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| **Plenipotentiary Conference (PP-18) Dubai, 29 October – 16 November 2018** |  |
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| PLENARY MEETING | **Document 46-E** |
|  | **25 July 2018** |
|  | **Original: English** |
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| Report by the Council | |
| EXAMINATION OF THE FINANCIAL MANAGEMENT OF THE UNION  BY THE PLENIPOTENTIARY CONFERENCE | |
| (YEARS 2014 TO 2017) | |
|  | |

1 The Constitution and Convention of the International Telecommunication Union stipulate as follows with regard to the examination of the financial management of the Union:

CV/Art. 5, No. 101

The Secretary-General shall

*r)* with the assistance of the Coordination Committee, prepare an annual financial operating report in accordance with the Financial Regulations of the Union and submit it to the Council. A recapitulative financial operating report and accounts shall be prepared and submitted to the next plenipotentiary conference for examination and final approval;

CV/Art. 4, No. 74

The Council shall

8) arrange for the annual audit of the accounts of the Union prepared by the Secretary-General and approve them, if appropriate, for submission to the next plenipotentiary conference;

CS/Art. 8, No. 53

The Plenipotentiary Conference shall

*e)* examine the accounts of the Union and finally approve them, if appropriate;

**Statements of the accounts of the Union for the years 2014 to 2017 as published  
in the financial operating reports and approved by the Council**

A Statements of financial position, Statement of financial performance, Statement of changes in net assets, Cash Flow Statement and Comparison of Budgeted and actual amounts of the International Telecommunication Union for the 2014 financial period

B Statements of financial position, Statement of financial performance, Statement of changes in net assets, Cash Flow Statement and Comparison of Budgeted and actual amounts of the International Telecommunication Union for the 2015 financial period

C Statements of financial position, Statement of financial performance, Statement of changes in net assets, Cash Flow Statement and Comparison of Budgeted and actual amounts of the International Telecommunication Union for the 2016 financial period

D Statements of financial position, Statement of financial performance, Statement of changes in net assets, Cash Flow Statement and Comparison of Budgeted and actual amounts of the International Telecommunication Union for the 2017 financial period

A

Statements of financial position, Statement of financial performance, Statement of changes in net assets, Cash Flow Statement and Comparison of Budgeted and actual amounts of the International Telecommunication Union   
for the 2014 financial period

The financial statements are published in the financial operating report of the Union for the 2014 financial period and approved by the Council.

(Council Resolution 1376 relating to the approval of the financial operating reports audited by the External Auditor of the ITU accounts for the period from 1 January 2014 to 31 December 2014).

I – Statement of financial position – Balance sheet at 31 December 2014 with comparative figures as at 31 December 2013

|  |  |  |
| --- | --- | --- |
| (in thousands of CHF) | 31.12.2014 | 31.12.2013 |
| ASSETS |  |  |
| **Current assets** |  |  |
| Cash and cash equivalents | 75’430 | 59’616 |
| Investments | 87’074 | 88’244 |
| Receivables − exchange transactions | 7’361 | 6’385 |
| Receivables − non-exchange transactions (Contributions) | 79’448 | 77’046 |
| Inventories | 650 | 815 |
| Other receivables | 8’831 | 8’974 |
| **Total current assets** | **258’794** | **241’080** |
| **Non-current assets** |  |  |
| Property, plant and equipment | 107’449 | 112’098 |
| Intangible assets | 4’077 | 2’862 |
| **Total non-current assets** | **111’526** | **114’960** |
| **TOTAL ASSETS** | **370’320** | **356’040** |
| LIABILITIES |  |  |
| **Current liabilities** |  |  |
| Suppliers and other creditors | 9’154 | 9’686 |
| Deferred revenue | 129’486 | 127’951 |
| Borrowings and financial debts | 1’493 | 1’493 |
| Employee benefits | 484 | 481 |
| Provisions | 845 | 897 |
| Other debts | 2’977 | 1’614 |
| **Total current liabilities** | **144’439** | **142’122** |
| **Non-current liabilities** |  |  |
| Borrowings | 45’286 | 46’779 |
| Employee benefits | 534’358 | 335’096 |
| Allocated third-party funds | 30’027 | 26’114 |
| Third-party funds in process of allocation | 2’233 | 2’097 |
| **Total non-current liabilities** | **611’904** | **410’086** |
| **TOTAL LIABILITIES** | **756’343** | **552’208** |
| **NET ASSETS** |  |  |
| Effect of transition to IPSAS | -125’100 | -125’100 |
| Reserve Account before reallocation of the surplus/Deficit of the period | 26’325 | 28’221 |
| Other allocated reserves | 33’129 | 24’408 |
| Extra-budgetary funds | 12’688 | 11’469 |
| ASHI actuarial losses | -312’708 | -125’263 |
| Cumulated non budgetary result | -14’817 | -12’720 |
| Surplus/Deficit for the period | -5’541 | 2’817 |
| **TOTAL NET ASSETS** | **-386’024** | **-196’168** |

II – Statement of financial performance for the period which closed on  
31 December 2014 with comparative figures as at 31 December 2013

|  |  |  |
| --- | --- | --- |
| (in thousands of CHF) | 31.12.2014 | 31.12.2013 |
| **REVENUE** |  |  |
| Assessed contributions | 126’786 | 126’949 |
| Voluntary contributions | 11’740 | 17’295 |
| Other operating revenue | 39’824 | 44’623 |
| In-kind contributions | 938 | 955 |
| Finance revenue | 817 | 7’178 |
| **Total revenue** | **180’105** | **197’000** |
| **EXPENSES** |  |  |
| Employee expenses | 143’701 | 146’299 |
| Mission expenses | 6’549 | 8’028 |
| Contractual services | 17’010 | 20’834 |
| Rental and maintenance of premises and equipment | 6’410 | 6’422 |
| Equipment and supplies | 4’781 | 3’805 |
| Depreciation and impairment losses | 5’718 | 6’138 |
| Shipping, telecommunication and service expenses | 2’499 | 2’191 |
| Other expenses | -2’425 | -1’015 |
| In-kind expenses | 938 | 955 |
| Finance expenses | 465 | 526 |
| **Total expenses** | **185’646** | **194’183** |
| **Surplus (deficit) for the period** | **-5’541** | **2’817** |

III – Statement of changes in net assets for the period which closed  
on 31 December 2014

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| (in thousands of CHF) | 31.12.2014 | Surplus/deficit 2014 | Other adjustments | 01.01.2014 |
| **IPSAS transition** | -125’100 | 0 | **0** | -125’100 |
| **Reserve Account** | **27’222** | **897** | **-4’000** | **30’325** |
| **Other allocated reserves** | **35’314** | **2’185** | **6’221** | **26’908** |
| Investment fund | 7’180 | 0 | 1’681 | 6’314 |
| Welfare fund | 492 | 0 | -29 | 521 |
| Centenary fund | 308 | **0** | -10 | 318 |
| SS&B Complement fund | 6’267 | 0 | 1 | 6’266 |
| SS&B Provident fund | 1’510 | 0 | -3 | 1’513 |
| SS&B Assistance fund | 183 | 0 | 1 | 182 |
| ASHI fund | 7’000 | 1’000 | 4’000 | 2’000 |
| Health Insurance fund  Extra budgetary allocated reserves | 5’877 | 2’000 | 1’877 | 2’000  6’691 |
| 5’685 | 0 | -1’006 |
| **Currency exchange translation** | 812 | 0 | -291 | 1’103 |
| **Extra-budgetary activities related funds** | **12’058** | **-630** | **909** | **11’779** |
| **ASHI actuarial losses** | -312’708 | 0 | -187’445 | -125’263 |
| **IPSAS cumulated deficit (statistical)** | -22’810 | -7’993 | 0 | -14’817 |
| **Total net assets** | **-386’024** | **-5’541** | **-184’315** | **-196’168** |

IV – Table of cash flows for the period closed on 31 December 2014

|  |  |  |
| --- | --- | --- |
| **(in thousands of CHF)** | **31.12.2014** | **31.12.2013** |
| Surplus (deficit) for the period | -5’541 | 2’817 |
| **Non-monetary movements** |  |  |
| Depreciation | 6’485 | 6’136 |
| ASHI provision | 11’089 | 11’967 |
| Provisions for repatriation (LT) | 1’324 | 742 |
| Provisions for employee benefits (ST) | 62 | 463 |
| Provisions for accrued leave (LT) | 865 | 200 |
| Other provisions | 469 | 351 |
| Provision for doubtful receivable release | -4’355 | -5'635 |
| Net loss on sales of fixed assets | 1 | 2 |
| Inventory depreciation | 42 | -36 |
| Unrealized exchange-rate losses (gains) | -334 | -6’548 |
| Interest received | -329 | -423 |
|  |  |  |
| **Restated surplus (deficit) from non-monetary movements** | **9’778** | **10’036** |
|  |  |  |
| (Increase) decrease in inventories | 123 | -46 |
| (Increase) decrease in short-term receivables | 977 | 4’699 |
| (Increase) decrease in other short-term receivables | 143 | -1’020 |
| Increase (decrease) in suppliers | -532 | 2’604 |
| Increase (decrease) in deferred revenue | 1’535 | -4’289 |
| Increase (decrease) in other debts | 1’363 | -182 |
| Use of provisions for employee benefits (ST) | -481 | -1’134 |
| Use of provision for repatriation (LT) | -771 | -685 |
| Use of provision for accrued leave (LT) | -268 | -309 |
| Increase (decrease) − Other provisions | -521 | -644 |
| Increase (decrease) in third-party funds | 4’053 | -10’372 |
| Changes in own funds | 3’459 | 2’257 |
| **Cash flow from operating activities** | **9’081** | **-9’121** |
| **Net cash flows from investment activities** |  |  |
| (Increase) / decrease − Investments | 1’170 | -16’201 |
| Interest from short-term investments | 320 | 423 |
| (Acquisition) / sale of property, plant and equipment | -1’142 | -3’578 |
| (Acquisition) / sale of intangible assets | -1’909 | -235 |
| **Net cash flows from investment activities** | **-1’552** | **-19’591** |
| **Cash flows from finance activities** |  |  |
| Repayment of FIPOI loan | -1’493 | -1’493 |
| **Cash flows from finance activities** | **-1’493** | **-1’493** |
|  |  |  |
| **Net increase / (decrease) in cash and cash equivalents** | **15’814** | **-20’169** |
| **Cash and cash equivalents at opening of period** | **59’616** | **79’785** |
| **Cash and cash equivalents at closure of period** | **75’430** | **59’616** |

V – Comparison of budgeted amounts and actual amounts for the 2014 financial period

(in thousands of CHF)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Revenue | Budgeted amounts | | | Actual  amounts on a comparable basis | Difference between final budget and actual amounts |
| Initial budget | Budget transfers | Final budget |
| 2014 | 2014 | 2014 | 2014 | 2014 |
| *Assessed contributions* | 129’677 | - | 129’677 | 126’786 | -2’891 |
| *Cost recovery* | 32’750 | - | 32’750 | 32’144 | -606 |
| *Other revenue* | 1’100 | - | 1’100 | 372 | -728 |
| *Withdrawal from Reserve Account* | 2’784 | - | 2’784 | -897 | -3’681 |
| **Total revenue** | **166’311** | **-** | **166’311** | **158’405** | **-7’906** |
| Expenses | Budgeted amounts | | | Actual  amounts on a comparable basis | Difference between final budget and actual amounts |
| Initial budget | Budget transfers | Final budget |
| 2014 | 2014 | 2014 | 2014 | 2014 |
| *General Secretariat* | *93’662* | *-272* | *93’390* | *87’320* | *6’070* |
| *Radiocommunication Sector* | *30’162* | *72* | *30’234* | *26’805* | *3’429* |
| *Telecommunication Standardization Sector* | *12’793* | *-* | *12’793* | *12’200* | *593* |
| *Telecommunication Development Sector* | *29’694* | *200* | *29’894* | *28’970* | *924* |
| *Expenses not foreseen in approved budget* | *-* | *-* | *-* | *110* |  |
| Total expenses | **166’311** | **-** | **166’311** | **155’405** | **10’906** |
| **Result** |  |  |  |  |  |
| *ASHI* |  |  |  | *-11’089* |  |
| *Recognition of inventories* |  |  |  | *-51* |  |
| *Capitalization of fixed assets* |  |  |  | *2’262* |  |
| *Depreciation* |  |  |  | *-4’629* |  |
| *Exchange-rate gains/losses* |  |  |  | *165* |  |
| *Provision for doubtful debts release*  *Inventory impairment* |  |  |  | *5’348* |  |
| *Sale of assets* |  |  |  | *1* |  |
| *In-kind revenue* |  |  |  | *-938* |  |
| *In-kind expense* |  |  |  | *938* |  |
| Total IPSAS differences |  |  |  | **-7’992** |  |
| *Decrease in Investment fund Reserve* |  |  |  | *-815* |  |
|  |
| Total losses covered by reserves |  |  |  | **-815** |  |
| *Perimeter differences* |  |  |  | *-631* |  |
| Surplus/Deficit as shown in the statement of financial performance |  |  |  | **-5’541** |  |

b

Statements of financial position, Statement of financial performance, Statement of changes in net assets, Cash Flow Statement and Comparison of Budgeted and actual amounts of the International Telecommunication Union   
for the 2015 financial period

The financial statements are published in the financial operating report of the Union for the 2015 financial period and approved by the Council.

(Council Resolution 1382 relating to the approval of the financial operating reports audited by the External Auditor of the ITU accounts for the period 1 January 2015 to 31 December 2015).

I – Statement of financial position – Balance sheet at 31 December 2015 with comparative figures as at 31 December 2014

|  |  |  |
| --- | --- | --- |
| **(in thousands of CHF)** | **31/12/2015** | **31/12/2014** |
| **ASSETS** |  |  |
| **Current assets** |  |  |
| Cash and cash equivalents | 55,505 | 75,430 |
| Investments | 111,817 | 87,074 |
| Receivables - exchange transactions | 5,982 | 7,361 |
| Receivables - non-exchange transactions | 80,174 | 79,448 |
| Inventories | 575 | 650 |
| Other receivables | 8,071 | 8,831 |
| **Total current assets** | **262,124** | **258,794** |
| **Non-current assets** |  |  |
| Receivables - non-exchange transactions | - | - |
| Property, plant and equipment | 104,912 | 107,449 |
| Intangible assets | 3,241 | 4,077 |
| **Total non-current assets** | **108,153** | **111,526** |
|  |  |  |
| **Total ASSETS** | **370,277** | **370,320** |
| **LIABILITIES** |  |  |
| **Current liabilities** |  |  |
| Suppliers and other creditors | 7,196 | 9,154 |
| Deferred revenue | 127,569 | 129,487 |
| Borrowings and financial debts | 1,493 | 1,493 |
| Employee benefits | 481 | 484 |
| Provisions | 1,046 | 845 |
| Other debts | 5,281 | 2,977 |
| **Total current liabilities** | **143,066** | **144,440** |
|  |  |  |
| **Non-current liabilities** |  |  |
| Borrowings | 43,792 | 45,286 |
| Employee benefits | 495,025 | 534,358 |
| Allocated third-party funds | 28,702 | 30,027 |
| Third-party funds in process of allocation | 2,923 | 2,233 |
| **Total non-current liabilities** | **570,442** | **611,904** |
|  |  |  |
| **TOTAL LIABILITIES** | **713,508** | **756,344** |
| **NET ASSETS** |  |  |
| Organization's capital |  |  |
| Effect of transition to IPSAS | -125,100 | -125,100 |
| Reserve account before reallocation of the surplus/ deficit of the period | 27,222 | 26,325 |
| Other allocated reserves | 37,707 | 33,129 |
| Other Extra-budgetary reserves | 12,685 | 12,688 |
| ASHI actuarial losses | -257,136 | -312,708 |
| Cumulated non budgetary result | -22,810 | -14,817 |
| Surplus/Deficit for the period | -15,799 | -5,541 |
| **TOTAL NET ASSETS** | **-343,231** | **-386,024** |

**II – Statement of financial performance for the period which closed on  
31 December 2015 with comparative figures as at 31 December 2014**

|  |  |  |
| --- | --- | --- |
| **(in thousands of Swiss francs)** | **31/12/2015** | **31/12/2014** |
|  |  |  |
| **REVENUE** |  |  |
| Assessed contributions | 126,447 | 126,786 |
| Voluntary contributions | 9,227 | 11,740 |
| Other operating revenue | 37,055 | 39,824 |
| In-kind contributions | 920 | 938 |
| Finance revenue | 658 | 817 |
|  |  |  |
| **Total revenue** | **174,307** | **180,105** |
| **EXPENSES** |  |  |
| Employee expenses | 150,790 | 143,701 |
| Mission expenses | 6,880 | 6,549 |
| Contractual services | 13,039 | 17,010 |
| Rental and maintenance of premises and equipment | 5,363 | 6,410 |
| Equipment and supplies | 3,759 | 4,781 |
| Depreciation and impairment losses | 5,550 | 5,718 |
| Shipping, telecommunication and service expenses | 1,909 | 2,499 |
| Other expenses | 1,089 | -2,423 |
| In-kind expenses | 920 | 937 |
| Finance expenses | 807 | 465 |
| **Total expenses** | 190,106 | 185,646 |
| **Surplus/deficit for the period** | -15,799 | -5,541 |

III – Statement of changes in net assets for the period which closed  
on 31 December 2015

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **(in thousands of CHF)** | **31.12.2015** | **Surplus deficit 2015** | **Other adjustments** | **01-Jan-15** |
| **IPSAS transition** | **-125,100** | **0** | **0** | **-125,100** |
| **Reserve Account** | **27,522** | **300** | **0** | **27,222** |
| **Other reserves** | **38,492** | **786** | **2,392** | **35,315** |
| Investment fund | 7,933 | 713 | 40 | 7,180 |
| Welfare fund | 445 |  | -47 | 492 |
| Centenary fund | 308 |  | 0 | 308 |
| SS&B Complement fund | 6,244 | -23 | 0 | 6,267 |
| SS&B Provident fund | 1,510 |  | 0 | 1,510 |
| SS&B Assistance fund | 178 | -4 | 0 | 183 |
| ASHI fund | 7,000 |  |  | 7,000 |
| Health Insurance fund | 8,012 | 0 | 2,135 | 5,877 |
| Extra budgetary allocated reserves | 6,409 | 100 | 623 | 5,686 |
| Currency exchange translation | 453 | 0 | -359 | 812 |
| **Extra-budgetary activities related funds** | **11,908** | **-777** | **627** | **12,058** |
| TLC | 9,210 | 255 | 59 | 8,896 |
| Others | 2,698 | -1,032 | 568 | 3,162 |
| **ASHI actuarial losses** | **-257,136** | **0** | **55,572** | **-312,708** |
| **IPSAS cumulated deficit (statistical)** | **-38,918** | **-16,108** | **0** | **-22,810** |
| **Total net assets** | **-343,231** | **-15,799** | **58,591** | **-386,023** |

IV – Statement of cash flows for the period closed on 31 December 2015

|  |  |  |
| --- | --- | --- |
| **(in thousands of CHF)** | **31/12/2015** | **31/12/2014** |
| Surplus (deficit) for the period | -15,799 | -5,541 |
| **Non-monetary movements** |  |  |
| Depreciation | 5,550 | 6,485 |
| ASHI provision | 15,712 | 11,089 |
| Provisions for repatriation (LT) | 1,103 | 1,324 |
| Provisions for employee benefits (ST) | 441 | 62 |
| Provisions for accrued leave (LT) | 67 | 865 |
| Other provisions | 803 | 469 |
| Provision for doubtful receivable | -1,119 | -4,355 |
| Inventory depreciation | 5 | 42 |
| Net (gain) or loss on sales of fixed assets | 1 | 1 |
| Unrealized exchange-rate gains/losses | - | -334 |
| Interest received | -93 | -329 |
| **Restated surplus (deficit) from non-monetary movements** | **6,671** | **9,778** |
| (Increase) decrease in inventories | 70 | 123 |
| (Increase) decrease in short-term receivables | 1,772 | 977 |
| (Increase) decrease in other short-term receivables | 760 | 143 |
| Increase (decrease) in suppliers | -1,958 | -532 |
| Increase (decrease) in deferred revenue | -1,917 | 1,535 |
| Increase (decrease) in other debts | 2,304 | 1,363 |
| Use of provisions for employee benefits (ST) | -444 | -481 |
| Use of provision for repatriation (LT) | -535 | -771 |
| Use of provision for accrued leave (LT) | -108 | -268 |
| Increase (decrease) Other provisions | -602 | -521 |
| Increase (decrease) in third-party funds | -635 | 4,053 |
| Changes in own funds | 3,019 | 3,459 |
|  |  |  |
| **Cash flow from operating activities** | **1,725** | **9,081** |
| **Net cash flows from investment activities** |  |  |
| (Increase) / decrease Investments | -24,743 | 1,170 |
| Interest from short-term investments | 93 | 329 |
| (Acquisition) / sale of property, plant and equipment | -1539 | -1142 |
| (Acquisition) / sale of intangible assets | -638 | -1909 |
| **Net cash flows from investment activities** | **-26,827** | **-1,552** |
| **Cash flows from finance activities** |  |  |
| Repayment of FIPOI loan | -1493 | -1493 |
| **Cash flows from finance activities** | **-1,493** | **-1,493** |
| **Net increase / (decrease) in cash and cash equivalents** | **-19,924** | **15,814** |
| **Cash and cash equivalents at opening of period** | **75,430** | **59,616** |
| **Cash and cash equivalents at closure of period** | **55,506** | **75,430** |

V – Comparison of budgeted amounts and actual amounts for the 2015 financial period

(in thousands of CHF)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Revenue** | **Budgeted amounts** | | | **Actual amounts on a comparable basis** | **Difference between final budget and actual amounts** |
| **Initial Budget** | **Budget transfers** | **Final budget** |
| **31.12.2015** | **31.12.2015** | **31.12.2015** | **31.12.2015** | **31.12.2015** |
| *Assessed contributions* | *129,678* |  | *129,678* | *126,448* | *-3,230* |
| *Cost recovery* | *32,750* |  | *32,750* | *31,079* | *-1,671* |
| *Interests* | *800* |  | *800* | *12* | *-788* |
| *Other revenue* | *300* |  | *300* | *638* | *338* |
| *Withdrawal from Reserve Account* | *1,216* |  | *1,216* | *-* | *-1,216* |
|  |  |  |  |  |  |
| **Total revenue** | **164,744** | **-** | **164,744** | **158,177** | **-6,567** |
| **Expenses** | **Budgeted amounts** | | | **Actual amounts on a comparable basis** | **Difference between final budget and actual amounts** |
| **Initial Budget** | **Budget transfers** | **Final budget** |
| **31.12.2015** | **31.12.2015** | **31.12.2015** | **31.12.2015** | **31.12.2015** |
| *General Secretariat* | *91,853* | *-272* | *91,581* | *86,218* | *5,363* |
| *Radiocommunication Sector* | *31,897* | *72* | *31,969* | *29,181* | *2,788* |
| *Telecommunication Standardization Sector* | *12,736* | *-* | *12,736* | *12,611* | *125* |
| *Telecommunication Development Sector* | *28,258* | *200* | *28,458* | *28,447* | *11* |
| *Expenses not foreseen in approved budget* |  |  |  | *718* |  |
| **Total expenses** | **164,744** | **-** | **164,744** | **157,175** | **7,569** |
| **Result** |  |  |  | **1,002** |  |
| *ASHI* |  |  |  | *-15,712* |  |
| *Capitalization of fixed assets* |  |  |  | *2,165* |  |
| *Recognition of inventories* |  |  |  | *26* |  |
| *Depreciation* |  |  |  | *-5,296* |  |
| *Exchange rate gains/losses* |  |  |  | *-156* |  |
| *Repayment of FIPOI loan not considered as expense* |  |  |  | *1,493* |  |
| *Changes in and use of provision for doubtful debts* |  |  |  | *1,385* |  |
| *Sales of assets* |  |  |  | *2* |  |
| *Other expenses* |  |  |  | *-3* |  |
|  |  |  |  |  |  |
| **Total IPSAS difference** |  |  |  | **-16,096** |  |
| *Surplus/ Deficit on Fund 1000* |  |  |  | *1,002* |  |
| *Increase of the investment fund* |  |  |  | *112* |  |
| *Perimeter differences* |  |  |  | *-817* |  |
|  |  |  |  |  |  |
| **Surplus/Deficit as shown in the statement of financial performance** |  |  |  | **-15,799** |  |

C

Statements of financial position, Statement of financial performance, Statement of changes in net assets, Cash Flow Statement and Comparison of Budgeted and actual amounts of the International Telecommunication Union   
for the 2016 financial period

The financial statements are published in the financial operating report of the Union for the 2016 financial period and approved by the Council.

(Council Resolution 1389 relating to the approval of the financial operating reports audited by the External Auditor of the ITU accounts for the period 1 January 2016 to 31 December 2016).

**I – Statement of financial position – Balance sheet at 31 December 2016 with comparative figures as at 31 December 2015**

|  |  |  |
| --- | --- | --- |
| (**in thousands of CHF)** | **31/12/2016** | **31/12/2015** |
| **ASSETS** |  |  |
| **Current assets** |  |  |
| Cash and cash equivalents | 108,435 | 55,505 |
| Investments | 64,980 | 111,817 |
| Receivables - exchange transactions | 9,033 | 5,982 |
| Receivables - non-exchange transactions | 76,469 | 80,174 |
| Inventories | 545 | 575 |
| Other receivables | 9,448 | 8,071 |
| **Total current assets** | **268,910** | **262,124** |
|  |  |  |
| **Non-current assets** |  |  |
| Receivables - non-exchange transactions | - | - |
| Property, plant and equipment | 101,432 | 104,912 |
| Intangible assets | 2,634 | 3,241 |
| **Total non-current assets** | **104,066** | **108,153** |
|  |  |  |
| **Total ASSETS** | **372,976** | **370,277** |
| **LIABILITIES** |  |  |
| **Current liabilities** |  |  |
| Suppliers and other creditors | 9,148 | 7,196 |
| Deferred revenue | 129,022 | 127,569 |
| Borrowings and financial debts | 1,493 | 1,493 |
| Employee benefits | 1,094 | 481 |
| Provisions | 1,452 | 1,046 |
| Other debts | 5,075 | 5,281 |
| **Total current liabilities** | **147,284** | **143,066** |
|  |  |  |
| **Non-current liabilities** |  |  |
| Borrowings | 42,299 | 43,792 |
| Employee benefits | 575,123 | 495,025 |
| Allocated third-party funds | 23,612 | 28,702 |
| Third-party funds in process of allocation | 3,813 | 2,923 |
| **Total non-current liabilities** | **644,847** | **570,442** |
|  |  |  |
| **TOTAL LIABILITIES** | **792,131** | **713,508** |
| **NET ASSETS** |  |  |
| Organization's capital |  |  |
| Reserve account before reallocation of the surplus/ deficit of the period | 26,522 | 27,222 |
| Other Extra-budgetary reserves | 52,613 | 50,392 |
| ASHI actuarial losses | -322,579 | -257,136 |
| Cumulated balances | -164, 018 | -147,910 |
| Surplus/Deficit for the period | -11,693 | -15,799 |
| **TOTAL NET ASSETS** | **-419,154** | **-343,231** |

**II – Statement of financial performance for the period which closed on 31 December 2016 with comparative figures as at 31 December 2015**

|  |  |  |
| --- | --- | --- |
| **(in thousands of Swiss francs)** | **31/12/2016** | **31/12/2015** |
|  |  |  |
| **REVENUE** |  |  |
|  |  |  |
| Assessed contributions | 122,888 | 126,447 |
| Voluntary contributions | 10,232 | 9,227 |
| Other operating revenue | 41,919 | 37,055 |
| In-kind contributions | 901 | 920 |
| Finance revenue | 562 | 658 |
|  |  |  |
| **Total revenue** | **176,502** | **174,307** |
|  |  |  |
| **EXPENSES** |  |  |
|  |  |  |
| Employee expenses | 146,999 | 150,790 |
| Mission expenses | 6,997 | 6,880 |
| Contractual services | 14,107 | 13,039 |
| Rental and maintenance of premises and equipment | 4,872 | 5,363 |
| Equipment and supplies | 3,291 | 3,759 |
| Depreciation and impairment losses | 5,610 | 5,550 |
| Shipping, telecommunication and service expenses | 1,804 | 1,909 |
| Other expenses | 3,207 | 1,089 |
| In-kind expenses | 901 | 920 |
| Finance expenses | 407 | 807 |
|  |  |  |
| **Total expenses** | **188,195** | **190,106** |
| **Surplus/deficit for the period** | -11,693 | -15,799 |

III – Statement of changes in net assets for the period which closed  
on 31 December 2016

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **(in thousands of CHF)** | **31.12.2015** | **Surplus deficit 2016** | **Other adjustments** | **31.12.2016** |
| **IPSAS transition** | **-125,100** | **0** | **0** | **-125,100** |
| **Reserve Account** | **27,522** | **567** | **-1,000** | **27,089** |
| **Other reserves** | **38,492** | **4,431** | **2,133** | **45,056** |
| Investment fund | 7,933 | 727 | 30 | 8,690 |
| Welfare fund | 445 |  | -32 | 413 |
| Centenary fund | 308 |  | -52 | 256 |
| SS&B Complement fund | 6,244 | -21 |  | 6,223 |
| SS&B Provident fund | 1,510 |  | -1,510 | 0 |
| SS&B Assistance fund | 178 |  | 100 | 278 |
| ASHI fund | 7,000 | 500 | 1,000 | 8,500 |
| Health Insurance fund | 8,012 | 1,000 | 3,181 | 12,193 |
| Extra budgetary allocated reserves | 6,409 | 2,225 | -980 | 7,654 |
| Currency exchange translation | 453 |  | 396 | 849 |
| **Extra-budgetary activities related funds** | **11,908** | **847** | **80** | **12,835** |
| TLC | 9,210 | 926 | -61 | 10,075 |
| Others | 2,698 | -79 | 141 | 2,760 |
| **ASHI actuarial losses** | **-257,136** | **0** | **-65,443** | **-322,579** |
| **IPSAS cumulated deficit (statistical)** | **-38,918** | -17,538 |  | **-56,456** |
| **Total net assets** | **-343,231** | **-11,693** | **-64,230** | **-419,154** |

IV – Statement of cash flows for the period closed on 31 December 2016



V – Statement of comparison of budgeted and actual amounts for the 2016 financial period

(in thousands of CHF)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Revenue** | **Budgeted amounts** | | | | **Actual amounts on a comparable basis** | **Difference between final budget and actual amounts** |
| **Initial Budget** | **deferred activity** | **Budget transfers** | **Final budget** |
| **31.12.2016** | **31.12.2016** | **31.12.2016** | **31.12.2016** | **31.12.2016** | **31.12.2016** |
| **Assessed contributions** | **124,401** |  |  | **124,401** | **122,891** | **-1,510** |
| **Cost recovery** | **4,625** |  |  | **34,625** | **34,566** | **-59** |
| **Interests** | **300** |  |  | **300** | **68** | **-232** |
| **Other revenue** | **100** |  |  | **100** | **208** | **108** |
| **Withdrawal from Reserve Account** | **1,334** | **-317** |  | **1,017** | **-** | **-1,017** |
|  |  |  |  |  |  |  |
| **Total revenue** | **160,760** | **-317** |  | **160,443** | **157,733** | **-2,710** |
| **Expenses** | **Budgeted amounts** | | | | **Actual amounts on a comparable basis** | **Difference between final budget and actual amounts** |
| **Initial Budget** | **Deferred activity** | **Budget transfers** | **Final budget** |
| **1.12.2016** | **31.12.2016** |  | **31.12.2016** | **31.12.2016** | **31.12.2016** |
| *General Secretariat* | *90,305* |  | *-70* | *90,235* | *84,119* | *6,116* |
| *Radiocommunication Sector* | *28,898* |  |  | *28,898* | *26,891* | *2,007* |
| *Telecommunication Standardization Sector* | *13,394* |  | *70* | *13,464* | *13,460* | *4* |
| *Telecommunication Development Sector* | *28,163* | *-317* |  | *27,846* | *27,676* | *170* |
| *Expenses not foreseen in approved budget* |  |  |  |  | *331* | *-331* |
| **Total expenses** | **160,760** | **-317** | **-** | **160,443** | **152,477** | **7,966** |
| **Result** |  |  |  |  | **5,256** |  |
| *ASHI* |  |  |  |  | *-13,667* |  |
| *Capitalization of fixed assets* |  |  |  |  | *1,421* |  |
| *Recognition of inventories* |  |  |  |  | *-9* |  |
| *Depreciation* |  |  |  |  | *-5,026* |  |
| *Exchange rate gains/losses* |  |  |  |  | *-57* |  |
| *Repayment of FIPOI loan not considered as expense* |  |  |  |  | *1,493* |  |
| *Changes in and use of provision for doubtful debts* |  |  |  |  | *-1,695* |  |
| *Sales of assets* |  |  |  |  | *2* |  |
| *Other expenses* |  |  |  |  | *0* |  |
|  |  |  |  |  |  |  |
| **Total IPSAS difference** |  |  |  |  | **-17,538** |  |
| Surplus/ Deficit on Fund 1000 |  |  |  |  | *5,256* |  |
| Increase of the investment fund |  |  |  |  | *490* |  |
| Perimeter differences |  |  |  |  | *99* |  |
|  |  |  |  |  |  |  |
| **Surplus/Deficit as shown in the statement of financial performance** |  |  |  |  | **-11,693** |  |

D

Statements of financial position, Statement of financial performance, Statement of changes in net assets, Cash Flow Statement and Comparison of Budgeted and actual amounts of the International Telecommunication Union   
for the 2017 financial period

The financial statements are published in the financial operating report of the Union for the 2017 financial period to be approved by the Council 2018 at its extraordinary session of October 2018.

(Resolution xxxx relating to the approval of the financial operating reports audited by the External Auditor of the ITU accounts for the period 1 January 2017 to 31 December 2017.)

I – Statement of financial position – Balance sheet at 31 December 2017 with comparative figures as at 31 December 2016

|  |  |  |
| --- | --- | --- |
| **(in thousands of CHF)** | **31/12/2017** | **31/12/2016** |
| **ASSETS** |  |  |
| **Current assets** |  |  |
| Cash and cash equivalents | 135,297 | 108,435 |
| Investments | 31,363 | 64,980 |
| Receivables - exchange transactions | 8,934 | 9,033 |
| Receivables - non-exchange transactions | 88,139 | 76,469 |
| Inventories | 661 | 545 |
| Other receivables | 7,505 | 9,448 |
| **Total current assets** | **271,898** | **268,910** |
|  |  |  |
| **Non-current assets** |  |  |
| Receivables - non-exchange transactions | - | - |
| Property, plant and equipment | 99,000 | 101,432 |
| Intangible assets | 967 | 2,634 |
| Assets under construction | 908 |  |
| **Total non-current assets** | **100,876** | **104,066** |
|  |  |  |
| **Total ASSETS** | **372,774** | **372,976** |
| **LIABILITIES** |  |  |
| **Current liabilities** |  |  |
| Suppliers and other creditors | 9,671 | 9,148 |
| Deferred revenue | 134,275 | 129,022 |
| Borrowings and financial debts | 1,493 | 1,493 |
| Employee benefits | 226 | 1,094 |
| Provisions | 1,636 | 1,452 |
| Other debts | 1,810 | 5,075 |
| **Total current liabilities** | **149,112** | **147,284** |
|  |  |  |
| **Non-current liabilities** |  |  |
| Borrowings | 41,526 | 42,299 |
| Employee benefits | 638,365 | 575,123 |
| Allocated third-party funds | 22,994 | 23,612 |
| Third-party funds in process of allocation | 3,300 | 3,813 |
| **Total non-current liabilities** | **706,185** | **644,847** |
|  |  |  |
| **TOTAL LIABILITIES** | **855,297** | **792,131** |
| **NET ASSETS** |  |  |
| Organization's capital |  |  |
| Reserve account before reallocation of the surplus/ deficit of the period | 27,089 | 26,522 |
| Other Extra-budgetary reserves | 58,726 | 52,613 |
| ASHI actuarial losses | -369,704 | -322,579 |
| Cumulated balances | -181,557 | -164,018 |
| Surplus/Deficit for the period | -17,078 | -11,693 |
| **TOTAL NET ASSETS** | **-482,524** | **-419,155** |

II – Statement of financial performance for the period which closed on  
31 December 2017 with comparative figures as at 31 December 2016

|  |  |  |
| --- | --- | --- |
| **(in thousands of Swiss francs)** | **31/12/2017** | **31/12/2016** |
|  |  |  |
| **REVENUE** |  |  |
|  |  |  |
| Assessed contributions | 122,390 | 122,888 |
| Voluntary contributions | 10,610 | 10,232 |
| Other operating revenue | 44,398 | 41,919 |
| In-kind contributions | 882 | 901 |
| Finance revenue | 258 | 562 |
|  |  |  |
| **Total revenue** | **178,537** | **176,502** |
|  |  |  |
| **EXPENSES** |  |  |
|  |  |  |
| Employee expenses | 148,748 | 146,999 |
| Mission expenses | 6,968 | 6,997 |
| Contractual services | 15,613 | 14,107 |
| Rental and maintenance of premises and equipment | 4,411 | 4,872 |
| Equipment and supplies | 3,875 | 3,291 |
| Depreciation and impairment losses | 5,212 | 5,610 |
| Shipping, telecommunication and service expenses | 1,576 | 1,804 |
| Other expenses | 7,656 | 3,207 |
| In-kind expenses | 882 | 901 |
| Finance expenses | 675 | 407 |
|  |  |  |
| **Total expenses** | **195,615** | **188,195** |
| **Surplus/deficit for the period** | -17,078 | -11,693 |

III – Statement of changes in net assets for the period which closed  
on 31 December 2017

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **(in thousands of CHF)** | **31.12.2016** | **Surplus deficit 2017** | **Other adjustments** | **31.12.2017** |
| **IPSAS transition** | **-125,100** | **0** | **0** | **-125,100** |
| **Reserve Account** | **27,088** | **682** | **0** | **27,770** |
| **Other reserves** | **45,057** | **8,101** | **480** | **53,638** |
| Savings from previous year | 0 | 5,764 | 0 | 5,764 |
| Investment fund | 8,690 | 176 | 1,364 | 10,230 |
| New Building fund | 0 | -671 |  | -671 |
| Welfare fund | 413 |  | -20 | 393 |
| Centenary fund | 256 | -45 |  | 212 |
| SS&B Complement fund | 6,223 | -21 |  | 6,202 |
| SS&B Provident fund | 0 |  |  | 0 |
| SS&B Assistance fund | 278 | 0 |  | 278 |
| ASHI fund | 8,500 | 1,000 |  | 9,500 |
| Health Insurance fund | 12,193 | 1,500 | 114 | 13,808 |
| Extra budgetary allocated reserves | 7,654 | 397 | -1,012 | 7,039 |
| Currency exchange translation | 849 |  | 35 | 884 |
| **Extra-budgetary activities related funds** | **12,835** | **-40** | **353** | **13,149** |
| TLC | 10,076 | 23 | -1,966 | 8,132 |
| Others | 2,761 | -63 | 2,320 | 5,017 |
| **ASHI actuarial losses** | **-322,579** | **0** | **-47,125** | **-369,704** |
| **IPSAS cumulated deficit (statistical)** | **-56,457** | -25,821 | **0** | **-82,278** |
| **Total net assets** | **-419,155** | **-17,078** | **-46,291** | **-482,524** |

IV – Table of cash flows for the period closed on 31 December 2017

|  |  |  |
| --- | --- | --- |
| **(in thousands of CHF)** | **31/12/2017** | **31/12/2016** |
|  |  |  |
| Surplus (deficit) for the period | -17,078 | -11,693 |
| **Non-monetary movements** |  |  |
| Depreciation | 5,212 | 5,610 |
| ASHI provision | 18,214 | 13,667 |
| Provisions for repatriation (LT) | -1,268 | 2,495 |
| Provisions for employee benefits (ST) | 174 | 1,073 |
| Provisions for accrued leave (LT) | 180 | -496 |
| Other provisions | 526 | 593 |
| Provision for doubtful receivable | 5,472 | -2,846 |
| Inventory depreciation | -3 | -19 |
| Net (gain) or loss on sales of fixed assets | 5 | 2 |
| Unrealized exchange-rate gains/losses | - | - |
| Interest received | -220 | -242 |
|  |  |  |
| **Restated surplus (deficit) from non-monetary movements** | **11,215** | **8,144** |
| (Increase) decrease in inventories | -113 | 48 |
| (Increase) decrease in short-term receivables | -17,042 | 3,499 |
| (Increase) decrease in other short-term receivables | 1,944 | -1,377 |
| Increase (decrease) in suppliers | 523 | 1,952 |
| Increase (decrease) in deferred revenue | 5,253 | 1,453 |
| Increase (decrease) in other debts | -3,264 | -206 |
| Use of provisions for employee benefits (ST) | -1,042 | -460 |
| Use of provision for repatriation (LT) | -914 | -753 |
| Use of provision for accrued leave (LT) | -95 | -222 |
| Use of provisions for employee benefits (LT) | - | -36 |
| Increase (decrease) Other provisions | -342 | -187 |
| Increase (decrease) in third-party funds | -1,131 | -4,200 |
| Changes in own funds | 834 | 1,213 |
|  |  |  |
| **Cash flow from operating activities** | **-15,391** | **723** |
|  |  |  |
| **Net cash flows from investment activities** |  |  |
| (Increase) / decrease Investments | 33,617 | 46,837 |
| Interest from short-term investments | 220 | 242 |
| (Acquisition) / sale of property, plant and equipment | -1,100 | -516 |
| (Acquisition) / sale of intangible assets | -353 | -1,007 |
| (Acquisition) / sale of Under construction assets | -571 |  |
| **Net cash flows from investment activities** | **31,813** | **45,556** |
|  |  |  |
| **Cash flows from finance activities** |  |  |
| (Increase) / decrease of FIPOI loan | -773 | -1,493 |
| **Cash flows from finance activities** | **-773** | **-1,493** |
|  |  |  |
| **Net increase / (decrease) in cash and cash equivalents** | **26,863** | **52,930** |
|  |  |  |
| **Cash and cash equivalents at opening of period** | **108,435** | **55,505** |
|  |  |  |
| **Cash and cash equivalents at closure of period** | **135,297** | **108,435** |

V – Comparison of budgeted amounts and actual amounts for the 2017 financial period

(in thousands of CHF)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Revenue** | **Budgeted amounts** | | | | **Actual amounts on a comparable basis** | **Difference between final budget and actual amounts** |
| **Initial Budget** | **Deferred activity** | **Budget transfers** | **Final budget** |
| **31.12.2017** | **31.12.2017** | **31.12.2017** | **31.12.2017** | **31.12.2017** | **31.12.2017** |
| **Assessed contributions** | **124,401** |  |  | **124,401** | **122,390** | **-2,011** |
| **Cost recovery** | **34,625** |  |  | **34,625** | **37,174** | **2,549** |
| **Interests** | **300** |  |  | **300** | **29** | **-271** |
| **Other revenue** | **100** |  |  | **100** | **1,441** | **1,341** |
| **Withdrawal from Reserve Account** | **1,117** | **317** |  | **1,434** | **-** | **-1,434** |
|  |  |  |  |  |  |  |
| **Total revenue** | **160,543** | **317** |  | **160,860** | **161,034** | **174** |
| **Expenses** | **Budgeted amounts** | | | | **Actual amounts on a comparable basis** | **Difference between final budget and actual amounts** |
| **Initial Budget** | **Deffered activity** | **Budget transfers** | **Final budget** |
| **31.12.2017** | **31.12.2017** | **31.12.2017** | **31.12.2017** | **31.12.2017** | **31.12.2017** |
| *General Secretariat* | *90,761* |  | *-116* | *90,645* | *81,762* | *8,883* |
| *Radiocommunication Sector* | *28,603* |  |  | *28,603* | *27,234* | *1,369* |
| *Telecommunication Standardization Sector* | *12,438* |  |  | *12,438* | *12,296* | *142* |
| *Telecommunication Development Sector* | *28,741* | *317* | *116* | *29,174* | *27,733* | *1,441* |
| *Expenses not foreseen in approved budget* |  |  |  | *-* | *644* |  |
| **Total expenses** | **160,543** | **-** | **-** | **160,860** | **149,669** | **11,191** |
| **Result** |  |  |  |  | **11,365** |  |
| *ASHI* |  |  |  |  | *-18,214* |  |
| *Capitalization of fixed assets* |  |  |  |  | *2,021* |  |
| *Recognition of inventories* |  |  |  |  | *128* |  |
| *Depreciation* |  |  |  |  | *-4,656* |  |
| *Exchange rate gains/losses* |  |  |  |  | *-604* |  |
| *Repayment of FIPOI loan not considered as expense* |  |  |  |  | *1,493* |  |
| *Changes in and use of provision for doubtful debts* |  |  |  |  | *-5,939* |  |
| *Sales of assets* |  |  |  |  | *5* |  |
| *Other expenses* |  |  |  |  | *-29* |  |
| **Total IPSAS difference** |  |  |  |  | **-25,794** |  |
| Surplus/ Deficit on Fund 1000 |  |  |  |  | *11,365* |  |
| Increase/ Decrease of the investment fund |  |  |  |  | *-869* |  |
| Perimeter differences |  |  |  |  | *-1,780* |  |
| **Surplus/Deficit as shown in the statement of financial performance** |  |  |  |  | **-17,078** |  |

Financial management of the Union

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and 94)

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Annex Draft resolution

FINANCIAL MANAGEMENT OF THE UNION

The finances of the Union are governed by the relevant provisions of the Constitution and the Convention of the International Telecommunication Union (Geneva, 1992), as amended in Kyoto in 1994, Minneapolis in 1998, Marrakesh in 2002, Antalya in 2006, Guadalajara in 2010 and Busan in 2014, the Financial Regulations and Financial Rules adopted by the Council and the decisions and resolutions adopted by the Council in accordance with such provisions.

# 1 Implementation of the decisions and resolutions of the Plenipotentiary Conferences (Guadalajara, 2010 and Busan, 2014) concerning the finances of the Union (CS/Article 28, Decision 5, Resolutions 38, 45, 91 and 94)

CS/Article 28: Finances of the Union: Procedure for choosing classes of contribution

1.1 Pursuant to Article 28 of the Constitution, Member States, upon invitation by the Secretary-General, shall announce their definitive choice of class of contribution by the date set by the plenipotentiary conference, which shall be a date within the penultimate week of the conference. Member States which have failed to notify the Secretary-General of their decision by the date set by the plenipotentiary conference shall retain the class of contribution previously chosen. The Secretary-General shall inform the Sector Members of the definitive upper limit of the amount of the contributory unit and invite them to notify, within three months from the closing date of the plenipotentiary conference, the class of contribution they have chosen. Sector Members which have failed to notify the Secretary-General of their decision within this three-month period shall retain the class of contribution previously chosen. Details of the evolution of the number of contributory units is given in § 3.8, Regular *budget – Revenue*.

Article 28, No. 165B:

1.2 In 2014, Kyrgyzstan increased its class of contribution from 1/8 to 1/4 unit.

1.3 In 2016, Belgium reduced its class of contribution from 4 to 3 units, Canada reduced from 18 to 13 units, China increased from 12 to 14 units, Croatia reduced from 1/2 to 1/4 unit, Denmark reduced from 2 to 1 ½ unit, Finland reduced from 3 to 2 units, France reduced from 25 to 21 units, Guinee increased from 1/8 to 1/4 unit, Kazakhstan increased from 1/4 to 1/2 unit, Malaysia increased from 1 to 2 units, Mexico increased from 1 to 3 units, Panama reduced from 1/2 to 1/4, Portugal reduced from 2 to 1 1/2 units, Spain reduced from 8 to 6 units, Sweden reduced from 5 to 4 units, Syria reduced from 1/2 to 1/4 unit and Ukraine reduced from 1/2 to 1/4 unit.

1.4 In 2018, the People’s Republic of China increased from 14 to 20 units and Kuwait announced their increase from 3 to 5 units in 2019.

1.5 Further to Resolution 1381, Kazakhstan reduced from 1/2 to 1/4 unit.

Decision 5 (Rev. Busan, 2014): Revenue and Expenses of the Union for the period –2016-2019

1.6 Pursuant to this decision, the Plenipotentiary Conference (Guadalajara, 2010 and Busan 2014) set the upper limit of the amount of the contributory unit of Member States for the years 2016-2019. Details of the limits and the arrangements for implementation of Decision 5 (Rev. Guadalajara, 2010) and (Rev. Busan 2014) are given in § 3.2: *Regular budget – Expenses.*

Resolution 38 (Kyoto, 1994): Contributory shares in Union expenses

1.7 Resolution 38 (Kyoto, 1994) instructs the Council to review, on request, the situation of countries not included in the United Nations list of the least developed countries in order to decide which of them may be considered as being entitled to contribute to defraying Union expenses in the 1/8 or 1/16 unit class.

Resolution 45 (Rev. Minneapolis, 1998): Assistance given by the Government of the Swiss Confederation in connection with the finances of the Union

1.8 By this resolution, the Plenipotentiary Conference expressed its appreciation to the Government of the Swiss Confederation for its generous assistance in financial matters and also expressed the hope that these arrangements might be renewed. The resolution was brought to the notice of the Government of the Swiss Confederation.

Resolution 91 (Rev. Guadalajara, 2010): Cost recovery for some ITU products and services

1.9 The implementation of this resolution is examined by the Secretary‑General from an administrative and accounting standpoint.

**Resolution 94 (Rev. Busan, 2014): Auditing of the accounts of the Union**

1.10 The mandate of the External Auditor will expire soon. By this resolution, the Plenipotentiary Conference (Busan, 2014) expressed its warmest thanks to the Corte dei Conti, Italy for the services rendered for the auditing of the Union's accounts.

1.11 The Secretary-General was instructed to initiate the tendering arrangement for the selection of the External Auditor for the audit of the 2020 accounts.

# 2 Budget of the Union

2.1 The budget of the Union covered a budgetary period of two consecutive calendar years beginning on 1 January of an even-numbered year. Since the implementation of IPSAS in 2010, the budget of the Union has been allocated on an annual basis in order to enable the presentation of budget information in financial statements according to IPSAS 24. The ordinary budget comprises appropriations and expenses for the:

– General Secretariat;

– Radiocommunication Sector;

– Telecommunication Standardization Sector;

– Telecommunication Development Sector.

Regular budget

**Expenses**

2.2 The Plenipotentiary Conferences authorized the Council to draw up the budgets for the General Secretariat and the three Sectors for 2012 to 2015 by Decision 5 (Rev. Guadalajara, 2010) and for 2016 to 2020 by Decision 5 (Rev. Busan, 2014). The Council at its 2013 session adopted the budget for 2014-2015 (Resolution 1359) and authorized the Secretary-General to withdraw CHF 4 million from the Reserve Account for the organization of WRC-15 and RA-15 as decided by Resolution 1343 in 2012. The Council at its 2015 session adopted the budget for 2016-2017 (Resolution 1375) and authorized a withdrawal of CHF 2.451 million from the Reserve Account to provide for the organization of the WTDC-17 which was planned in 2018 in the Financial Plan of the Union.

2.3 The Union’s budget and financial statements are established on different bases. The budget is established on a mixed basis, with a number of specific items that are not dealt with on an accrual basis. Furthermore, the ITU budget deals solely with the Union’s core activity and not with activities financed by voluntary contributions, projects and funds. The Union’s financial statements are drawn up on an accrual basis using a classification based on the nature of the expenses recorded in the statement of financial performance.

2.4 The perimeter differences are due to the extra-budgetary funds, which are not part of the regular budget. In order to reconcile the final result for budgetary control of the net result of the period after IPSAS adjustments, account has to be taken of the differences between the budget presentation and the accrual accounting.

2.5 According to IPSAS 24, presentation of budget information in financial statements, a reconciliation between the budgeted and the IPSAS figures is presented in the Comparison of budgeted and actual amounts in each financial operating report.

2.6 Pursuant to its terms of reference as laid down by the Plenipotentiary Conference, the Council approved the following ordinary biennium budgets for the years 2014-2015 by Resolution 1359 and, 2016-2017 by Resolution 1375:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Year | General Secretariat | Radiocommunication Sector | Telecommunication Standardization Sector | Telecommunication Development Sector | TOTAL |
| *- Thousands of CHF -* | | | | | |
| **2014** | 93,662 | 30,162 | 12,793 | 29,694 | 166,311 |
| **2015** | 91,853 | 31,897 | 12,736 | 28,258 | 164,744 |
| **2016** | 90,305 | 28,898 | 13,394 | 28,163 | 160,760 |
| **2017** | 90,761 | 28,603 | 12,438 | 28,741 | 160,543 |

2.7 The table below compares the expenses approved by the Council with actual expenses on a comparable basis for the 2014, 2015, 2016, and 2017 financial periods.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Period | 2014 | 2015 | 2016 | 2017 | Total 2014-2017 |
|  |  |  | \* | \* |  |
| **Regular budget** | 166,311 | 164,744 | 160,443 | 160,860 | 652,358 |
| **Actual expenses** | 155,405 | 157,175 | 152,477 | 149,669 | 614,726 |
| **Unused appropriations** | 10,906 | 7,569 | 7,966 | 11,191 | 37,632 |
| **%** | 6.6% | 4.6% | 5.0% | 7.0% | 5.8% |

\* Deferred activity ITU-D Regional Preparatory Meetings budget transfer from 2016 to 2017 for CHF 317 thousand.

**Revenue**

2.8 Regular budget revenue was calculated to balance expenses by means of the contributions by Member States, Sector Members, Associates and Academia, Cost Recovery and withdrawals from the Reserve Account. Details of regular budget revenue are given below.

Contributions by Member States

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Year | Number of Member States\* | Number of contributory units\* | Amount of contributory unit | Revenue entered in the budget | Revenue posted to account\*\* |
|  |  |  | Thousands of CHF | Thousands of CHF | Thousands of CHF |
| 2014 | 193 | 354 | 318 | 112,572 | 109,750 |
| 2015 | 193 | 354 | 318 | 112,572 | 109,750 |
| 2016 | 193 | 334 ½ | 318 | 106,371 | 106,292 |
| 2017 | 193 | 334 ½ | 318 | 106,371 | 106,292 |
| \* At the time of establishment of the budget.  \*\* These amounts include invoiced contributions and also unpaid contributions at 31 December. | | | | | | |

Contributions by Sector Members

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Year** | **Radiocommunication Sector\*** | **Telecommunication Standardization Sector\*** | **Telecommunication Development Sector\*** | **Total units\*** | **Amount of contributory unit** | **Revenue entered in the budget** | **Revenue posted to account\*\*** |
|  | Units | Units | Units |  | Thousands of CHF | Thousands of CHF | Thousands of CHF |
| **2014** | 99 1/16 | 114 12/16 | 25 3/16 | 239 | 63.6 | 15,200 | 15,072 |
| **2015** | 99 1/16 | 114 12/16 | 25 3/16 | 239 | 63.6 | 15,200 | 14,872 |
| **2016** | 103 7/16 | 119 13/16 | 26 5/16 | 249 10/16 | 63.6 | 15,875 | 14,710 |
| **2017** | 103 7/16 | 119 13/16 | 26 5/16 | 249 10/16 | 63.6 | 15,875 | 14,210 |
| \* At the time of establishment of the budget.  \*\* These amounts include invoiced contributions and also unpaid contributions at 31 December. | | | | | | | |

Contributions by Associates

2.9 The annual contribution for Associates amounts to CHF 10’600 for Radio communication and Telecommunication Standardization Sectors and CHF 3’975 for Telecommunication Development Sector. The contribution for Associates from Developing countries amounts to CHF 1’987.50.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Year** | **Radiocommunication Sector\*** | **Telecommunication Standardization Sector\*** | **Telecommunication Development Sector\*** | **Total units\*** | **Revenue entered in the budget** | **Revenue posted to account\*\*** |
|  | Units | Units | Units |  | Thousands of CHF | Thousands of CHF |
| **2014** | 24 | 134 | 8 | 166 | 1,705 | 1,608 |
| **2015** | 24 | 134 | 9 | 166 | 1,706 | 1,586 |
| **2016** | 27 | 154 | 9 | 190 | 1,955 | 1,587 |
| **2017** | 27 | 154 | 9 | 190 | 1,955 | 1,577 |
| \* At the time of establishment of the budget.  \*\* These amounts include invoiced contributions and also unpaid contributions at 31 December. | | | | | | |

Contributions by Academia

2.10 As per Resolution 169 (Guadalajara, 2010), Academia, Universities and their related research establishments (designated as Academia) have been admitted as a new member category to participate in the work of the three Sectors. Resolution 169 (Rev. Busan, 2014) allows academia to participate in all three sectors of ITU at one single fee.

|  |  |  |  |
| --- | --- | --- | --- |
| **Year** | **Total units\*** | **Revenue entered in the budget** | **Revenue posted to account\*\*** |
|  |  | Thousands of CHF | Thousands of CHF |
| **2014** | 100 | 200 | 207 |
| **2015** | 100 | 200 | 240 |
| **2016** | 100 | 200 | 302 |
| **2017** | 100 | 200 | 306 |
| \* At the time of establishment of the budget.  \*\* These amounts include invoiced contributions and also unpaid contributions at 31 December. | | | |

2.11 The table below provides a summary of revenue in the regular budget for the years 2014 to 2017 in thousands of CHF.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Year** | **Contributions by Member States** | **Contributions by Sector Members** | **Contributions by Associates** | **Contributions by Academia** | **Contributions - regional conferences** | **Project support cost revenue** | **Publication sales** | **Cost recovery** | **Interest revenue** | **Other revenue** | **Withdrawal from Reserve Account** | **Total** | **Revenue posted to account** |
| **2014** | 112,572 | 15,200 | 1,705 | 200 | 0 | 1,000 | 17,000 | 14,750 | 800 | 300 | 2,784 | 166,311 | 162,083 |
| **2015** | 112,572 | 15,200 | 1,705 | 200 | 0 | 1,000 | 17,000 | 14,750 | 800 | 300 | 1,216 | 164,744 | 158,177 |
| **2016** | 106,371 | 15,875 | 1,955 | 200 | 0 | 1,375 | 18,500 | 14,750 | 300 | 100 | 1,017 | 160,443 | 157,733 |
| **2017** | 106,371 | 15,875 | 1,955 | 200 | 0 | 1,375 | 18,500 | 14,750 | 300 | 100 | 1,434 | 160,860 | 161,034 |

# 3 Assets, liabilities and net assets at 31 December 2017

3.1 In order to assess the financial state of the Union, the Plenipotentiary Conference may wish to take note of the position of the assets and liabilities of the Union at 31 December 2017. The Statements of financial situation for the four financial periods are included in Annexes A, B, C and D. The statements of financial situation are presenting a comprehensive view of ITU activities.

3.2 IPSAS mandatory information related to each Statement of financial situation and statement of financial performance position are included in the financial operating reports presented to Council ([C15/50](https://www.itu.int/md/S1-CL-C-0050/en), [C16/42](https://www.itu.int/md/S16-CL-C-0042/en), [C17/42](https://www.itu.int/md/S17-CL-C-0042/en) and [C18/43](https://www.itu.int/md/S18-CL-C-0043/en)). These Documents focuses on specific significant positions of ITU financial operating reports.

# 4 Reserve Account and net assets

4.1 Unlike other United Nations specialized agencies, ITU does not have a working capital fund to ensure the financing of its activities. In accordance with No. 485 of the Convention and Article 27 of the Financial Regulations and Financial Rules, the Reserve Account is maintained mainly from unused appropriations. Variations in the Reserve Account are detailed in the statement of changes in the net assets of the Union. It is made up of:

a) the positive or negative net balance from the regular budget implementation for each financial year;

b) transfers from other reserves/funds as decided by the Council;

c) any amounts to be credited to the Reserve Account as prescribed by the accounting standards common to the organizations of the United Nations system.

4.2 By its Decision 5 (Rev. Busan, 2014), the Plenipotentiary Conference requested the Council to aim under normal circumstances at keeping the Reserve Account (after integration of unused appropriations) at a level above six per cent of the total budget.

4.3 In accordance with Resolution 1359, adopted by the Council at its 2013 session, the Secretary-General was authorized to adjust the appropriations in relation to the items of expenses in a) and b) below in accordance with the incurred changes through the use of the Reserve Account, and provided that the Reserve Account is kept at the level prescribed in Decision 5 (Rev. Busan, 2014):

a) Increases in salary scales, pension contributions and allowances, including post adjustments, applicable to Geneva, as adopted by the United Nations common system;

b) Fluctuations in the exchange rate between the US dollar and the Swiss franc in so far as this affects the staff costs for those staff members on United Nations scales.

4.4 With this Resolution (1359), the Secretary-General was instructed to withdraw CHF 4,000,000 from the Reserve Account to set up the ASHI Fund in order to take the first step towards addressing the unfunded long-term liabilities.

4.5 In accordance with Resolution 1375, adopted by the Council at its 2015 session, the Secretary-General was authorized to:

adjust the appropriations in relation to the items of expenses in a) and b) below in accordance with the incurred changes through the use of the Reserve Account, and provided that the Reserve Account is kept at the level prescribed in Decision 5 (Rev. Busan, 2014):

a) Increases in salary scales, pension contributions and allowances, including post adjustments, applicable to Geneva, as adopted by the United Nations common system;

b) Fluctuations in the exchange rate between the US dollar and the Swiss franc in so far as this affects the staff costs for those staff members on United Nations scales;

withdraw CHF 2,451,000 from the Reserve Account to provide for the organization of the WTDC-17 (Resolution 77 (Rev. Busan, 2014)), which was planned in 2018 in the Financial Plan of the Union. This amount of CHF 2,451,000 will be paid back to the Reserve Account in the draft Budget for the 2018-2019 biennium.

transfer CHF 1,000,000 from the Reserve Account on 1 January 2016 to the ASHI fund in order to address the unfunded long-term liabilities.

4.6 The tables below summarize the movement of the funds in the Reserve Account for 2014 to 2017:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Reserve Account** | **2014** | **2015** | **2016** | **2017** |
| **(In thousands of CHF).** |
| **Opening balance** | 30,325 | 27,222 | 27,522 | 27,089 |
| **Payments** | 897 | 300 | 567 | 682 |
| **Withdrawals** | (4,000) | - | (1,000) | - |
| **Closing balance** | 27,222 | 27,522 | 27,089 | 27,770 |
| **% of annual budget** | 16.4% | 16.7% | 16.9% | 17.3% |

4.7 The table below shows the details of the Union’s own funds allocated to the organization according to the statement of changes in ITU’s net assets and the Reserve Account at 31 December 2017 after allocation of the surplus of the year:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **In thousands CHF** | **31.12.2014** | **31.12.2015** | **31.12.2016** | **31.12.2017** |
| **Reserve Account (Fund 1000)** | **27,222** | **27,522** | **27,089** | **27,700** |
| **Other allocated reserves** | **28,807** | **31,630** | **36,553** | **45,716** |
| New Building fund | **-** | **-** | **-** | (671) |
| Investment Fund | 7,180 | 7,933 | 8,690 | 10,230 |
| Welfare Fund | 492 | 445 | 413 | 393 |
| Centenary Fund | 308 | 308 | 256 | 212 |
| ASHI fund | 7,000 | 7,000 | 8,500 | 9,500 |
| Health Insurance guaranty fund | 5,877 | 8,012 | 12,193 | 13,808 |
| Staff Superannuation & Benevolent Complement Fund | 6,257 | 6,244 | 6,223 | 6,202 |
| Staff Superannuation & Benevolent Provident Fund | 1,510 | 1,510 | - | - |
| Staff Superannuation & Benevolent Assistance Fund | 183 | 178 | 278 | 278 |
| Saving from previous year | - | - | - | 5,764 |
| **Own funds allocated to the organization according to the statement of changes in net assets** | **56,029** | **59,152** | **63,642** | **73,416** |

4.8 In order to meet the requirements of certain functions or activities, the Union operates a number of special funds, which are described briefly below.

4.9 The ASHI fund was established in 2013 in order to constitute a reserve dedicated to the long-term funding of the ASHI liability. This fund will be credited with revenue from future budgetary surpluses and monitored in order to take into account future variations of ITU obligations due to changes in actuarial assumptions.

4.10 The Health Insurance guaranty fund also established in 2013 will be dedicated to the financing of ITU’s new Health Insurance scheme on a pay-as-you-go basis and will be credited with surpluses of contributions over claims.

4.11 The total net assets of the Union presented in the statement of financial situation includes the positions disclosed above as well as the effects of transition to IPSAS and the extra-budgetary reserves.

Other special funds

**ITU Centenary Prize Fund**

4.12 The Council decided in 1978 to institute an "ITU Centenary Prize Fund" intended to reward an individual or a group of individuals who have contributed to the development of international telecommunications. Centenary prizes were awarded in 1979 and 1983. In 1992, the Council resolved to use the Centenary Prize Fund for the modernization and upgrading of the ITU Central Library. At 31 December 2017, the balance of the fund stood at KCHF 212.

**Staff Welfare Fund**

4.13 The Staff Welfare Fund is administered by the Secretary-General in consultation with the ITU Staff Council. The revenue of the fund is the Union's share of the caterer's profits and the expenses correspond to the sums used for the welfare of the staff. The balance of the fund stood at KCHF 393 at 31 December 2017.

**Capital Budget Fund**

4.14 Revenue in the Capital Budget Fund dedicated to buildings maintenance consists of the annual payments debited to the ordinary budget and annual payments by the caterer. Expenses consist of the costs of maintaining the Union's buildings. The balance of the Capital Budget Fund dedicated to buildings maintenance stood at KCHF 4’559 at 31 December 2017.

4.15 The Capital Budget Fund also serves to finance the purchase and development of the main computer systems and cover the new systems and the replacement and upgrading of existing ones. Budgetary allocations are decided by the Council. The balance of the Capital Budget Fund dedicated to purchase and development of computer systems amounted to KCHF 5’671 at 31 December 2017.

## 5 Exhibition Working Capital Fund and Telecom events

5.1 According to the Financial Regulations of the Union, any surplus revenue or excess expenses resulting from world and regional TELECOM exhibitions and related activities shall be transferred to an Exhibition Working Capital Fund. Resolution 11 (Rev. Busan, 2014) stipulates that a significant part of any surplus derived from TELECOM activities should be used for specific telecommunication development projects, primarily in the least developed countries.

5.2 The Exhibition Working Capital Fund has evolved as follows since 31 December 2013:

|  |  |  |
| --- | --- | --- |
| **Year** |  | **Thousands of CHF** |
|  | **Balance at 31.12 2013** | **10,022** |
| **2014** | Result of TELECOM World 2014 | 785 |
| Result on past events after closing of the accounts | 33 |
| Withdrawal to finance technical cooperation projects according to Doc C14/10 | -1,938 |
|  | **Balance at 31.12 2014** | **8,902** |
| **2015** | Result of TELECOM World 2015 | 256 |
| Result on past events after closing of the accounts | 61 |
|  | **Balance at 31.12 2015** | **9,219** |
| **2016** | Result of TELECOM World 2016 | 927 |
| Result after closing of the accounts | -58 |
|  | **Balance at 31.12 2016** | **10,088** |
| **2017** | Result of TELECOM World 2017 | 23 |
| Result on past events after closing of the accounts | -26 |
| Withdrawal to finance technical cooperation projects according to Doc C17/34 | -1,953 |
|  | **Balance at 31.12.2017** | **8,132** |

**ITU TELECOM events**

5.3 In accordance with Resolution 11 (Rev. Busan, 2014), ITU, in collaboration with its membership, has continued to organize telecommunication exhibitions and forums on a regular basis. From 2014 to 2017, TELECOM organized ITU TELECOM World 2014 (Doha); ITU TELECOM World 2015 (Budapest); ITU TELECOM World 2016 (Bangkok) and ITU TELECOM World 2017 (Busan).

5.4 The accounts of the different TELECOM events and those of the TELECOM Secretariat responsible for organizing these activities are kept in strict accordance with the Financial Regulations of the Union. Services provided by the ITU General Secretariat to TELECOM are subject to partial cost recovery. Like all the Union's accounts, the TELECOM accounts are audited by the External Auditor of the Union. The surplus of revenue over expenses resulting from TELECOM activities has been transferred to the Exhibition Working Capital Fund (see under *Exhibition Working Capital Fund* in § 5). In 2014, in accordance with Document [C14/10](https://www.itu.int/md/S14-CL-C-0010/en), the Council approved the transfer of USD 2 million from the Exhibition Working Capital Fund to the Information and Communication Technology Development Fund (ICTDF) and USD 2 million were transferred in 2017 further to the agreement of the Council in Document [C17/34](https://www.itu.int/md/S17-CL-C-0034/en).

5.5 The ITU Telecom events results are included in table 5.2 above.

# 6 Cash and cash equivalent

6.1 The cash resources of the Union are drawn mainly from the assessed contributions of Member States, Sector Members and Associates. If these contributions, payable in advance by 1 January each year, are not sufficient to cover the Union's cash requirements, the Secretary-General may resort to advances from the Government of the Swiss Confederation under the prevailing arrangements. From 2014 to 2017, no funds had to be sought from this source. The Plenipotentiary Conference may wish to express its gratitude to the Government of the Swiss Confederation, and the hope that the current arrangements will be maintained in the future.

6.2 The satisfactory inflow of contributions has made it possible to invest available funds. As from 1 January 1998, interest revenue is entered as revenue in the budget of the Union (the interest account having been abolished by Council-97 in Resolution 1100).

6.3 Cash is managed separately for ordinary budget and special accounts activities, for telecommunication exhibitions, for technical cooperation projects funded by UNDP, for technical cooperation projects funded by trust funds and for voluntary contributions. Amounts due between these separate funds are settled regularly as far as possible.

6.4 Deposits in convertible currencies with Swiss and foreign banks are converted at the United Nations rate.

6.5 In January 2015, the banks introduced the negative interest on liquidity kept in Swiss francs and Euros. A negative rate from 0.75 per cent up to 1 per cent is applied by our different financial partners. A policy of diversification of the financial institutions was put in place and combined with intensive negotiations. Since, ITU has been able to secure the entire funds without any negative interest.

# 7 Receivables

7.1 Receivables represent as yet uncollected revenue that Member States, Sector Members and Associates have committed to pay to ITU in respect of annual contributions, purchase of publications, satellite network filings or other invoices. Amounts due on contributions bear interest from the beginning of the fourth month of each financial year of the Union at three per cent per annum during the following three months, and at six per cent per annum as from the beginning of the seventh month. Interest is credited to the Reserve for debtors’ accounts in accordance with Article 24 of the Financial Regulations and Financial Rules.

7.2 Non-current, non-exchange receivables represent receivables from the debt repayment schedules applicable to members having undertaken to repay such debts under an agreement spanning several financial periods.

7.3 A 100 per cent provision is constituted for Member States, Sector members, Associates and Academia having arrears of over two years. The provision is including interests on arrears.

7.4 SNF invoices are payable within six months. A 100 per cent provision is constituted for SNF invoices at 31 December of the year following their presentation.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **In thousands of CHF** | **31.12.2014** | **31.12.2015** | **31.12.2016** | **31.12.2017** |
| Current receivables – exchange transactions | 8,417 | 7,028 | 10,100 | 10,229 |
| Provision for losses on current receivables – exchange transactions | -1,056 | -1,046 | -1,067 | -1,296 |
| **Current receivables** – **exchange transactions: net value** | **7,361** | **5,982** | **9,033** | **8,934** |
| Current receivables – non-exchange transactions | 113,821 | 116,015 | 116,814 | 134,253 |
| Provision for losses on current receivables – non-exchange transactions | -34,373 | -35,841 | -40,345 | -46,114 |
| **Current receivables** – **non-exchange transactions: net value** | **79,448** | **80,174** | **76,469** | **88,139** |
| Non-current receivables – exchange transactions | 20 | 0 | 23 | 0 |
| Provision for losses on non-current receivables – exchange transactions | -20 | 0 | -23 | 0 |
| **Non-current receivables** – **exchange transactions: net value** | 0 | 0 | 0 | 0 |
| Non-current receivables – non-exchange transactions | 17,474 | 14,917 | 7,524 | 7,021 |
| Provision for losses on non-current receivables – non-exchange transactions | -17,474 | -14,917 | -7,524 | -7,021 |
| **Non-current receivables** – **non-exchange transactions: net value** | **0** | **0** | **0** | **0** |

7.5 The Member State, Sector Member and Associate contributions invoiced and representing revenue associated with the following financial period according to budget adopted by Council are included in the receivables of the financial period and the related revenues are deferred.

7.6 The table below gives the evolution of deferred revenue:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **In thousands of CHF** | **31.12.2014** | **31.12.2015** | **31.12.2016** | **31.12.2017** |
| Contributions – Member States | 109,750 | 106,371 | 106,292 | 108,518 |
| Contributions – Sector Members | 14,698 | 14,800 | 14,138 | 14,085 |
| Contributions – Associates | 1,562 | 1,616 | 1,585 | 1,660 |
| Contributions – Academia | 225 | 234 | 293 | 328 |
| Publications & miscellaneous | 36 | 28 | 28 | - |
| SNF | 3,217 | 4,520 | 6,686 | 8,498 |
| Contributions - Extra-budgetary |  |  |  | 1,185 |
| **Deferred revenue** | **129,488** | **127,569** | **129,022** | **134,275** |

**Settlement of arrears**

7.7 The evolution of arrears and the slow settlement of arrears and special arrears accounts continue to be of great concern to the Council. In addition to the regular reminders regarding outstanding amounts, each debtor has been requested to submit a repayment schedule and to settle the debt as quickly as possible. Details on arrears, special arrears accounts and cancelled special arrears accounts as well as proposed measures to speed up the settlement of arrears are given in Document PP-18/45 – *Arrears, Special Arrears Accounts, and cancelled Special Arrears Accounts.*

# 8 Fixed Assets

8.1 Property, plant and equipment held by ITU are valued at historical cost less accumulated depreciation and accumulated impairment losses. Land is not taken into account when calculating the intrinsic value of the buildings. The land rights (right of superficies) concerning the land areas made available by the State of Geneva is without cost to the Union.

8.2 In-kind gifts are measured at fair value estimated at the date of receipt of the movable assets. Recognition of revenue associated with in-kind gifts intended for the creation or purchase of a specific asset is spread over a period equal to the depreciation time of the concerned asset as from the date of its bringing into use.

8.3 Goods with a value equal to or higher than CHF 5’000 are capitalized at the time of receipt and subsequently depreciated on a straight-line basis.

8.4 Goods with a cost lower than CHF 5’000 (low-value goods) are capitalized during the month of acquisition and fully recognized as expenses in the statement of financial performance at the monthly closure following acquisition.

8.5 Subsequent costs related to fixed assets are capitalized and depreciated when they bring about an increase in service potential associated with use of the fixed asset and do not concern maintenance or repair costs for the concerned fixed asset, these being recognized in the statement of financial performance.

8.6 Where a fixed asset comprises several significant components having different useful lives, each component is recognized separately. Depreciation is calculated on a straight-line basis according to the estimated useful life of each item, with a final residual period, if applicable. The residual values and useful lives of assets, as well as the depreciation methods, are reviewed, and adjusted if necessary, at each annual closure.

8.7 The net book value of fixed assets as of 31 December 2017 is shown in the table below:

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Categories of asset** | **Buildings** | **Mach. & equip.** | **Furniture & fixtures** | **Computer equipment** | **Vehicles** | **Under constr.** | **Total** |
| **(in thousands of CHF)** |
|  |
| **Net carrying amount at 1 January 2014** | **108,646** | **188** | **537** | **1,890** | **58** | **779** | **112,098** |
| **Net carrying amount at 31 December 2014** | **105,376** | **144** | **370** | **531** | **33** | **995** | **107,449** |
| **Net carrying amount at 31 December 2015** | **103,934** | **87** | **190** | **687** | **10** | **4** | **104,912** |
| **Net carrying amount at 31 December 2016** | **100,556** | **69** | **19** | **706** | **82** | **-** | **101,432** |
| **Net carrying amount at 31 December 2017** | **97,723** | **66** | **56** | **1,091** | **64** | **-** | **99,000** |

8.8 Buildings constitute the most significant position in ITU fixed assets. A detailed table of fixed assets movements is included in each financial operating report.

8.9 At 31 December 2017, the balance still owed to FIPOI stood at CHF 43 million.

8.10 It should also be noted that, as from 1 January 1996, outstanding and new advances bear no interest.

8.11 The table below displays the net book value for each building as well as of 31 December 2017, as well as the residual amount of the related loans to be reimbursed to the FIPOI:

|  |  |  |  |
| --- | --- | --- | --- |
| **Building** | **Net book value** | **Balance of FIPOI loans** | **FIPOI loans final repayment date** |
| **at 31.12.2017** | **at 31.12.2017** |
| **In thousands of CHF** | **In thousands of CHF** |
| **Varembé** |  | 306 | 2020 |
| **Tour et Sous-sols** |  | 9,742 | 2039 |
| **Montbrillant** |  | 30,891 | 2051 |
| **New Cafeteria and Extension C** |  | 1,360 | 2051 |
| **New Building** |  | 720 |  |
| **Total** | 0 | 43,019 |  |

8.12 The Extension C consists in a building linking the Montbrillant and Varembé buildings.

**ITU New Building Project**

8.13 Council 2016, through [Decision 588](https://www.itu.int/md/S16-CL-C-0124/en), decided to replace the Varembé building by a new construction that would also include the offices and facilities of the Tower building, and complement the Montbrillant building which would be retained and refurbished.

8.14 An interest-free loan of up to CHF 150 million to finance this project has been granted by the Swiss Confederation with a maximum budget for total project costs before sale of the Tower of CHF 140 million and an additional contingency fund of CHF 7 million to be used, if necessary, for unforeseen cost overruns.

8.15 The Secretary-General applied to Switzerland for the first tranche of the loan for the first phase of the project: the architectural competition, architectural studies and related expenses for the period up to 31/12/2019. The loan request amounted to CHF 12 million, with the first annual repayment being made only after the successful completion of the construction phase (at the earliest end-2023). The loan was granted by the Swiss Parliament in December 2016 and ITU has signed a contract with FIPOI for the administration of this loan. The funds have been available since the beginning of 2017.

# 9 Employee benefits

9.1 The following employee benefits are recognized:

– Short-term benefits due to be settled within twelve months after the end of the accounting period in which employees render the related service;

– Long-term benefits resulting from the possible deferral of benefits acquired during the prior period or periods;

– Long-term post-employment benefits;

– Other long-term employee benefits.

9.2 Long-term benefits cover:

– Obligations associated with the possibility of accruing unused leave days and having them taken into account when establishing the date of retirement;

– Obligations associated with repatriation;

– Obligations associated with the pension plan of the United Nations Joint Staff Pension Fund;

– Obligations concerning the After-Service Health Insurance (ASHI), as specified under the United Nations ASHI programme;

– Obligations relating to the former pension plan in order to define ITU’s obligations at the date of closure of the period.

9.3 These last two benefits come under the heading of defined-benefit plans and, as is also the case for repatriation obligations, are the subjects of actuarial studies.

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

9.5 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. ITU and the UNJSPF, in line with the other participating organizations in the Fund, are not in a position to identify ITU’s proportionate share of the defined benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence ITU has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 39. ITU’s contributions to the plan during the financial period are recognized as expenses in the statement of financial performance.

9.6 Since May 2014, the ITU implemented a staff health insurance scheme called the ITU Collective Medical Insurance Plan (CMIP). The plan, administered by the ITU, is based on a contract signed with the Companies Cigna/Vanbreda International, Cigna being the insurer and Cigna/Vanbreda being the claims administrator. ASHI obligations are the subject of an actuarial study pursuant to IPSAS 39 in order to identify and recognize the amount of ITU’s future liability in relation to the corresponding benefits. An independent actuarial valuation was contracted by ITU to evaluate the ASHI obligation as of end of December. Recognition of the actuarial gains and losses of this plan follows the Other Comprehensive Income (OCI) method, which calls for recognition of actuarial gains and losses during the period as net assets in the statement of financial position.

9.7 Since the ITU separation from the SHIF in 2014, there is a litigation between ITU and ILO regarding the splitting of the guarantee fund. The arbitration took place in February 2018 and the result of this arbitration was pronounced in June 2018 with a final amount of USD 9’383’844 to be paid to ITU.

9.8 The actuarial assumptions are described in the Notes relating to employee benefits in each financial period reflected in the financial operating report.

9.9 The following table shows the balance of short and long term employee benefits at 31 December 2017.

|  |  |  |  |
| --- | --- | --- | --- |
| **In thousands of CHF** | **Employee benefits – short term** | | |
| **Overtime** | **Accrued leave** | **Total employee benefits  short term** |
|
| Opening balance 1.1.2014 | 39 | 442 | 481 |
| Closing balance 31.12.2014 | 62 | 422 | 484 |
| Closing balance 31.12.2015 | 76 | 405 | 481 |
| Closing balance 31.12.2016 | 60 | 1,034 | 1,094 |
| Closing balance 31.12.2017 | 51 | 175 | 226 |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **In thousands of CHF** | **Employee benefits – long term** | | | | |
| **ASHI** | **Pensions** | **Installation/Repatriation** | **Accrued leave** | **Total employee benefits – long term** |
|
|
|
| Opening balance 1.1.2014 | 314,127 | 90 | 11,804 | 9,075 | 335,096 |
| Closing balance 31.12.2014 | 512,661 | 90 | 12,357 | 9,250 | 534,358 |
| Closing balance 31.12.2015 | 472,801 | 90 | 12,925 | 9,209 | 482,100 |
| Closing balance 31.12.2016 | 551,911 | 54 | 14,667 | 8,491 | 575,123 |
| Closing balance 31.12.2017 | 617,250 | 54 | 12,485 | 8,576 | 638,365 |

9.10 The ASHI related obligation constitutes the most significant liability for ITU. The table below shows the evolution of the obligation and its impact on ITU net assets since the IPSAS implementation.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **In thousands of CHF** | **31.12.2014** | **31.12.2015** | **31.12.2016** | **31.12.2017** |
| **Present value of unfunded obligation recognized as liability in the statement of financial position** | -512,661 | -472,801 | -551,911 | -617,250 |
| **Actuarial losses/gains recognized in net assets** | 187,445 | -55,672 | 65,433 | 47,125 |
| **Cumulated ASHI actuarial gains and losses in net asses** | 312,708 | 257,136 | 322,579 | -125’263 |

9.11 Since 2013, the decrease of discount rate (1.76% in 2013 and 0.90% in 2017) used to calculate ITU’s obligation related to ASHI resulted in significant actuarial losses, impacting negatively the net assets and increasing the ASHI related liability.

# 10 Special accounts

10.1 By decision of the Council, the following special accounts were opened in 1996: "GMPCS Memorandum of Understanding (GMPCS‑MoU)", "Universal international freephone number (UIFN)". Further to Decision 600 of the Council 2017, parties requesting these services of UIFN must deposit upfront a sum of CHF 300 per number in the Union’s accounts. Non ITU-T and non ITU-R members are charged an annual maintenance fee of CHF 100 per number to be paid into the Union’s accounts. As the numbers are used, ITU invoices its services.

# 11 Voluntary contributions

11.1 In accordance with No. 486 of the Convention, the Secretary‑General may accept voluntary contributions in cash or kind provided that the conditions attached to such contributions are consistent with the purposes of the Union and in conformity with the Financial Regulations. The Secretary-General may equally accept trust funds for the execution of specific programmes or projects.

11.2 Voluntary contributions are received from donors for specific regular budget activities such as for example seminars, working groups, study groups, training and fellowships. Voluntary contributions can finance long-term activities. Voluntary contributions do not generate any support costs.

11.3 The table below shows the evolution of voluntary contributions between 2014 and 2017:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Voluntary contributions (in thousands of CHF, USD or EUR)** |  | **Balance at 1 January 2014** | **Balance at**  **31 December 2014** | **Balance at**  **31 December 2015** | **Balance at**  **31 December 2016** | **Balance at**  **31 December 2017** |
| **General Secretariat** | CHF | 634 | 1,696 | 1,173 | 1,478 | 1,063 |
| **Radiocommunication Sector** | CHF | 332 | 1,583 | 1,416 | 1,319 | 1,693 |
| **Telecommunication Standardization Sector** | CHF | 576 | 2,082 | 2,066 | 702 | 1,038 |
| USD | - | - | - | 382 | 5 |
| **Telecommunication Development Sector** | CHF | 696 | 552 | 436 | 480 | 247 |
| USD |  | 381 | 987 | 635 | 666 |
| EUR | - | - | - | - | 4 |
| **GOS** | CHF | 37 | 1 | - | - | - |

# 12 Funds in trust

12.1 Trust funds are used to execute projects financed by earmarked contributions, by the ICT Development Fund (ICTDF) or by governments. In all cases the funds have to be credited to the projects before the expenses are committed. Trust funds are voluntary contributions with specific and restrictive utilization. These contributions generate support costs during the execution and implementation of the projects. Since 2011, the detail of the Funds in trust balances annexed to the financial operating report is disclosed in the currency of management of the project.

12.2 The table below shows the evolution of Funds in Trust, unused appropriations between 2014 and 2017:

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Funds in trust (in thousands of CHF, USD or EUR)** |  |  | **Balance at 1 January 2014** | **Balance at**  **31 December 2014** | **Balance at**  **31 December 2015** | **Balance at**  **31 December 2016** | **Balance at**  **31 December 2017** |
| **ICTDF** |  | USD | 5,223 | 4,407 | 3,452 | 3,145 | 2,848 |
|  | CHF | - | - | - | - | 258 |
| **Development Action Plan** |  | CHF | 397 | 1,113 | 1,122 | 1,144 | 924 |
|  | USD | 113 | 3 | 50 | 144 | 101 |
|  | EUR | - | - | - | - | 1 |
| **Other FIT** |  | CHF | 1,113 | 1,163 | 1,206 | 1,045 | 1,282 |
|  | USD | 20,005 | 19,045 | 18,365 | 14,756 | 13,545 |
|  | EUR | 144 | 102 | 66 | 113 | 1,329 |

# 13 Information and Communication Technology Development Fund (ICTDF)

13.1 The Council approved the establishment of a TELECOM surplus development programme. During the period 2014-2017, the Council in its session of 2014 (C14/10) approved the payment of USD 2 000 000 into the ICTDF and USD 2 000 000 in Council 2017 (C17/34 Rev1) by means of a withdrawal from the Exhibition Working Capital Fund.

13.2 The ICTDF has evolved as follows since 31 December 2013:

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Year |  | | Revenue | |  | Allocations/ Expenses | Balance of fund at 31 December |
|  | Contributions | *Interest* | | Other | |  |  |
|  |  | *CHF in thousand* | |  | |  |  |
| 2013 |  |  | |  | |  | 389 |
| 2014 | 2,000 | *20* | | 15 | | 997 | 1,427 |
| 2015 |  | *13* | | 43 | | 11 | 1,386 |
| 2016 |  | *37* | | 44 | | 83 | 1,296 |
| 2017 | 1,948 | *51* | | 66 | | 139 | 3,222 |

# 14 Other financial management questions

External audit of the Union's accounts

14.1 Under Article 4, No. 74, of the Convention, the Council is instructed to arrange for the audit of the accounts of the Union drawn up by the Secretary-General and to approve them so that they can be submitted to the next plenipotentiary conference for final adoption. Pursuant to Resolution 94 (Rev. Busan, 2014) to consider the rotation of the External Auditor, the Secretary-General was instructed to bring the resolution to the notice of Corte dei Conti, Italy. The Auditors from the Corte dei Conti, Italy were appointed as external auditors of the Union's accounts until the audit of the 2019 Union accounts. The Secretary-General was instructed to initiate the tendering arrangement for the Selection of the External Auditor for the audit of the 2020 Accounts.

14.2 The detailed reports of the external auditor have been examined each year by the Council, which has taken note of the audit certificates issued confirming the correctness of the financial statements.

Cost attribution and cost recovery

14.3 In accordance with Resolution 91 (Rev. Guadalajara, 2010), the Council has established the methodology for cost attribution in order to identify the costs of the various ITU activities and services provided. The Council has also identified possible areas of cost recovery in addition to those where the cost‑recovery principle is already applied, for example universal international freephone number (UIFN). Currently, cost recovery applies to UIPRN/UISCN, GMPCS‑MoU, TELECOM, publications and satellite network filings.

Approval of the accounts of the Union for the years 2014 to 2017

14.4 In accordance with No. 53 of Article 8 of the Constitution, the Plenipotentiary Conference gives final approval to the accounts of the Union.

ANNEX

ADD CL/46/1

Draft New Resolution [CL-1]

Approval of the accounts of the Union for the years 2014 to 2017

The Plenipotentiary Conference of the International Telecommunication Union (Dubai, 2018),

considering

*a)* the provisions of No. 53 of the ITU Constitution;

*b)* the report of the Council to the Plenipotentiary Conference in Document PP-18/46 relating to the financial management of the Union during the years 2014 to 2017, and the report of the Finance Committee of this conference (Document [PP-18/XX]),

resolves

to give its final approval of the accounts of the Union for the years 2014 to 2017.

\_\_\_\_\_\_\_\_\_\_\_\_\_\_