

# Financial Statements of the Commonwealth Fund for Technical Co-operation

Year Ended 30 June 2017



The Commonwealth

The RT Hon  
Patricia Scotland QC  
Secretary-General  
8 December 2017

Nigel Morland  
Chief Operating Officer  
8 December 2017



## **COMMONWEALTH FUND FOR TECHNICAL CO-OPERATION**

### **PRINCIPAL ACTIVITIES AND OPERATING STRUCTURE**

#### **Principal Activities of the Commonwealth Secretariat**

The Commonwealth is a voluntary association of 52 independent countries and equal sovereign states. Its members are bound together by respect for all states and peoples; by shared values and principles; and by concern for the vulnerable.

Commonwealth members are supported by a network of more than 80 intergovernmental, civil society and professional organisations.

The Commonwealth, supports Commonwealth member states to achieve development, democracy and peace. The Commonwealth is a voice for small and vulnerable states and a champion for young people.

The Commonwealth helps to strengthen governance, build inclusive institutions and promote justice and human rights. The Commonwealth's work helps to grow economies and boost trade, empower young people, and address threats such as climate change, debt and inequality.

The Commonwealth provides technical assistance and supports decision-makers to draw up legislation and deliver policies. The Commonwealth deploys experts and observers who offer impartial advice and solutions to national issues. The Commonwealth also provides systems, software and research for managing resources.

At Commonwealth summits, the Commonwealth brings together government leaders whose decisions will have an enduring impact on all citizens.

Priority areas of work are agreed at Commonwealth Heads of Government Meetings (CHOGM), which occur every two years.

Further information regarding The Commonwealth's current four year Strategic Plan from 2017/18 - 2020/21, which was approved in June 2017, can be found on the website [www.thecommonwealth.org](http://www.thecommonwealth.org).

#### **Commonwealth Fund for Technical Co-operation**

The activities of The Commonwealth are funded by Member Governments via three separate multilateral funds:

- Commonwealth Secretariat Fund (COMSEC);
- Commonwealth Fund for Technical Co-operation (CFTC); and
- Commonwealth Youth Programme Fund (CYP).

The Memoranda of Understanding of the three funds require The Commonwealth to operate and prepare separate audited financial statements for each of the funds.

Accordingly, these are the financial statements of the **Commonwealth Fund for Technical Co-operation** for the year ended 30 June 2017.

#### **Governance and Structure**

The Commonwealth is headed by a Secretary-General, The RT Hon Patricia Scotland QC, who is appointed by the Heads of Government of the Commonwealth Member States.

The Secretary-General reports to the Heads of Government through individual meetings and also collectively at the biennial CHOGM. The Secretary-General is also held accountable through the Commonwealth's Board of Governors which meets regularly in London on behalf of all member governments at a senior diplomatic level. The Board of Governors also approves the Commonwealth Secretariat's strategic plan and supporting delivery plan and budget.

The Secretary-General is assisted by a senior management team in managing the activities of the organisation.

**COMMONWEALTH FUND FOR TECHNICAL CO-OPERATION**  
**PRINCIPAL ACTIVITIES AND OPERATING STRUCTURE**

The Commonwealth Secretariat's structure is split into three directorates:

- Governance and Peace;
- Trade, Oceans and Natural Resources; and
- Economic, Youth and Sustainable Development.

The organisation has its headquarters in Marlborough House, Pall Mall, London SW1Y 5HX, United Kingdom.

**COMMONWEALTH FUND FOR TECHNICAL CO-OPERATION**  
**INDEPENDENT AUDITOR'S REPORT TO BOARD OF GOVERNORS**

**Report on the audit of the financial statements**

**Opinion**

In our opinion the financial statements:

- give a true and fair view of the state of the affairs of the Fund as at 30 June 2017 and of its financial performance and its cash flows for the year then ended; and
- have been properly prepared in accordance with International Public Sector Accounting Standards and the Financial Regulations as authorised by the Commonwealth Heads of Government.

We have audited the financial statements of Commonwealth Fund for Technical Co-operation (the 'Fund') which comprise:

- the statement of financial position;
- the statement of financial performance;
- the statement of changes in net assets;
- the cash flow statement; and
- the related notes 1 to 19.

The financial reporting framework that has been applied in their preparation is International Public Sector Accounting Standards and the Financial Regulations as authorised by the Commonwealth Heads of Government.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Responsibilities of Secretary-General**

The Secretary-General of the Commonwealth Secretariat is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards and the Financial Regulations as authorised by the Commonwealth Heads of Government, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

**Auditor's responsibilities for the audit of the financial statements**

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**COMMONWEALTH FUND FOR TECHNICAL CO-OPERATION**  
**INDEPENDENT AUDITOR'S REPORT TO BOARD OF GOVERNORS**

**Use of our report**

This report is made solely to the Board of Governors in accordance with the engagement letter dated 18 October 2017 and the Financial Regulations of the funds. Our audit work has been undertaken so that we might state to the Board of Governors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of Governors, for our audit work, for this report, or for the opinions we have formed.



Craig Wisdom ACA (Senior statutory auditor)

For and on behalf of Deloitte LLP  
Statutory Auditor

St Albans, United Kingdom

26 DECEMBER 2017

**COMMONWEALTH FUND FOR TECHNICAL CO-OPERATION**  
**STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017**

		30 June 2017	30 June 2016
<b>ASSETS</b>	<b>Notes</b>	<b>£</b>	<b>£</b>
<b>Current Assets</b>			
Cash and Cash Equivalents	2	18,366,357	17,948,912
Prepayments		277,707	276,939
Members' Contributions Receivable from Non-exchange Transactions - net	7 (a)	888,494	1,752,195
Other Receivables from Exchange Transactions	3	2,889,128	1,343,165
		<u>22,421,686</u>	<u>21,321,211</u>
<b>Non-current Assets</b>			
Members' Contributions Receivable from Non-exchange Transactions	7 (a)	7,088	26,788
<b>TOTAL ASSETS</b>		<u>22,428,774</u>	<u>21,347,999</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Provisions	6	534,334	673,722
Deferred Income from Non-exchange Transactions	5	1,926,965	2,159,503
Members' Contributions Prepaid from Non-exchange Transactions	7 (b) (i)&(ii)	644,649	335,963
Payables and Other Current Liabilities from Exchange Transactions	4	3,061,442	1,550,704
		<u>6,167,390</u>	<u>4,719,892</u>
<b>Non-current Liabilities</b>			
Provisions	6	359,905	620,986
		<u>359,905</u>	<u>620,986</u>
<b>TOTAL LIABILITIES</b>		<u>6,527,295</u>	<u>5,340,878</u>
<b>NET ASSETS</b>		<u>15,901,479</u>	<u>16,007,121</u>
<b>FUND BALANCES AND RESERVES</b>			
General Reserve		5,793,597	4,591,540
Working Capital Reserve		6,029,309	6,029,309
Designated Reserve		4,078,573	5,386,272
<b>TOTAL FUND BALANCES AND RESERVES</b>		<u>15,901,479</u>	<u>16,007,121</u>

**COMMONWEALTH FUND FOR TECHNICAL CO-OPERATION**

**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017**

		2016-17	2015-16
	Notes	£	£
<b>REVENUE FROM NON-EXCHANGE TRANSACTIONS</b>			
Members' Contributions - Pledges	7(a)	17,114,131	17,790,772
Special Projects	8(b)	1,723,847	1,746,548
<b>SUB-TOTAL REVENUE FROM NON-EXCHANGE TRANSACTIONS</b>		<u>18,837,978</u>	<u>19,537,320</u>
<b>REVENUE FROM EXCHANGE TRANSACTIONS</b>			
Cost Share Contributions	3(a)(i)	54,235	61,736
Interest Revenues	9	62,814	154,139
Other Income		127,149	16,510
Currency Gain		177,159	638,773
<b>SUB-TOTAL REVENUE FROM EXCHANGE TRANSACTIONS</b>		<u>421,357</u>	<u>871,158</u>
<b>TOTAL REVENUE</b>		<u>19,259,335</u>	<u>20,408,478</u>
<b>EXPENSES</b>			
Staff Costs	10	9,061,470	12,178,676
Other Costs	12	8,437,917	9,764,286
Common Service Charge		1,865,590	3,257,693
<b>TOTAL EXPENSES</b>		<u>19,364,977</u>	<u>25,200,655</u>
<b>DEFICIT FOR THE YEAR</b>		<u>(105,642)</u>	<u>(4,792,177)</u>



**COMMONWEALTH FUND FOR TECHNICAL CO-OPERATION**  
**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2017**

	Notes	General Reserve £	Working Capital Reserve £	Designated Reserve £	Total £
Balance as at 1 July 2015		7,163,326	6,000,750	7,635,222	20,799,298
Deficit		(4,792,177)	-	-	(4,792,177)
Transfer from General Reserve to Working Capital	1.12	(28,559)	28,559	-	-
Transfer from Designated Reserve to General Reserve	1.12	2,248,950	-	(2,248,950)	-
Balance as at 30 June 2016		4,591,540	6,029,309	5,386,272	16,007,121
Deficit		(105,642)	-	-	(105,642)
Transfer from Designated Reserve to General Reserve	1.12	1,307,699	-	(1,307,699)	-
Balance as at 30 June 2017		5,793,597	6,029,309	4,078,573	15,901,479

**COMMONWEALTH FUND FOR TECHNICAL CO-OPERATION**  
**CASH FLOW STATEMENT FOR YEAR ENDED 30 JUNE 2017**

	2016-17	2015-16
	£	£
<b>Cash Flow from Operating Activities</b>		
Deficit	(105,642)	(4,792,177)
<b>Adjustments for:</b>		
Increase/(Decrease) in Payables and other current liabilities	1,510,738	(1,594,932)
Increase in Contributions Prepaid	308,686	335,657
(Decrease)/Increase in Deferred Income	(232,538)	1,503,779
(Decrease)/Increase in Provisions	(400,469)	149,539
Decrease in Contributions Receivable	883,401	235,223
Increase in Other Receivables	(1,545,963)	(278,061)
(Increase)/Decrease in Prepayments	(768)	86,030
<b>Net Cash Flow from/(used in) Operating Activities</b>	<u>417,445</u>	<u>(4,354,942)</u>
Cash and Cash Equivalents at the Beginning of the Period	<u>17,948,912</u>	<u>22,303,854</u>
<b>Cash and Cash Equivalents at the End of the Period</b>	<u><b>18,366,357</b></u>	<u><b>17,948,912</b></u>

## COMMONWEALTH FUND FOR TECHNICAL CO-OPERATION

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

#### 1. Accounting Policies

##### 1.1 Statement of Compliance

The financial statements of the Commonwealth Fund for Technical Co-operation (CFTC) have been prepared on an accruals basis in accordance with the International Public Sector Accounting Standards (IPSAS).

In accordance with IPSAS 1, budgets and related budget reconciliation analysis have not been provided as they are not publicly available.

##### 1.2 New Accounting Standards

The Commonwealth has not opted for early adoption of the following International Public Sector Accounting Standards:

- IPSAS 34 Separate Financial Statements (effective date 1 January 2017);
- IPSAS 35 Consolidated Financial Statements (effective date 1 January 2017);
- IPSAS 36 Investments in Associates and Joint Ventures (effective date 1 January 2017);
- IPSAS 37 Joint Arrangements (effective date 1 January 2017); and
- IPSAS 38 Disclosure of Interests in Other Entities (effective date 1 January 2017).

The Commonwealth is of the opinion that the introduction of these statements will not have any impact on the financial statements.

##### 1.3 Basis for Non-Consolidation of Financial Statements

As mentioned previously in the Principal Activities and Operating Structure, the activities of The Commonwealth are funded by Member Governments via three separate multilateral funds:

- Commonwealth Secretariat Fund (COMSEC);
- Commonwealth Fund for Technical Co-operation (CFTC); and
- Commonwealth Youth Programme Fund (CYP).

The Memoranda of Understanding of the three funds require The Commonwealth to operate and prepare separate audited financial statements for each of the funds. Each fund is controlled by its member governments and these member governments will vary from fund to fund.

The Commonwealth has reviewed IPSAS 6 Consolidated and Separate Financial Statements and considers that the consolidation requirement is not applicable in this situation.

##### 1.4 Accounting Convention

The financial statements have been prepared using the historical cost convention.

##### 1.5 Going Concern Assumption

The financial statements have been prepared on the going-concern basis. Management has a reasonable expectation that The Commonwealth will continue in operational existence for the foreseeable future. In June 2017 the Board of Governors on behalf of the member states approved The Commonwealth's new strategic plan from 2017-18 to 2020-21 along with the supporting 2017-18 delivery plan and budget. There is a commitment from the Board of Governors to fund this budget effective July 2017.

A new Commonwealth organisational structure was implemented on 1 July 2017 resulting in the structural reconfiguration of the old structure and way of working. The new structure is to create a more streamlined and efficient organisation.

##### 1.6 Functional and Presentational Currency

The financial statements have been presented in GB Pounds Sterling which is The Commonwealth's functional currency. All financial information presented in GB Pounds Sterling has been rounded to the nearest £1.

## COMMONWEALTH FUND FOR TECHNICAL CO-OPERATION

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

#### 1.7 Financial Instruments

Financial instruments are recognised when CFTC becomes a party to the contractual provisions of the instrument until such time as when the rights to receive cash flows from those assets have expired or have been transferred and CFTC has transferred substantially all the risks and rewards of ownership.

Financial assets that are held for trading are measured at fair value and any gains or losses arising from changes in the fair value are accounted for through surplus or deficit and included within the Statement of Financial Performance in the period in which they arise.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in active markets. Loans and receivables comprise contributions receivable in cash, other receivables and cash and cash equivalents. Loans and receivables are stated at amortised cost.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that CFTC has both the intention and the ability to hold to maturity. As at 30 June 2017, no held-to-maturity financial assets were held by CFTC.

All non-derivative financial liabilities are recognised initially at fair value, and subsequently measured at amortised cost using the effective interest method.

#### 1.8 Cash and Cash Equivalents

Cash and cash equivalents consist of bank balances that can easily be converted into cash without loss of value. Cash deposits are held in instant access interest-bearing bank accounts. Cash deposits denominated in foreign currencies have been translated to GB Pound Sterling at exchange rates prevailing at the reporting date. Realised gains and losses are recognised in the Statement of Financial Performance for the year.

Cash and cash equivalents are held in interest bearing accounts on the money market or as fixed short term deposits. All deposits are due to mature within three months and, as such, are all classified as cash and cash equivalents under current assets.

Cash and cash equivalents held for use for specific purposes are considered as restricted.

#### 1.9 Impairment

Each year, a review of all assets is carried out for indications of impairment. If such indications exist, management will estimate the recoverable service amount and any loss is charged against the Statement of Financial Performance.

#### 1.10 Payables and Accruals

Payables and accruals include liabilities in respect of goods and services which have been received and are either invoiced but unpaid or not invoiced at the year end. Accruals for purposes of disclosure in the financial statements are aggregated with trade payables.

#### 1.11 Deferred Income

CFTC receives additional contributions and grants from member governments, non-Commonwealth countries and other organisations. These are awarded subject to specific performance conditions. The revenue for these contributions and grants is recognised when the conditions are met and is reported in the Statement of Financial Performance as Special Project Income under revenue from non-exchange transactions. The unutilised balance is reported as Deferred Income from non-exchange transactions in the Statement of Financial Position.

#### 1.12 Provisions and Contingent Liabilities

Provisions are made for future liabilities and charges where CFTC has a present legal or constructive obligation as a result of a past event and a reliable estimate can be made.

Other obligations, which do not meet the recognition criteria for liabilities, are disclosed in the notes to the financial statements as contingent liabilities when their existence could only be confirmed by the occurrence or non-occurrence of uncertain future events.

## COMMONWEALTH FUND FOR TECHNICAL CO-OPERATION

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

#### 1.13 Reserves

CFTC's reserves consist of the following balances:

- General Reserve, is carried forward after accounting for pledges, other sources of income and expenses for all programme related and administrative categories;
- Working Capital Fund, serves to protect the Fund against temporary shortages of cash, arising from the need to sustain expenditure in the event of irregular settlement of pledge receivables by member states. Investments are held separately to represent the Working Capital Reserve. In accordance with Section V of the revised Financial Regulations, the reserve will be subject to a maximum of 25% of approved planned expenditure for that year; and
- Designated Fund Reserve is set aside for specific purposes within the overall reserves as agreed with the Board of Governors as part of the budget paper.

Transfers to and from the General Reserve are analysed in the Statement of Changes in Net Assets on Page 6.

#### 1.14 Revenue

##### (a) Revenue from Non-exchange Transactions

Non-exchange transactions are transactions in which CFTC receives contributions with no or nominal consideration provided directly in return.

##### (i) Contributions - Pledges

CFTC is funded by voluntary contributions from member countries which are referred to as pledges. Pledges are recognised as revenue in the period to which the contribution relates. In the event of a pledge being made in respect of a previous financial year, it is recognised as revenue for the current year and described as a retroactive pledge.

All governments are expected to pay all their dues in full. However, provision is made for anticipated delay in settlement of arrears.

##### (ii) Special Projects

CFTC receives additional contributions and grants from member governments, non-Commonwealth countries and other organisations for special projects (see note 8 for details of individual special projects). These monies are awarded subject to specific performance conditions.

Where a transfer is subject to conditions that, if unfulfilled, require the return of the transferred resources, deferred income is reported as a non-exchange liability on the Statement of Financial Position. The revenue for these projects is recognized when these conditions are met.

##### (b) Revenue from Exchange Transactions

Exchange transactions are transactions in which CFTC provides a service and receives fair value consideration in return.

##### (i) Cost Share Contributions

The Capacity Building Programme organises bilateral projects which are carried out with the host country contributing a share of the costs. Invoices are raised in advance of the activity and the proportion which relates to the current financial year is recognised as cost share contributions. The proportion which relates to a subsequent financial year is deferred accordingly.

##### (ii) Interest Receivable and Other Income

Other income consists of:

- interest received from interest-bearing accounts;
- miscellaneous contributions from countries towards the integrated programme of assistance on debt management offered by the Special Advisory Services Section of CFTC; and
- sundry receipts, insurance payments and refunds.

Such income is recognised in the period in which the transaction occurred, not when the income is received.

## COMMONWEALTH FUND FOR TECHNICAL CO-OPERATION

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

#### 1.15 Expenses

##### (a) Staff Costs

##### (i) Unused Annual Leave

Staffs are permitted to accumulate unused annual leave for use in future periods. The value of unused annual leave at the year-end has been estimated using salary pay points and number of leave days outstanding, and is included in staff costs in the Statement of Financial Performance. The obligation is recognised as an accrual in the Statement of Financial Position.

##### (ii) Tax

The Commonwealth operates an Internal Tax System under an agreement with the UK Government. Tax deducted from emoluments of staff is retained by the organisation.

##### (iii) Staff Gratuity Fund

The Commonwealth contributes 15% of gross salary on a monthly basis for permanent members of staff who opt in to the Staff Gratuity Fund instead of the Staff Defined Contribution Pension Scheme. Contributions to the fund are recognised as staff costs in the Statement of Financial Performance. Payments of accumulated gratuity plus interest are made to staff at the end of their contract or on leaving The Commonwealth. The contributions are paid into the fund's bank account and managed separately in readily convertible investments. Cash deposits and fixed term deposits relating to the staff gratuity fund are not available for general use by The Commonwealth. The relating asset and liability are reported in the Statement of Financial Position of the Commonwealth Secretariat Fund (COMSEC) because it is not possible to readily separate the proportion relating to CFTC employees. The liability is classified as current or non-current dependent on the expiry dates of the employees' contracts.

##### (iv) Relocation Expenses

The Commonwealth pays relocation expenses for overseas recruited staff and experts at the beginning and end of their contracts. A provision for future costs is included within staff costs in the financial statements.

##### (v) Home Leave

The Commonwealth pays for home leave passages for overseas recruited staff after serving 20 months of their contracts. A provision for future home leave passages is included within staff costs in the financial statements.

##### (vi) Pensions

The Commonwealth operates two defined benefit pension schemes, one for former Secretaries-General and one for permanent staff, with a supplementary arrangement as described below.

##### Former Secretaries-General Pension Scheme

The pension scheme for former Secretaries-General is unfunded. Costs relating to the financial year are recognised in the Statement of Financial Performance of COMSEC.

An actuarial valuation of The Commonwealth's obligation as at the year-end is obtained with the liability recognised in the Statement of Financial Position of COMSEC. The present value of the defined benefit obligations due to the former Secretaries General is determined by discounting the estimated future cash outflows using agreed assumptions. There are no directly attributable investments or assets to support the obligations of this scheme. Unrealised actuarial gains and losses are recognised in the Statement of Changes in Net Assets in COMSEC.

All transactions and valuations are recorded within the COMSEC financial statements for administrative efficiency.

##### Staff Defined Benefit Pension Scheme

CFTC participates in the defined benefit scheme, Commonwealth Secretariat Pension and Life Assurance Scheme (1979), operated by The Commonwealth where the benefits are based on final pensionable pay. The scheme is managed by a board of trustees nominated by The Commonwealth as employer and scheme members in line with UK pension regulations.

The Scheme is subject to UK pension regulations. It undertakes valuations every three years and prepares financial statements to 31 March. The financial statements of the scheme are audited by Assure UK. The scheme's actuary is

## COMMONWEALTH FUND FOR TECHNICAL CO-OPERATION

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

#### 1.15 Expenses (a) Staff Costs (vi) Pensions (Continued)

Neal Thompson, Partner, First Actuarial LLP. The audited financial statements and details of advisors are available on request from the Payroll and Pensions Team, Finance and Management Information Section, Marlborough House, London SW1Y 5HX.

The Scheme which was accessible to staff of COMSEC, CFTC, CYP and Commonwealth Science Council Funds was closed to new members with effect from 1 January 2002. It is not possible to separate the scheme liabilities relating to staff under the different funds. The entire liability is therefore recognised in the Statement of Financial Position in COMSEC. The liability or asset recognised in respect of the scheme is the fair value of the plan assets less the present value of the defined obligation at the reporting date.

The current service cost, interest on scheme liabilities and expected return on the scheme assets are recognised in the Statement of Financial Performance of COMSEC.

Actuarial gains and losses are recognised in full in the period in which they occur in the Statement of Changes in Net Assets of COMSEC.

There is no contractual agreement or stated policy for charging the net defined benefit cost from COMSEC to CFTC. CFTC therefore recognises in its Statement of Financial Performance a cost equal to the contribution payable for the period.

Further details of the defined benefit scheme are disclosed on pages 24 to 26 of the 2016-17 financial statements of the Commonwealth Secretariat Fund.

#### Supplementary Pension

To supplement The Commonwealth Secretariat Pension & Life Assurance Scheme (1979), The Commonwealth may also award an additional increase on a discretionary basis. A review is carried out annually to compare the pension benefits to UK Public Sector pension increases, and consider whether to award an additional increase on a discretionary basis to bring them into line. This arrangement is paid as supplementary to the pension payment.

An actuarial valuation of The Commonwealth's obligation as at the year-end is obtained with the entire liability recognised in the Statement of Financial Position of COMSEC as it is not possible to separate the scheme liabilities under the different funds. The present value of the supplementary pension obligations is determined by discounting the estimated future cash outflows using agreed assumptions. There are no directly attributable investments or assets to support the obligations of this scheme. Unrealised gains and losses are recognised in the Statement of Changes in Net Assets in COMSEC.

#### (b) Office rental costs

The headquarters of The Commonwealth is located in London and its operations are sited in two separate office buildings: Marlborough House and Commonwealth House. Marlborough House is provided free of rent by the UK Government. Under IPSAS 23 Revenue from Non-Exchange Transactions the value of this service in-kind is recognised as both income and expense in the Statement of Financial Performance of the COMSEC Fund. The service-in-kind has been estimated using the rental value of Commonwealth House in proportion to the office area in Marlborough House.

Accommodation costs in CFTC are an apportionment of costs incurred by COMSEC in respect of rental of Commonwealth House, maintenance and utility bills relating to the two official buildings.

#### (c) Common Service Charge

CFTC is charged a levy referred to as the Common Service Charge by COMSEC. The charge recovers some of the costs incurred by COMSEC in operating the internal business support functions which includes Corporate Services, Human Resources, Strategic Planning & Evaluation and to a lesser extent Communications and Office of the Secretary-General.

# COMMONWEALTH FUND FOR TECHNICAL CO-OPERATION

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### 1.15 Expenses (C) Common Service Charge (Continued)

The present method of apportioning these costs is based on the proportion of the staff members' time devoted to supporting activities in a particular area of work. The costs are apportioned on the basis of an agreed formula which includes staff costs, office accommodation and other administrative costs related to the common service divisions.

#### (d) Direct Projects

Direct Project Costs are expenses related to programmatic activities. Where these expenses occur against a contract issued to a service provider, the related cost is recognised in the Statement of Financial Performance when specific conditions in the individual contracts are fulfilled.

#### (e) Foreign Currency Transactions

Transactions in foreign currencies are translated to GB Pounds Sterling at the rate of exchange on the date of the transactions. Gains and losses resulting from the settlement of foreign currency transactions are recognised in the Statement of Financial Performance.

### 1.16 Use of Estimates and Judgements

Preparing financial statements in accordance with IPSAS requires The Commonwealth to make estimates, judgements and assumptions in the selection and application of accounting policies and in the reported amounts of assets, liabilities, revenues and expenses. For this reason, actual results may differ from those estimates. Accounting estimates and underlying assumptions are reviewed on an on-going basis and revisions to estimates are recognised in the year in which the estimates are revised and in any future year affected. Significant estimates and assumptions that may result in material adjustments in future years include: bad debt provision. Further details are given where applicable in the individual notes to the assets and liabilities.

### 2. Cash and Cash Equivalents

The UK restricted balance relates to special projects funds, which are held for use only for these specific purposes.

	Unrestricted		Restricted		Total	
	2017	2016	2017	2016	2017	2016
	£	£	£	£	£	£
UK Bank Accounts	12,976,477	12,691,591	1,907,064	2,144,186	14,883,541	14,835,777
Foreign Bank Accounts	3,482,816	3,113,135	-	-	3,482,816	3,113,135
<b>Total Cash and Cash Equivalents</b>	<b>16,459,293</b>	<b>15,804,726</b>	<b>1,907,064</b>	<b>2,144,186</b>	<b>18,366,357</b>	<b>17,948,912</b>

### 3. Receivables from Exchange Transactions

	Note	2017	2016
		£	£
Staff Advances		-	4,324
Cost Share Debtors	(a)	36,557	60,019
Sundry Debtors		77,392	108,789
CYP		21,169	-
Commonwealth Secretariat		2,572,403	977,596
Small States Office – Geneva		218,164	228,994
Provision for Doubtful Debts		(36,557)	(36,557)
<b>Total Receivables</b>		<b>2,889,128</b>	<b>1,343,165</b>



**COMMONWEALTH FUND FOR TECHNICAL CO-OPERATION**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**3. Receivables from Exchange Transactions (Continued)**

Ageing of receivables from exchange transactions:

	2017	2016
	£	£
Current	2,889,128	1,319,703
< 12 months	-	23,462
<b>Total Receivables</b>	<b>2,889,128</b>	<b>1,343,165</b>

(a) Cost share debtors represent the amounts due to CFTC in respect of bilateral projects carried out with the host country contributing a share of the costs.

	Provision as at 30 June 2016	Increase in provision	Provision as at 30 June 2017
	£	£	£
<b>Provision for Doubtful Debts</b>	<b>36,557</b>	<b>-</b>	<b>36,557</b>

The provision for doubtful debts relates to cost share contributions from prior periods which are proving difficult to collect.

Below is a summary of the year's cost share transactions:

**3. (a) (i) Cost Share Debtors 2016-17**

Country / Organisation	Balance Receivable 1 July 2016	Contributions Invoiced in 2016-17	Receipts 2016-17	Balance Receivable 30 June 2017
	£	£	£	£
Belize	22,000	36,115	(58,115)	-
Cook Islands	1,462	-	(1,462)	-
<b>TOTAL</b>	<b>23,462</b>	<b>36,115</b>	<b>(59,577)</b>	<b>-</b>

The revenue accounted for in the Statement of Financial Performance is £54,235 (2015-16: £61,736). This represents contributions invoiced in the year adjusted for movement on the deferred income balances (see note 5).

**3. (a) (ii) Cost Share Debtors 2015-16**

Country / Organisation	Balance Receivable 1 July 2015	Provision	Contributions Invoiced in 2015-16	Receipts 2015-16	Balance Receivable 30 June 2016
	£	£	£	£	£
Belize	-	-	22,000	-	22,000
Cook Islands	37,500	-	-	(36,038)	1,462
Grenada	36,557	(36,557)	-	-	-
<b>TOTAL</b>	<b>74,057</b>	<b>(36,557)</b>	<b>22,000</b>	<b>(36,038)</b>	<b>23,462</b>

**COMMONWEALTH FUND FOR TECHNICAL CO-OPERATION**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**4. Payables and Other Liabilities from Exchange Transactions**

Amounts falling due within one year

	2017	2016
	£	£
Trade Payables & Accruals	3,038,993	1,539,158
Staff Expenses	22,449	11,546
<b>Total Payables and Current Liabilities</b>	<b>3,061,442</b>	<b>1,550,704</b>

**5. Deferred Income from Non-exchange Transactions**

Revenue which should be recognised in a future period has been deferred for cost share and special projects. A summary of the balances carried forward at the year-end are as follows:

	Notes	2017	2016
		£	£
Cost Share Projects	1.14(b)	19,901	15,317
Special Projects	1.14(a)	1,907,064	2,144,186
<b>Total Deferred Income</b>		<b>1,926,965</b>	<b>2,159,503</b>

**6. Provisions**

The provisions classified as such in the Statement of Financial Position are as follows:

	At 30 June 2017		At 30 June 2016	
	Due within one year	Due after one year	Due within one year	Due after one year
	£	£	£	£
Relocation Expenses	300,042	358,534	472,625	610,980
Home Leave Expenses	29,550	1,371	33,881	10,006
Grant Agreement Expense Claim	167,216	-	167,216	-
Provision for Redundancy	37,526	-	-	-
<b>Total Provisions</b>	<b>534,334</b>	<b>359,905</b>	<b>673,722</b>	<b>620,986</b>

Movements in all provisions during the year are as follows:

Provision for Liabilities and Charges	Notes	As at 30 June 2016	(Decrease) in Provision	Amount used	As at 30 June 2017
		£	£	£	£
Relocation Expenses	(a)	1,083,604	(274,114)	(150,914)	658,576
Home Leave Expenses	(b)	43,888	(8,466)	(4,501)	30,921
Grant Agreement Expense Claim	(c)	167,216	-	-	167,216
Provision for Redundancy	(d)	-	37,526	-	37,526
<b>Total Provisions for Liabilities and Charges</b>		<b>1,294,708</b>	<b>(245,054)</b>	<b>(155,415)</b>	<b>894,239</b>

# COMMONWEALTH FUND FOR TECHNICAL CO-OPERATION

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### 6. Provisions (Continued)

(a) CFTC incurs relocation expenses for overseas recruited staff and experts at the beginning and end of their contracts. The costs of relocation are variable because they depend on the timing of the relocation, which can be at any stage within the maximum contract period of nine years (depending on renewal of three year contracts), the location from which the staff member is relocated, the size and circumstances of the family, and the complexity of the individual's affairs at the time.

The level of the provision is based on an annual review of future costs and the movement in the provision for the year has been included in the Statement of Financial Performance under staff costs.

(b) The provision relates to home leave passages for overseas recruited staff. Overseas recruited staff and their dependents are provided with one home leave passage per contract. The level of provision is based on an annual review of future costs and the movement in the provision for the year has been included in the Statement of Financial Performance under staff costs.

(c) The 2016-17 provision relates to a potential repayment claim for disallowed costs on a grant agreement.

(d) During the financial year 2016-17 the Commonwealth implemented a new organisational structure which came into effect on 1 July 2017. The Commonwealth has provided for compulsory redundancy costs in the Statement of Financial Performance in 2016-17 in relation to the organisational restructure costs that will occur in the 2017-18 financial period.

### 7. (a) Members' Contribution - Pledges from Non-exchange Transactions 2016-17

Revenue from pledges in the Statement of Financial Performance is calculated as follows:

	2016-17	2015-16
	£	£
Amounts Pledged for Current Year	16,772,338	16,992,125
Retroactive Pledges	341,793	798,647
<b>Total Members' Pledges</b>	<b>17,114,131</b>	<b>17,790,772</b>

Member contribution - pledges receivable from non-exchange transactions in the Statement of Financial Position are calculated as follows:

	2017	2016
	£	£
Current	1,501,654	1,858,547
Provision for doubtful accounts	(613,160)	(106,352)
<b>Total net current contribution receivable</b>	<b>888,494</b>	<b>1,752,195</b>
Non-Current	7,088	26,788
<b>Total net contribution pledges receivable</b>	<b>895,582</b>	<b>1,778,983</b>

In order to manage and reduce long outstanding arrears, affected governments are invited to discuss and agree suitable payment plans. As at year end, one government had agreed a payment plan for arrears amounting to £8,100 (2015-16: £36,931)

Ageing of member contribution pledges receivables from non-exchange transactions:

	2017	2016
	£	£
Less than one year	576,669	1,394,520
Between one and two years	318,913	384,463
<b>Total Receivables</b>	<b>895,582</b>	<b>1,778,983</b>

**COMMONWEALTH FUND FOR TECHNICAL CO-OPERATION**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**7. (a) Members' Contribution Pledges from Non-exchange Transactions 2016-17 (Continued)**

The provision for doubtful accounts is for the outstanding contributions receivable where there has been a delay in settlement of arrears. The change in the provision for doubtful accounts during 2016-17 is as follows:

	Provision as at 1 July 2016	Increase in provision	(Decrease) in provision	Provision as at 30 June 2017
	£	£	£	£
Provision for doubtful debt	106,352	535,639	(28,831)	613,160

The increase in provision of £535,639 (2016: £85,812) is for outstanding balances from member states assessed as doubtful pledges as at 30 June 2017 due to delay in settlement of arrears.

The decrease in provision of £28,831 (2016: £64,433) is for receipts received during the year which related to prior year provisions for doubtful contributions.

# COMMONWEALTH FUND FOR TECHNICAL CO-OPERATION

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### 7. (b) (i) Member's Contributions from Non-exchange Transactions 2016-17

Country	Balance as at 30 June 2016		Retroactive Pledges 2016/17	Pledges 2016/17	Receipts 2016-17	Balance as at 30 June 2017	
	Receivable	Prepaid				Receivable	Prepaid
	£	£	£		£	£	£
Anguilla	3,000	-	-	-	-	3,000	-
Antigua & Barbuda	-	-	-	2,044	2,044	-	-
Australia	-	-	-	2,309,266	2,309,266	-	-
Bahamas	-	-	-	130,405	130,405	-	-
Bangladesh	151,328	-	-	148,704	129,950	170,082	-
Barbados	-	-	30,286	125,000	80,462	74,824	-
Botswana	-	-	-	338,713	338,713	-	-
Brunei Darussalam	-	-	-	200,000	400,000	-	(200,000)
Cameroon	78,515	-	-	182,000	203,132	57,383	-
Cyprus	141,661	-	-	71,087	212,748	-	-
Dominica	10,044	-	-	1,944	3,888	8,100	-
Fiji	26,887	-	-	20,000	46,887	-	-
Ghana	272,624	-	-	-	-	272,624	-
Gibraltar	-	-	-	15,000	15,000	-	-
Grenada	-	-	18,198	18,198	36,396	-	-
Guyana	-	-	-	55,786	126,736	-	(70,950)
India	-	-	-	1,022,100	1,022,100	-	-
Jamaica	-	-	-	165,126	165,126	-	-
Kenya	-	(335,963)	-	335,963	328,699	-	(328,699)
Malawi	-	-	40,000	20,000	85,000	-	(25,000)
Malaysia	500,000	-	-	-	500,000	-	-
Maldives*	66,090	-	-	-	-	66,090	-
Malta	-	-	-	57,539	57,539	-	-
Mauritius	-	-	-	194,363	194,363	-	-
Namibia	-	-	25,000	25,000	50,000	-	-
Nauru	1,807	-	-	1,847	-	3,654	-
New Zealand	-	-	-	1,744,500	1,744,500	-	-
Nigeria	441,938	-	-	427,517	427,517	441,938	-
Niue	331	-	-	-	-	331	-
Pakistan	-	-	-	244,561	244,561	-	-
Papua New Guinea	-	-	79,144	57,975	137,119	-	-
Samoa	7,861	-	-	45,096	52,957	-	-
Seychelles	15,000	-	-	15,500	30,000	500	-
Sierra Leone	41,455	-	-	41,455	41,455	41,455	-
Singapore	-	-	-	20,000	40,000	-	(20,000)
South Africa	-	-	-	336,543	336,543	-	-
Sri Lanka	-	-	-	53,226	53,226	-	-
St Kitts & Nevis	19,467	-	-	-	19,467	-	-
St Lucia	17,943	-	-	18,652	18,652	17,943	-
St Vincent & The Grenadines	25,000	-	-	20,000	-	45,000	-
Swaziland	-	-	-	146,000	-	146,000	-
Tanzania	64,384	-	-	-	-	64,384	-
Tonga	-	-	-	10,000	10,000	-	-
Trinidad & Tobago	-	-	93,371	95,434	93,371	95,434	-
United Kingdom	-	-	-	8,000,000	8,000,000	-	-
Zambia	-	-	55,794	55,794	111,588	-	-
Total	1,885,335	(335,963)	341,793	16,772,338	17,799,410	1,508,742	(644,649)

\*Maldives withdrew from The Commonwealth in 2016.

**COMMONWEALTH FUND FOR TECHNICAL CO-OPERATION**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**7. (b) (ii). Members' Contributions from Non-exchange Transactions 2015-16**

COUNTRY	Receivable 30 June 2015	Prepaid 30 June 2015	Retroactive Pledges 2015-16	Pledges 2015-16	Receipts 2015-16	Receivable 30 June 2016	Prepaid 30 June 2016
	£	£	£	£	£	£	£
Anguilla	3,000	-	-	-	-	3,000	-
Antigua & Barbuda	1,000	-	-	2,000	(3,000)	-	-
Australia	-	-	-	1,676,340	(1,676,340)	-	-
Bahamas	-	-	-	130,405	(130,405)	-	-
Bangladesh	-	-	149,000	152,000	(149,672)	151,328	-
Barbados	-	-	-	170,117	(170,117)	-	-
Belize	-	-	31,000	32,000	(63,000)	-	-
Botswana	-	-	-	338,713	(338,713)	-	-
Brunei Darussalam	200,000	-	-	200,000	(400,000)	-	-
Cameroon	-	-	178,016	182,000	(281,501)	78,515	-
Cyprus	141,148	-	-	71,087	(70,574)	141,661	-
Dominica	9,000	-	-	1,944	(900)	10,044	-
Fiji	10,248	-	20,000	20,000	(23,361)	26,887	-
Ghana	472,844	-	-	272,624	(472,844)	272,624	-
Gibraltar	-	-	-	15,000	(15,000)	-	-
Grenada	22,394	-	-	-	(22,394)	-	-
Guyana	-	-	-	52,942	(52,942)	-	-
India	-	-	-	1,000,000	(1,000,000)	-	-
Jamaica	-	-	-	161,556	(161,556)	-	-
Kenya	-	-	-	-	(335,963)	-	(335,963)
Lesotho	-	-	-	140,000	(140,000)	-	-
Malawi	40,000	-	-	-	(40,000)	-	-
Malaysia	-	-	250,000	250,000	-	500,000	-
Maldives	-	-	33,045	33,045	-	66,090	-
Malta	-	-	-	57,539	(57,539)	-	-
Mauritius	-	-	-	190,160	(190,160)	-	-
Mozambique	-	-	-	42,000	(42,000)	-	-
Namibia	222,147	-	-	-	(222,147)	-	-
Nauru	-	-	-	1,807	-	1,807	-
New Zealand	-	-	-	1,420,200	(1,420,200)	-	-
Nigeria	441,938	-	-	461,628	(461,628)	441,938	-
Niue	331	-	-	-	-	331	-
Pakistan	150,000	-	-	150,000	(300,000)	-	-
Rwanda	-	-	-	25,865	(25,865)	-	-
Samoa	-	-	-	44,121	(36,260)	7,861	-
Seychelles	-	-	-	15,000	-	15,000	-
Sierra Leone	-	-	-	41,455	-	41,455	-
Singapore	20,000	-	-	20,000	(40,000)	-	-
Solomon Islands	-	-	27,449	27,449	(54,898)	-	-
South Africa	-	-	-	255,904	(255,904)	-	-
Sri Lanka	-	-	-	53,226	(53,226)	-	-
St Kitts & Nevis	-	-	19,455	19,467	(19,455)	19,467	-
St Lucia	-	(306)	-	18,249	-	17,943	-
St Vincent & The Grenadines	-	-	-	25,000	-	25,000	-
Swaziland	-	-	-	146,000	(146,000)	-	-
Tanzania	268,037	-	-	-	(203,653)	64,384	-
Tonga	-	-	-	10,000	(10,000)	-	-
Trinidad & Tobago	93,371	-	-	-	(93,371)	-	-
Tuvalu	3,721	-	3,721	3,850	(11,292)	-	-
Uganda	-	-	-	140,476	(140,476)	-	-
United Kingdom	-	-	-	8,900,000	(8,900,000)	-	-
Vanuatu	-	-	20,955	20,956	(41,911)	-	-
Zambia	-	-	66,006	-	(66,006)	-	-
<b>TOTAL</b>	<b>2,099,179</b>	<b>(306)</b>	<b>798,647</b>	<b>16,992,125</b>	<b>(18,340,273)</b>	<b>1,885,335</b>	<b>(335,963)</b>

**COMMONWEALTH FUND FOR TECHNICAL CO-OPERATION**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**8. (a) (i). Deferred Income for Non-exchange Transactions 2016-17**

Special Projects	Deferred Income Balance 30 June 2016	Project Cash Receipts	Project Expenses	Adjustments	Deferred Income Balance 30 June 2017
	£	£	£	£	£
Global Financial and Economic Policy and the G20	169,057	-	-	-	169,057
Promoting Human Resources Standards - Universal Periodic Review	18,785	-	(11,119)	-	7,666
Health and Development - Non-communicable diseases	2,518	-	(2,518)	-	-
Commonwealth Action for Digital Divide (CADD)	59,322	-	-	(59,322)	-
Preventing and Combating Terrorism & Implementation Counter Terrorism Legislation	778	-	-	(778)	-
Commonwealth Cybercrime Initiative (CCI)	58,467	75,467	(97,485)	-	36,449
Trade Policy Formulation (Hubs & Spokes II)	1,317,485	1,018,357	(1,286,937)	-	1,048,905
The Commonwealth Climate Finance Access Hub	517,774	-	(106,420)	-	411,354
Commonwealth Election Professionals (CEP) Initiative - Phase II	-	120,409	-	-	120,409
Support Commonwealth states at the WTO through expert analysis and advice	-	16,232	(16,232)	-	-
Countering Violent Extremism	-	285,000	(183,210)	-	101,790
Trade Competitiveness	-	31,360	(19,926)	-	11,434
<b>TOTAL</b>	<b>2,144,186</b>	<b>1,546,825</b>	<b>(1,723,847)</b>	<b>(60,100)</b>	<b>1,907,064</b>

The adjustments represent funds from projects that were discontinued and the balances transferred to other income.

**COMMONWEALTH FUND FOR TECHNICAL CO-OPERATION**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**8. (a) (ii). Deferred income for Non-exchange Transactions 2015-2016**

<b>Special Projects</b>	<b>Deferred Income Balance 30 June 2015</b>	<b>Project Cash Receipts</b>	<b>Project Expenses</b>	<b>Adjustments</b>	<b>Deferred Income Balance 30 June 2016</b>
	£	£	£	£	£
Global Financial and Economic Policy and the G20	177,292	-	(8,235)	-	169,057
Promoting Human Resources Standards - Universal Periodic Review	18,785	-	-	-	18,785
Achieving Universal Primary Education	7,753	-	(7,753)	-	-
Health and Development - Non-communicable diseases	27,390	-	(24,872)	-	2,518
Commonwealth Action for Digital Divide (CADD)	59,399	-	-	(77)	59,322
Capacity Building to meet post-Tsunami Needs in Maldives	54,844	-	-	(54,844)	-
Implementation of Counter Terrorism Legislation	86,297	-	(85,519)	-	778
Capacity - building for Commonwealth Young Election Professionals	124,575	-	(102,873)	(21,702)	-
Commonwealth Cybercrime Initiative (CCI)	48,716	124,537	(114,752)	(34)	58,467
Trade Policy Formulation (Hubs & Spokes II)	-	3,323,157	(1,343,775)	(661,897)	1,317,485
Building Regulatory and Institutional Capacity in Sovereign Debt Governance	-	18,769	(18,769)	-	-
Trade Competitiveness	-	40,000	(40,000)	-	-
Commonwealth Climate Finance Access Hub	-	517,774	-	-	517,774
<b>TOTAL</b>	<b>605,051</b>	<b>4,024,237</b>	<b>(1,746,548)</b>	<b>(738,554)</b>	<b>2,144,186</b>

The adjustments represent funds that were paid back to donors or transferred to debtors for recovery in the subsequent financial period.



# COMMONWEALTH FUND FOR TECHNICAL CO-OPERATION

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### 9. Interest Receivable from Exchange Transactions

Interest bearing accounts and investments yielded an average rate of 0.22% (2015-16: 2.36%) during the reporting period.

	2016-17	2015-16
	£	£
Interest on Bank Deposits	62,814	154,139
<b>Total Interest Receivable</b>	<b>62,814</b>	<b>154,139</b>

### 10. Staff Costs

	Note	2016-17	2015-16
		£	£
Salaries & Allowances		5,320,730	6,514,424
Employers National Insurance Contributions		616,321	716,467
Contributions to Staff Gratuity Fund		779,108	932,315
Contributions to Staff Defined Benefit Scheme		-	4,166
Contributions to Staff Defined Contribution Scheme		23,399	22,738
Pension Expense		(284,697)	89,852
Long Term Consultants Costs - Direct Projects		1,641,869	2,705,729
Long Term Consultants Costs – Special Projects		1,178,403	1,059,849
Staff Provisions		(282,579)	133,136
Termination Benefits	(a)	68,916	-
<b>Total Staff Costs</b>		<b>9,061,470</b>	<b>12,178,676</b>

(a) During the financial year 2016-17 the Commonwealth implemented a new organisational structure which came into effect 1 July 2017. As a result of the structural reconfiguration, the Commonwealth has incurred termination benefit costs during the period for compulsory redundancies. The Commonwealth has also recognised an obligation for estimated termination benefit costs in the Statement of Financial Performance in 2016-17 in relation to the organisational restructure costs that will occur in the 2017-18 financial period.

### 11. Remuneration of Key Management Personnel

The members of the Board of Governors do not receive any remuneration from the organisation for their roles.

The aggregate remuneration paid or payable to key management personnel on a full time equivalent basis for CFTC during the year was as follows:

	Number of Persons		Aggregate Remuneration	
	2016-17	2015-16	2016-17	2015-16
			£	£
Management Committee	2	2	237,634	211,258
Directors and Heads of Units	8	6	705,283	628,606
<b>TOTAL</b>	<b>10</b>	<b>8</b>	<b>942,917</b>	<b>839,864</b>

The Management Committee consisted of the Secretary-General, two Deputy Secretaries-General and one Chief Operations Officer. Aggregate remuneration includes salary, allowances and employer's contribution to the gratuity fund as analysed further below. The Secretary-General is provided with rent-free accommodation at The

**COMMONWEALTH FUND FOR TECHNICAL CO-OPERATION**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**11. Remuneration of Key Management Personnel (Continued)**

Commonwealth's official residence at Hill Street along with a chauffeur driven car for official use which is also available for the Secretary-General's private use.

	Management Committee		Directors and Heads of Units	
	2016-17	2015-16	2016-17	2015-16
	£	£	£	£
Salary	153,703	125,297	528,071	440,551
Allowances	50,107	56,715	90,415	105,682
Gratuity	33,825	29,246	86,796	82,373
<b>TOTAL</b>	<b>237,635</b>	<b>211,258</b>	<b>705,282</b>	<b>628,606</b>

There were no loans to key management personnel that were not available to other staff during the year.

**12. Other Costs**

	2016-17	2015-16
	£	£
Rent and Rates	437,890	431,714
Property Services & Maintenance Costs	294,764	172,925
Utilities	48,201	51,226
Other Property Costs	39,119	70,698
Equipment Maintenance	213,009	138,739
Publication, Information and Printing	239,974	251,997
Communications	149,682	163,359
Insurance	32,692	35,133
Library & Subscriptions	21,591	26,346
Professional Fees	423,616	90,143
Audit Fees	25,768	23,328
Staff Development and Training	11,402	28,274
Bank and Financial Charges	6,611	12,982
Recruitment Costs	12,705	98,026
Pension Administration Costs	30,137	22,792
Conference Costs	695,426	789,872
Short Term Consultants	2,718,374	3,452,261
Travel Costs	1,708,459	2,826,493
Accommodation and Venue Costs	434,559	889,554
Miscellaneous Expenses	387,130	110,588
Movement in Provisions	506,808	77,836
<b>Total Other Costs</b>	<b>8,437,917</b>	<b>9,764,286</b>

# COMMONWEALTH FUND FOR TECHNICAL CO-OPERATION

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### 13. (a) Direct Project Expenses by Outcome

A breakdown of direct project expenses analysed according to the outcomes in the four year 2013-14 to 2016-17 Strategic Plan is provided below:

	2016-17	2015-16 Restated
	£	£
Democracy	312,391	441,255
Public Institutions	1,922,247	3,050,602
Social Development	1,100,933	1,252,538
Development Pan-Commonwealth	6,021,783	8,036,480
Development Small States	893,975	876,682
Global Advocacy	459,998	1,121,933
Technical Assistance	1,873,304	2,517,499
Commonwealth Profile	657,257	676,586
Internal Outcomes	470,579	572,677
	<b>13,712,467</b>	<b>18,546,252</b>
Staff Provision	(282,579)	133,136
<b>Total Direct Expenses</b>	<b>13,429,888</b>	<b>18,679,388</b>

### 13. (b) Direct Project Expenses by Cost Type

For additional information direct project expenses are further analysed according to cost types below:

	Notes	2017	2016 Restated
		£	£
Direct Staff Costs (Including Provision)	10	7,814,151	11,118,827
Other Costs	12	5,615,737	7,560,561
<b>Total</b>		<b>13,429,888</b>	<b>18,679,388</b>

### 14. Related Party Disclosures

#### (a) Controlled Entities

The Commonwealth Secretariat as an organisation operates and separately prepares audited accounts for the following three funds:

- Commonwealth Secretariat Fund (COMSEC);
- Commonwealth Fund for Technical Co-operation (CFTC); and
- Commonwealth Youth Programme Fund (CYP).

As described in note 1.15(c), costs of common service divisions are incurred by COMSEC. These costs are recovered from CFTC and CYP as Common Service Charges.

#### (b) Other Related Parties

The Secretary-General of The Commonwealth is a member of the Board of Governors of two organisations which are associated with The Commonwealth. They are the Commonwealth of Learning and Commonwealth Foundation.

# COMMONWEALTH FUND FOR TECHNICAL CO-OPERATION

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### 14. Related Party Disclosures (b) Other Related Parties (Continued)

These organisations although associated with The Commonwealth have separate Memorandum of Understanding, Board of Governors and Executive Management independent of The Commonwealth.

In the financial year to 30 June 2017, there were no transactions outside the normal operations between The Commonwealth Fund for Technical Co-operation and the two Commonwealth organisations mentioned above (2015: £Nil).

The Management Committee is remunerated through COMSEC and a portion of the cost is allocated to CFTC as disclosed in note 11.

### 15. Contingencies

As at 30 June 2017 there were no contingent liabilities relating to Arbitral Tribunal claims (2015-16: £138,600).

### 16. Commitments

#### Obligations under Operating Leases

All leases are held with COMSEC. Operating lease costs are shared among the three Funds COMSEC, CFTC and CYP. The total amount of operating leases recognised in CFTC Statement of Financial Performance for the period is £402,503 (2015-16: £396,196).

### 17. Restatement of Prior Year Comparatives

The 2015-16 values in note 13(a) and (b), Direct Project Expenses by Outcome and Direct Project Expenses by Cost Type have been restated to remove the CFTC net funding to the Commonwealth Small States Office in Geneva. The direct expenditure on development of small states and vulnerable states has been reported in the COMSEC financial statements in line with the 2013-14 to 2016-17 strategic outcomes. The net funding shortfall however remains part of the CFTC overall expenses.

The restatements had no effect on the previously reported total revenue or surplus for the year ended 30 June 2016.

The tables below summarise the change in Direct Project Expenses by Outcome and Direct Project Expenses by Cost Type schedules of for the year ended 30 June 2016.

#### Restated notes

#### Note 13. (a) Direct Project Expenses by Outcome

	As stated in 2015-16	Restatement Adjustment	As Restated in 2016-17
	£	£	£
Total Direct Project Expenses by Outcome	18,788,313	(108,925)	18,679,388

#### Note 13. (b) Direct Project Expenses by Cost Type

	As stated in 2015-16	Restatement Adjustment	As Restated in 2016-17
	£	£	£
Total Direct Project Expenses by Cost Type	18,788,313	(108,925)	18,679,388

# COMMONWEALTH FUND FOR TECHNICAL CO-OPERATION

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### 18. Financial Instruments

Details of the significant accounting policies and methods adopted, including the criteria for recognition and de-recognition, the basis of measurement and the basis on which gains and losses are recognised in respect of each class of financial asset and liability are set out in Note 1.

The Commonwealth's financial risk management policies are framed within the context of its treasury and investment management policy and financial regulations. The primary objectives of the Commonwealth's treasury and investment management policy are security and liquidity. The Commonwealth continues to operate a framework of internal controls designed to safeguard its assets.

The main risks associated with the use of financial instruments in the normal course of its operations are currency, interest rate, credit and liquidity risks.

#### (a) Fair Values

The assets of CFTC are categorised as follows:

	2017	2016
	£	£
Financial assets	22,151,067	21,071,060
Non-financial assets	277,707	276,939
<b>Total</b>	<b>22,428,774</b>	<b>21,347,999</b>

The liabilities of CFTC are categorised as follows:

	2017	2016
	£	£
Financial Liabilities	3,061,442	1,550,704
Non-financial Liabilities	3,465,853	3,790,174
<b>Total</b>	<b>6,527,295</b>	<b>5,340,878</b>

Set out below, is a comparison by class of the carrying amounts and fair value of CFTC's financial instruments.

	Carrying Amount	Fair Values
	£	£
<b>Financial Assets:</b>		
<b>2017:</b>		
Cash and Cash Equivalents	18,366,357	18,366,357
Current Receivables	3,777,622	3,777,622
Non-current Receivables	7,088	7,088
<b>Total</b>	<b>22,151,067</b>	<b>22,151,067</b>
<b>2016:</b>		
Cash and Cash Equivalents	17,948,912	17,948,912
Current Receivables	3,095,360	3,095,360
Non-current Receivables	26,788	26,788
<b>Total</b>	<b>21,071,060</b>	<b>21,071,060</b>

**COMMONWEALTH FUND FOR TECHNICAL CO-OPERATION**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**18. Financial Instruments (a) Fair Values (Continued)**

	Carrying Amount	Fair Values
	£	£
<b>Financial Liabilities:</b>		
<b>2017:</b>		
Payables	3,061,442	3,061,442
<b>Total</b>	<b>3,061,442</b>	<b>3,061,442</b>
<b>2016:</b>		
Payables	1,550,704	1,550,704
<b>Total</b>	<b>1,550,704</b>	<b>1,550,704</b>

Cash and short-term deposits, receivables, payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Non-current liabilities are carried at their principal amounts, which represent the present value of future cash flows associated with servicing the debt.

**(b) Foreign Currency Risk**

CFTC is exposed to foreign currency risk arising primarily from Non-GB Pound Sterling holdings to support local operating activities in programme countries. CFTC maintains a minimum level of assets in local currencies, and whenever possible, maintains bank accounts in GB Pound Sterling.

At 30 June 2017, 75% of cash and cash equivalents are denominated in GB Pound Sterling, 6% in Euros, 11% in Pakistani Rupees, and the remaining 8% in other currencies (64% in GB Pound Sterling, 18% in Euros, 11% in Pakistani Rupees and the remaining 7% in other currencies at 30 June 2016).

**(c) Credit Risk**

Credit risk is the risk of financial loss to CFTC if counterparties and other third parties fail to meet their contractual obligations. CFTC's exposure relates to receivables and cash and cash equivalents.

The treasury and investment management policy manages credit risk by limiting the amount of credit exposure to any one counter party and ensuring these financial assets are held with well-recognised financial institutions. 81 % of the outstanding amount is at counterparty banks with a Moody's credit rating of A2 and higher.

Receivables comprise amounts mostly due from Member Governments and related parties. CFTC manages risk on these receivables by actively seeking recovery of all amounts due. At the reporting date CFTC assessed the past due receivables, creating a provision for those debts where it is considered that CFTC will not collect the full amount due

**(d) Liquidity Risk**

Liquidity risk is the risk of CFTC not being able to meet its obligations as they fall due. This liquidity risk is managed by monitoring on a regular basis the available funds against anticipated expenditure and commitments.

CFTC ensures that it has sufficient cash on demand to meet expected funding needs of the organisation through the use of cash flow forecasts, taking into consideration timing of investment maturities. All investments are short term in nature to ensure that sufficient funds are available to meet CFTC commitments as and when they fall due.

# COMMONWEALTH FUND FOR TECHNICAL CO-OPERATION

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### 18. Financial Instruments (d) Liquidity Risk (Continued)

The following are contractual liabilities as at 30 June 2017:

2017	<6 months
	£
Payables and other liabilities	3,061,442
<b>Total Liabilities</b>	<b>3,061,442</b>

As at 30 June 2017 CFTC had not issued any financial guarantees.

#### (e) Market Risk

Market risk is the possibility that CFTC might incur financial losses owing to unfavourable movements in foreign currency exchange rates and interest rates.

#### Interest Rate Risk

Owing to the short maturity of cash and investments an interest rate sensitivity analysis does not disclose significant variations in value. If the weighted average interest rate at 30 June 2017 had been 25% higher or lower, the interest income would have been affected as follows:

	Increase (+) / Decrease (-)	Effect on Surplus / Deficit
		£
<b>Cash and Cash Equivalents</b>		
	+25%	15,704
	-25%	(15,704)

#### Foreign Currency Risk

Foreign currency balances in GB Pound Sterling as at 30 June 2017 comprises of the following:

2017	GBP	Other Currencies	Total
	£	£	£
Financial Assets	18,668,251	3,482,816	22,151,067
<b>Percentage of Total</b>	<b>84%</b>	<b>16%</b>	<b>100%</b>
Financial Liabilities	3,061,442	-	3,061,442
<b>Percentage of Total</b>	<b>100%</b>	<b>0%</b>	<b>100%</b>

The table below shows the impact of a 25% movement in the relative value of the GB Pound Sterling against the foreign currency balances as at 30 June 2017.

	Increase (+) / Decrease (-)	Effect on Balances
	%	£
<b>Cash and Cash Equivalents</b>		
Movement in the relative value of the GB Pound Sterling	+25%	870,704
Movement in the relative value of the GB Pound Sterling	-25%	(870,704)

### 19. Events After Reporting Date

The Secretary-General authorised these financial statements for issue on 8 December 2017.

There are no material events, favourable or unfavourable that occurred between the reporting date, 30 June 2017, and the date of authorisation for issue that would have impacted these statements.







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