



**FINANCIAL STATEMENTS
OF THE
COMMONWEALTH FUND FOR TECHNICAL
CO-OPERATION
FOR THE YEAR ENDED
30 JUNE 2012**

Stephen Cutts

Assistant Secretary General

17 December 2012

Kamallesh Sharma

Secretary General

17 December 2012

COMMONWEALTH FUND FOR TECHNICAL CO-OPERATION

PRINCIPAL ACTIVITIES AND OPERATING STRUCTURE

Principal Activities of the Commonwealth Secretariat

The Commonwealth Secretariat (The Secretariat) is an inter-governmental organisation set up by the 54 Commonwealth Member Governments to promote democracy, good governance, economic and human development in member countries.

The Secretariat's role is articulated in the following Mission Statement:

"We work as a trusted partner for all Commonwealth people as:

- A force for peace, democracy, equality, equity, respect and good governance;
- A catalyst for global consensus-building; and
- A source of assistance for sustainable development and poverty eradication"

The Secretariat delivers its core programmes of work in four main areas: policy development, advisory services and advocacy, technical assistance, and consensus-building.

Further information regarding The Secretariat's current four year Strategic Plan from 2008/09 to 2011/12, which was extended to allow for full consideration of the mandates from CHOGM 2011 to be developed into a new Strategic Plan, can be found on the website www.thecommonwealth.org.

Commonwealth Fund for Technical Co-operation

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

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

The Memoranda of Understanding of the three funds require The Secretariat to operate and prepare separate audited accounts 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 2012.

The Commonwealth Fund for Technical Co-operation is the principal means for providing technical assistance to Commonwealth countries. It is a voluntary fund and members contribute resources according to their ability, and draw on them according to their needs.

Governance and Structure

The Secretariat is headed by a Secretary General, Mr Kamalesh Sharma, who is appointed by the Heads of Government of the Commonwealth Member Countries and is responsible to them and the Board of Governors for the management of The Secretariat.

The Secretary General reports to the Heads of Government through individual meetings and also collectively at the biennial Commonwealth Heads of Government Meeting (CHOGM). The Secretary General is also held accountable through the Commonwealth's Board of Governors which meets regularly in London on behalf of member governments at senior diplomatic level.

The Secretary General is assisted by two Deputy Secretaries General, an Assistant Secretary General and 11 directors in managing the activities of the organisation. The Secretariat has 13 divisions and units which carry out programmes of work based on mandates set at CHOGM.

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

Responsibilities of the Secretary-General

The Secretary-General of the Commonwealth Secretariat is responsible for preparing financial statements in accordance with the requirements of International Public Sector Accounting Standards and the Financial Regulations as authorised by the Commonwealth Heads of Government.

COMMONWEALTH FUND FOR TECHNICAL CO-OPERATION

PRINCIPAL ACTIVITIES AND OPERATING STRUCTURE

The Secretary-General of the Commonwealth Secretariat is also responsible for:

- keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Fund;
- safeguarding the assets;
- such internal control as is determined necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- taking reasonable steps for the prevention and detection of fraud and other irregularities; and
- maintaining the integrity of the audited financial statements published on the Commonwealth Secretariat's website.

COMMONWEALTH FUND FOR TECHNICAL CO-OPERATION

INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF GOVERNORS

We have audited the financial statements of the Commonwealth Fund for Technical Cooperation for the year ended 30 June 2012, 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.

Our report will be made solely to the Board of Governors in accordance with this engagement letter and the Financial Regulations of the funds. Our work will be undertaken so that we might state to the Secretary-General those matters we are required to state to them in an independent auditor's report and for no other purpose. To the fullest extent permitted by law, we will not accept or assume responsibility to anyone other than the Board of Governors as a body, for our audit work, for our reports, or for the conclusions we form.

Secretary General's responsibilities for the Financial Statements

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 determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with the Auditing Practices Board's Ethical Standards for Auditors and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Commonwealth Fund for Technical Cooperation as at 30 June 2012, and of its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards and the Financial Regulations as authorised by the Commonwealth Heads of Government.



Deloitte LLP
Chartered Accountants and Statutory Auditor
St Albans, UK

16 DECEMBER 2012

COMMONWEALTH FUND FOR TECHNICAL CO-OPERATION

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012

ASSETS	Notes	30 June 2012 £	30 June 2011 £
Current Assets			
Cash and Cash Equivalents	2	21,773,747	20,133,936
Receivables and Prepayments	3	1,480,204	2,569,049
Members' Contributions Receivable	7 b(i)	844,588	1,007,285
TOTAL ASSETS		24,098,539	23,710,270
LIABILITIES			
Current Liabilities			
Payables and Other Current Liabilities	4	2,779,567	2,656,001
Deferred Income	5	1,429,171	1,721,581
Members' Contributions Prepaid	7 b(i)	88,306	1,709
Provisions	6	553,033	559,400
		4,850,077	4,938,691
Non-current Liabilities			
Provisions	6	1,125,466	1,010,700
		1,125,466	1,010,700
TOTAL LIABILITIES		5,975,543	5,949,391
NET ASSETS		18,122,996	17,760,879
FUND BALANCES AND RESERVES			
General Reserve	1.12	6,216,767	12,994,135
Operational Reserve	1.12	4,470,429	4,766,744
Designated Reserve	1.12	7,435,800	-
TOTAL FUND BALANCES AND RESERVES		18,122,996	17,760,879

COMMONWEALTH FUND FOR TECHNICAL CO-OPERATION

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012

	Notes	2011-12 £	2010-11 £
REVENUE			
Members' Contributions - Pledges	7(a)	30,939,571	30,686,872
Cost Share Contributions	3(a)	99,479	145,467
Special Projects	8	2,443,687	1,837,552
Interest Revenues	9	158,829	111,833
Other income		32,773	30,427
TOTAL REVENUE		33,674,339	32,812,151
EXPENSES			
Staff Costs	10	18,163,300	16,979,396
General Administration	12	2,895,497	3,210,249
Common Service Charge	1.14(c)	3,999,305	3,715,295
Project Service Charge	1.14(d)	2,524,689	-
Training and Workshops	13	5,594,991	5,779,549
Currency Loss		134,440	63,019
TOTAL EXPENSES		33,312,222	29,747,508
SURPLUS FOR THE YEAR		362,117	3,064,643

COMMONWEALTH FUND FOR TECHNICAL CO-OPERATION

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2012

	Notes	General Reserve £	Operational Reserve £	Designated Reserve £	Total £
Balance at 1 July 2010		10,050,626	4,645,510	-	14,696,236
Surplus		3,064,643	-	-	3,064,643
Transfer from General Reserve to Operational Reserve	1.12	(92,796)	92,796	-	-
Interest Receivable	1.12	(28,338)	28,338	-	-
Balance at 30 June 2011		12,994,135	4,766,744	-	17,760,879
Surplus		362,117	-	-	362,117
Transfer of Expenditure from Designated Reserve		64,200	-	(64,200)	-
Transfer from Operational Reserve to General Reserve	1.12	296,315	(296,315)	-	-
Transfer from General Reserve to Designated Reserve	1.12	(7,500,000)	-	7,500,000	-
Balance at 30 June 2012		6,216,767	4,470,429	7,435,800	18,122,996

COMMONWEALTH FUND FOR TECHNICAL CO-OPERATION

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

	2011-12 £	2010-11 £
Cash Flow from Operating Activities		
Surplus	362,117	3,064,643
Adjustments for:		
Currency Loss	-	8,384
Interest Revenues	(158,829)	(111,833)
Increase in Payables and other current liabilities	123,566	888,541
Increase / (Decrease) in Contributions Prepaid	86,597	(70,605)
Decrease in Deferred Income	(292,410)	(328,709)
Increase in Provisions	108,399	146,340
Decrease / (Increase) in Contributions Receivable	162,697	(101,839)
Decrease in Receivables	1,088,845	1,066,763
Net Cash Flow from Operating Activities	<u>1,480,982</u>	<u>4,561,685</u>
Cash Flow from Investing Activities		
Interest Received	158,829	111,833
Net Cash Flow from Investing Activities	<u>158,829</u>	<u>111,833</u>
Currency Loss on Revaluation	-	(8,384)
Net Increase in Cash and Cash Equivalents	<u><u>1,639,811</u></u>	<u><u>4,665,134</u></u>
Cash and Cash Equivalents at the Beginning of Period	20,133,936	15,468,802
Cash and Cash Equivalents at the End of Period	<u>21,773,747</u>	<u>20,133,936</u>
Movement In Cash and Cash Equivalents	<u><u>1,639,811</u></u>	<u><u>4,665,134</u></u>

COMMONWEALTH FUND FOR TECHNICAL CO-OPERATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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

- IPSAS 28 Financial Instruments: Presentation (effective date 1 January 2013)
- IPSAS 29 Financial Instruments: Recognition & Measurement (effective date 1 January 2013)
- IPSAS 30 Financial Instruments: Disclosure (effective date 1 January 2013)

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

IPSASB has introduced IPSAS 31 (Intangible Assets) and requires entities to apply this standard for annual financial statements covering periods beginning on or after 1 April 2011. The Commonwealth Secretariat has applied IPSAS 31 in preparing these financial statements.

IPSASB has introduced IPSAS 32 (Service Concession Arrangements) and requires entities to apply this standard for annual financial statements covering periods beginning on or after 1 January 2014. IPSASB encourages earlier application of this Standard. The Commonwealth has not applied IPSAS 32 in preparing these financial statements since it did not enter into any service concession arrangements within the scope of IPSAS 32.

1.3 Basis for Non-Consolidation of Financial Statements

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

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

The Memoranda of Understanding of the three funds require The Secretariat 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 Secretariat 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 Secretariat will continue in operational existence for the foreseeable future. The Board of Governors have approved the 2012-13 budget paper on behalf of the member states. The new Strategic Plan is being developed and is expected to be finalised before the end of 2012. There is a commitment from the Board of Governors to fund this Strategic Plan effective July 2013.

1.6 Functional and Presentational Currency

The financial statements have been presented in GB Pounds Sterling which is The Secretariat'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 2012

1.7 Financial Instruments

Financial instruments are initially measured at fair value plus transaction costs unless they are carried at fair value through profit and loss in which case transaction costs are charged to operating costs.

The categorisation of financial assets and liabilities depends on the purpose for which the asset or liability is held or acquired. Management determines the categorisation of assets and liabilities at initial recognition and re-evaluates this designation at each reporting date.

Current financial assets held by CFTC comprise cash and cash equivalents, investments, receivables and prepayments. These are non-derivative financial assets with fixed or determinable payments that are not traded in an active market. Since these balances are expected to be realised within 12 months of the reporting date, there is no material difference between fair value, amortised cost and historical cost. CFTC does not hold any non-current financial assets.

Current financial liabilities held by CFTC comprise payables, accruals and deferred income. For liabilities expected to be settled within 12 months of the reporting date, there is no material difference between fair value, amortised cost and historical cost. CFTC does not hold any non-current financial liabilities.

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.

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

1.9 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.

1.10 Deferred income

Details on deferred income are given in note 1.13 (b) and (c).

1.11 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.

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.

1.12 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;
- Operational Reserve, serves to protect the Fund against temporary shortages of cash, arising from the need to maintain expenditure levels in the event of irregular settlement of pledge receivables by member states. Investments are held separately to represent the Operational Reserve. In accordance with Section V of the Financial Regulations, the Board of Representatives in June 1991 agreed that:
 - (a) interest receivable as a result of investing funds relating to this reserve is transferred to the reserve account at the end of each financial year

COMMONWEALTH FUND FOR TECHNICAL CO-OPERATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

(b) the optimum size of the reserve is capped at 15% of the plan of expenditure of the following year.

- 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.

1.13 Revenue

(a) 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.

As all governments are expected to pay all their dues in full, no provision is made for bad debt. However, provision is made for anticipated delay in settlement of arrears for members temporarily excluded due to suspension.

(b) 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.

(c) 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.

The revenue for these projects is recognised when expenditure has been incurred, which is when specific performance conditions are met. When revenue has been received but the expenditure has not been incurred, it is reported as deferred income on the Statement of Financial Position. Excess funds are returned to the provider.

(d) 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.

1.14 Expenses

(a) Staff costs

i) Unused annual leave

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

COMMONWEALTH FUND FOR TECHNICAL CO-OPERATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

iii) Staff Gratuity Fund

The Secretariat contributes fifteen percent 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 Secretariat. 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 Secretariat. 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 both current and non-current dependent on the expiry dates of the employees' contracts.

iv) Relocation Expenses

The Secretariat 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 and direct project costs in the financial statements.

v) Home leave

The Secretariat 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 Secretariat 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. Payments made in the year are recognised in the Statement of Financial Performance of COMSEC.

An actuarial valuation of The Secretariat'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

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

The current Schedule of Contributions requires the employer to contribute the amount required to bring the aggregate contribution to one twelfth of 40% of the total contributory payroll of the active members of all the funds each month in respect of future service, together with additional monthly contributions of £109,000 to meet the past service shortfall on behalf of entitled employees. Also payable are insurance premiums for death-in-service benefits and expenses incurred by the trustees in administering the scheme.

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 Ash Shaw LLP. The scheme's actuary is Mr M C Richmond, Senior Manager, Pensions, Equitable Life Assurance Society. 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

COMMONWEALTH FUND FOR TECHNICAL CO-OPERATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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.

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.

Supplementary Pension

To supplement The Commonwealth Secretariat Pension & Life Assurance Scheme (1979), The Secretariat 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 Secretariat'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.

The supplementary pension 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.

Group Stakeholder Defined Contribution Pension Scheme

The Secretariat also operates a defined contribution pension scheme for staff. All contributions are recognised in the Statement of Financial Performance in the period in which the obligations arise.

(b) Accommodation costs

The headquarters of The Secretariat is located in London and its operations are sited in two separate office buildings: Marlborough House and Quadrant 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.

Accommodation costs are an apportionment of costs incurred by COMSEC in respect of rental of Quadrant 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 common service divisions. The common service divisions are Office of the Secretary General, Strategic Planning & Evaluation, Corporate Services, Human Resources and Communication & Public Affairs.

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) Project Service Charge

Beginning the 2011-12 financial year, COMSEC introduced a Project Service Charge to the CFTC Fund. The charge is a reallocation of diplomatic and professional staff costs from programmatic divisions to reflect the level of activities they provide as part of the work of the CFTC Fund.

The charge is calculated based on actual diplomatic and professional staff salaries.

COMMONWEALTH FUND FOR TECHNICAL CO-OPERATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

(e) 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.

(f) Foreign currency transactions

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

1.15 Use of Estimates and Judgements

The financial statements include amounts based on estimates and key assumptions about the future made by management. These estimates and underlying assumptions are reviewed on an on-going basis. 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	
	2012	2011	2012	2011	2012	2011
	£	£	£	£	£	£
UK Bank Accounts	18,896,043	18,287,147	1,181,953	501,159	20,077,996	18,788,306
Foreign Bank Accounts	1,695,751	1,345,630	-	-	1,695,751	1,345,630
Total Cash and Cash Equivalents	20,591,794	19,632,777	1,181,953	501,159	21,773,747	20,133,936

3. Receivables and Prepayments

	Notes	2012	2011
		£	£
Staff travel advances		80,602	19,885
Prepayments		1,042,799	814,604
Cost share debtors	(a)	81,221	96,683
Sundry Debtors		273,847	20,441
Related Parties:			
Commonwealth Secretariat Fund		323	1,617,436
CYP Regional Office		1,412	-
Total Receivables and Prepayments		1,480,204	2,569,049

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

COMMONWEALTH FUND FOR TECHNICAL CO-OPERATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

3 (a) (i) Cost share debtors 2011-12

COUNTRY / ORGANISATION	Balance Receivable 30 June 2011	Write offs	Contributions Invoiced in 2011/12	Receipts 2011/12	Balance Receivable 30 June 12
	£	£	£	£	£
Botswana	17,534	(17,534)	-	-	-
British Virgin Islands	10,750	(10,750)	-	-	-
Cameroon	6,500	(6,500)	-	-	-
Cook Islands	-	-	26,320	(10,740)	15,580
Dominica	19,006	(19,006)	-	-	-
The Gambia	7,877	(7,877)	-	-	-
Ghana	40,000	-	-	-	40,000
Grenada	42,040	(22,100)	36,556	(19,940)	36,556
Caricom - Guyana	88,413	(79,388)	-	-	9,025
Kiribati	5,282	(5,282)	-	-	-
Mauritius	8,816	(8,816)	-	-	-
Namibia	76,995	(49,277)	19,015	(26,673)	20,060
Niue	21,139	(21,139)	-	-	-
Solomon Islands	3,608	(3,608)	-	-	-
St Vincent & The Grenadines	18,900	(18,900)	-	-	-
South Africa	10,787	(10,787)	-	-	-
Tonga	11,397	(11,397)	-	-	-
Uganda	74,006	(74,006)	-	-	-
Zimbabwe	15,602	(15,602)	-	-	-
TOTAL	478,652	(381,969)	81,891	(57,353)	121,221

In May 2012, the Board of Governors approved the write off of specific long term outstanding debts against which provisions had already been made.

A cost share contribution of £40,000 invoiced in 2010/11 is now proving difficult to collect due to financial difficulties of the beneficiary. After a review during the year, a provision of £40,000 was made in the likely event of non-payment of the outstanding balance. The provision for the total amount was charged to the Statement of Financial Performance and netted off against the respective debtor balance £121,221 to report the fair value of the asset of £81,221.

The revenue accounted for in the Statement of Financial Performance is £99,479 (2011: £145,467). This represents contributions invoiced in the year adjusted for movement on the deferred income balances (see note 5).

COMMONWEALTH FUND FOR TECHNICAL CO-OPERATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

3 (a) (ii) Cost share debtors 2010-11

COUNTRY / ORGANISATION	Balance Receivable 01 July 10	Contributions Invoiced in 2010/11	Receipts 2010/11	Adjustments	Balance Receivable 30 June 11
	£	£	£	£	£
Barbados	12,000	-	(12,000)	-	-
Belize	-	16,315	(15,488)	(827)	-
Botswana	17,534	-	-	-	17,534
British Virgin Islands	10,750	-	-	-	10,750
Cameroon	6,500	-	-	-	6,500
Dominica	19,006	-	-	-	19,006
The Gambia	7,877	-	-	-	7,877
Ghana	-	40,000	-	-	40,000
Grenada	40,600	19,940	(18,500)	-	42,040
Guyana	79,388	9,025	-	-	88,413
Kiribati	5,282	-	-	-	5,282
Mauritius	8,816	-	-	-	8,816
Namibia	76,444	35,968	(35,417)	-	76,995
Niue	21,139	-	-	-	21,139
Solomon Islands	3,608	-	-	-	3,608
St Vincent & The Grenadines	18,900	-	-	-	18,900
South Africa	10,787	-	-	-	10,787
Tanzania	-	21,000	(21,000)	-	-
Tonga	11,397	-	-	-	11,397
Uganda	101,331	-	(27,325)	-	74,006
Zimbabwe	15,602	-	-	-	15,602
TOTAL	486,961	142,248	(129,730)	(827)	478,852

4. Payables and Other Liabilities

Amounts falling due within one year

	2012	2011
	£	£
Trade Payables & Accruals	2,767,591	2,630,721
Staff Expenses	11,976	16,288
Miscellaneous	-	8,992
Total Payables and Current Liabilities	2,779,567	2,656,001

5. Deferred Income

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	2012	2011
		£	£
Cost Share Projects	1.13b	28,507	46,094
Special Projects	1.13c	1,400,664	1,675,487
Total Deferred Income		1,429,171	1,721,581

COMMONWEALTH FUND FOR TECHNICAL CO-OPERATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

6. Provisions

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

	30 June 2012		30 June 2011	
	Due within one year	Due after one year	Due within one year	Due after one year
	£	£	£	£
Arbitral Tribunal Claims	50,000	-	150,000	-
Relocation Expenses	427,788	1,111,936	409,400	1,010,700
Home Leave Expenses	75,245	13,530	-	-
Total Provisions	553,033	1,125,466	559,400	1,010,700

Movements in all provisions during the year are as follows:

Provision for Liabilities and Charges	Notes	As at 1 July 2011	Increase in Provision	Amount used	As at 30 June 2012
		£	£	£	£
Arbitral Tribunal Claims	(a)	150,000	-	(100,000)	50,000
Relocation Expenses	(b)	1,420,100	305,403	(185,779)	1,539,724
Home Leave Expenses	(c)	-	88,775	-	88,775
Total Provisions for Liabilities and Charges		1,570,100	394,178	(285,779)	1,678,499

- (a) At the beginning of the financial period, there were two litigation claims against CFTC. One of the claims was resolved during the year with no pay out due by the fund. The related brought forward provision has been written back. A provision of £50,000 for the outstanding amount has been included in the Financial Statements.

Claims for legal cases are shown as a liability on the Statement of Financial Position. Changes to the provisions for the year are included as a cost or credit in the Statement of Financial Performance.

- (b) 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 to 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 on the provisions for the year has been included in the Statement of Financial Performance under staff costs.

- (c) The provision relates to home leave passages for overseas recruited staff. Overseas recruited staff are provided with home leave passages after serving 20 months of their contracts. A provision for future home leave passages is included within staff costs in the financial statements.

The level of provisions is based on an annual review of future costs and the movement on the provisions for the year for staff and experts has been included in the Statement of Financial Performance under staff costs and direct costs respectively (see notes 10 and 13).

COMMONWEALTH FUND FOR TECHNICAL CO-OPERATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

7(a) Members' Contributions 2011-12

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

	2011-12	2010-11
	£	£
Amounts Pledged for Current Year	30,179,556	30,509,002
Deferred Income Adjustments	-	30,992
Retroactive Pledges	760,015	146,878
Total Members' Pledges	30,939,571	30,686,872

COMMONWEALTH FUND FOR TECHNICAL CO-OPERATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

7(b) (i). Members' Contributions Breakdown 2011-12

COUNTRY	Receivable 30 June 2011	Prepaid 30 June 2011	Retroactive Pledges 2011/12	Pledges 2011/12	Receipts 2011/12	Receivable 30 June 2012	Prepaid 30 June 2012
	£	£	£	£	£	£	£
Anguilla	3,000	-	-	-	-	3,000	-
Australia	-	-	-	5,898,099	(5,898,099)	-	-
Bahamas	-	-	-	123,795	(123,795)	-	-
Bangladesh	-	-	-	141,166	(141,166)	-	-
Barbados	158,382	-	-	164,432	(164,432)	158,382	-
Botswana	-	-	-	321,544	(321,544)	-	-
Brunei Darussalam	-	-	452,169	-	(452,169)	-	-
Cameroon	24,468	-	-	-	(96,989)	-	(72,521)
Canada	-	-	-	8,178,158	(8,178,158)	-	-
Cook Island	-	-	-	5,000	-	5,000	-
Cyprus	-	-	-	166,263	(166,263)	-	-
Dominica	43,647	-	-	-	(10,000)	33,647	-
Fiji	10,248	-	-	-	-	10,248	-
Ghana	17,392	-	-	-	(17,392)	-	-
Gibraltar	-	-	-	15,000	(15,000)	-	-
Grenada	-	-	-	16,781	-	16,781	-
Guyana	47,537	-	-	47,000	(94,537)	-	-
India	-	-	-	1,066,751	(1,066,751)	-	-
Jamaica	-	-	-	185,711	(185,711)	-	-
Kenya	306,026	-	-	317,716	(623,742)	-	-
Kiribati	5,203	-	5,203	5,359	-	15,765	-
Malta	-	-	144,150	149,657	(293,807)	-	-
Nauru	-	(1,709)	-	1,709	-	-	-
New Zealand	-	-	-	1,592,400	(1,592,400)	-	-
Nigeria	-	-	-	436,841	(335,407)	101,434	-
Niue	-	-	-	331	-	331	-
Pakistan	103,414	-	-	250,000	(147,915)	205,499	-
Samoa	-	-	-	44,031	(44,031)	-	-
Sierra Leone	110,748	-	-	38,903	-	149,651	-
Singapore	122,616	-	58,757	135,451	(254,975)	61,848	-
South Africa	-	-	-	313,702	(313,702)	-	-
Sri Lanka	-	-	-	53,226	(53,226)	-	-
St Kitts & Nevis	-	-	17,736	18,268	-	36,004	-
St Vincent & Grenadines	-	-	-	-	(5,933)	-	(5,933)
Swaziland	-	-	-	141,166	(141,166)	-	-
The Gambia	64,852	-	-	24,022	(31,628)	57,246	-
Tonga	-	-	-	38,756	(38,756)	-	-
Trinidad & Tobago	-	-	82,000	-	(82,000)	-	-
Uganda	-	-	-	72,318	(72,318)	-	-
United Kingdom	-	-	-	10,216,000	(10,216,000)	-	-
Zambia	-	-	-	-	(9,852)	-	(9,852)
TOTAL	1,017,533	(1,709)	760,015	30,179,556	(31,188,864)	854,836	(88,306)

The net balance of members' contribution in the 2011-12 Statement of Financial Position of £844,588 is made up of the balance receivable at 30 June 2012 of £854,836 less a provision of £10,248 (2011: £10,248) against delay in recovery, due to the suspension of a member.

COMMONWEALTH FUND FOR TECHNICAL CO-OPERATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

In order to manage and reduce long outstanding arrears, affected governments are invited to discuss and agree suitable payment plans. As at the year end, five governments had discussed or agreed payment plans for arrears amounting to £275,447 (2011: £224,450).

7 (b) (ii). Members' Contributions Breakdown 2010-11

COUNTRY	Receivable 30 June 2010	Prepaid 30 June 2010	Retroactive Pledges 2010/11	Pledges 2010/11	Receipts 2010/11	Receivable 30 June 2011	Prepaid 30 June 2011
	£	£	£	£	£	£	£
Anguilla	3,000	-	-	-	-	3,000	-
Australia	-	-	-	5,681,082	(5,681,082)	-	-
Bahamas	-	(72,314)	-	119,240	(46,926)	-	-
Bangladesh	7,326	-	-	135,972	(143,298)	-	-
Barbados	-	-	-	158,382	-	158,382	-
Belize	-	-	-	23,706	(28,706)	-	-
Botswana	-	-	-	309,713	(309,713)	-	-
Cameroon	-	-	-	163,875	(139,407)	24,468	-
Canada	-	-	-	8,158,654	(8,158,654)	-	-
Cyprus	-	-	-	160,145	(160,145)	-	-
Dominica	43,647	-	-	-	-	43,647	-
Fiji	10,248	-	-	-	-	10,248	-
Ghana	17,392	-	-	-	-	17,392	-
Gibraltar	-	-	15,000	-	(15,000)	-	-
Grenada	-	-	-	16,292	(16,292)	-	-
Guyana	4,044	-	-	47,537	(4,044)	47,537	-
India	-	-	-	1,027,500	(1,027,500)	-	-
Jamaica	-	-	-	178,327	(178,327)	-	-
Kenya	-	-	-	306,026	-	306,026	-
Kiribati	5,203	-	-	-	-	5,203	-
Lesotho	119,218	-	-	-	(119,218)	-	-
Malawi	26,140	-	-	-	(26,140)	-	-
Maldives	28,051	-	-	30,216	(58,257)	-	-
Mauritius	-	-	-	173,879	(173,879)	-	-
Mozambique	-	-	-	37,770	(37,770)	-	-
Nauru	-	-	-	-	(1,709)	-	(1,709)
New Zealand	-	-	-	1,942,580	(1,942,580)	-	-
Nigeria	420,768	-	-	420,768	(841,536)	-	-
Pakistan	-	-	-	250,000	(146,586)	103,414	-
Samoa	-	-	131,878	44,000	(175,878)	-	-
Seychelles	-	-	-	11,555	(11,555)	-	-
Sierra Leone	92,544	-	-	37,770	(19,566)	110,748	-
Singapore	52,981	-	-	309,950	(240,315)	122,616	-
South Africa	-	-	-	302,159	(302,159)	-	-
Sri Lanka	-	-	-	53,226	(53,226)	-	-
St Vincent & Grenadines	-	-	-	27,760	(27,760)	-	-
Swaziland	-	-	-	135,972	(135,972)	-	-
The Gambia	41,530	-	-	23,322	-	64,852	-
United Kingdom	43,602	-	-	10,216,624	(10,260,228)	-	-
TOTAL	915,694	(72,314)	146,878	30,508,002	(30,483,436)	1,017,533	(1,709)

COMMONWEALTH FUND FOR TECHNICAL CO-OPERATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

8 (a) (i). Special Projects 2011-12

Special Projects	Balance 30 June 2011	Receipts	Expenses	Adjustments	Balance 30 June 2012
	Restated				
	£	£	£	£	£
Advocacy on Behalf of Small States	629	-	-	(629)	-
Building Resilience to Climate Change	9,500	-	-	(9,500)	-
Global Financial and Economic Policy and the G20	-	167,350	(16,975)	-	150,375
CFTC Review	884	-	-	(884)	-
Trade Policy Formulation (Hubs and Spokes)	678,631	1,049,642	(1,699,281)	171,008	-
Promoting Human Resources Standards	73,654	123,241	(132,157)	(11,230)	53,508
Achieving Universal Primary Education	7,753	-	-	-	7,753
Capacity Building in Gender and Trade	64,713	-	(64,713)	-	-
Support for UN Meeting on Non-communicable Diseases	13,637	20,000	(6,220)	-	27,417
Commonwealth Action for Digital Divide (CADD)	342,793	250	(185,023)	-	158,020
Capacity Building to meet post Tsunami Needs in Maldives	101,989	-	(26,946)	-	75,043
Debt Management Facility - Collaboration with World Bank	-	61,960	-	-	61,960
Support for International Trade Activities	-	17,916	(36,868)	18,952	-
Judicial, Justice and Law Reforms	362	-	-	(362)	-
Implementation of Counter Terrorism Legislation	380,942	-	(75,504)	-	305,438
Capacity-building Programme for Commonwealth Young Election Professionals	-	561,150	-	-	561,150
TOTAL	1,675,487	2,001,509	(2,443,687)	167,355	1,400,664

The adjustments represent funds that have been written off, paid back to donors or transferred to debtors for recovery in the subsequent financial period.

The balance for Implementation of Counter Terrorism Legislation project has been restated as a result of the amalgamation of Implementation Counter Terrorism Legislation and Preventing and Combating Terrorism into one project.

COMMONWEALTH FUND FOR TECHNICAL CO-OPERATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

8 (a) (ii). Special Projects 2010-2011

Special Projects	Balance 30 June 2010	Receipts	Expenses	Adjustments	Balance 30 June 2011
	£	£	£	£	£
Workshops on Aid Architecture	10,000	-	(10,000)	-	-
Advocacy on behalf of Small States	-	29,000	(28,371)	-	629
Building Resilience to Climate Change	-	9,500	-	-	9,500
CFTC Review	884	-	-	-	884
Trade Policy Formulation (Hubs and Spokes)	717,208	1,368,851	(1,407,228)	-	678,631
Promoting Human Resources Standards	76,588	83,480	(86,414)	-	73,654
Achieving Universal Primary Education	7,753	-	-	-	7,753
Capacity Building in Gender and Trade	64,713	-	-	-	64,713
Work on Non-Communicable Diseases	-	50,000	(36,353)	-	13,637
Commonwealth Action for Digital Divide (CADD)	552,999	647	(210,853)	-	342,793
Enhancing Institutional Capacities	1,059	-	-	(1,059)	-
Capacity Building to meet post Tsunami needs in Maldives	126,305	-	(24,316)	-	101,989
Support for International Trade Activities	-	-	(6,572)	6,572	-
Implementation Counter Terrorism Legislation	249,028	-	-	-	249,028
Domestic Prosecution of iCC Crime	26,364	-	(26,364)	-	-
Preventing and Combating Terrorism	131,914	-	-	-	131,914
Promoting Good Governance & Combating Corruption	3,727	-	-	(3,727)	-
Judicial, Justice and Law Reforms	1,433	-	(1,071)	-	362
TOTAL	1,969,985	1,541,278	(1,837,552)	1,778	1,675,487

8. (b) Special projects by cost type

Special projects expenses are analysed below according to cost type:

	2011-12	2010-11
	£	£
Staff & Short Term Consultants Costs	2,102,459	1,527,161
Communications, Publicity & Information	15,117	8,875
Training & Workshops	309,435	261,154
Other Miscellaneous Expenses	16,675	40,362
Total	2,443,686	1,837,552

9. Interest Receivable

Interest bearing accounts and investments yielded an average rate of 1.42% (2011: 0.89%) during the reporting period.

COMMONWEALTH FUND FOR TECHNICAL CO-OPERATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

10. Staff Costs

	2011-12	2010-11
		Restated
	£	£
Salaries & Allowances	3,858,800	3,643,532
Employers National Insurance Contributions	436,884	381,734
Contributions to Staff Gratuity Fund	548,490	470,003
Contributions to Staff Defined Benefit Scheme	16,006	18,112
Contributions to Staff Defined Contribution Scheme	19,085	9,427
Other Staff and Short Term Consultants Costs - Direct	10,988,710	10,874,627
Other Staff and Short Term Consultants Costs - Special	2,102,459	1,527,161
Provision for relocation expenses – see note 6b	192,866	54,800
Total Staff Costs	18,163,300	16,979,396

Additional staff costs relating to the shortfall in contributions to the Staff Defined Benefit Scheme, together with the Scheme's administrative costs, are borne by COMSEC and recharged to CFTC through the Common Service Charge.

The 2010-11 figures above have been restated as a result of the change in categories reported, in order to make them comparable to the 2011-12 figures.

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 for all three funds during the year is disclosed in the COMSEC's financial statements. A share of the remuneration of key management personnel is recharged to the CFTC through the Common Service Charge.

12. General Administration

	2011-12	2010-11
		Restated
	£	£
Rent and Rates	411,493	445,836
Property Services & Maintenance Costs	180,761	242,451
Utilities	67,916	68,413
Other Property Costs	50,600	75,751
Equipment Maintenance	183,112	182,084
Printing & Stationery	12,422	13,030
Communications	251,594	640,804
Insurance	50,259	29,800
Library & Subscriptions	7,819	13,321
Professional Fees	94,343	15,627
Audit Fees	36,300	26,821
Movement on Provisions	284,449	200,109
Bank & Financial Charges	4,415	34,901
Other Charges	1,260,014	1,241,301
Total General Administration	2,855,497	3,210,249

The 2010-11 figures above have been restated as a result of the change in categories reported, in order to make them comparable to the 2011-12 figures.

COMMONWEALTH FUND FOR TECHNICAL CO-OPERATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

13. Training and workshops

	Note	2011-12	2010-11
		£	£
Training & Workshops – Special Projects	8b	309,435	261,154
Training & Workshops – Direct Projects	14	5,285,556	5,518,395
Total Training and workshops		5,594,991	5,779,549

14. Direct Project Expenses

For additional information, a breakdown of direct project expenses is provided below. These are analysed according to the strategic plan programme areas:

	2011-12	2010-11
	£	£
Democracy and Consensus Building	526,076	273,622
Economic Development	5,609,354	6,151,463
Environmentally Sustainable Development	192,731	495,913
Human Rights	360,314	368,636
Public Sector	8,435,393	8,054,946
Human Development	1,034,142	1,284,357
Rule of Law	801,174	923,143
Business Support Functions	521,524	463,406
Good Offices for Peace	3,700	-
	17,484,408	18,015,486
Provision for relocation expenses - see note 6b	201,312	109,600
Total Direct Project Expenses	17,685,720	18,125,086

Direct project expenses are analysed below according to cost types:

	2011-12	2010-11
	£	£
Staff, Short Term & Long Term Consultants Costs	10,988,710	10,874,627
Communication, Publicity & Information	141,192	527,383
Training and Workshops	5,285,556	5,518,395
Other Miscellaneous Expenses	1,270,262	1,204,681
Total	17,685,720	18,125,086

15. 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)
- Commonwealth Youth Programme Fund (CYP)

COMMONWEALTH FUND FOR TECHNICAL CO-OPERATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

As described in note 1.14c, costs of common service divisions are incurred by COMSEC. These costs are recovered from CFTC and CYP as Common Service Charges. In addition to Common Service Charges, COMSEC incurs costs from diplomatic and professional staff from programmatic divisions which are attributable to CFTC. Beginning the 2011-12 financial year, COMSEC is recovering these cost as Project Service Charges.

(b) Key Management Personnel

The Secretary General of The Commonwealth Secretariat is a member of the Board of Governors of two organisations which are associated with The Secretariat. They are the Commonwealth of Learning and Commonwealth Foundation. These organisations although associated with The Secretariat have separate Memorandum of Understanding, Board of Governors and Executive Management independent of The Secretariat.

In the financial year to 30 June 2012, there were no transactions outside the normal operations between The Commonwealth Secretariat and the two Commonwealth organisations mentioned above.

There were no transactions outside the normal operations between The Secretariat and organisations controlled by key management personnel or their close family members.

16. Contingencies

The Secretariat has made an insurance claim of £389,184 (2011: £nil) in respect of fraud committed by a previous employee. At this stage of the claims management process, the Secretariat, with legal advice, is of the opinion that there is a high level of uncertainty around the outcome and quantum of the claim and therefore no asset has been recognised.

17. Commitments

Obligations under Operating Leases

All lease agreements are registered in COMSEC and the costs are shared among the three Funds. The total amount of operating leases recognised in CFTC Statement of Financial Performance for the period is £472,322 (2010-11: £401,087).

18. Financial instruments

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

The risks associated with the use of its financial instruments are currency, interest rate, credit and liquidity risks.

Currency Risk - CFTC holds bank balances in foreign currency in member countries (see note 2) which are used to settle commitments, reducing the effect of changes in exchange rate. These balances amount to £1.7 million out of a total of £21.8 million at the year end.

Interest Rate Risk - CFTC is not exposed to any interest rate risk as it has no financing debt.

Credit Risk - The Secretariat's exposure relate mainly to receivables and investments. The risk is managed by creating adequate provisions for amounts considered uncollectible (see note 3(a) and 7(b)(i)). The Secretariat actively seeks recovery of all debts due and given present trends does not see this as a material risk. The provisions made by CFTC at 30 June 2012 against receivables amounted to £50,248 in total. CFTC also holds bank balances and short term deposits of £21.8 million with well-recognised banking institutions.

Liquidity Risk - Liquidity risk predominately relates to delays in collecting its receivables. The liquidity risk is managed by continually monitoring both the receivables position and available funds against anticipated expenditure and commitments. In addition, the financial regulations specify the purpose of the Operational Reserve is protection against temporary cash shortages. Advances are made from the Operational Reserve to sustain expenditure in the event of irregular settlement of pledge receivables. The Operational Reserve is represented by bank balances and short term deposits amounting to £4,473,150 at 30 June 2012.

COMMONWEALTH FUND FOR TECHNICAL CO-OPERATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

19. Events After Reporting Date

The Secretary General authorised these financial statements for issue on 7 December 2012.

There are no material events, favourable or unfavourable that occurred between the reporting date, 30 June 2012, and the date of authorisation for issue that would have impacted these statements.