprise the Replacement Reserve[29] and the Special Contingency Reserve[30] which have been established in accordance with the UNWTO Financial Rules and Regulations.

205. UNWTO recognizes actuarial gain and losses for ASHI directly in Statement of Changes in Net Assets/Equity. Actuarial valuations are made ev ET 261 may be soy

207. Voluntary and Funds in Trust contributions are recognized as revenue at the signing of the corresponding binding funding agreement except for which contain performance conditions as defined under IPSAS. These revenues are shown net of the provision for return to donors and refunds to donors (Reduction in contribution revenues line).

208. The sale of UNWTO publications is the only exchange revenue producing activity of the Organization.

209. Currency exchange differences are composed of the difference between gains and loss on currency exchange differences.

210. UNWTO receives donations in-kind in the form of use of premises for no or nominal rent and paid travel expenses. The use of premises is valued at the fair market value of the rental due on similar premises, while travel is valued (i) at the market value of the donated airfare and, (ii) based on the DSA for other travel expenses. These in-kind contributions are recognized as revenue while a corresponding expense is also recognized.

211. Donated use of premises also includes the UNWTO Headquarters building located at Madrid, Spain, in accordance with the agreement between UNWTO and the Government of Spain[32]. The commercial rate

Note 21 – Expenses

Wages, salaries and employee benefits

212. Wages, salaries and employee benefits include: (a) regul

(c) Timing differences

These occur when the budget period differs from the reporting period reflected in the Financial Statements.

(d) Presentation differences

These are due to differences in the format and classification schemes adopted for the Cash Flow Statement and the Statement of Comparison of Budget and Actual Amounts.

Note 23 – Commitments and contingencies

Legal commitments

226. At 31 December 2014, UNWTO has outstanding commitments related to operating costs in the form of contracts, purchase orders, etc. which will be expensed in the Financial Statements upon delivery in the forthcoming financial year and recorded against the corresponding annual budget as follows:

Operating lease commitments

227. UNWTO enters c4 /T011 Tc Tfpadu8627 scnc .rras aease cmreclymes adoptusein the foadu07e

Note 25 – Related party and key management disclosures

Governing bodies

233. UNWTO is governed by a General Assembly, consisting of the representatives of the Full and Associate Members of the Organization. They do not receive any remuneration from the Organization.

234. The General Assembly elects the Full Members which form the Executive Council in a ratio of one for every five Full Members. The Executive Council ensures the overall management of UNWTO and meets twice a year. As a norm, the Organization does not pay for travel costs or any other costs incurred by the representatives of the Full Members in the execution of their duties as Members.

235. Representatives of Full Members are appointed separately by the Government of each Full Member, and are not considered as key management personnel of UNWTO as defined under IPSAS.

Key management personnel

236. Key management personnel of UNWTO are personnel with a level of D2 and above as they have the authority and responsibility for planning, directing and controlling the activities G on of

Report of the External Auditors

REPORT

on the audit of the

FINANCIAL STATEMENTS

of the

WORLD TOURISM ORGANIZATION (UNWTO)

for the year ended 31 December 2014

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4. Audit conclusion
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14. Funds in Trust - MDTF and JPs
15. Performance audit
16. Mandate of External Auditor

1. Executive Summary

1 The World Tourism Organization (UNWTO) decided to implement International Public Sector Accounting Standards (IPSAS). UNWTO changed its accounting policy, which was based on modified cash accounting (UNSAS) and provided for the first time Financial Statements according to IPSAS accounting during the period from 01 January to 31 December 2014 (hereafter referred to as the "Financial Statements"). The Financial Statements 2014 have been audited - also for IPSAS compliance - by the External Auditors.

The results of the External Auditors audit of the Financial Statements are presented as follows:

2 Overall, the External Auditors have been impressed with the level of enthusiasm and energy with which the UNWTO tackled the implementation project of IPSAS, even with limited staff of the IPSAS team. We have outlined some of the key aspects which we think UNWTO has handled particularly well:

- Clear project planning with establishment of working groups addressing the individual key themes;
- The project was not just restricted to key finance staff, its fundamental principles were communicated to all staff across the Organization;
- Open engagement with the External Auditors and consulting on matters of accounting principles.

The comprehensive guidance, manuals and procedures have been elaborated and prepared well.

3 As a result of the audit, the External Auditors are of the opinion that the Financial Statements present fairly, in all material respects, the financial position as at 31 December 2014, that they were prepared in accordance with the UNWTO's stated accounting policies, and that the transactions were in accordance with the Financial Regulations and Rules. Referring to the identified errors in accounting contribution receivables of Members with payment plans in default and the corresponding allowances, the Secretariat submitted on 26 March 2015 an amendment in Financial Statements to correct these errors. On this base the External Auditors have placed an unqualified opinion on the UNWTO's Financial Statements for 2014. (para 32)

4 The Financial Statements provided by the Organization fulfil the structural requirements of IPSAS, since the statements are supported by a presentation of the accounting policies and Notes to the Financial Statements. Recommendations for improved procedures or more comprehensive disclosures were taken up by the Secretariat and amended presentations will be included in the respective parts of the Notes to the Financial Statements. (para 33 - 35)

5 Following the recommendation of the External Auditors the Organization amplified the preparation of the Statements of financial position and of financial performance by segments for the full year 2014 under the segment Other Services distinguishable by the other funds (sub-entities) as "Annex V – Sub-funds reporting" to the Financial Statements. (para 35 - 40)

6 The Regular Budget of the Organization shall be financed by the contributions of the Members. The payments of Members have been decreased to 85.32 % of the (adjusted) assessed contributions. Of all 156 Full Members, 42 Members have not paid their contributions in time, in addition another 16 Members did fulfil their obligations partially. The contribution arrears collected in 2014 decreased and were only 4.90 % of contribution arrears due at the end of financial year 2013. The External Auditors propose to encourage the Members to pay their contributions or at least to make use of the payment plans offered by the Secretary-General. Also the Secretary-General should spare time and make effort in agreeing payment plans and collecting contribution arrears. (para 45 – 47, 51 - 53)

7 The External Auditors recommended the amendment of

end of the financial year, whether VCF without any financial transaction are still going on or should be closed. (para 97 - 100)

17 It is common practice in other UN agencies that the External Auditors besides the financial audit of the Financial Statements perform compliance and performance audits as well. The External Auditors started to review issues of compliance of procedures and treatments with rules and regulations of the Organization, the IPSAS accounting standards and policies, and welcome all suggestions of the governing bodies and the Secretariat in auditing also issues of performance. (para 104 - 105)

18 The External Auditors support the arguments and recommendation of the Joint Inspection Unit reducing the mandate as External Auditor of the UNWTO to one Supreme Audit Institution (SAI) of a Full Member country. As common practice at all other UN agencies the Organization may invite proposals from all Full Member States for the appointment of only one SAI as External Auditor for the period 2016-2017 (para 106)

19 The External Auditors convey their appreciation for all the cooperation extended by the Secretary-General, management and staff of the Secretariat. The External Auditors are grateful for their assistance during the entire external audit process.

2. Background

20 The General Assembly decided to designate Germany, Spain and India as the External Auditors of the World Tourism Organization (UNWTO) for the period from 2014 to 2015 (Resolution A/RES/627(XX) of 29 August 2013).

21 The Organization prepared Financial Statements as at 31 December 2014 to be audited by the External Auditors. These Financial Statements were submitted on 06 March 2015, accompanied with the report of the Secretary-General, signed by the Secretary-General and the Director of Administration and Finance, and were provided to the External Audi

Standards for Supreme Audit Institutions (ISSAI). These standards require the External Auditors to comply with ethical requirements, and to plan and perform the audit so as to obtain reasonable assurance that the Financial Statements are free from material misstatement.

26 The main purpose of the audit was to enable the External Auditors to form an opinion on:

- whether the expenses recorded for the year 2014 had been incurred for the purposes approved by the General Assembly,
- whether revenues and expenses were properly classified and recorded in accordance with the UNWTO's Financial Regulations and Rules,
- and whether the Financial Statements met the requirements of IPSAS and presented fairly the financial position as at 31 December 2014.

27 The audit examination included a general view, and such tests of accounting records in all areas of the Financial Statements and other supporting evidence as the External Auditors considered necessary in the circumstances. To achieve the audit objectives, the External Auditors examined the financial and accounting procedures followed in UNWTO in the light of their Financial Regulations and Rules, conducted substantive testing of selected transactions, matched the receipts with bank statements, and conducted a detailed analysis of assessed contributions, contribution arrears and allowances. These audit procedures are designed primarily to allow an opinion on the UNWTO's Financial Statements.

28 The External Auditors have considered:

- The Audit of the Restated Statement of Financial Position as at 01 January 2014 (opening

The External Auditors reviewed the Statement of financial position with respect to its compliance with IPSAS and the presentation of the underlying accounts. In this connection they have the following remarks:

7.1 Assets

7.1.1 Inventories

42 Recognition of publications inventory

The recognition of publications inventory is attributable to IPSAS implementation. This account did not exist in UNWTO´s financial statements before 2014. It represents the unsold publications in inventory including publications in custody of consignees.

All publications inventories are to be validated by physical stock counts. The cost of publications inventories includes all cost of production (Raw material, wages, and direct costs) incurred in bringing the publications into their present condition and location. Such cost is determined using the weighted average cost formula. It was pointed out by the External Auditors during the review of the interim Financial Statements as at 30 September 2014.

43 As per the recommendation of the External Auditors the Organization has also proposed to modify the disclosures as follows:

> “The cost of publication inventories includes all cost of production including costs incurred in bringing the publications into their present condition and location. Cost is determined using the weighted average cost formula. To arrive at the current year’s cost per page, the total of the carrying cost of the

7.1.2 Members assessed contributions

45 Assessed members contributions 2014

The Regular Budget of the Organization shall be financed by the contributions of the Members (Statutes, Annex Financing Rules para 3). Because of deduction of the contribution of one Full Member

Full Payment	4	117,747.00	0.99	5	148,953.00	1.19
No Payment Received (Due)	2	(45,612.00)	(0.39)	1	(23,445.00)	(0.19)
Affiliate Members						
Contribution Paid		338,6495.	2.87		320,728.13	2.57
Contribution Due		(168,931.05)	(1.43)		(237,721.49)	(1,90)
™(All Contribution Paid)		10,469,085.64	88.88		10.659,175.41	85.32
™(All Contributions Due)		(1,310,148.50)	(11.12)		(1,833,896.21)	(14,68)
Adjusted Contributions		11,779,234.14	100		12,493,071.62	100

IV.1 was identified. As we understand, this provision shall apply to all financial years until these contributions will be included in the approved assessment of contributions for the following financial period.

49 The External Auditors recommended the amendment of the Detailed Financial Rule IV.1 in the year 2015 with necessary decisions of the governing bodies to avoid that the accounting of payments of contributions of New Members as miscellaneous revenues would be not compliant with the financial rules and regulations in the ongoing years after the year, the New Member has entered the Organization.

50 The Secretariat agreed that the provision would be clarified in the next proposed amendment of the DFR IV.1 as follows: "This contribution shall be considered miscellaneous revenue for the current financial period."

51 Contribution Arrears

At the end of the year 2014, agreements with approved formal payment plans were in place with 16 Full Members with contributions due to the Organization. Out of these, only 5 Full Members have paid in full up to 2014.

Furthermore 5 Affiliate Members agreed to a payment plan. Out of these, 3 Affiliate Members have paid the agreed instalments up to 2014. In one case a written payment plan was not available as usually prepared and agreed by the Secretary-General. Nevertheless the Executive Council approved the candidature of this Affiliate Member to re-join the Organization based on the verbally agreed payment plan.

52 Collection of Contribution Arrears in last few years was as below:

Table 3

Collected Contribution Arr

Non-current contribution receivables are those contributions and advances which are expected to be received, on the basis of agreed payment plans, more than 12 months after the reporting date.

While reviewing the accounts on the base of the Financial Statements, as submitted on 06 March 2015, the External Auditors observed that the Organization reported as current assets (current member contribution receivables in arrears recorded at account 141301 – Assessed contribution receivables in arrears – Full Members)

ACR of members without payment plans	8,425,612.83	EUR
ACR of 7 members with payment plans in default	3,182,503.66	EUR
Current ACR	11,608,116.49	EUR

55 This was not compliant with the IPSAS accounting policy. The contribution receivables of members with payment plan in default should have been reported continuously as non-current assets (non-current members contribution receivables in arrears recorded at account 221101 - Assessed Contributions Payment Plans-Full Members), unless the General Assembly disregards the payment plans of these defaulting Members. Hence the External Auditors recommended reclassifying these receivables as non-current assets.

56 Accepting this observation, the Organization made the necessary corrections and amended the Financial Statements accordingly. The Secretariat has submitted on 26 March 2015 an amendment in Financial Statements to correct these errors. Reviewing the amended Financial Statements the External Auditors are satisfied with the corrections complying with the requirements of IPSAS accounting policies.

57 The Secretariat provide the information that any payment with regard to assessed contribution receivables in arrears usually is applied to settle arrear contributions first and then to the current year contribution unless otherwise indicated. The Secretariat and the debtor may agree to a different way of settlement (such as agreed in payment plans). Also the debtor may specify how the payment should settle the arrears. The Organization does not have any regulation on the settlement of arrears.

58 The External Auditors recommended that the Organization may codify and implement such rule about settlement of arrears in the financial rules and regulations of the Organization.

59 Accepting this, the Organization may consider including in the UNWTO Financial Rules and Regulations a new regulation on the settlement of arrears.

60 Still the Secretariat is recording member contribution receivables for the former Full Member Former Yugoslavia for the period 1991 – 1993.

61 The External Auditors have discussed the write off of these receivables according to IPSAS.

The Organization informed that the United Nations has the right to seek repayment of all or part of the pre-dissolution arrears from the successor States of the former Yugoslavia. Despc .0023 Ti w-pt5 -1.142

IPSAS.29.72 states in case of impairment loss on receivables "that the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows … . The carrying amount of the asset shall be reduced either directly or through use of an allowance account."

63 In accordance with the UNWTO IPSAS Policy Guidance Manual (PGM) Edition I, 2013 at chapter V 3. IPSAS 28, 29 & 30 > Financial Instruments: Presentation/Recognition and Measurement/Disclosure, Impairment 3.2.10, UNWTO allowances the Secretariat disclosed the accounting policy to recognize allowances for doubtful accounts of assessed contribution receivables of Member states at Note 8, para 153 and 154. The Organization explained that the information provided PGM under Annex I: "Applicability of UNWTO PGM: specific cases", IPSAS 23 > Revenue from Non-exchange transactions, Assessed contributions, has not been updated. The Organization will update the UNWTO IPSAS PGM, Annex I accordingly in a forthcoming edition of the PGM.

64 With regard to members assessed contributions receivables (ACR) the Organization recognized allowances for doubtful accounts (impairment).

These allowances have tremendous impact not only to the Statement of financial position but also to the Statement of financial performance. Changes of the allowances for doubtful debts have to be reported as expenses (or as revenues) at the Statement of financial performance.

If the UNWTO's accounting policy would change the degree of allowances of member contribution receivables about 10 %, the assets of the Organization will vary for more than 1,000,000.00 Euro. Thi would affect the Net Assets/Equity as same.

At the Statement of financial position, as submitted on 06 March 2015, was reported an allowance fo

doubtful accounts of ACR of members	(-)12,218,243.48 EUR
which is composed of	
account 1415 allowance for doubtful ACR members	(-)11,029,076.25 EUR
account 2213 allowance for doubtful ACR payment plans	(-)1,186,931.38 EUR
account 1422 allowances for doubtful receivables	
Working Capital Fund (WCF)	(-)2,235.85 EUR

The allowance recorded at account 1415 belong to allowances of 100 % of	
current ACR	7,865,203.40 EUR
current ACR of members with payment plans in default	3,163,872.85 EUR
	11,029,076.25 EUR
allowance of 100 % is	(-)11,029,076.25 EUR

The allowance recorded at account 2213 belong to allowances of 50 % of	
non-current ACR of members with payment plans	2,373,862.76 EUR
allowance of 50 % is	(-)1,186,931.38 EUR

65 The External Auditors would like to point out that recording an allowance for doubtful debts does not mean that the participating Members' obligation to pay their arrears would no longer exist. The Organization recorded this allowance merely to comply with IPSAS reporting requirements and reported its assessed contributions receivable at fair value.

66 The External Auditors identified a number of accounting records of allowances to contribution receivables of Members with payment plans in default which were not compliant with IPSAS accounting policies of the Organization. Instead to recognize an allowance of 50 %, an allowance of 100 % has been applied. These errors result in an increase in the allowance by EUR 857,081. Hence it is recommended to reclassify these allowances and correct the degree of the recorded allowances.

67 The Secretariat made the necessary corrections and amended the Financial Statements accordingly. The Secretariat has submitted on 26 March 2015 an amendment in Financial Statements to correct these errors. After reviewing the amended Financial Statements the External Auditors are satisfied with the corrections complying with the requirements of IPSAS accounting policies.

68 In addition IPSAS 30.44 (b) states that "an entity shall disclose by class of financial asset … an analysis of financial asset that are individually determined to be impaired as at the end of the reporting period, including the factors the entity considered in determining that they are impaired."

69 The Secretariat recognized allowances for doubtful accounts of assessed contributions receivables based on historical experience. The Secretariat provided the information that this accounting policy was based on the brief rationale for Allowance for Doubtful Contributions (Annex D5 of the Accounting Manual (Draft)) regarding the ageing of receivables. The rationale states:

"Based on experience, members who are in arrears for two years (current and prior period) are likely to pay their contributions, while with members subjected to Paragraph 13 of the Financial Rules, there is less chance of receiving their contributions on time, except if they agree with the UNWTO on a payment plan."

The degree of the allowances (50% or 100 %) depends on different conditions.

The External Auditors understand that the policy of the percentage of the allowances is not only the result of the ageing of the contributions in arrears but also some kind of estimate. This was discussed intensively.

The External Auditors recommended again preparing in the forthcoming years a continuous evaluation of the payments to settle contributions in arrear, distinguished by the contributions of

- Full and Associate Members,
- Affiliate Members and
- Contributions to the Working Capital Fund

and detailed to the age of the arrears which were paid. Particularly the Secretariat may take into account that a number of Members without payment plans paid arrears due to prior years. Such evaluation may be used as an authoritative tool to adjust the percentages of the allowances. The Secretariat understands that such review should be made periodically in the future.

7.1.3 Other contributions receivables

70 Allowances

At the PGM at chapter VI: IPSAS 28, 29 & 30 > Financial Instruments: Presentation/Recognition and Measurement/Disclosure, Impairment 3.2.10, UNWTO allowances the Organization pronounced to establish an allowance for doubtful debt related to other contributions receivable such as voluntary contributions based upon past experience with the donors.

At Note 8 para 154 the Organization described now as to how allowances should apply of other contributions receivable (Voluntary Contributions and Funds in Trust).

With regard to

As reported at Statement of Financial Position under IPSAS as at 1 January 2014 an allowance was recognized of
allowances short term to Voluntary Contributions (VC) (-) 91,161.51 EUR

It was not disclosed as to why the Organization reduced the allowances as at 30 September 2014.

71 The Organization clarified that the difference 23,257.65 EUR
in the allowance for doubtful voluntary contributions is due
to the cancellation of the debt of VCF project P-46 9,750,00 EUR
and to adjustments the allowances of
VCF projects P-17, P-27, P-28 13,507.65 EUR

7.1.4 Other receivables

72 Allowances for doubtful accounts for publication sales receivables

The PGM does not provide any policy to establish an allowance for doubtful accounts related to publications sales receivables.

At Note 9 para 161 the Organization described that the allowance for doubtful accounts for publication sales receivables is an estimated amount based on aged analysis of outstanding amounts at the reporting date using the same policy than for Affiliate Members and Other contributions receivables.

Having reviewed the calculation of the allowance for doubtful publications sales receivables, the External Auditors observed that the factors for determining these allowances are the age and the nature of the receivables. It is applicable the same policy than for Affiliate Members and Other contributions receivables, but special cases are treated case by case. Hence it is recommended to modify Note 9 para 161 accordingly.

73 Miscellaneous receivables

In the Statement of Financial position as current assets – other receivables have been reported as miscellaneous receivables with the amount of 132,660.46 EUR, shown at Note 9.

Some disclosures are available at para 159.
Miscellaneous receivables are composed of
Account 152104 - Misc receivables-Exchange Transactions 73,123.79 EUR
Account 152105 – Receivables-Donations paid in advance 71,568.15 EUR
These receivables are shown net of
Account 152201 – Allowance for Doubtful Receivables
-Other Receivables from Exchange Transactions (-)12,031.48 EUR
Line miscellaneous receivables 132,660.46 EUR

Any accounting policy about the recognition of allowances to miscellaneous receivables has not been communicated as yet.

The External Auditors observed the need to explain the factors for determining the impairment of miscellaneous receivables. Same as the recognition of allowances for impaired publication sales receivables the External Auditors recommended formulating an individual and reasonable policy for recognition of an allowance for doubtful accounts of miscellaneous receivables as well.

74 The Secretariat explained that allowances for doubtful receivables regarding other receivables from exchange transactions are analysed case by case due to the exceptionally and diversify nature.

7.1.5 Investments

75 Adjustment of investments in Joint Ventures (Themis foundation)

The Statement of Financial Position as at 1 January 2014 (opening balance) reported as investments of Joint Ventures (Themis) the amount of 100,000.00 USD = 72,500.00 EUR.

The Organization informed at Note 6 para 146 that this amount has been restated due to the adjustment of the UNWTO's investment in Themis to the amount of 106,230.74 EUR. Thus in the adjusted Statement of Financial Position as at 1 January 2014 (opening balance) now the reported amount is (72,500.00 EUR + 106,230.74 EUR =) 178,730.74 EUR. This is the most important of the two only IPSAS adjustments made by UNWTO during 2014, after the restatement of the opening balance as at 1 January 2014.

Following the External Auditors recommendation made during the review of financial statements as at 30 September 2014, the UNWTO has added at the disclosure notes an explanation about the reasons of this adjustment whose calculation has been checked by the auditors.

The ending investment in joint venture includes the UNWTO´s share in the surplus of Themis at the end of the year according to equity method.

76 The External Auditors recommended, regarding the THEMIS financial statements at 31 December 2014, the following improvements:

- Note 4 para 4 states, with regard to the Contributions receivables, that there is not any allowance for that concept. It is recommended to disclose the allowance policy for contributions receivable applicable by Themis in accordance with IPSAS 29.
- With regard to composition of Other receivables (Note 5 para 7), it is recommended that a further breakdown of this account in order to show the allowance for doubtful receivables.

7.1.6 Property, plant and equipment (PPE)

77 Adjustments

In order to provide more information on all adjustment of depreciation, reclassification of accumulated depreciation disposals of the PPE, it deemed necessary to disclose the rate of depreciation on IT equipment, vehicle, and other equipment suitably in the disclosures as pointed out during review of the interim Financial Statements as at 30 September 2014 by the External Auditors and they have also recommended that such accumulated depreciation and impairment should have been disclosed in the disclosures for better understanding.

During the audit of the Financial Statements for the year ending 31 December 2014 it was found that the depreciation on the PPE's has been provided on straight line basis over the expected useful life of the assets and also useful life of major classes of assets have been estimated.

78 Stocktaking

The External Auditors noticed that as per memorandum at 30 September 2014 stocktaking was undertaken by three staff members of BDOS (building and office support). In the memorandum 6 items of IT equipments has shown as missing. In a corresponding attached mail exchange was reported, that later on 4 IT-equipment of them were found in ICT and remaining 2 items were fully depreciated. Also it was reported that a write-off of the missing items should be done. Memorandum and mail exchange were not found signed same as the case of publication inventories.

External Auditors recommended at that time that such adjustments of IT items should be done by the authorised team under their signature and it should be disclosed under the concerned Note/para.

Also in this case the Organization should ensure that the stocktaking always took place in presence of two officials (four-eyes-principle).

For PPE at the Regional Support Office of Asia and the Pacific (RSOP) was available as at 30 September 2014 only a scheme based on donation of IT items and furniture. No report or certification about stocktaking of these goods was found.

The External Auditors recommended the implementation of a standardized method and procedure for the year-end stocktaking which does not allow different treatments of inventories and PPE.

Now during the audit of Financial Statements as at 31 December 2014, it has been observed that the stocktaking of PPE's including office of Asia and Pacific has been done by the authorised nominated team and dully signed certificates were taken for the records. All relevant records have been maintained properly.

79 Intangible Assets

IPSAS 31.28-29 describe the requirements if an intangible asset shall be recognized.

As reported at the interim Financial Statements as at 30 September 2014, the Organization for first time has recognized intangible assets as "software under development" relate to development work on the implementation of new modules in Athena (UNWTO financial management system) under the so called project Athena II with the amount of 19,901.43 EUR.

To the extent that the development work is undertaken by external resource, such costs can be identified.

It was not clear whether the costs of this software result only from separate acquisition or include also costs of internally developed software.

Therefore the External Auditors recommended including some disclosure about the components comprising the costs of these intangible assets.

80 In order to provide more clarification on the software under development, the Organization proposed to modify the disclosures as follows:

> "The costs recognized as "software under development" relate to development work on the implementation of new modules Athena (UNWTO financial management system) under the so called project Athena II. Costs are identified based on payment schedules and project milestones of the development phase of the project. Once the project is completed and implemented, these costs shall be classified under the account "Software internally developed"."

During the audit of the Final Statement as at 31 De

7.2 Liabilities

7.2.1 Employee benefits

81 After Service Health Insurance (ASHI)

UNWTO has recognized accrued annual leave, payable accrued end of service payable and accrued ASHI payable as defined benefits plans and assessed the liabilities as at 1st January 2014. The Organization assured that disclosures, as required under IPSAS 25 141 (b), (d) and (n), would be provided at the final Financial St0 T4003>l St

Unlike under UNSAS, the Reserves are now the statutory reserves: Working Capital Fund, Replacement Reserve and Special Contingency Reserve.

The other reserve accounts that were outstanding as of 31 December 2013 were reclassified either to accumulated surplus or to liability account in accordance with IPSAS.

84 Working capital fund (WCF)

The Organization reported the WCF at the statements of financial position and changes in net assets/equity as part of the net assets/equity. This recognition is supported by a corresponding disclosure at Note 19 para 203.

Financial Regulations (FR) para 10.2 (f) stipulates that "if a member withdraws its membership in the Organization, any credit it may have in the working capital fund shall be used towards liquidation of any financial obligation such member may have to the Organization. Any residual balance shall be refunded to the withdrawing member".

This may be evidence to suggest that the WCF is a liability and cannot be considered as a part of net asset or equity. In the audit of the UNWTO opening balances as at 01. January 2014 the External Auditors took the view that the WCF is in the form of liability rather than as net assets/equity.

The Organization disagreed with this view but undertook to consider the issue and review the treatment of WCF in UN system organizations. The Organization notified to bring this issue to the attention of the UN Task Force on Accounting Standards (UNTFAS).

85 Almost all UN agencies have established a WCF and have a common definition as a "fund established by the appropriate legislative organ to finance budgetary appropriations pending receipt of Member's contributions and for such purposes as may be authorized". The advantage is that usually all assets in the fund can be used to finance specific operations and there are no fiscal year restrictions that must be considered since working capital funds are no-year funds.

Under IPSAS the WCF can be either reported under the item "equity" or "liabilities". If the WCF is reported under "equity" IPSAS 1 applies which defines net assets/equity as the "residual interest in the assets of the entity after deducting all its liabilities". Net liquid assets is computed by deducting current liabilities from current assets whereas IPSAS 23 is relevant for "liabilities".

At the recent presentation to the Technical Group of the Panel of External Auditors, UNTFAS did not express a clear guideline for the treatment of the WCF under IPSAS. An evaluation with a number of UN and other supranational organizations indicated that the majority (9 of 11 organizations that established a WCF) reported the WCF under the item "net assets/equity".

86 The Organization emphasized that membership is generally stable and withdrawal is not common. The amounts paid and held as working capital represent a long-term commitment to the Organization and on a going concern basis there is no expectation of a refund of working capital in the foreseeable fu

The External Auditors understand that the recognition of the WCF as part of net assets/equity is reasonable and meet the IPSAS requirements.

When a member gives notice of withdrawal and no other contributions are outstanding, the residual amount to be refunded should be transferred from net assets/equity to a liability as payable account pending refund to the withdrawing member.

10. Cash flow statement

93 As the Organization decided to use the indirect method which is fully compliant with IPSAS, the External Auditors have no further comments.

The decrease in cash and cash equivalents for the period is 905,906 EUR.

11. Statement of comparison of budget and actual amounts

94 Organizations such as the UNWTO, which make their approved budget publicly available, according to IPSAS 1.21 (e) need to present a comparison of budget and actual amounts, either as a separate additional financial statement or as a budget column in the Financial Statements. As a consequence, the Organization, although accounting and reporting under the accrual principle, must also keep a cash ledger to enable the reader to compare financial results on the accrual basis with budget amounts. To a certain extent this counteracts the implementation of IPSAS which departs from the modified cash basis of accounting and promotes accrued presentation.

95 Regular Budget and extra-budgetary revenue and expense

The Regular Budget is voted by the General Assembly of UNWTO for a biennium of two consecutive calendar years beginning with an even-numbered year. The biennial budget is presented on an annual basis to cover the proposed programme of work of the Regular Budget for each financial year of the financial period.

For the two-year budget period 2014-2015, the Regular Budget of the Organization (A/20/5(I)(c)) was approved by the General Assembly (A/RES/619(XX)). In 2015 the Secretariat will prepare the draft programme and budget of the Organization for the biennium 2016-2017 for approval of the General Assembly.

At the report of the Secretary-General para 25 is explained:

The General Fund of the Organization is established for purpose of accounting:
(a) financial transactions in relation to the Regular Budget,

96 Same as at the External Auditor's report 2013 the External Auditors recommended that information about all estimated revenues and expenses which belong to activities within the General Fund should be submitted to the next session of the General Assembly along with the draft programme and budget for the financial period 2016-2017 as base for approval of the allocations. The General Assembly may decide whether to include all estimated surplus of miscellaneous revenues and publication sales as part of income to the Regular Budget or to limited allocations of these sources.

12. Voluntary Contributions Fund (VCF)

97 With reference to Voluntary Contributions Fund (VCF) DFR V.15 and states: "... the Secretary General shall report annually on the use of VCF contributions received." The Secretariat reported under VCF in 2014 at all 85 projects covered by voluntary contributions of different donors on which 21 were held in USD and 64 were held in EUR. In addition in 2014, three VCF projects were closed with transfer of the remaining balances to the General Fund (P - 001, P - 002, P - 030).

98 Of all 85 VCF projects, in 2014 no revenues or expenses were observed in 22 projects of which all were hold in USD. Of these "inactive" projects 15 had already not shown any financial activities in 2013.

The External Auditors got the impression that these VCF projects possibly should have been closed in 2014 and the residual balances available under these projects have to be transferred either as refund to the donors or to the General Fund.

99 In the Auditor's report 2013 the External Auditors recommended that the Secretariat should obtain confirmation from the programme managers at the end of the year whether the works under any of the VCF projects without financial activities during the year have been completed or future project activities will be made.

100 With General-Secretary's Circular NS/802 of 10 December 2014 the Secretariat regulated the structure and the procedure of the implementation process of projects financed through extra-budgetary resources including the completion of such projects (stage 4) to ensure that the projects are properly closed and any remaining funds are disposed of in accordance to the project's agreement.

The External Auditors support the implementation of these procedures and rec68 -1.mane..0871 Twhat

Nevertheless one file of travel expenses of UNWTO officials have been found in which the External Auditors may not recognize a reasonable relation or compliance between the travel purpose of the mission and the agreed measures of the specific VCF-project.

Hence it is recommended to review in detail this case and make necessary clarifications. The Organisation may consider to contact the donor of VCF-project P-27 for verification.

13. Fund in Trust United Nations Development Programme (UNDP)

102 UNWTO in its capacity as an executing agency for the funds allocated to it by the UNDP, is responsible for executing projects under this programme. During the year assets under UNDP were 354,124.42 EUR and cash and cash equivalents were 100,152 EUR. Other contribution receivables were 180,675.24 EUR and current liabilities were 104,240.42 EUR. The External Auditors have noticed that the monetary value of the funds has been translated from USD to EUR as per the IPSAS requirements and the difference due to translation has been shown separately as currency exchange difference and the records relating all programmes have been found maintained properly.

14. Funds in Trust

Multi-Donor Trust Fund (MDTF) and Joint Programmes (JP)

103 With respect to the Financial Statements regarding the execution of the Multi-Donor Trust Funds and Joint Programmes, executed by the Organization as participating UN agency, it should be noted that there are 11 projects that are using the funds allocated by the UNDP which acts as the Administrative Agency. The Organization has also taken all the effect into consideration and shown the correct picture of both of the schemes.

15. Performance audit

104 In addition to examining the accounts and the Financial Statements the Statutes of the Organization allow to extent the external audit to issues of compliance and performance. The provisions of Article 26 (2) of the Statutes stipulate:

"The Auditors, in addition to examining the accounts, may make such observations as they deem necessary with respect to the efficiency of the financial procedures and management, the accounting system, the internal financial controls and, in general, the financial consequences of administrative practices."

References to these provisions are made in FR 16 with Annex I accordingly.

105 The International Organization of Supreme Audit Institutions (INTOSAI) issued the International Standards for Supreme Audit Institutions (ISSAI). The ISSAI 300 and the series 3000 give guidelines for such performance audits (value for money). It is common practice in other UN agencies that the External Auditors beside the financial audit of the Financial Statements perform compliance and performance audits as well. The External Auditors tried to review issues of compliance of procedures and treatments with rules and regulations of the Organization and IPSAS accounting standards. The External Auditors welcome all suggestions of the governing bodies and the Secretariat in auditing also issues of performance.

16. Mandate of External Auditor

106 The Joint Inspection Unit (JIU) recommended in its report JIU/REP/2014/5 again that the Organization follows the United Nations practice:

Unaudited annexes

Annex I: Contact information

Name		Address
UNWTO	World Tourism Organization	Capitán Haya 42. Madrid, Spain
Actuary	Aon Hewitt	100 Half Day Road. Lincolnshire, Illinois 60069, United States of America
Principal bankers	Banco Sabadell Atlántico	Pº de la Castellana 135. Madrid, Spain
External Auditors	German Federal Court of Auditors Bundesrechnungshof	International Relations Adenaueralle 81. D-53113 Bonn, Germany
	Office of the Comptroller and Auditor General of India	International Relations 9, Deen Dayal Upadhyay Marg. New Delhi, India
	Intervención General de la Administración del Estado, Spain	Maria de Molina 50. 28006 Madrid, Spain

Annex II: Budgetary information of the Regular Budget

Appropriations transfers for the financial year 2014 – Regular Budget

Appropriation transfers - Regular Budget
for the year ended 31 December 2014
Euros

	Staff cost	Non-staff cost	Total	Staff cost	Non-staff cost	Total		From:	To:		Balance
Total	9,085,000.00	4,039,000.00	13,124,000.00	9,055,558.91	3,917,458.25	12,973,017.16	150,982.84	-273,976.93	273,976.93	13,124,000.00	150
A Member relations	1,691,000.00	676,000.00	2,367,000.00	1,635,947.22	692,915.28	2,328,862.50	38,137.50	-33,048.79	33,048.79	2,367,000.00	38,137.50
A01 Regional Programme, Africa	310,000.00	150,000.00	460,000.00	305,110.53	108,559.00	413,669.53	46,330.47	-30,400.80	0.00	9.67429,599.20	15
A02 Regional Programme, Americas	330,000.00	150,000.00	480,000.00	334,595.50	148,052.49	482,647.99	-2,647.99	0.00	2,647.99	482,647.99	
A03 Regional Programme, Asia and the Pacific	371,000.00	150,000.00	521,000.00	384,405.51	134,847.46	519,252.97	1,747.03	0.00	00 0.01,747.03	521,000.	
A04 Regional Programme, Europe	281,000.00	83,000.00	364,000.00	211,578.13	182,822.67	394,400.80	-30,400.80	0.00	30,400.80	394,400.80	
A05 Regional Programme, Middle East	233,000.00	83,000.00	316,000.00	236,189.58	75,056.44	311,246.02	4,753.98	-2,647.99	0.00	5.99313,352.01	2
A06 Affiliate Members (Knowledge Network)	166,000.00	60,000.00	226,000.00	164,067.97	43,577.22	207,645.19	18,354.81	0.00	0.018,354.81	226,000.00	1
B Operational	2,446,000.00	1,211,000.00	3,657,000.00	2,468,939.66	1,008,843.70	3,477,783.36	179,216.64	-151,839.29	25,999.14	3,531,159.85	53,376.49
B01 Sustainable Development of Tourism	408,000.00	130,000.00	538,000.00	400,283.46	127,345.34	527,628.80	10,371.20	-994.65	0.09,376.55	537,005.35	
B02 Technical Cooperation	582,000.00	100,000.00	682,000.00	588,957.00	64,378.27	653,335.27	28,664.73	-25,004.49	0.00	656,995.51	3,
B03 Statistics and Tourism Satellite Account	392,000.00	160,000.00	552,000.00	394,731.66	106,951.95	501,683.61	50,316.39	-50,316.39 501,683.61	0.00	0.005	
B04 Tourism Market Trends	256,000.00	160,000.00	416,000.00	254,216.10	121,089.15	375,305.25	40,694.75	-40,694.75	0.00	375,305.25	
B05 Destination Management and Quality	205,000.00	50,000.00	255,000.00	232,478.32	47,526.17	280,004.49	-25,004.49	0.00	25,004.49	0.00 280,004.4	
B06 Ethics and Social Responsibility	203,000.00	50,000.00	253,000.00	163,434.29	90,560.36	253,994.65	-994.65	0.00	994.65	253,994.65	
B07 Themis	0.00	150,000.00	150,000.00	0.00	109,367.65	109,367.65	40,632.35	-28,126.36	0.00	121,873.64	12,505.

(a) Appropriation transfers between programmes within the same part of the budget[35]

Appropriation transfers between sections within the same part of the budget were carried out by the Secretary-General subject to confirmation by the Programme and Budget Committee.

Transfer	Amount	Description
1	(EUR 30,400.80) EUR 30,400.80	From: Part A, Programme A01 – Regional Programme, Africa To: Part A, Programme A04 – Regional Programme, Europe
	Transfer needed to cover the excess in expenditure of the activities carried out by the Programme A04 Regional Programme, Europe, as a consequence of the recruitment of external staff to reinforce the Programme's activities.	

(b) Appropriation transfers from one part of the budget to another[36]

Appropriation transfers between different parts of the budget were carried out by the Secretary-General, subject to confirmation by the Programme and Budget Committee and the Executive Council.

Transfer	Amount	Description
1	(EUR 4,715.46) EUR 4,715.46	From: Part B, Programme B08 – Institutional Relations and Resource Mobilization To: Part C, Programme C01 – Conference Services Transfer needed to cover excess expenditure on staff of Programme C01 Conference Services due to the existing difference between the average cost per post used in calculating the budget of each programme and the actual staff costs in the programme.
2	(EUR 1,987.19) EUR 1,987.19	From: Part B, Programme B09 – Fairs and Special Field Projects To: Part C, Programme C03 – Communications, Publications and Archives Transfer needed to cover excess expenditure on staff of Programme C03 Communications, Publications and Archives due to the existing difference between the average cost per post used in calculating the budget of each programme and the actual staff costs in the programme.
3	(EUR 50,316.39) (EUR 40,694.75)	From: Part B, Programme B03 – Statistics and Tourism Satellite Account From: Part B, Programme B04 – Tourism Market Trends

Budgetary cash balance vs WCF advance as at 31 December 2014

Budgetary cash balance of the Regular Budget vs WCF advance
at 31 December 2014
Euro

	2014	%	2013	%
Approved budget	13,124,000.00	100.00	12,767,000.00	100.00
Budgetary income	11,303,175.41	86.13	10,936,929.70	85.67
Assessed contributions	10,659,175.41	81.22	10,469,085.64	82.00
Amount spent from the allocations approved by the GA	644,000.00	4.91	467,844.06	3.66
Allocation from accumulated surplus - RB	394,000.00	3.00	226,419.33	1.77
Allocation from accumulated surplus - Publications store	250,000.00	1.90	241,424.73	1.89
Budgetary expenditure	-12,973,017.16	-98.85	-12,923,775.17	-101.23

Annex IV: Contributions due to the General Fund and the Working Capital Fund

Statement of contributions due to the General Fund as at 31 December 2014

	Years	Arrear Contributions	Contributions due	Total
Gabon[(4)]	-	0.00	52,099.00	52,099.00
Gambia-Gambie[(5)]	93-05,08-10,13	319,714.15	0.00	319,714.15
Georgia-Géorgie	-	0.00	0.00	0.00
Germany-Allemagne-Alemania	-	0.00	0.00	0.00
Ghana	13	30,407.00	31,258.00	61,665.00
Greece-Grèce-Grecia	-	0.00	0.00	0.00
Guatemala	-	0.00	0.00	0.00
Guinea-Guinée	96,98-00,07	153,171.75	26,050.00	179,221.75
Guinea-Bissau-Guinée-Bissau	92-96,99-13	423,976.55	26,050.00	450,026.55
Equatorial Guinea - Guinée Équatoriale - Guinea Ecuatorial	13	25,002.00	27,092.00	52,094.00
Haiti - Haïti	-	0.00	0.00	0.00
Honduras	-	0.00	799.24	799.24
Hungary-Hongrie-Hungria	-	0.00	0.00	0.00
India-Inde	-	0.00	0.00	0.00
Indonesia-Indonésie[(2)]	-	0.00	0.00	0.00
Iran, Islamic Rep. of - Iran,République Islamique d' - Iran, Republica Islamica de[(1)]	12-13	120,438.00	65,376.00	185,814.00
Iraq	85-87, 91-06,12	1,886,609.34	32,688.00	1,919,297.34
Israel-Israël	-	0.00	0.00	0.00
Italy-Italie-Italia	-	0.00	0.00	0.00
Jamaica-Jamaïque	-	0.00	0.00	0.00
Japan-Japon[(2)]	-	0.00	0.00	0.00
Jordan-Jordanie-Jordania	-	0.00	0.00	0.00
Kazakhstan-Kazajstán	-	0.00	0.00	0.00

	Years	Arrear Contributions	Contributions due	Total
Poland-Pologne-Polonia	-	0.00	0.00	0.00
Portugal	-	0.00	0.00	0.00
Quatar - Qatar	-	0.00	0.00	0.00
Republic of Korea - République de Corée - Republica de Corea	-	0.00	14,227.63	14,227.63
Republic of Moldova - République de Moldova - Republica de Moldova	-	0.00	0.00	0.00
Romania-Roumanie-Rumania	-	0.00	0.00	0.00
Russian Federation -Federation de Russie - Federacion de Rusia	-	0.00	0.00	0.00
Rwanda	12	2,523.04	0.00	2,523.04
San Marino - Saint-Marin	-	0.00	0.00	0.00
Sao Tome-and-Principe - Sao Tomé-et-Principe - Santo Tome y Principe	86-13	580,562.65	18,751.00	599,313.65
Saudi Arabia-Arabie Saoudite -Arabia Saudita	03	101,628.00	0.00	101,628.00
Sénégal-Senegal	12-13	50,183.00	27,241.00	77,424.00
Serbia - Serbie	-	0.00	0.00	0.00
Seychelles	-	0.00	0.00	0.00
Sierra Leone - Sierra Leona	80-00,03-13	718,540.12	26,050.00	744,590.12
Slovakia - Slovaquie -Eslovaquia	-	0.00	0.00	0.00
Slovenia-Slovénie-Eslovenia	-	0.00	0.00	0.00
South Africa - Afrique du Sud-Sudáfrica [(2)]	-	0.00	0.00	0.00
Spain-Espagne-España	-	0.00	0.00	0.00
Sri Lanka	-	0.00	0.00	0.00
Sudan-Soudan	84-86,89-03,06-08,13	470,846.92	27,241.00	498,087.92
Swaziland - Swazilandia	-	0.00	0.00	0.00
Switzerland-Suisse-Suiza	-	0.00	0.00	0.00
Syrian Arab Republic - République Arabe Syrienne - Republica Arabe Siria	12-13	120,438.00	62,518.00	182,956.00
Tajikistan - Tayikistán - Tadjikistan	13	450.00	0.00	450.00
Thailand-Thaïlande-Tailandia	-	0.00	0.00	0.00
Timor-Leste	-	0.00	133.49	133.49
Togo	03-06	72,289.23	26,050.00	98,339.23
Tunisia-Tunisie-Tunez	13	327.00	5,406.48	5,733.48
Turkey-Turquie-Turquía [(1)]	-	0.00	0.00	0.00
Turkmenistan - Tukménistan	95-98,00-12	504,066.40	32,688.00	536,754.40

	Years	Arrear Contributions	Contributions due	Total
Extra-budgetary contributions		210,828.12	171,941.23	382,769.35
Full Members - Membres effectifs - Miembros Efectivos	-	0.00	0.00	0.00
Associate Members - Membres associés - Miembros Asociados	-	0.00	0.00	0.00
Affiliate Members - Membres affiliés - Miembros Afiliados	09-13	175,244.14	166,274.27	341,518.41
Former Full Members - Anciens Membres effectifs - Ex-Miembros Efectivos	-	0.00	0.00	0.00
Former Associate Members - Anciens Membres associés - Ex-Miembros Asociados	-	0.00	0.00	0.00
Former Affiliate Members - Anciens Membres affiliés - Ex-Miembros Afiliados	05-07	35,583.98	5,666.96	41,250.94

Financial year starts

(1) March

(2) April

(3) May

(4) June

(5) July

Statement of advance contributions owed to the Working Capital Fund as at 31 December 2014

Statement of advance contributions owed to the Working Capital Fund
as at 31 December 2014
Euros

	31/12/2014
Total	2,235.85
Liberia	1,242.15
Vanuatu	993.70

Annex V: Sub-funds reporting

Statement of financial position by sub-fund as at 31 December 2014

Statement of financial position by sub-funds
at 31 December 2014
Euros

Programme of work services	Voluntary Contributions	UNDP	Trust Funds	MDTF	Inter-segment Elimination*	Total UNWTO
21,028,880.60	6,049,207.82	354,124.42	126,363.57	13,851.00	-5,123,794.55	22,448,632.86
18,442,718.26	5,803,207.82	354,124.42	126,363.57	13,851.00	-5,123,794.55	19,616,470.52
11,055,056.78	3,435,128.23	100,152.15	126,363.57	13,714.16	0.00	14,730,414.89
69,770.00	0.00	0.00	0.00	0.00	0.00	69,770.00
3,110,725.61	0.00	0.00	0.00	0.00	0.00	3,110,725.61
201,700.84	1,000,746.19	180,675.24	0.00	0.00	0.00	1,383,122.27
232,918.56	2,620.68	41.99	0.00	15.73	0.00	235,596.96
3,772,546.47	1,364,712.72	73,255.04	0.00	121.11	-5,123,794.55	86,840.79
2,586,162.34	246,000.00	0.00	0.00	0.00	0.00	2,832,162.34
204,540.43	0.00	0.00	0.00	0.00	0.00	204,540.43
2,099,054.97	0.00	0.00	0.00	0.00	0.00	2,099,054.97
0.00	246,000.00	0.00	0.00	0.00	0.00	246,000.00
204,328.50	0.00	0.00	0.00	0.00	0.00	204,328.50

Acronyms

A/RES: General Assembly Resolution

AAL: Accumulated Annual Leave

ASHI: After Service Health Insurance

BOE: Boletín Oficial de Estado

CE/DEC: Executive Council Decision

CEB: Chief Executives Board

DBO: Defined Benefit Obligation

DFR: Detailed Financial Rules

DSA: Daily Subsistence Allowance

EA(s): External Auditor(s)

EC: Executive Council

EoSB: End of Service Benefits

EUR: Euro

FIT: Fund in Trust

FR: Financial Regulations

GA: General Assembly

GF: General Fund

HLCM: High-level Committee on Management

IA: Intangible Assets

IPSAS: International Public Sector Accounting Standards

IT: Information Technology

IUOTO: International Union of Official Travel Organizations

IUOTPO: International Union of Official Tourist Propaganda Organizations

JIU: Joint Inspection Unit

JPY: Japanese yen

MDTF: Multi-Donor Trust Fund

OS: Other Services

PoWS: Programme of Work Services