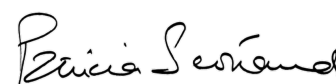


# Financial Statements of the Commonwealth Secretariat Fund

Year Ended 30 June 2021



The Commonwealth



**The RT Hon  
Patricia Scotland QC**  
*Secretary-General*  
23 December 2021



**Dr Arjoon Suddhoo**  
*Deputy Secretary-General*  
23 December 2021



# THE COMMONWEALTH SECRETARIAT FUND

## PRINCIPAL ACTIVITIES AND OPERATING STRUCTURE

### Principal Activities of The Commonwealth

The Commonwealth is a voluntary association of 54 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.

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

The Commonwealth:

- Supports The Commonwealth member states to achieve development, democracy and peace. It is a voice for small and vulnerable states and a champion for young people.
- Helps to strengthen governance, build inclusive institutions and promote justice and human rights. Its work helps to grow economies and boost trade, empower young people, and address threats such as climate change, debt and inequality.
- 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 to 2020-21, which was approved in June 2017, and the new Strategic Plan from 2021/22 - 2024/25 which was approved in September 2021, can be found on the website [www.thecommonwealth.org](http://www.thecommonwealth.org).

### The Commonwealth Secretariat

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 Secretariat Fund** for the year ended 30 June 2021.

COMSEC facilitates consultation and consensus building amongst Commonwealth governments. It monitors international developments, conducts research and prepares briefings on political, social and economic issues which are of interest to member countries.

## THE COMMONWEALTH SECRETARIAT FUND

### PRINCIPAL ACTIVITIES AND OPERATING STRUCTURE

#### **The Commonwealth (Continued)**

The financial statements for COMSEC include the financial performance and position of the Joint Office for Commonwealth Permanent Missions to the United Nations which is based in New York and the Commonwealth Small States Office which is based in Geneva. The Joint Office for Commonwealth Permanent Missions to the United Nations operates as a base for nine Commonwealth small states and one regional body, to work out of and represent their respective countries at the United Nations. Both offices are funded by the tenants together with contributions from other donor countries. The Commonwealth Small States Office in Geneva provides subsidised office space for diplomatic missions of Commonwealth small states and a business centre for tenants and visiting small states delegations attending multilateral meetings.

#### **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.

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.

INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF GOVERNORS

Independent auditor's report to the Board of Governors of The Commonwealth Secretariat Fund

Report on the audit of the non-statutory financial statements

**Opinion**

In our opinion the non-statutory financial statements of Commonwealth Secretariat Fund (the 'Fund'):

- give a true and fair view of the state of the affairs of the Fund as 30 June 2021 and of its surplus 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 non-statutory financial statements which comprise:

- the statement of financial position;
- the statement of changes in net assets;
- the statement of financial performance;
- the cash flow statement; and
- the related notes 1 to 22.

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 (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the non-statutory 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.

**Conclusions relating to going concern**

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report

**Other information**

The other information comprises the information included in the annual report, other than the non-statutory financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the non-statutory financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the non-statutory financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the non-statutory financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF GOVERNORS

**Independent auditor's report to the Board of Governors of The Commonwealth Secretariat Fund**

**Other information**

We have nothing to report in this regard.

**Responsibilities of the Secretary General**

The Secretary-General is responsible for the preparation of the non-statutory financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Secretary-General determines is necessary to enable the preparation of non-statutory financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the non-statutory 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 has no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the non-statutory financial statements**

Our objectives are to obtain reasonable assurance about whether the non-statutory 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 (UK) 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 non-statutory financial statements.

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

**Extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the fund's industry and its control environment, and reviewed the fund's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities

We obtained an understanding of the legal and regulatory framework that the fund operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the fund's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team including relevant internal specialists such as valuations and pensions regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following area, and our specific procedures performed to address it are described below:

- The fund has repatriation liabilities which cover the costs of travel for international staff returning to/from their home countries.
- There is management judgement and estimation involved in determining the level of provision to recognise in respect of repatriation liabilities.
- For this reason, we identified a potential risk of fraud through earlier creation of excess provisions to overprovide against future results.
- We obtained understanding of relevant controls in place to mitigate the risk and selected samples from the year-end population and traced them to underlying data and documents.

## THE COMMONWEALTH SECRETARIAT FUND

### INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF GOVERNORS

#### Independent auditor's report to the Board of Governors of The Commonwealth Secretariat Fund

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing internal audit reports.

#### Use of our report

This report is made solely for the exclusive use of the Board of Governors in accordance with the engagement letter dated 10 November 2021 and the Financial Regulations of the funds. Our report is not to be used for any other purpose, recited or referred to in any document, copied or made available (in whole or in part) to any other person without prior written express consent. We accept no duty, responsibility or liability to any other party in connection with the report or this engagement.



Deloitte LLP  
St Albans, United Kingdom  
17 January 2022

**THE COMMONWEALTH SECRETARIAT FUND**

**STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021**

		<b>30 June 2021</b>	<b>30 June 2020</b>
<b>ASSETS</b>	<b>Notes</b>	<b>£</b>	<b>£</b>
<b>Current Assets</b>			
Cash and Cash Equivalents	2	11,355,064	11,037,381
Investments	3	3,500,000	2,512,000
Inventories		5,312	2,807
Prepayments		315,074	541,446
Members' Contributions Receivable from Non-exchange Transactions	9(a)	1,686,228	1,074,378
Other Receivables from Exchange Transactions	4	555,352	300,522
		<b>17,417,030</b>	<b>15,468,534</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment	5(a)(i),5(b)(i)	16,869,794	16,953,389
Intangible Assets	5(a)(ii),5(b)(ii)	161,538	123,566
Members' Contributions Receivable from non-exchange transactions	9(a)	19,082	-
Pension Assets	7	219,000	-
		<b>17,269,414</b>	<b>17,076,955</b>
<b>TOTAL ASSETS</b>		<b>34,686,444</b>	<b>32,545,489</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Provisions	8	377,791	515,902
Deferred Income from Non-exchange Transactions	11(a),11(b)	270,699	349,101
Members' Contributions Prepaid from Non-exchange Transactions	9(a)(i),9(a)(ii)	167,613	90,657
Payables and Other Liabilities from Exchange Transactions	6	5,083,668	6,572,460
		<b>5,899,771</b>	<b>7,528,120</b>
<b>Non-Current Liabilities</b>			
Provisions	8	397,596	297,485
Payables and Other Liabilities from Exchange Transactions	6	1,305,186	1,464,792
Pension Liabilities	7	-	5,600,000
		<b>1,702,782</b>	<b>7,362,277</b>
<b>TOTAL LIABILITIES</b>		<b>7,602,553</b>	<b>14,890,397</b>
<b>NET ASSETS</b>		<b>27,083,891</b>	<b>17,655,092</b>
<b>FUND BALANCES AND RESERVES</b>			
General Reserve		6,212,592	2,893,770
Working Capital Fund		3,724,838	3,724,838
Joint Office in New York	16	429,163	482,334
Small States Office in Geneva	16	(74,783)	(81,591)
Designated Funds	1.17	2,923,738	2,724,822
Revaluation Reserve	1.17	13,649,343	13,510,919
Pension Reserve	7	219,000	(5,600,000)
<b>TOTAL FUND BALANCES AND RESERVES</b>		<b>27,083,891</b>	<b>17,655,092</b>



THE COMMONWEALTH SECRETARIAT FUND

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2020-21 £	2019-20 £
<b>REVENUE FROM NON-EXCHANGE TRANSACTIONS</b>			
Contributions to COMSEC	9(a)(i),9(a)(ii)	16,881,850	16,866,441
Contributions to Joint Office in New York	9(b)	639,370	667,223
Contributions to Small States Office in Geneva	9(c)	486,255	505,388
Special Projects	11(a),11(b),16	148,403	831,565
Service in-kind - Rent	12(b)(ii)	2,083,379	2,129,879
<b>SUB-TOTAL REVENUE FROM NON-EXCHANGE TRANSACTIONS</b>		<b>20,239,257</b>	<b>21,000,496</b>
<b>REVENUE FROM EXCHANGE TRANSACTIONS</b>			
Common Service Charge	10	2,561,039	2,553,595
Office Consolidation Charge	1.18(b)(vi)	-	697,297
Interest Revenue	12(a)	2,439	67,041
Other Income	12(b)(i)	1,202,591	1,380,964
Currency Gain		3,802	16,866
<b>SUB-TOTAL REVENUE FROM EXCHANGE TRANSACTIONS</b>		<b>3,769,871</b>	<b>4,715,763</b>
<b>TOTAL REVENUE</b>		<b>24,009,128</b>	<b>25,716,259</b>
<b>EXPENSES</b>			
Staff Costs	13	10,489,608	9,810,296
Other Costs	14	7,838,667	13,313,334
Depreciation and Amortisation	5(a)(iii),5(b)(iii)	727,094	1,058,210
Finance Costs		2,056	5,227
Currency Loss		2,965	-
<b>TOTAL EXPENSES</b>		<b>19,060,390</b>	<b>24,187,067</b>
<b>SURPLUS FOR THE YEAR</b>		<b>4,948,738</b>	<b>1,529,192</b>

**THE COMMONWEALTH SECRETARIAT FUND**

**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2021**

	Notes	General Reserve	Working Capital Fund	Joint Office	Small States Office	Designated Funds	Revaluation Reserve	Pension Reserve	Total
		£	£	£	£	£	£	£	£
<b>Balance as at 1 July 2019</b>		<b>2,887,149</b>	<b>3,724,838</b>	<b>468,364</b>	<b>(76,980)</b>	<b>2,682,251</b>	<b>13,869,075</b>	<b>(1,533,000)</b>	<b>22,021,697</b>
Surplus		1,529,192	-	-	-	-	-	-	1,529,192
Revaluation of Leasehold Property	5(a)(i)	-	-	-	-	-	(358,156)	-	(358,156)
Actuarial Gain on Former SG's Pension Scheme	7(a)	-	-	-	-	-	-	43,000	43,000
Actuarial Loss on Defined Benefit Scheme	7(b)	-	-	-	-	-	-	(5,513,000)	(5,513,000)
Actuarial Loss on Supplementary Pension	7(c)	-	-	-	-	-	-	(77,000)	(77,000)
Transfer of Funds to Pension Reserve	7(a,b,c)	(1,480,000)	-	-	-	-	-	1,480,000	-
Transfer from General Reserve to Designated Funds	1.17	(760,225)	-	-	-	760,225	-	-	-
Transfer from Designated Funds to General Reserve	1.17	717,654	-	-	-	(717,654)	-	-	-
Currency Translation of Foreign Operations		-	-	13,970	(4,611)	-	-	-	9,359
<b>Balance as at 30 June 2020</b>		<b>2,893,770</b>	<b>3,724,838</b>	<b>482,334</b>	<b>(81,591)</b>	<b>2,724,822</b>	<b>13,510,919</b>	<b>(5,600,000)</b>	<b>17,655,092</b>
Surplus		4,948,738	-	-	-	-	-	-	4,948,738
Revaluation of Leasehold Property	5(a)(i)	-	-	-	-	-	138,424	-	138,424
Actuarial Loss on Former SG's Pension Scheme	7(a)							(43,000)	(43,000)
Actuarial Gain on Defined Benefit Scheme	7(b)							4,606,000	4,606,000
Actuarial Loss on Supplementary Pension	7(c)							(175,000)	(175,000)
Transfer of Funds to Pension Reserve	7(a,b,c)	(1,431,000)						1,431,000	-
Transfer from General Reserve to Designated Funds	1.17	(279,000)				279,000			-
Transfer from Designated Funds to General Reserve	1.17	80,084	-	-	-	(80,084)	-	-	-
Currency Translation of Foreign Operations		-	-	(53,171)	6,808	-	-	-	(46,363)
<b>Balance as at 30 June 2021</b>		<b>6,212,592</b>	<b>3,724,838</b>	<b>429,163</b>	<b>(74,783)</b>	<b>2,923,738</b>	<b>13,649,343</b>	<b>219,000</b>	<b>27,083,891</b>

THE COMMONWEALTH SECRETARIAT FUND

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2021

		2020-21	2019-20
	Notes	£	£
<b>Cash Flow from Operating Activities</b>			
Surplus for the year		<b>4,948,738</b>	<b>1,529,192</b>
<b>Non-Cash Movements</b>			
Amortisation	5(a)(ii),5(b)(ii)	44,527	44,527
Depreciation	5(a)(i),5(b)(i)	682,567	1,013,683
Loss on Disposal of Fixed Assets	14	9,904	-
Currency Translations on Foreign Operations		30,516	(68,052)
Increase in Contributions Receivable		(630,932)	(146,041)
Decrease/(Increase) in Member Contributions Prepaid		76,956	(130,387)
(Increase)/Decrease in Other Receivables		(254,830)	595,511
Decrease in Prepayments		226,372	221,084
(Increase)/Decrease in Inventories		(2,505)	804
(Decrease)/Increase in Payables and Other Current Liabilities		(1,488,792)	1,362,641
Decrease in Provisions		(38,000)	(1,318,865)
Decrease in Deferred Income from Non-exchange Transactions		(78,402)	(140,973)
Decrease in Payables and Other Non Current Liabilities		(63,605)	(271,657)
Pension Adjustments		(1,431,000)	(1,480,000)
<b>Net Cash Flow generated from Operating Activities</b>		<b><u>2,031,514</u></b>	<b><u>1,211,467</u></b>
<b>Cash Flow from Investing Activities</b>			
Investments in Fixed Term Deposits		(3,500,000)	(2,512,000)
Cash from Fixed Term Deposit Maturities		2,512,000	4,000,000
Purchase of Non Current Assets (non-lease)	5(a)(i)(ii),5(b)(i)	(633,630)	(992,294)
<b>Net Cash Flow (used In)/Generated From Investing Activities</b>		<b><u>(1,621,630)</u></b>	<b><u>495,706</u></b>
<b>Cash Flow from Financing Activities</b>			
Repayment of Bank Loans		(96,000)	(96,000)
<b>Net Cash Flow Used In Financing Activities</b>		<b><u>(96,000)</u></b>	<b><u>(96,000)</u></b>
<b>Net Increase in Cash and Cash Equivalents</b>		<b>313,884</b>	<b>1,611,173</b>
Cash and Cash Equivalents at the Beginning of the Period		11,037,381	9,399,194
Effects of Exchange Rate Changes on the Balance of Cash Held in Foreign Currencies		3,799	27,014
<b>Cash and Cash Equivalents at the End of the Period</b>	2	<b><u>11,355,064</u></b>	<b><u>11,037,381</u></b>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

**1. Accounting Policies**

**1.1 Statement of Compliance**

The financial statements of COMSEC 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.

The financial statements include segmental information relating to Special Projects and the Joint Office for Commonwealth Permanent Missions to the United Nations (Joint Office) and the Commonwealth Small States Office in Geneva (together referred to as Commonwealth Small States Offices - CSSOs). Information is analysed into the statement of financial position and statement of financial performance for each segment. The segmental information does not include income, expenses, advances or loans to or between segments.

**1.1.1 Standards Issued not yet effective:**

**IPSAS 41 – Financial Instruments**

IPSAS 41, which replaces IPSAS 29, addresses the principles for recognition, measurement, classification and de-recognition of financial assets, financial liabilities and some contracts to buy or sell non-financial items. The main changes from IPSAS 29 to IPSAS 41 are the introduction of simplified classification and measurement requirements for financial assets, a forward looking impairment model, and a flexible hedge accounting model. IPSAS 41 will be effective from 1 January 2023. COMSEC has not yet implemented this standard whose expected impact on the COMSEC's financial statements is minimal primarily because the entity already recognises impairment losses on its financial assets at the earliest opportunity.

**IPSAS 42 – Social Benefits**

IPSAS 42, also effective from 1 January 2023 applies to a transaction that meets the definition of a social benefit. This standard has not been implemented by COMSEC as the nature of the entity's work does not include transactions which would be classified as social benefits.

**1.2 Change to Accounting Policies**

COMSEC reviews its accounting policies on a regular basis and amends them as necessary in line with the prevailing accounting standards and its operational circumstances.

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

As mentioned previously under 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 may vary from fund to fund.

The Commonwealth has reviewed IPSAS 35 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 except for the revaluation of property assets.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

**1.5 Going Concern Assumption**

The financial statements have been prepared on the going concern basis. The Secretariat has considered the potential uncertainties of the impact of the COVID-19 pandemic on the organisation and has modelled different scenarios to quantify the potential impact of a reduction in income collection from member countries. After due consideration, management has a reasonable expectation that The Commonwealth will continue in operational existence for the foreseeable future and at least for a period of 12 months subsequent to the date of signing these financial statements. The Board of Governors has approved the 2021-22 Budget and Delivery Plan along with the associated funding by member states.

**1.6 Functional and Presentational Currency**

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

**1.7 Financial Instruments**

Financial instruments are recognised when COMSEC 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 COMSEC has transferred substantially all the risks and rewards of ownership.

Financial assets that are held for trading are initially 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.

Financial assets with fixed or determinable payments that are not quoted in active markets comprise contributions receivable in cash, other receivables and cash and cash equivalents are initially measured at fair value and subsequently stated at amortised cost.

Financial assets with fixed or determinable payments and fixed maturity dates that COMSEC has both the intention and the ability to hold to maturity are initially measured at fair value and subsequently measured at amortised cost. As at 30 June 2021, no such financial assets were held by COMSEC.

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 cash in hand and 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

**1.9 Property, Plant and Equipment**

**(a) Costs**

Items of property, plant and equipment that meet the recognition criteria for capitalisation are capitalised and depreciated to residual value over their useful life if they:

- Have a value greater than £1,000; or
- Have a value of less than £1,000 but are part of a group of similar assets with a value greater than £10,000.

Property, plant and equipment are recorded at cost, which includes the purchase price and directly attributable costs of bringing the asset to working condition for its intended use.

Capital work in progress represents the value of expenditure on incomplete assets or projects as at 30 June 2021. The total expenditure is transferred to the relevant asset category on the completion of the asset or project and then depreciated.

**(b) Revaluation**

Land and buildings are revalued every five years. This is supplemented by interim professional valuations to ensure that the carrying amount does not differ materially from fair value. All other classes of property, plant and equipment are carried at cost, less any accumulated depreciation and impairment losses.

**(c) Depreciation**

Depreciation on purchased and revalued assets is charged in the Statement of Financial Performance to write off the cost or valuation over their estimated useful lives using a straight-line method. Depreciation on assets acquired under finance leases is charged to the Statement of Financial Performance over the shorter of the lease term and the assets' useful life.

Depreciation for assets is provided from the month in which the asset is made available for use. The estimated useful lives applicable are as follows:

**Asset Type**

Leasehold buildings	Remaining term of lease
Building Improvements	Remaining life of the building or term of lease or the useful life of the improvement
Equipment	12 years or term of lease
Fixtures and Fittings	8 years or term of lease
Vehicles	5 years or term of lease
Computers - Hardware	4 years or term of lease

**1.10 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.

**1.11 Intangible Assets**

Computer software purchased for internal use which meets the recognition criteria for intangible assets and has a value greater than £1,000 is capitalised and amortised to residual value over its useful life. Computer software is recorded at cost, which includes the purchase price and directly attributable costs of bringing the software to usable condition for its intended use.

Computer software is amortised from the month in which it is made available for use. The estimated useful life is four years.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

**1.12 Inventories**

Inventories held for sale are measured at the lower of cost and net realisable value. Inventories held for distribution at no or nominal charge are valued at the lower of cost and current replacement cost. Write downs from cost to current replacement cost or net realizable value are recognized in the Statement of Financial Performance.

**1.13 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 the purposes of disclosure in the financial statements, are aggregated with trade payables.

**1.14 Deferred Income**

COMSEC receives additional contributions and grants from member states, 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.

Details on deferred income are given in note 1.18(a)(ii).

**1.15 Borrowings**

Borrowings consist of bank overdraft and bank loans. These are analysed as short- and long-term borrowings in the Statement of Financial Position. Their fair values are determined by the principal amounts, which represent the present value of future cash flows associated with servicing the debt. Interest and charges are recognised in the reporting period in which they are incurred.

**1.16 Provisions and Contingent Liabilities**

Provisions are made for future liabilities and charges where COMSEC 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

**1.17 Reserves**

COMSEC's reserves consist of the following balances:

- General Reserve, is carried forward after accounting for contributions, 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 maintain expenditure levels in the event of irregular settlement of receivables by member states. Investments are held separately to represent the Working Capital Fund. 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;
- General Reserves of the Joint Office for Commonwealth Permanent Missions to the United Nations in New York and the Commonwealth Small States Office in Geneva, are included as they form part of COMSEC's activities;
- Revaluation Reserve, relates to the revaluation of the Secretary General's residence, see note 5. The balance is made up of gains and losses in the value of the property since its acquisition in 2001 and subsequent refurbishment;
- Designated Funds, specifically relate to the Publication and the Marlborough House Funds carried forward to the next year as well as Funds set aside for specific purposes within the overall reserves as agreed by the Board of Governors as part of the annual budget; and
- Pension Reserve, created to reflect the surplus or deficit on The Commonwealth's pension obligations.

**1.18 Revenue**

**(a) Revenue from Non-Exchange Transactions**

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

**(i) Contributions**

COMSEC is financed by assessed contributions from the 54 member states of the Commonwealth. Revenue is recognised in the period to which the contribution relates following agreement of contributions at the annual meeting of the Board of Governors. Where contributions are received in advance of the year to which they relate, the amount is recognised as a non-exchange liability in the Statement of Financial Position.

Members' contributions receivable in the Statement of Financial Position are stated at the agreed amount and reduced by a provision for doubtful balances.

The Joint Office for Commonwealth Permanent Missions to the United Nations in New York and the Commonwealth Small States Office in Geneva are financed by contributions from donors.

**(ii) Special Projects**

COMSEC receives additional contributions and grants from member states, non-Commonwealth countries and other organisations for special projects (see note 11 for details of individual special projects). These funds 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 in the Statement of Financial Position. The revenue for these projects is recognised when these conditions are met.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

**1.18 Revenue (a) Revenue from Non-Exchange Transactions (Continued)**

**(iii) Service In-Kind**

Service in-kind represents the provision of Marlborough House free of rent as recognised under IPSAS 23 Revenue from Non-Exchange Transactions.

**(b) Revenue from Exchange Transactions**

Exchange transactions in which COMSEC provides a service and receives consideration in return.

**(i) Common Service Charge**

COMSEC levies an administrative charge referred to as the Common Service Charge, on the Commonwealth Fund for Technical Co-operation, Commonwealth Youth Programme Fund and Commonwealth Association of Tax Administrators. The charge recovers from these institutions some of the costs incurred by COMSEC in operating the internal corporate business support functions which include Finance, Human Resources and Facility Management, Information Technology, Strategy, Portfolio, Partnerships and Digital and to a lesser extent, Communications.

The present method of apportioning these costs is based on the proportion of staff members' time devoted to supporting activities in a particular area of work. The costs apportioned include staff costs, office accommodation and other administrative costs related to the corporate business support functions.

**(ii) Designated Funds**

This income relates to monies generated from certain self-financing funds. Any surpluses or losses arising during the financial period are carried forward to the next year in the Designated Funds Reserves (see note 1.17).

**(iii) Tenants Re-charges**

In addition to contributions from donors, the Joint Office for Commonwealth Permanent Missions to the United Nations in New York and the Commonwealth Small States Office in Geneva are also financed by contributions from their tenants for using the office facilities. Tenants re-charges are recognised when it is probable that economic benefits will flow into the Joint Office for Commonwealth Permanent Missions to the United Nations in New York and the Commonwealth Small States Office in Geneva.

**(iv) Interest Receivable**

Interest receivable from interest-bearing accounts and investments is recognised in the period in which the transaction occurred not when the income is received.

**(v) Other Income**

Other income consists of:

- Rent and service charges received from tenants in Commonwealth House up to December 2019;
- Rent received and costs recovered from tenants in the Joint Office for Commonwealth Permanent Missions to the United Nations in New York and the Commonwealth Small States Office in Geneva;
- Costs recovered from the Commonwealth Foundation in COMSEC;
- Recoveries by COMSEC, the Joint Office and the Small States Office of various costs, through insurance and tax reclaims; and
- Administration fees charged for managing Special Projects.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

**1.18 Revenue**

**(b) Revenue from Exchange Transactions (Continued)**

**(vi) Office Consolidation Charge**

The Commonwealth consolidated its London operations into one office building, Marlborough House, in order to generate savings and improved ways of working. To facilitate this consolidation, in December 2018 The Commonwealth exercised the lease break option in its lease for Commonwealth House without incurring a penalty. The Commonwealth vacated the building in 2019-20.

COMSEC levied an office consolidation charge on the Commonwealth Fund for Technical Co-operation and the Commonwealth Youth Programme Fund to recover some of the costs incurred by COMSEC in delivering the consolidation project. The method of apportioning these costs is based on the projected total revenue used to fund expenditure in each of COMSEC, CFTC and CYP.

The consolidation project costs cover activities associated with the vacating and yielding up of Commonwealth House to the landlord, accelerated depreciation on Commonwealth House building improvements, enabling and upgrade works required in Marlborough House, and the physical move of staff and operations from Commonwealth House into Marlborough House.

**1.19 Expenses**

**(a) Staff costs**

The Commonwealth Secretariat has provided for below staff benefits according to IPSAS 25.

**(i) Unused annual leave**

Staff 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) 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.

**(iii) Home leave**

The Commonwealth pays for home leave passages for overseas recruited staff after serving 18 months of their contracts. A provision for future home leave passages is included within staff costs in the financial statements.

**(iv) Pensions**

The Commonwealth operates:

- Two defined benefit pension schemes which are now closed. One for three former Secretaries-General and another for permanent staff who opted in prior to 2002;
- A supplementary arrangement in conjunction with the Staff Defined Benefit Pension Scheme; and
- A defined contribution Workplace Pension Scheme which came into operation on 1 January 2018.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

**1.19 Expenses (a) Staff costs (iv) Pensions (Continued)**

**Former Secretaries-General Pension Scheme**

An unfunded, defined benefit pension scheme is in operation for three former Secretaries-General. 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. 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.

**Staff Defined Benefit Pension Scheme**

The Commonwealth 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 Commonwealth 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 99.7% 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 £90,000 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 Assure UK. The scheme's actuary is 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.

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

**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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

**1.19 Expenses (a) Staff costs (iv) Pensions, Supplementary Pension (Continued)**

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 actuarial gains and losses are recognised in the Statement of Changes in Net Assets.

**Workplace Pension Scheme**

Effective 1 January 2018, a Defined Contribution Pension Scheme was set up with Scottish Widows, which operates in line with the requirements of Automatic Enrolment. Staff can elect to have all or part of 15% of their gross salary invested in this Scottish Widows Workplace Pension Scheme. Employer contributions are recognised in the Statement of Financial Performance in the period in which the obligation arise.

The Commonwealth's contributions to the workplace pension scheme are recognised as staff costs in the statement of financial performance.

**(v) Gratuity**

For staff who opt out of or select the reduced contribution to The Commonwealth Secretariat Workplace Pension Scheme, The Commonwealth contributes up to 15% of gross salary into the Staff Gratuity Fund. The Commonwealth's contributions to the staff gratuity 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 a COMSEC 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 COMSEC because it is not possible to readily separate the proportion relating to COMSEC employees. The liability is classified as current or non-current dependent on the expiry dates of the employees' contracts.

**(b) Office Rental Costs**

The headquarters of The Commonwealth is located in London and until December 2019, its operations were 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. The service in-kind has been estimated using the rental value of Commonwealth House in proportion to the office area in Marlborough House.

The Commonwealth also had operations sited in a separate office building, Commonwealth House. In December 2019, The Commonwealth vacated Commonwealth House as part of the office consolidation project.

Significant improvements made to Marlborough House or Commonwealth House are capitalised and depreciated through the statement of financial performance over the useful life of the improvements for Marlborough House.

**(c) 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

**1.19 Expenses (Continued)**

**(d) Leases**

Leases are classified at their inception. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incident to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incident to ownership. Such classification is made in accordance with the substance and financial reality of the lease, not merely with its legal form.

Assets acquired under finance leases are recognised as assets in the Statement of Financial Position and the associated lease liabilities are recognised as liabilities. The assets and liabilities are recognised at amounts equal to the fair value of the leased asset at the inception of the lease or, if lower, at the present value of the minimum lease payments.

Finance lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is recognised in the Statement of Financial Performance each year during the lease term.

Lease payments under an operating lease are recognised as an expense in the Statement of Financial Performance on a straight line basis over the lease term.

**(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. COMSEC does not have any hedging arrangements.

Assets and liabilities of the Joint Office in New York and the Small States Office in Geneva are translated at the exchange rates existing at the reporting date. Revenues and expenses are translated at the average rate of exchange over the financial year. Unrealised gains and losses from the revaluation of foreign operations are recognised in the Statement of Changes in Net Assets as currency translations.

**1.20 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.

**1.21 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. Revisions to estimates are recognised in the year in which they are revised and in any future period affected.

There were no critical judgements in the year made during the process of applying the accounting policies.

The following are key sources of uncertainty in the estimates that have the most significant effect on the amounts recognised in the financial statements:

**Pension provision assumptions**

As set out in accounting policy 1.19(iv), The Commonwealth operates two defined benefit pension schemes, both of which are now closed to new members. There are a number of assumptions that are used by the actuary in calculating the pension provision at financial year end including the discount rate, RPI inflation, CPI inflation, and mortality assumptions. Movements in any of these assumptions may lead to a material movement in the pension provision. The assumptions used by the actuary are consistent with our internal financial forecasting assumptions. The sensitivity of the assumptions used to measure the pension provision is set out in note 7.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

**1.21 Use of Estimates and Judgements (continued)**

**Valuation of land and buildings**

The valuation of the Fund's land and buildings (note 5) is a source of estimation uncertainty that has a significant risk of a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

The Fund had a desktop valuation of the Secretary-General's residence (the only land and building that the fund owns) conducted in year and this property was valued at £14.5m (2020: £14.5m) and the valuation has been applied to the Fund's accounts.

The valuers indicated that the outbreak of the COVID-19 pandemic continues to affect economies and real estate markets globally. Nevertheless, as at the valuation date, property markets were mostly functioning again, with transaction volumes and other relevant evidence at levels where enough market evidence exists upon which to base opinions of value. Accordingly – and for the avoidance of doubt – their valuation is not reported as being subject to 'material valuation uncertainty', as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards.

# THE COMMONWEALTH SECRETARIAT FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

### 2. Cash and Cash Equivalents

Restricted balances are held only for the specific purposes of the special project funds, the staff gratuity fund, the Joint Office in New York and Small States Office in Geneva as well as the office rental deposit for the Small States Office in Geneva.

	Unrestricted		Restricted		Total	
	30 June		30 June		30 June	
	2021	2020	2021	2020	2021	2020
	£	£	£	£	£	£
Cash and Current Deposits	70,186	(44,737)	2,837,212	605,518	2,907,398	560,781
Foreign Bank Accounts	-	-	438,772	1,158,401	438,772	1,158,401
Call Accounts	4,238,195	2,459,923	270,699	858,276	4,508,894	3,318,199
Fixed Term Deposits	3,500,000	6,000,000	-	-	3,500,000	6,000,000
<b>Total Cash and Cash Equivalents</b>	<b>7,808,381</b>	<b>8,415,186</b>	<b>3,546,683</b>	<b>2,622,195</b>	<b>11,355,064</b>	<b>11,037,381</b>

### 3. Investments

Fixed term deposits held for a period of more than three months have been classified as investments.

	30 June 2021	30 June 2020
	£	£
Term deposits - current	3,500,000	2,512,000
<b>Total Investments</b>	<b>3,500,000</b>	<b>2,512,000</b>

### 4. Other Receivables from Exchange Transactions

	30 June 2021	30 June 2020
	£	£
Staff Advances and Season Ticket Loans	35,511	41,170
Receivables for the Geneva Office	9,866	19,582
Receivables for the New York Office	60,077	75,083
Other Receivables	412,932	209,596
Commonwealth Foundation Re-charges	145,804	123,451
Commonwealth Fund for Technical Co-operation	56,895	-
Commonwealth Association for Tax Administrators	4,173	894
<b>Total Receivables</b>	<b>725,258</b>	<b>469,776</b>
Less: Provision for doubtful debt	(169,906)	(169,254)
<b>Total Net Receivables</b>	<b>555,352</b>	<b>300,522</b>

**THE COMMONWEALTH SECRETARIAT FUND**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

**4. Other Receivables from Exchange Transactions (Continued)**

The change in the provision for doubtful debt during 2020-21 is as follows:

	<b>Provision as at 1 July 2020</b>	<b>Increase in provision</b>	<b>(Decrease) in provision</b>	<b>Provision Used in the year</b>	<b>Provision as at 30 June 2021</b>
	£	£	£	£	£
<b>Provision for doubtful debt</b>	<b>169,254</b>	<b>652</b>	<b>-</b>	<b>-</b>	<b>169,906</b>

The total provision includes royalties due from prior years which are proving difficult to collect due to financial difficulties of the other party. There was an increase in provision of £652 during the year (2020: £196) due to exchange rate movements in relation to outstanding balances from prior years at the New York Office and an increase in provision for a long outstanding debt.

Ageing of receivables from exchange transactions:

	<b>30 June 2021</b>	<b>30 June 2020</b>
	£	£
< 12 months	555,352	300,522
<b>Total</b>	<b>555,352</b>	<b>300,522</b>



THE COMMONWEALTH SECRETARIAT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

5. Non-Current Assets

5. (a) Non-Current Assets 2021

(i) Property, Plant & Equipment

	LAND AND BUILDINGS	BUILDING IMPROVEMENTS	FURNITURE & FIXTURES	HARDWARE	EQUIPMENT	VEHICLES	CAPITAL WORK IN PROGRESS (CWIP)	TOTAL
	£	£	£	£	£	£	£	£
<b>Cost</b>								
<b>Balance as at 1 July 2020</b>	<b>14,500,000</b>	<b>1,221,286</b>	<b>726,369</b>	<b>1,479,847</b>	<b>755,558</b>	<b>80,916</b>	<b>600</b>	<b>18,764,576</b>
Additions	-	-	-	506,411	45,320	-	-	551,731
Disposals	-	-	-	(571,749)	(57,732)	-	(600)	(630,081)
Revaluation Adjustments	-	-	-	-	-	-	-	-
Currency Translations	-	(102,186)	(18,495)	(3,011)	(12,005)	-	-	(135,697)
<b>Closing Balance as at 30 June 2021</b>	<b>14,500,000</b>	<b>1,119,100</b>	<b>707,874</b>	<b>1,411,498</b>	<b>731,141</b>	<b>80,916</b>	<b>-</b>	<b>18,550,529</b>
<b>Depreciation</b>								
<b>Balance as at 1 July 2020</b>	<b>-</b>	<b>(426,966)</b>	<b>(170,970)</b>	<b>(916,375)</b>	<b>(215,960)</b>	<b>(80,916)</b>	<b>-</b>	<b>(1,811,187)</b>
Depreciation	(138,425)	(114,162)	(86,870)	(265,813)	(77,297)	-	-	(682,567)
Disposals	-	-	-	571,589	47,988	-	-	619,577
Revaluation Adjustments	138,425	-	-	-	-	-	-	138,425
Currency Translations	-	38,315	8,663	2,666	5,373	-	-	55,017
<b>Closing Balance as at 30 June 2021</b>	<b>-</b>	<b>(502,813)</b>	<b>(249,177)</b>	<b>(607,933)</b>	<b>(239,896)</b>	<b>(80,916)</b>	<b>-</b>	<b>(1,680,735)</b>
<b>Net Book Value 30 June 2021</b>	<b>14,500,000</b>	<b>616,287</b>	<b>458,697</b>	<b>803,565</b>	<b>491,245</b>	<b>-</b>	<b>-</b>	<b>16,869,794</b>

(ii) Intangible Assets (Software)

	BALANCE AS AT 1 JULY 2020	ADDITIONS	DISPOSALS	AMORTISATION CHARGE FOR THE PERIOD	BALANCE AS AT 30 JUNE 2021
	£	£	£	£	£
<b>Cost</b>	<b>303,882</b>	<b>82,499</b>	<b>-</b>	<b>-</b>	<b>386,381</b>
Amortisation	(180,316)	-	-	(44,527)	(224,843)
<b>Net Book Value</b>	<b>123,566</b>	<b>82,499</b>	<b>-</b>	<b>(44,527)</b>	<b>161,538</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

## 5. Non-Current Assets (a) Non-Current Assets 2021 (Continued)

## (iii) Depreciation and Amortisation Charge

		<b>BALANCE AS AT 30 June 2021</b>	<b>£</b>
	<b>Note</b>		
Property Plant and Equipment	5(a)(i)	682,567	
Intangible Assets (Software)	5(a)(ii)	44,527	
<b>Total Depreciation and Amortisation Charge</b>		<b>727,094</b>	

During the reporting year, COMSEC at the London office had furniture and fixtures, hardware equipment and software additions of £634,230 (2020: £990,746) and disposals in building improvements, hardware and equipment of £630,081 (2020: £2,788,766). The office in New York had no additions (2020: Nil) or disposals (2020: Nil). The office in Geneva had no additions (2020: £1,548) or disposals (2020: Nil).

Previously, the Commonwealth depreciated building improvements related to Commonwealth House over a period of 16.5 years, representing the remaining life of the property lease. In December 2018 the Commonwealth exercised the lease break option in its lease for Commonwealth House. Management then reassessed the useful economic life of the building improvements to 11.3 years. This resulted in an additional depreciation charge for the year of £Nil (2020: £281,279).

THE COMMONWEALTH SECRETARIAT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

5. Non-Current Assets (b) Non-Current Assets 2020

(i) Property, Plant & Equipment

	LAND AND BUILDINGS	BUILDING IMPROVEMENTS	FURNITURE & FIXTURES	HARDWARE	EQUIPMENT	VEHICLES	CAPITAL WORK IN PROGRESS (CWIP)	TOTAL
	£	£	£	£	£	£	£	£
<b>Cost</b>								
<b>Balance as at 1 July 2019</b>	<b>15,000,000</b>	<b>3,876,609</b>	<b>302,632</b>	<b>1,178,434</b>	<b>537,731</b>	<b>80,916</b>	-	<b>20,976,322</b>
Additions	-	-	412,590	299,123	279,981	-	600	<b>992,294</b>
Disposals	-	(2,720,359)	-	-	(68,407)	-	-	<b>(2,788,766)</b>
Revaluation Adjustments	(500,000)	-	-	-	-	-	-	<b>(500,000)</b>
Currency Translations	-	65,036	11,147	2,290	6,253	-	-	<b>84,726</b>
<b>Closing Balance as at 30 June 2020</b>	<b>14,500,000</b>	<b>1,221,286</b>	<b>726,369</b>	<b>1,479,847</b>	<b>755,558</b>	<b>80,916</b>	<b>600</b>	<b>18,764,576</b>
<b>Depreciation</b>								
<b>Balance as at 1 July 2019</b>	-	<b>(2,660,101)</b>	<b>(112,087)</b>	<b>(623,554)</b>	<b>(217,127)</b>	<b>(80,916)</b>	-	<b>(3,693,785)</b>
Depreciation	(141,844)	(462,590)	(53,847)	(290,898)	(64,504)	-	-	<b>(1,013,683)</b>
Disposals	-	2,720,359	-	-	68,407	-	-	<b>2,788,766</b>
Revaluation Adjustments	141,844	-	-	-	-	-	-	<b>141,844</b>
Currency Translations	-	(24,634)	(5,036)	(1,923)	(2,736)	-	-	<b>(34,329)</b>
<b>Closing Balance as at 30 June 2020</b>	-	<b>(426,966)</b>	<b>(170,970)</b>	<b>(916,375)</b>	<b>(215,960)</b>	<b>(80,916)</b>	-	<b>(1,811,187)</b>

<b>Net Book Value 30 June 2020</b>	<b>14,500,000</b>	<b>794,320</b>	<b>555,399</b>	<b>563,472</b>	<b>539,598</b>	-	<b>600</b>	<b>16,953,389</b>
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(ii) Intangible Assets (Software)

	BALANCE AS AT 1 JULY 2019	ADDITIONS	DISPOSALS	AMORTISATION CHARGE FOR THE PERIOD	BALANCE AS AT 30 JUNE 2020
	£	£	£	£	£
<b>Cost</b>	303,882	-	-	-	<b>303,882</b>
Amortisation	(135,789)	-	-	(44,527)	<b>(180,316)</b>
<b>Net Book Value</b>	<b>168,093</b>	-	-	<b>(44,527)</b>	<b>123,566</b>

# THE COMMONWEALTH SECRETARIAT FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

### 5. Non-Current Assets (b) Non-Current Assets 2020 (Continued)

#### (iii) Depreciation and Amortisation Charge

	BALANCE AS AT 30 June 2020	
	Note	£
Property Plant and Equipment	5(b)(i)	1,013,683
Intangible Assets (Software)	5(b)(ii)	44,527
<b>Total Depreciation and Amortisation Charge</b>		<b>1,058,210</b>

The asset classified as land and buildings relates to the Secretary-General's official residence, a long leasehold property (see note 5 (a)).

The fair value of the residence has been determined with reference to its market value. It is assumed to be part of the super prime sector of the market due to its size, stature and location. The valuation is made on the assumption that The Commonwealth has full vacant possession of the property.

A desktop valuation of the property was performed by Cushman & Wakefield in June 2021. This valuation was based on a review of the current market for similar buildings and was considered to be in the order of £14.5 million. The valuers are independent from The Commonwealth and conform to the Royal Institution of Chartered Surveyors Appraisal and Valuations standards. A full long list valuation will be carried out in 2022.

### 6. Payables and Other Liabilities from Exchange Transactions

#### Amounts falling due within one year

	Notes	30 June 2021 £	30 June 2020 £
Bank Loans	(a)	96,000	96,000
Trade Payables and Accruals		1,905,060	2,194,583
Payables for the New York Office		415,979	359,237
Payables for the Geneva Office		420,079	977,268
Staff Gratuity Fund Obligations	(b)	2,192,172	2,370,887
Staff Balances		22,219	16,000
Commonwealth Fund for Technical Co-operation		-	399,001
Commonwealth Youth Programme Fund		13,976	137,190
Accrued Rent Incentive	(c)	18,183	22,294
<b>Total Payables and Current Liabilities</b>		<b>5,083,668</b>	<b>6,572,460</b>

**THE COMMONWEALTH SECRETARIAT FUND**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

**6. Payables and Other Liabilities from Exchange Transactions (Continued)**

**Amounts falling due after more than one year**

	Notes	30 June 2021	30 June 2020
		£	£
Bank Loans	(a)	360,000	456,000
Staff Gratuity Fund Obligations	(b)	745,171	763,558
Accrued Rent Incentive	(c)	200,015	245,234
<b>Total Non-Current Liabilities</b>		<b><u>1,305,186</u></b>	<b><u>1,464,792</u></b>

**(a) Bank Loans**

**Acquisition of Secretary-General's Residence**

In March 2001 The Commonwealth purchased a 125-year lease on the Secretary-General's residence at 40b Hill Street in Mayfair, for £2,000,000. This property was refurbished at a cost of £400,000 giving a total historic cost of £2,400,000. A loan was negotiated with Barclays Bank plc to cover these costs, and Barclays holds a first charge on this property.

The capital is repayable in 100 equal quarterly instalments of £24,000 over 25 years and interest is payable quarterly. The first quarterly payment of capital was made on 11 June 2001. The balance on the loan as at 30 June 2021 was £456,000 (2020: £552,000) of which £96,000 is due for repayment in the next twelve months. The interest of £2,056 (2020: £5,227 ) on this loan was expensed during the year.

	30 June 2021	30 June 2020
	£	£
Bank Loan Opening balance	552,000	648,000
Repayment of principal on bank loan during the year	(96,000)	(96,000)
<b>Bank Loan Closing balance</b>	<b><u>456,000</u></b>	<b><u>552,000</u></b>

**(b) Staff Gratuity Fund Obligations**

The Staff Gratuity Fund Obligations include amounts relating to other funds and separate entities as analysed below. The total amount is covered by restricted balances held within cash and cash equivalents.

	30 June 2021		30 June 2020	
	Due within one year	Due after one year	Due within one year	Due after one year
	£	£	£	£
Commonwealth Secretariat Fund	1,455,568	495,876	1,684,736	440,968
Commonwealth Fund for Technical Co-operation	461,719	188,520	327,255	277,153
Commonwealth Youth Programme Fund	40,491	60,775	100,309	35,222
Commonwealth Association of Tax Administrators	21,340	-	1,761	10,215
Commonwealth Foundation	181,762	-	230,431	-
New York Office	20,611	-	14,742	-
Geneva Office	10,681	-	11,653	-
<b>Total Staff Gratuity Fund Obligations</b>	<b>2,192,172</b>	<b>745,171</b>	<b>2,370,887</b>	<b>763,558</b>

**(c) Accrued Rent Incentive**

The Joint Office for Commonwealth Permanent Missions to the United Nations in New York received three months' rent free accommodation (rent incentive) as part of a fifteen-year lease. The rent incentive has been accrued and is offset against the monthly rental expense on a straight line basis over the fifteen-year lease which commenced in April 2017.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

## 7. Pension Liabilities

## Net Assets arising from Defined Benefit Obligation

	Notes	30 June 2021 £	30 June 2020 £
Former Secretaries-General Pension Scheme	(a)	2,367,000	2,509,000
Staff Defined Benefit Scheme - Net	(b)	(4,704,000)	981,000
Supplementary Pension	(c)	2,118,000	2,110,000
<b>Total</b>		<b>(219,000)</b>	<b>5,600,000</b>

**(a) Former Secretaries-General Pension Scheme**

The Commonwealth operates an unfunded defined benefit pension scheme, the Former Secretaries-General Pension Scheme. This arrangement is not a registered pension scheme in the UK and there are no directly attributable assets held by The Commonwealth to support the liability of the arrangement.

Under the scheme, three former Secretaries-General are entitled to post-retirement monthly instalments amounting to 50% of the incumbent Secretary-General's gross salary. Pensioner members in receipt of a pension are the only category of the scheme.

The Former Secretaries-General Pension Scheme exposes The Commonwealth to the following actuarial risks:

**Interest risk**

The present value of the defined benefit scheme liability is calculated using a discount rate determined by reference to high quality corporate bond yields. A decrease in corporate bond yields would increase the Former Secretary-General Scheme's defined benefit obligation.

**Inflation risk**

The scheme's defined benefit obligation is not directly linked to inflation but to indexation adjustments each time the salary of the current Secretary-General is updated.

**Longevity risk**

The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of scheme participants post retirement. If Former Secretary-General Scheme members and their eligible spouses live longer than expected, the Former Secretary-General Scheme's benefits will need to be paid for longer thereby increasing the Former Secretary-General Scheme's defined benefit obligation.

The most recent actuarial valuation of the present value of the defined benefit scheme liability was carried out at 30 June 2021 by Ms B Wong, Fellow of the Institute and Faculties of Actuaries, of First Actuarial LLP. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

THE COMMONWEALTH SECRETARIAT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

7. Pension Liabilities (a) Former Secretaries-General Pension Scheme (Continued)

The principal assumptions used for the purposes of the actuarial valuation were:

	Valuation as at 30 June 2021	Valuation as at 30 June 2020
Discount rate	1.60%	1.25%
RPI inflation	3.30%	2.95%
Increases to pensions in payment	3.30%	2.95%
Mortality (post-retirement)	100% of S3PMA/S3PFA _VL CMI_2020_M/F 1%	100% of S3PMA/S3PFA CMI_2019_M/F 1%; A=0.25%
Average longevity at retirement age for current pensioners:		
Males	28.5	28.7
Females	29.9	30.0
Average longevity at retirement age for future pensioners:		
Males	29.5	29.7
Females	31.0	31.1

Amounts recognised in respect of the Former Secretaries-General Pension Scheme are as follows:

	2020-21 £	2019-20 £
Service cost:		
Current service cost	-	-
Past service costs and results from settlements	-	-
Net interest expense	30,000	52,000
<b>Components of defined benefit costs recognised in surplus or deficit</b>	<b>30,000</b>	<b>52,000</b>
<b>Re-measurement on the net defined benefit liability:</b>		
Return on plan assets (excluding amounts included in net interest expense)	-	-
Actuarial (gains)/losses arising from changes in demographic assumptions	(25,000)	39,000
Actuarial (gains)/losses arising from changes in financial assumptions	(7,000)	134,000
Actuarial losses/(gains) arising from experience adjustments	75,000	(216,000)
Adjustments for restrictions on the defined benefit asset	-	-
<b>Components of defined benefit cost recognised in net assets/equity</b>	<b>43,000</b>	<b>(43,000)</b>
<b>Total</b>	<b>73,000</b>	<b>9,000</b>

The re-measurement of the net defined benefit liability is included in the Statement of Changes in Net Assets. The amount included in the statement of financial position arising from The Commonwealth's obligation in respect of the Former Secretaries-General Pension Scheme is as follows:

	30 June 2021 £	30 June 2020 £
Present value of defined benefit obligation	2,367,000	2,509,000
Fair value of assets	-	-
Funded status	(2,367,000)	(2,509,000)
Restrictions on asset recognised	-	-
<b>Net liability arising from defined benefit obligation</b>	<b>(2,367,000)</b>	<b>(2,509,000)</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

## 7. Pension Liabilities (a) Former Secretaries-General Pension Scheme (Continued)

Movements in the present value of the defined benefit obligation over the period were as follows:

	30 June 2021	30 June 2020
	£	£
Opening defined benefit obligation	2,509,000	2,716,000
Current service cost	-	-
Interest expense	30,000	52,000
<b>Re-measurement (gains)/losses:</b>		
Actuarial (gains)/losses arising from changes in demographic assumptions	(25,000)	39,000
Actuarial (gains)/losses arising from changes in financial assumptions	(7,000)	134,000
Actuarial losses/(gains) arising from experience adjustments	75,000	(216,000)
Benefits paid	(215,000)	(216,000)
<b>Closing defined benefit obligation</b>	<b>2,367,000</b>	<b>2,509,000</b>

**Sensitivity Analysis**

Significant actuarial assumptions for the determination of the defined obligation are discount rate, RPI inflation rate and assumed life expectancy. The sensitivity analysis is set out below.

Assumption	Change in assumption	Change in defined benefit obligation
Discount rate	- 1% pa	+ 11%
RPI inflation	+ 1% pa	+ 10%
Assumed life expectancy	+ 1 year	+ 13%

**Limitations to Sensitivity Analysis**

The sensitivity analysis above provides an approximate guide to the sensitivity of results and may not be as accurate as a full valuation carried out on these assumptions. Each assumption change is considered in isolation, which in practice is unlikely to occur, as changes in some of the assumptions are correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation recognised in the statement of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

**Future Funding Obligations**

The actuarial valuation of the defined benefits obligation is determined by discounting the probable future payment required to settle the obligation resulting from past employee service rendered in prior periods. The discount rate is determined by reference to market yields at the reporting date following a yield curve approach. The discount rate has been determined based on the scheme duration and benefit currencies. The benefits receive increases based on the current Secretary-General's salary with pensions being reassessed at four yearly intervals. The valuation method used is known as the projected unit credit method.

The approximate overall duration of the Former Secretary-General Scheme's defined benefit obligation as at 30 June 2021 was 11 years (2020: 11 years).

The Commonwealth expects to make a contribution of £215,000 (2020: £216,000) to the Former Secretary-General Scheme during the financial year beginning 1 July 2021.

£185,000 (2020: £164,000) has been transferred to the pension reserve from the general reserve representing the difference between the cost recognised in Statement of Financial Performance and benefits paid out.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

**7. Pension Liabilities (Continued)**

**(b) Staff Defined Benefit Scheme**

The Secretariat operates a UK registered trust based pension scheme, Commonwealth Secretariat Pension and Life Assurance Scheme (1979), that provides defined benefits. The Scheme was closed to entrants at 1 January 2002. Pension benefits are linked to the members' final pensionable salaries and service at their retirement or date of leaving if earlier. The Trustees are responsible for running the Scheme in accordance with the Scheme's Trust Deed and Rules, which sets out their powers. The Trustees of the Scheme are required to act in the best interests of the beneficiaries of the Scheme. There is a requirement that at least one-third of the Trustees are nominated by the members of the Scheme.

Under the scheme, the members are entitled to post-retirement monthly instalments amounting to 1/43rd of final pensionable pay for each year of service prior to 1 April 1996 plus 1/45th of final pensionable pay for each year of service thereafter, up to a maximum of 30 years (completed days count proportionately). The pensionable pay is the annual rate of basic pay.

The defined benefit scheme requires contributions from members. Contributions are based on a fixed percentage of salary of the members. Members can also make additional voluntary contributions to the scheme.

There are three categories of pension scheme members:

- Active members: currently employed by the Secretariat;
- Deferred members: former employees of the Secretariat not yet in receipt of a pension; and
- Pensioner members: in receipt of a pension.

The Staff Defined Benefit Scheme exposes The Commonwealth to a number of actuarial risks:

**Investment risk**

The present value of the defined benefit scheme liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on scheme asset is below this rate, it may create a scheme deficit. Following the Scheme Trustees' review of the scheme now holds invested assets in diversified credit funds, diversified growth funds and liability driven investments (LDI) pooled funds. Due to the long-term nature of the defined benefit obligation, the Scheme Trustees consider it appropriate that a portion of the scheme assets should be invested in diversified growth funds to leverage the return generated by the fund. The diversified growth funds are expected to outperform corporate bonds in the long-term but may have some volatility and risk in the short term.

**Interest risk**

A decrease in corporate bond yields would increase the scheme's defined benefit obligation; however, this would be partially offset by an increase in the value of the Scheme's bond and LDI pooled fund holdings.

**Inflation risk**

A significant proportion of the scheme's defined benefit obligation is linked to inflation, therefore higher inflation will result in a higher defined benefit obligation (subject to the appropriate caps in place). The majority of the scheme's assets are either unaffected by inflation, or only loosely correlated with inflation, therefore an increase in inflation would also increase the deficit.

**Longevity risk**

The present value of the defined benefit scheme liability is calculated by reference to the best estimate of the mortality of scheme participants both during and after their employment. If scheme members live longer than expected, the scheme's benefits will need to be paid for longer, increasing the scheme's defined benefit obligation.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

7. Pension Liabilities (b) Staff Defined Benefit Scheme (Continued)

**Salary risk**

The present value of the defined benefit scheme liability is calculated by reference to the future salaries of scheme participants. As such, an increase in the salary of the scheme participants will increase the scheme's defined benefit obligation.

The Trustees and The Commonwealth manage risks in the Scheme through the following strategies:

- **Diversification:** Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets.
- **Investment strategy:** The Trustees are required to review the investment strategy on a regular basis.
- **Annuities:** The Scheme had previously bought out some members' pensions at retirement with an insurance company. This removes investment, inflation, longevity and expense risks after members

The results of the most recent formal actuarial valuation as at 31 March 2019 have been updated to 30 June 2021 by Ms B Wong, Fellow of the Institute and Faculties of Actuaries of First Actuarial LLP. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

The principal assumptions used for the purpose of the actuarial valuations were as follows:

	Valuation as at 30 June 2021	Valuation as at 30 June 2020
Discount rate	1.75%	1.35%
RPI inflation	3.30%	2.95%
CPI inflation	2.30%	2.20%
Salary increases	2.00%	2.00%
Inflation linked pension increases in payment: 5% pa or RPI if less, subject to a minimum of 2.5% pa	3.45%	3.25%
Revaluation of deferred pensions:	2.30%	2.20%
Mortality (pre-retirement)	Nil deaths	As per post retirement
Mortality (post-retirement)	100% of S3PMA/S3PFA CMI_2020_M/F 1%	100% of S3PMA/S3PFA CMI_2019_M/F 1%; A=0.25%
Average longevity at retirement age for current pensioners:		
Males	26.3	26.6
Females	28.9	29.0
Average longevity at retirement age for future pensioners:		
Males	27.5	27.7
Females	30.1	30.2

THE COMMONWEALTH SECRETARIAT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

**7. Pension Liabilities (b) Staff Defined Benefit Scheme (Continued)**

Amounts recognised in respect of the Staff Defined Benefit Scheme are as follows:

	2020-21 £	2019-20 £
Service cost:		
Current service cost	107,000	86,000
Past service costs and results from settlements	-	-
Net interest expense	6,000	(84,000)
<b>Components of defined benefit costs recognised in surplus or deficit</b>	<b>113,000</b>	<b>2,000</b>
<b>Re-measurement on the net defined benefit liability:</b>		
Return on scheme assets (excluding amounts included in net interest expense)	(1,445,000)	357,000
Actuarial gains arising from changes in demographic assumptions	(1,128,000)	(865,000)
Actuarial (gains)/losses arising from changes in financial assumptions	(2,023,000)	5,934,000
Actuarial (gains)/losses arising from experience adjustments	(10,000)	87,000
<b>Components of defined benefit cost recognised in net assets/equity</b>	<b>(4,606,000)</b>	<b>5,513,000</b>
<b>Total</b>	<b>(4,493,000)</b>	<b>5,515,000</b>

The current service cost and the net interest expense for the year are included in the employee benefits expense in surplus or deficit. The re-measurement of the net defined benefit liability is included in the Statement of Changes in Net Assets.

**Reconciliation to the Statement of Financial Position**

	30 June 2021 £	30 June 2020 £
Present value of defined benefit obligation	52,956,000	57,383,000
Fair value of assets	57,660,000	56,402,000
Funded status	4,704,000	(981,000)
Restrictions on assets recognised	-	-
<b>Net assets/(liabilities) arising from defined benefit obligation</b>	<b>4,704,000</b>	<b>(981,000)</b>

A surplus may be recognised if the economic benefits are available in the form of a refund or reduction in future contributions. The Rules of the Scheme state that the Commonwealth will be entitled to any surplus remaining if the Scheme is run until the last member exits the Scheme. Surpluses are therefore recognised in full.

**Movements in the present value of the defined benefit obligation over the period were as follows:**

	30 June 2021 £	30 June 2020 £
Opening defined benefit obligation	57,383,000	53,200,000
Current service cost	107,000	86,000
Interest expense	763,000	1,123,000
Contributions from scheme participants	6,000	7,000
Benefits paid	(2,142,000)	(2,189,000)
<b>Re-measurement (gains)/losses:</b>		
Actuarial gains arising from changes in demographic assumptions	(1,128,000)	(865,000)
Actuarial (gains)/losses arising from changes in financial assumptions	(2,023,000)	5,934,000
Actuarial (gains)/losses arising from experience adjustments	(10,000)	87,000
<b>Closing defined benefit obligation</b>	<b>52,956,000</b>	<b>57,383,000</b>

**THE COMMONWEALTH SECRETARIAT FUND**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

**7. Pension Liabilities (b) Staff Defined Benefit Scheme (Continued)**

Movements in the fair value of the main assets of the Staff Defined Benefit Scheme over the period were as follows:

	<b>30 June 2021</b>	<b>30 June 2020</b>
	<b>£</b>	<b>£</b>
Opening fair value of assets	56,402,000	56,566,000
Interest revenue	757,000	1,207,000
<b>Re-measurement gains/(losses):</b>		
Return on scheme assets (excluding amounts included in net interest expense)	1,445,000	(357,000)
Contributions from the employer	1,192,000	1,168,000
Contributions from scheme participants	6,000	7,000
Benefits paid	(2,142,000)	(2,189,000)
<b>Closing fair value of assets</b>	<b>57,660,000</b>	<b>56,402,000</b>

The fair value of the scheme assets at the end of the reporting period for each category, are as follows:

	<b>30 June 2021</b>	<b>30 June 2020</b>
	<b>£</b>	<b>£</b>
<b>Asset Class</b>		
<b>Cash and cash equivalents</b>	<b>350,000</b>	<b>393,000</b>
<b>Equity investments:</b>		
Equity instrument funds	-	23,641,000
Diversified Growth Funds	15,996,000	20,331,000
Diversified Credit Funds	27,980,000	4,386,000
Liability Driven Investments	13,334,000	7,651,000
<b>Total</b>	<b>57,660,000</b>	<b>56,402,000</b>
<b>Actual return on assets over period:</b>	<b>2,202,000</b>	<b>850,000</b>

The fair value of all the assets listed above have a quoted market price in an active market, apart from cash held in the Scheme's bank accounts.

**Sensitivity Analysis**

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, RPI inflation rate, salary increases and assumed life expectancy. The sensitivity analysis is set out below.

<b>Assumption</b>	<b>Change in assumption</b>	<b>Change in defined benefit</b>
Discount rate	+ 1% pa	- 12%
	- 1% pa	+ 15%
RPI inflation	+ 1% pa	+ 6%
	- 1% pa	- 4%
Future salary increases	+ 1% pa	+ 0.1%
Assumed life expectancy	+ 1 year	+ 6%

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

**7. Pension Liabilities (b) Staff Defined Benefit Scheme (Continued)**

**Limitations of the sensitivity analysis**

The sensitivity analysis above provides an approximate guide to the sensitivity of results and may not be as accurate as a full valuation carried out on these assumptions. Each assumption change is considered in isolation. The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another, as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit scheme liability recognised in the statement of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

**Future Funding Obligation**

The Trustees are required to carry out an actuarial valuation every three years. The last actuarial valuation of the Main Scheme was performed by the Scheme Actuary for the Trustees as at 31 March 2019. This valuation revealed a funding shortfall of £4.7 million.

The Commonwealth Secretariat agreed to pay annual contributions, which together with the 6% members' contributions rate, total 99.7% of the Total Contributory Payroll each year to meet the cost of future service accrual. In respect of the funding shortfall in the Scheme as at 31 March 2019, The Commonwealth agreed to pay £1,080,000 per annum in equal monthly instalments to the Scheme for 3 years and 5 months from 1 June 2020. The funding requirements are based on the local actuarial measurement framework. In this framework, the discount rate is set on a prudent basis.

In addition, The Commonwealth will either pay directly or reimburse the Trustees to cover operational expenses, including the Pension Protection Fund levy, and death in service premiums associated with the Scheme.

The Commonwealth expects to make contributions of £1,182,000 (2020: £1,192,000) to the Pension and Life Assurance Scheme (1979) for the financial year beginning 1 July 2021.

An amount of £1,079,000 (2020: £1,166,000) was transferred to the pension reserve from the general reserve in the year representing the difference between the cost recognised in the Statement of Financial Performance and contributions made to the scheme.

The actuarial valuation of the defined benefits obligation is determined by discounting the probable future payment required to settle the obligation resulting from employee service rendered in the current and prior periods. The discount rate is determined by reference to market yields at the reporting date following a yield curve approach. The discount rate has been determined based on the Scheme's duration and benefit currencies.

The average duration of the Scheme's defined benefit obligation as at 30 June 2021 is 14 years (2020: 15 years). This number can be analysed as follows:

- active members: 24 years (2020: 26.3 years);
- deferred members: 19 years (2020: 19.8 years); and
- retired members: 12 years (2020: 13.4 years).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

**7. Pension Liabilities (Continued)**

**(c) Supplementary Pension Scheme**

The Secretariat operates an unfunded defined benefit pension plan, Supplementary Pension. This arrangement is not a registered pension scheme in the UK and there are no directly attributable assets held by The Commonwealth to support the liability of the arrangement.

Under the plan, the members are entitled to post-retirement monthly instalments that provide discretionary pension increases in payment over and above the minimum pension increases set out in the Trust Deed and Rules of The Commonwealth Secretariat Pension & Life Assurance Scheme (1979) ("the Main Scheme").

Members are guaranteed a 2.5% increase on pension payments each year. Additional increases may be awarded on a discretionary basis based on an annual review by The Commonwealth.

Pensioner members in receipt of a pension are the only category of the scheme.

The Supplementary Pension exposes The Commonwealth to the following actuarial risks:

**Interest risk**

The present value of the Supplementary Pension liability is calculated using a discount rate determined by reference to high quality corporate bond yields. A decrease in corporate bond yields would increase the plan's defined benefit obligation.

**Inflation risk**

All of the Supplementary Pension's defined benefit obligation is linked to inflation, therefore higher inflation will result in a higher defined benefit obligation and an increase in the deficit.

**Longevity risk**

The present value of the Supplementary Pension liability is calculated by reference to the best estimate of the mortality of plan participants after retirement if plan members live longer than expected, the plan's benefits will need to be paid for longer, increasing the plan's defined benefit obligation.

The most recent actuarial valuation of the present value of the defined benefit obligation was carried out at 30 June 2021 by Ms B Wong, Fellow of the Institute and Faculties of Actuaries of First Actuarial LLP. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

The principal assumptions used for the purpose of the actuarial valuations were as follows:

	Valuation as at 30 June 2021	Valuation as at 30 June 2020
Discount rate	1.60%	1.25%
RPI inflation	3.30%	2.95%
CPI inflation	2.60%	2.20%
Discretionary increases over guaranteed increases to pension in payment	0.10%	0.00%
Mortality (post-retirement)	100% of S3PMA/S3PFA CMI_2020_M/F 1.00%	100% of S3PMA/S3PFA CMI_2019_M/F 1%; A=0.25%
Average longevity at retirement age for current pensioners		
Males	26.3	26.6
Females	28.9	29.0
Average longevity at retirement age for future pensioners		
Males	27.5	27.7
Females	30.1	30.2

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

**7. Pension Liabilities (c) Supplementary Pension Scheme (Continued)**

Amounts recognised in respect of the Supplementary Pension are as follows:

	2020-21 £	2019-20 £
<b>Service cost:</b>		
Current service cost	-	-
Past service costs and results from settlements	-	-
Net interest expense	25,000	42,000
<b>Components of defined benefit costs recognised in surplus or deficit</b>	<b>25,000</b>	<b>42,000</b>
<b>Re-measurement on the defined benefit liability:</b>		
Return on plan assets (excluding amounts included in net interest expense)	-	-
Actuarial gains arising from changes in demographic assumptions	(25,000)	(74,000)
Actuarial losses arising from changes in financial assumptions	180,000	128,000
Actuarial losses arising from experience adjustments	20,000	23,000
<b>Components of defined benefit costs recognised in net assets/equity</b>	<b>175,000</b>	<b>77,000</b>
<b>Total</b>	<b>200,000</b>	<b>119,000</b>

The remeasurement of the net defined liability is included in the Statement of changes in Net Assets.

**Reconciliation to the Statement of Financial Position**

	30 June 2021 £	30 June 2020 £
Present value of defined benefit obligation	2,118,000	2,110,000
Fair value of assets	-	-
Funded status	(2,118,000)	(2,110,000)
Restrictions on asset recognised	-	-
<b>Net liability arising from defined benefit obligation</b>	<b>(2,118,000)</b>	<b>(2,110,000)</b>

**Movements in the present value of the defined benefit obligation over the period:**

	30 June 2021 £	30 June 2020 £
Opening defined benefit obligation	2,110,000	2,183,000
Current service cost	-	-
Interest expense	25,000	42,000
Benefits paid	(192,000)	(192,000)
<b>Re-measurement (gains)/losses:</b>		
Actuarial gains arising from changes in demographic assumptions	(25,000)	(74,000)
Actuarial losses arising from changes in financial assumptions	180,000	128,000
Actuarial losses arising from experience adjustments	20,000	23,000
<b>Closing defined benefit obligation</b>	<b>2,118,000</b>	<b>2,110,000</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

**7. Pension Liabilities (c) Supplementary Pension Scheme (Continued)****Sensitivity Analysis**

Significant actuarial assumptions for the determination of the defined obligation are discount rate, RPI inflation rate and assumed life expectancy. The sensitivity analysis is set out below.

	<b>Change in assumption</b>	<b>Change in defined benefit obligation</b>
<b>Assumption</b>		
Discount rate	- 1% pa	+ 9%
RPI inflation	+ 1% pa	+ 104%
Assumed life expectancy	+ 1 year	+ 11%

**Limitations of the sensitivity analysis**

These calculations provide an approximate guide to the sensitivity of results and may not be as accurate as a full valuation carried out on these assumptions. Each assumption change is considered in isolation, which in practice is unlikely to occur, as changes in some of the assumptions are correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the statement of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

**Future Funding Obligations**

The actuarial valuation of the defined benefits obligation is determined by discounting the probable future payment required to settle the obligation resulting from employee service rendered in the current and prior periods. The discount rate is determined by reference to market yields at the reporting date following a yield curve approach. The discount rate has been determined based on the plan duration and benefit currencies. The benefits receive increases linked to inflation with pensions being reassessed at four yearly intervals.

The approximate overall duration of the Supplementary Pension scheme's defined benefit obligation as at 30 June 2021 was 8 years (2020: 8 years).

The Secretariat expects to make a contribution of £197,000 (2020: £192,000) to the Supplementary Pension Scheme during the financial year beginning 1 July 2021.

An amount of £167,000 (2020: £150,000) was transferred to the pension reserve from the general reserve in the year representing the difference between the cost recognised in the Statement of Financial Performance and contributions made to the scheme.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

## 8. Provisions

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

	As at 30 June 2021		As at 30 June 2020	
	Due within one year	Due after one year	Due within one year	Due after one year
	£	£	£	£
Relocation Expenses	298,985	397,596	488,450	297,485
Home Leave Expenses	78,806	-	27,452	-
<b>Total Provisions</b>	<b>377,791</b>	<b>397,596</b>	<b>515,902</b>	<b>297,485</b>

Movements in provisions during the year are as follows:

Provisions for Liabilities	Notes	As at 1 July 2020	Increase in provision	Amount used in year	As at 30 June 2021
		£	£	£	£
Relocation Expenses	(a)	785,935	4,021	(93,375)	696,581
Home Leave Expenses	(b)	27,452	54,016	(2,662)	78,806
<b>Total Provisions for Liabilities</b>		<b>813,387</b>	<b>58,037</b>	<b>(96,037)</b>	<b>775,387</b>

(a) COMSEC incurs relocation expenses for overseas recruited staff at the beginning and end of their contracts. The costs of relocation are variable as they depend on the timing of the relocation, which can be at any stage within the maximum contract period of nine years (subject to 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 provision is based on an annual review of future costs. The movement in the provision for the year has been included within the Statement of Financial Performance under Staff Costs.

(b) The Home Leave Expenses 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. The movement in the provisions for the year has been included within the Statement of Financial Performance under Staff Costs.

**THE COMMONWEALTH SECRETARIAT FUND**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

**9. (a) Commonwealth Secretariat Members' Contributions from Non-Exchange Transactions**

	<b>30 June 2021</b>	<b>30 June 2020</b>
	<b>£</b>	<b>£</b>
Current	2,038,683	1,937,277
Provision for doubtful accounts	<u>(352,455)</u>	<u>(862,899)</u>
<b>Total net current contributions receivable</b>	<b><u>1,686,228</u></b>	<b><u>1,074,378</u></b>
Non-Current	444,992	351,208
Provision for doubtful accounts	<u>(425,910)</u>	<u>(351,208)</u>
<b>Total net non-current contributions receivable</b>	<b><u>19,082</u></b>	<b><u>-</u></b>

The provision for doubtful accounts relates to members' contributions. The net current contributions receivable is £1,705,310 (2020: £1,074,378).

In order to manage and reduce long outstanding arrears, affected member countries are invited to discuss and agree a suitable payment plan. The member countries have agreed a payment plan for arrears amounting to £500,056 (2020: £408,664).

Ageing of receivables from non-exchange transactions:

	<b>30 June 2021</b>	<b>30 June 2020</b>
	<b>£</b>	<b>£</b>
Less than one year	1,274,921	983,002
Between one and two years	422,302	58,050
More than two years	<u>8,087</u>	<u>33,326</u>
<b>Total</b>	<b><u>1,705,310</u></b>	<b><u>1,074,378</u></b>

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 2020-21 is as follows:

	<b>Provision as at 1 July 2020</b>	<b>Increase in provision</b>	<b>(Decrease) in provision</b>	<b>Provision as at 30 June 2021</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Provision for Doubtful Debt	<u>1,214,107</u>	<u>192,921</u>	<u>(628,663)</u>	<u>778,365</u>

There was an increase in provision for doubtful contributions of £192,921 (2020: £801,289). The decrease in the provision of £628,663 (2020: £146,190) relates to receipts for amounts provided for in prior periods.

**THE COMMONWEALTH SECRETARIAT FUND**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

**9. (a) (i) Commonwealth Secretariat Members' Contributions from Non-Exchange Transactions 2020-21**

<b>Country</b>	<b>Balance as at 1 July 2020</b>		<b>Assessment</b>	<b>Received</b>	<b>Balance as at 30 June 2021</b>	
	<b>Receivable</b>	<b>Prepaid</b>	<b>2020-21</b>	<b>2020-21</b>	<b>Receivable</b>	<b>Prepaid</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Antigua & Barbuda	15,000	-	40,194	20,000	35,194	-
Australia	-	-	2,090,110	2,090,110	-	-
The Bahamas	-	(12,206)	120,583	108,377	-	-
Bangladesh	-	-	104,505	104,505	-	-
Barbados	-	-	48,233	-	48,233	-
Belize	-	(3,000)	32,156	35,156	-	(6,000)
Botswana	-	-	120,583	120,583	-	-
Brunei Darussalam	-	-	136,661	136,661	-	-
Cameroon	104,505	-	104,505	109,275	99,735	-
Canada	-	-	3,416,525	3,416,525	-	-
Cyprus	-	-	168,817	168,817	-	-
Dominica	371,463	-	32,156	37,008	366,611	-
eSwatini	-	(14,765)	40,194	40,194	-	(14,765)
Fiji	640	-	48,233	48,873	-	-
The Gambia	1,722	-	32,156	-	33,878	-
Ghana	241,166	-	120,583	241,166	120,583	-
Grenada	-	-	32,156	-	32,156	-
Guyana	-	(17,524)	40,194	82,269	-	(59,599)
India	-	-	763,694	763,694	-	-
Jamaica	-	-	104,505	104,505	-	-
Kenya	28,076	-	120,583	89,605	59,054	-
Kiribati	4,505	-	32,156	26,953	9,708	-
Lesotho	-	-	32,156	32,156	-	-
Malawi	40,194	-	40,194	40,194	40,194	-
Malaysia	-	-	361,750	361,750	-	-
Maldives	90,259	-	32,156	8,052	114,363	-
Malta	-	-	120,583	120,583	-	-
Mauritius	-	-	104,505	104,505	-	-
Mozambique	92,592	-	48,232	140,824	-	-
Namibia	104,505	-	104,505	209,010	-	-
Nauru	2,510	-	32,156	34,934	-	(268)
New Zealand	-	-	361,750	361,750	-	-
Nigeria	302,208	-	313,516	-	615,724	-
Pakistan	241,166	-	241,166	482,332	-	-
Papua New Guinea	48,233	-	48,233	-	96,466	-
Rwanda	40,194	-	40,194	80,390	-	(2)
St Kitts & Nevis	-	-	32,156	31,521	635	-
St Lucia	-	-	32,156	-	32,156	-
St Vincent & the Grenadines	37,201	-	32,156	50,275	19,082	-
Samoa	-	-	32,156	-	32,156	-
Seychelles	-	-	32,156	32,156	-	-
Sierra Leone	-	-	32,156	32,156	-	-
Singapore	-	-	442,139	442,139	-	-
Solomon Islands	32,156	-	32,156	-	64,312	-
South Africa	-	(43,162)	442,139	442,139	-	(43,162)
Sri Lanka	-	-	136,661	170,478	-	(33,817)
Tanzania	114,323	-	104,505	113,001	105,827	-
Tonga	22,156	-	32,156	64,312	-	(10,000)
Trinidad & Tobago	168,817	-	168,817	-	337,634	-
Tuvalu	-	-	32,156	-	32,156	-
Uganda	104,505	-	104,505	104,505	104,505	-
United Kingdom	-	-	5,482,713	5,482,713	-	-
Vanuatu	32,156	-	32,156	-	64,312	-
Zambia	48,233	-	48,233	77,465	19,001	-
<b>Total</b>	<b>2,288,485</b>	<b>(90,657)</b>	<b>16,881,850</b>	<b>16,763,616</b>	<b>2,483,675</b>	<b>(167,613)</b>

**THE COMMONWEALTH SECRETARIAT FUND**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

**9. (a) (ii) Commonwealth Secretariat Members' Contributions from Non-Exchange Transactions 2019-20**

<b>Country</b>	<b>Balance as at 1 July 2019</b>		<b>Assessment</b>	<b>Received</b>	<b>Balance as at 30 June 2020</b>	
	<b>Receivable</b>	<b>Prepaid</b>	<b>2019-20</b>	<b>2019-20</b>	<b>Receivable</b>	<b>Prepaid</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Antigua & Barbuda	5,000	-	40,194	30,194	15,000	-
Australia	-	-	2,090,109	2,090,109	-	-
The Bahamas	-	(12,206)	120,583	120,583	-	(12,206)
Bangladesh	-	-	104,505	104,505	-	-
Barbados	-	-	48,233	48,233	-	-
Belize	-	-	32,156	35,156	-	(3,000)
Botswana	-	-	120,583	120,583	-	-
Brunei Darussalam	-	-	136,661	136,661	-	-
Cameroon	-	-	104,505	-	104,505	-
Canada	-	-	3,416,524	3,416,524	-	-
Cyprus	-	-	168,817	168,817	-	-
Dominica	339,307	-	32,156	-	371,463	-
eSwatini	-	(14,765)	40,194	40,194	-	(14,765)
Fiji	-	(686)	48,233	46,907	640	-
The Gambia	44,754	-	32,156	75,188	1,722	-
Ghana	120,583	-	120,583	-	241,166	-
Grenada	-	-	32,156	32,156	-	-
Guyana	-	(57,718)	40,194	-	-	(17,524)
India	-	-	763,694	763,694	-	-
Jamaica	-	-	104,505	104,505	-	-
Kenya	-	(92,507)	120,583	-	28,076	-
Kiribati	3,545	-	32,156	31,196	4,505	-
Lesotho	-	-	32,156	32,156	-	-
Malawi	-	-	40,194	-	40,194	-
Malaysia	-	-	361,750	361,750	-	-
Maldives*	73,511	-	16,748	-	90,259	-
Malta	-	-	120,583	120,583	-	-
Mauritius	-	-	104,505	104,505	-	-
Mozambique	44,359	-	48,233	-	92,592	-
Namibia	-	-	104,505	-	104,505	-
Nauru	32,156	-	32,156	61,802	2,510	-
New Zealand	-	-	361,750	361,750	-	-
Nigeria	315,161	-	313,516	326,469	302,208	-
Pakistan	-	-	241,166	-	241,166	-
Papua New Guinea	-	-	48,233	-	48,233	-
Rwanda	40,194	-	40,194	40,194	40,194	-
St Kitts & Nevis	-	-	32,156	32,156	-	-
St Lucia	21,061	-	32,156	53,217	-	-
St Vincent & the Grenadines	37,200	-	32,156	32,155	37,201	-
Samoa	-	-	32,156	32,156	-	-
Seychelles	-	-	32,156	32,156	-	-
Sierra Leone	-	-	32,156	32,156	-	-
Singapore	-	-	442,139	442,139	-	-
Solomon Islands	-	-	32,156	-	32,156	-
South Africa	-	(43,162)	442,139	442,139	-	(43,162)
Sri Lanka	-	-	136,661	136,661	-	-
Tanzania	9,818	-	104,505	-	114,323	-
Tonga	-	-	32,156	10,000	22,156	-
Trinidad & Tobago	168,817	-	168,817	168,817	168,817	-
Tuvalu	64,235	-	32,156	96,391	-	-
Uganda	104,505	-	104,505	104,505	104,505	-
United Kingdom	-	-	5,482,713	5,482,713	-	-
Vanuatu	-	-	32,156	-	32,156	-
Zambia	63,139	-	48,233	63,139	48,233	-
<b>Total</b>	<b>1,487,345</b>	<b>(221,044)</b>	<b>16,866,441</b>	<b>15,934,914</b>	<b>2,288,485</b>	<b>(90,657)</b>

\*Maldives re-joined The Commonwealth in 2020.

**THE COMMONWEALTH SECRETARIAT FUND**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

**9. (b) Joint Office in New York Donors Contributions from Non-Exchange Transactions**

<b>Country</b>	<b>2020-21</b>	<b>2019-20</b>
	<b>£</b>	<b>£</b>
Australia	129,730	136,352
New Zealand	182,757	194,122
India	185,615	196,145
Malaysia	14,849	15,692
Singapore	22,274	22,995
Cyprus	2,970	3,196
United Kingdom	101,175	98,721
<b>Total Donors</b>	<b><u>639,370</u></b>	<b><u>667,223</u></b>

**9. (c) Small States Office in Geneva Donors Contributions from Non-Exchange Transactions**

<b>Country</b>	<b>2020-21</b>	<b>2019-20</b>
	<b>£</b>	<b>£</b>
India	107,525	116,851
Australia	64,930	72,984
New Zealand	184,571	191,333
Singapore	24,479	23,868
United Kingdom	104,750	100,352
<b>Total Contributions</b>	<b><u>486,255</u></b>	<b><u>505,388</u></b>

**10. Common Service Charge from Exchange Transactions**

<b>Fund</b>	<b>2020-21</b>	<b>2019-20</b>
	<b>£</b>	<b>£</b>
Commonwealth Fund for Technical Co-operation	2,097,420	2,074,925
Commonwealth Youth Programme Fund	409,223	426,167
Commonwealth Association of Tax Administrators	54,396	52,503
<b>Total</b>	<b><u>2,561,039</u></b>	<b><u>2,553,595</u></b>

**THE COMMONWEALTH SECRETARIAT FUND**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

**11. (a) Deferred Income from Non-Exchange Transactions 2020-21**

<b>Special Projects</b>	<b>Deferred Income Balance as at 1 July 2020</b>	<b>Project Cash Receipts</b>	<b>Project Expenses</b>	<b>Adjustments</b>	<b>Deferred Income Balance as at 30 June 2021</b>
	£	£	£	£	£
Commonwealth Media Development	10,844	-	-	-	10,844
Commonwealth Election Professional (CEP II) Initiative	46,730	77,999	(95,405)	-	29,324
Faith in the Commonwealth - Promoting Global Citizenship and Religious Literacy	1,762	-	(1,762)	-	-
Inclusive Dialogue/ Enhanced Women's Participation	289,765	-	(59,234)	-	230,531
<b>Total</b>	<b>349,101</b>	<b>77,999</b>	<b>(156,401)</b>	<b>-</b>	<b>270,699</b>

**11. (b) Deferred Income from Non-Exchange Transactions 2019-20**

<b>Special Projects</b>	<b>Deferred Income Balance as at 1 July 2019</b>	<b>Project Cash Receipts</b>	<b>Project Expenses</b>	<b>Adjustments</b>	<b>Deferred Income Balance as at 30 June 2020</b>
	£	£	£	£	£
Commonwealth Media Development	12,061	-	(1,217)	-	10,844
Commonwealth Election Professional (CEP II) Initiative	308,158	120,409	(381,837)	-	46,730
Strengthen The Electoral Process	-	507,684	(344,084)	(163,600)	-
Support to the High Level Group to review the Commonwealth Secretariat's Governance Arrangements	219	-	-	(219)	-
Faith in the Commonwealth - Promoting Global Citizenship and Religious Literacy	1,762	-	-	-	1,762
Inclusive Dialogue/ Enhanced Women's Participation	167,874	262,199	(140,308)	-	289,765
<b>Total</b>	<b>490,074</b>	<b>890,292</b>	<b>(867,446)</b>	<b>(163,819)</b>	<b>349,101</b>

Adjustments represent funds recovered from donors and project balances returned to donors on completion of the project or balances transferred to debtors to be recovered from donors.

**THE COMMONWEALTH SECRETARIAT FUND**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

**12. (a) Interest Receivable from Exchange Transactions**

	<b>2020-21</b>	<b>2019-20</b>
	<b>£</b>	<b>£</b>
Interest on Bank Deposits	2,439	67,041
<b>Total Interest Income</b>	<b><u>2,439</u></b>	<b><u>67,041</u></b>

Interest bearing accounts and investments yielded an average rate of 0.05% (2020: 0.65%) during the reporting period.

**12. (b) (i) Other Income from Exchange Transactions**

	<b>2020-21</b>	<b>2019-20</b>
	<b>£</b>	<b>£</b>
Income for Joint Office in New York	452,174	473,728
Income for Small States Office in Geneva	562,954	529,376
Rent Income	-	139,591
Publication/Marlborough House Makeover	11,816	22,113
Recovery of Expenses	160,890	179,999
Special Project Administration Fees	7,998	35,881
Miscellaneous Income	6,759	276
<b>Total Other Income</b>	<b><u>1,202,591</u></b>	<b><u>1,380,964</u></b>

**12. (b) (ii) Other Income from Non-Exchange Transactions**

	<b>2020-21</b>	<b>2019-20</b>
	<b>£</b>	<b>£</b>
<b>Service in-kind: Provision of Rent Free Property</b>	<b><u>2,083,379</u></b>	<b><u>2,129,879</u></b>

The Commonwealth is party to a two-year agreement with Bloomberg Finance L.P., which provided in-kind equipment, furniture, promotional materials, and subscription service, for the Commonwealth to use a Bloomberg terminal in Marlborough House. On expiration of the agreement, the Commonwealth can retain the goods received except for the Bloomberg terminal keyboard, which is to be returned unless the subscription service is renewed.

**13. Staff Costs**

	<b>Notes</b>	<b>2020-21</b>	<b>2019-20</b>
		<b>£</b>	<b>£</b>
Salaries and Allowances		8,222,624	7,856,187
Employers National Insurance Contributions		809,545	728,406
Contributions to Staff Gratuity Fund		828,164	752,554
Contributions to Staff Defined Contribution Scheme		416,473	340,285
Pension Contributions and Expenses - Other	(a)	154,765	101,732
Termination Costs	(b)	-	13,311
Provision for Relocation Expenses	8 (a)	4,021	19,743
Provision for Home Leave Expenses	8 (b)	54,016	(1,922)
<b>Total Staff Costs</b>		<b><u>10,489,608</u></b>	<b><u>9,810,296</u></b>

(a) Pension Contributions and Expenses – Other includes actuarial gains/losses, the shortfall on the defined benefit scheme for all The Commonwealth staff, as well as costs relating to the supplementary pension arrangements and the former Secretaries General Scheme. (See note 7).

(b) During the previous financial year 2019-20, The Commonwealth restructured its Human Resources section. As a result, The Commonwealth incurred termination benefit costs which were paid during the period.

**THE COMMONWEALTH SECRETARIAT FUND**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

**14. Other Costs**

	<b>2020-21</b>	<b>2019-20</b>
	<b>£</b>	<b>£</b>
Notional Value of Rent for Marlborough House	2,083,379	2,129,879
Rent and Rates	1,974,500	2,805,636
Short Term Consultants Costs	850,646	942,302
Communication, Publicity and Information	553,309	599,922
Conference Costs	503,915	743,118
Equipment Maintenance	483,799	408,758
Property Services and Maintenance Costs	417,003	1,656,119
Travel and Subsistence Costs	283,328	1,492,800
Professional Fees	197,692	99,756
Other Miscellaneous Expenses	192,783	229,069
Accommodation and Venue Costs	131,926	777,250
Insurance	108,614	100,867
Utilities	94,204	108,155
Other Property Costs	72,192	110,906
Pension Administration Costs	71,384	51,915
Staff Development	56,168	55,269
Library and Subscriptions	50,293	45,166
Bank & Finance Charges	46,157	54,676
Recruitment Costs	38,620	34,369
Audit Fees	29,628	84,400
Vehicle Maintenance and Running Costs	23,102	28,896
Loss on Derecognition of Fixed Assets	9,904	-
Tribunal Expenses	462	99,007
(Decrease)/Increase in Provision for Doubtful Balances	(434,341)	655,099
<b>Total Other Costs</b>	<b><u>7,838,667</u></b>	<b><u>13,313,334</u></b>

All lease agreements are registered in COMSEC and the costs shared among all the three Funds. Operating lease costs are recognised in the Statement of Financial Performance of the respective Funds. Total operating lease costs recognised in COMSEC in 2020-21 amounted to £Nil (2020: £694,440). The total future minimum rentals under operating leases are detailed in note 19.



# THE COMMONWEALTH SECRETARIAT FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

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

A breakdown of direct project expenses analysed according to the outcomes in the four year 2017-18 to 2020-21 Strategic Plan is provided below:

	2020-21	2019-20
	£	£
Democracy	932,787	1,601,783
Public Institutions	1,008,068	835,240
Youth and Social Development	517,342	236,484
Small and Other Vulnerable States	160,338	152,561
Economic Development	467,352	309,009
Cross Cutting	1,535,650	2,279,933
Internal Outcomes	3,133,031	3,414,952
<b>Total</b>	<b>7,754,568</b>	<b>8,829,962</b>

Internal outcomes comprise of Organisational Performance and Results, Communications, Small States Offices and Office of the Secretary-General.

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

For additional information, a breakdown of direct project expenses is provided below according to cost type:

	Notes	2020-21	2019-20
		£	£
Direct Staff Costs	13	5,645,336	5,137,188
Other Costs	14	1,958,326	3,536,359
Depreciation	5(a)(i), 5(b)(i)	150,906	156,415
<b>Total</b>		<b>7,754,568</b>	<b>8,829,962</b>

### 16. Segmental Information

Segment information is based on the principal activities and sources of financing of COMSEC. These segments are as follows:

#### (a) General Fund

This segment includes all resources of COMSEC that are commingled and not earmarked. The main funding sources of this segment are assessed contributions from Commonwealth member states, other voluntary contributions and miscellaneous revenue. Funding from the contributions is used to carry out programme activities as set out in the annual budget and delivery plan approved by the Board of Governors.

#### (b) Special Project Funds

This segment receives additional contributions and grants from member states, non-Commonwealth countries and other organisations to carry out special projects. The resources in this segment can only be used for the purpose of expenditure subject to specific performance conditions as set out in the agreements with the donors.

#### (c) Commonwealth Small States Offices Fund (CSSOs)

This segment includes all resources of the Joint Office for Commonwealth Permanent Missions to the United Nations in New York and the Commonwealth Small States Office in Geneva. These offices are funded by the small states tenants together with contributions from donor countries. Funding from the contributions is used to support the provision and running of these offices.

THE COMMONWEALTH SECRETARIAT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

16. Segmental Information (Continued)

STATEMENT OF FINANCIAL POSITION BY SEGMENT AS AT 30 JUNE 2021

	General Fund £	Special Projects £	CSSOs £	Elimination £	TOTAL £
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and Cash Equivalents	10,645,593	270,699	438,772	-	11,355,064
Investments	3,500,000	-	-	-	3,500,000
Inventories	5,312	-	-	-	5,312
Prepayments	229,366	-	85,708	-	315,074
Members' Contributions Receivable from Non-exchange Transactions	1,686,228	-	-	-	1,686,228
Other Receivables from Exchange Transactions	1,132,968	-	833,057	(1,410,673)	555,352
	<u>17,199,467</u>	<u>270,699</u>	<u>1,357,537</u>	<u>(1,410,673)</u>	<u>17,417,030</u>
<b>Non-Current Assets</b>					
Property, Plant and Equipment	16,129,845	-	739,949	-	16,869,794
Intangible Assets	161,538	-	-	-	161,538
Members' Contributions Receivable from non-exchange transactions	19,082	-	-	-	19,082
Pension Assets	219,000	-	-	-	219,000
	<u>16,529,465</u>	<u>-</u>	<u>739,949</u>	<u>-</u>	<u>17,269,414</u>
<b>TOTAL ASSETS</b>	<u>33,728,932</u>	<u>270,699</u>	<u>2,097,486</u>	<u>(1,410,673)</u>	<u>34,686,444</u>
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Provisions	377,791	-	-	-	377,791
Deferred Income from Non-exchange Transactions	-	270,699	-	-	270,699
Members' Contributions Prepaid from Non-exchange Transactions	167,613	-	-	-	167,613
Payables and Other Liabilities from Exchange Transactions	4,951,250	-	1,543,091	(1,410,673)	5,083,668
	<u>5,496,654</u>	<u>270,699</u>	<u>1,543,091</u>	<u>(1,410,673)</u>	<u>5,899,771</u>
<b>Non-Current Liabilities</b>					
Provisions	397,596	-	-	-	397,596
Payables and Other Liabilities from Exchange Transactions	1,105,171	-	200,015	-	1,305,186
Pension Liabilities	-	-	-	-	-
	<u>1,502,767</u>	<u>-</u>	<u>200,015</u>	<u>-</u>	<u>1,702,782</u>
<b>TOTAL LIABILITIES</b>	<u>6,999,421</u>	<u>270,699</u>	<u>1,743,106</u>	<u>(1,410,673)</u>	<u>7,602,553</u>
<b>NET ASSETS</b>	<u>26,729,511</u>	<u>-</u>	<u>354,380</u>	<u>-</u>	<u>27,083,891</u>
<b>FUND BALANCES AND RESERVES</b>					
General Reserve	6,212,592	-	-	-	6,212,592
Working Capital Fund	3,724,838	-	-	-	3,724,838
Joint Office in New York	-	-	429,163	-	429,163
Small States Office in Geneva	-	-	(74,783)	-	(74,783)
Designated Funds	2,923,738	-	-	-	2,923,738
Revaluation Reserve	13,649,343	-	-	-	13,649,343
Pension Reserve	219,000	-	-	-	219,000
<b>TOTAL FUND BALANCES AND RESERVES</b>	<u>26,729,511</u>	<u>-</u>	<u>354,380</u>	<u>-</u>	<u>27,083,891</u>

During the reporting year, non-current asset additions under the General Fund were £634,230 (2020: £990,746); disposals were £630,081 (2020: £2,788,766). There were no non-current asset additions or disposals under Special Projects during the current and prior year. Non-current asset additions under CSSO funds were £Nil (2020: £1,548) and disposals were Nil (2020: Nil).

**THE COMMONWEALTH SECRETARIAT FUND**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

**16. Segmental Information (Continued)**

**STATEMENT OF FINANCIAL PERFORMANCE BY SEGMENT FOR THE YEAR ENDED 30 JUNE 2021**

	<b>General Fund £</b>	<b>Special Projects £</b>	<b>CSSOs £</b>	<b>Elimination £</b>	<b>TOTAL £</b>
<b>REVENUE FROM NON-EXCHANGE TRANSACTIONS</b>					
Contributions to COMSEC	16,881,850	-	-	-	16,881,850
Contributions to Joint Office in New York	-	-	639,370	-	639,370
Contributions to Small States Office in Geneva	-	-	486,255	-	486,255
Special Projects	-	156,401	-	(7,998)	148,403
Service in-kind - Rent	2,083,379	-	-	-	2,083,379
<b>SUB-TOTAL REVENUE FROM NON- EXCHANGE TRANSACTIONS</b>	<b>18,965,229</b>	<b>156,401</b>	<b>1,125,625</b>	<b>(7,998)</b>	<b>20,239,257</b>
<b>REVENUE FROM EXCHANGE TRANSACTIONS</b>					
Common Service Charge	2,561,039	-	-	-	2,561,039
Interest Revenue	2,439	-	-	-	2,439
Other Income	187,463	-	1,479,382	(464,254)	1,202,591
Currency Gain	3,802	-	-	-	3,802
<b>SUB-TOTAL REVENUE FROM EXCHANGE TRANSACTIONS</b>	<b>2,754,743</b>	<b>-</b>	<b>1,479,382</b>	<b>(464,254)</b>	<b>3,769,871</b>
<b>TOTAL REVENUE</b>	<b>21,719,972</b>	<b>156,401</b>	<b>2,605,007</b>	<b>(472,252)</b>	<b>24,009,128</b>
<b>EXPENSES</b>					
Staff Costs	10,093,142	-	396,466	-	10,489,608
Other Costs	6,096,883	156,401	2,057,635	(472,252)	7,838,667
Depreciation and Amortisation	576,188	-	150,906	-	727,094
Finance Costs	2,056	-	-	-	2,056
Currency Loss	2,965	-	-	-	2,965
<b>TOTAL EXPENSES</b>	<b>16,771,234</b>	<b>156,401</b>	<b>2,605,007</b>	<b>( 472,252)</b>	<b>19,060,390</b>
<b>SURPLUS FOR THE YEAR</b>	<b>4,948,738</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,948,738</b>

Some internal activities result in accounting transactions which create inter-segment revenue, expense, advance or loan balances in the financial statements. Inter-segment transactions are reflected in the elimination columns to accurately present these financial statements, the most significant examples of which are the transfers from COMSEC to CSSOs or CSSO contributions received in COMSEC. The aggregate amount of these transfers was £1,399,992, of which £742,432 was between COMSEC and the Joint Office of the United Nations in New York and £657,560 was between COMSEC and the Small States Office in Geneva.

Included in Total Expenses of £16,771,234 is the sum of £7,754,568 which represents direct costs incurred by the Commonwealth. Direct costs are analysed within note 15(a) and 15(b) of these financial statements.

# THE COMMONWEALTH SECRETARIAT FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

### 17. Related Party Disclosures

#### (a) Controlled Entities

The Commonwealth as an organisation operates and separately prepares audited financial statements 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 1.18(b)(i) costs of common service divisions are incurred by COMSEC. These charges are recovered from CFTC and CYP (see note 10).

COMSEC also recognises Staff Gratuity Fund assets and liabilities for CFTC and CYP within the Statement of Financial Position (see note 6(b)).

#### (b) Other Related Parties

The Secretary-General of The Commonwealth is a member of the Board of Governors of two sister organisations of The Commonwealth. They are the Commonwealth of Learning and Commonwealth Foundation. These fellow intergovernmental Commonwealth organisations each have a separate Memorandum of Understanding, Board of Governors and Executive Management independent of The Commonwealth Secretariat.

COMSEC recognises Staff Gratuity Fund assets and liabilities for the Commonwealth Foundation within the Statement of Financial Position (See note 6(b)).

In the financial year to 30 June 2021, there were no transactions outside the normal operations between The Commonwealth and the two Commonwealth organisations mentioned above (2020: £nil).

#### (c) 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 COMSEC during the year was as follows:

	Number of persons		Aggregate Remuneration	
	2020-21	2019-20	2020-21	2019-20
			£	£
Senior Management Committee	3	3	539,907	496,907
Directors	3	2	292,791	246,603
<b>TOTAL</b>	<b>6</b>	<b>5</b>	<b>832,698</b>	<b>743,510</b>

Key management personnel include members of the Senior Management Committee of the Commonwealth, which comprised the Secretary-General, Deputy Secretary-General, Assistant Secretary-General, Director and Head of Office of the Secretary-General and Senior Directors. The Senior Management Committee has the authority and responsibility for planning, directing and controlling the activities of The Commonwealth. Key management personnel also includes the Directors of Divisions.

Aggregate remuneration includes salary, allowances and employer's contribution to the gratuity fund and/or workplace pension scheme as analysed further below. The Secretary-General is provided with rent-free accommodation at The 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.

# THE COMMONWEALTH SECRETARIAT FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

### 17. Related Party Disclosures (c) Key Management Personnel (Continued)

	Senior Management Committee		Directors	
	2020-21	2019-20	2020-21	2019-20
	£	£	£	£
Salary	357,873	326,899	235,683	187,925
Allowances	99,395	94,379	13,851	23,669
Gratuity	82,639	75,629	39,008	24,626
Contributions to Staff Defined Contribution Scheme	-	-	4,249	10,383
<b>TOTAL</b>	<b>539,907</b>	<b>496,907</b>	<b>292,791</b>	<b>246,603</b>

There were no loans to key management personnel that were not available to other staff as at 30 June 2021 (2020: Nil).

### 18. Contingencies

As at 30 June 2021, there were no contingent liabilities (2020: Nil).

### 19. Commitments

The Commonwealth has operating lease commitments for its premises in New York and Geneva. The leases have varying terms, escalation clauses and renewal rights.

The total future minimum rentals under operating leases are as follows:

	Gross Future Payment	Gross Future Payment
	30 June 2021	30 June 2020
	£	£
Not later than one year	1,727,562	1,802,935
Later than one year and not later than five years	7,314,860	7,535,903
Later than five years	7,970,848	10,425,679
<b>Total Due</b>	<b>17,013,270</b>	<b>19,764,517</b>

The sublease receipts received in 2020-21 under non-cancellable subleases for office space in Commonwealth House in London is £Nil (2020: £139,591).

The operating lease at Commonwealth House ended in December 2019. As such, no future sublease payments are expected to be received under non-cancellable subleases for office space in Commonwealth House in London.

### 20. 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

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

The assets of COMSEC are categorised as follows:

	30 June 2021	30 June 2020
	£	£
Financial assets	17,115,726	14,924,281
Non-financial assets	17,570,718	17,621,208
<b>Total</b>	<b>34,686,444</b>	<b>32,545,489</b>

The liabilities of COMSEC are categorised as follows:

	30 June 2021	30 June 2020
	£	£
Financial liabilities	6,170,656	7,769,724
Non-financial liabilities	1,431,897	7,120,673
<b>Total</b>	<b>7,602,553</b>	<b>14,890,397</b>

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

**Financial Assets:**

	Carrying Amount	Fair values
	£	£
<b>2021</b>		
Cash and Cash Equivalents	11,355,064	11,355,064
Investments	3,500,000	3,500,000
Current Receivables	2,241,580	2,241,580
Non-current Receivables	19,082	19,082
<b>Total</b>	<b>17,115,726</b>	<b>17,115,726</b>
<b>2020</b>		
Cash and Cash Equivalents	11,037,381	11,037,381
Investments	2,512,000	2,512,000
Current Receivables	1,374,900	1,374,900
<b>Total</b>	<b>14,924,281</b>	<b>14,924,281</b>

**Financial Liabilities:**

	Carrying Amount	Fair Values
	£	£
<b>2021</b>		
Borrowings	456,000	456,000
Payables	5,714,656	5,714,656
<b>Total</b>	<b>6,170,656</b>	<b>6,170,656</b>
<b>2020</b>		
Borrowings	552,000	552,000
Payables	7,217,724	7,217,724
<b>Total</b>	<b>7,769,724</b>	<b>7,769,724</b>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

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

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. Interest and charges are accrued over the period they become due and are recorded as part of other creditors.

**(b) Foreign Currency Risk**

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

The functional currencies of the Joint Office for Commonwealth Permanent Missions to the United Nations in New York, and The Commonwealth Small States Office in Geneva are, United States Dollars and Swiss Francs respectively. To manage the currency risk, rents are charged to tenants in the applicable functional currency in which the expenditure is incurred. The value of net assets for the overseas offices is given in the segmental information note 16.

At 30 June 2021, 97% of cash and cash equivalents are denominated in GB Pound Sterling, 2% in Swiss Francs and 1% in United States Dollars. (2020: 90% in GB Pound Sterling, 8% in Swiss Francs and 2% United States Dollars).

**(c) Credit Risk**

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

The treasury and investment management policy manages credit risk on cash and cash equivalents by limiting the amount of credit exposure to any one counterparty and ensuring these financial assets are held with well-recognised financial institutions. As at 30 June 2021, 100% of these financial assets were held at counterparty banks with a Standard and Poor's credit rating of A1 and higher.

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

**(d) Liquidity Risk**

Liquidity risk is the risk of COMSEC 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.

COMSEC 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 COMSEC's commitments as and when they fall due.

**THE COMMONWEALTH SECRETARIAT FUND**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

**20. Financial Instruments (d) Liquidity Risk (Continued)**

The following are contractual liabilities of which interest is included in borrowings:

<b>2021</b>	<b>&lt;6 months</b>	<b>6 – 12 months</b>	<b>1 – 5 years</b>	<b>&gt;5 years</b>	<b>Total</b>
	£	£	£	£	£
<b>Liabilities</b>					
Borrowings	-	96,000	360,000	-	<b>456,000</b>
Payables	5,714,656	-	-	-	<b>5,714,656</b>
<b>Total Liabilities</b>	<b>5,714,656</b>	<b>96,000</b>	<b>360,000</b>	<b>-</b>	<b>6,170,656</b>

<b>2020</b>	<b>&lt;6 months</b>	<b>6 – 12 months</b>	<b>1 – 5 years</b>	<b>&gt;5 years</b>	<b>Total</b>
	£	£	£	£	£
<b>Liabilities</b>					
Borrowings	-	96,000	456,000	-	<b>552,000</b>
Payables	7,217,724	-	-	-	<b>7,217,724</b>
<b>Total Liabilities</b>	<b>7,217,724</b>	<b>96,000</b>	<b>456,000</b>	<b>-</b>	<b>7,769,724</b>

**(e) Market Risk**

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

**(f) Interest Rate Risk**

The interest rates charged on COMSEC's financing debt are fixed at the contract date. Details of bank loans and interest paid are given in note 6(a).

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 2021 had been 25% higher or lower, the interest income would have been affected as follows:

	<b>Increase (+) / Decrease (-)</b>	<b>Effect on Surplus / Deficit</b>
<b>Cash and Cash Equivalents</b>	<b>%</b>	<b>£</b>
Movement in Interest Income due to change in weighted average Interest Rate	25%	610
Movement in Interest Income due to change in weighted average Interest Rate	-25%	(610)

**(g) Foreign Currency Risk**

Foreign currency balances in GB Pound Sterling comprise of the following:

<b>2021</b>	<b>GBP</b>	<b>Other Currencies</b>	<b>Total</b>
	£	£	£
Financial Assets	16,597,009	518,717	17,115,726
<b>Percentage of Total</b>	<b>97%</b>	<b>3%</b>	<b>100%</b>
Financial Liabilities	5,095,788	1,074,868	6,170,656
<b>Percentage of Total</b>	<b>83%</b>	<b>17%</b>	<b>100%</b>



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

**20. Financial Instruments (g) Foreign Currency Risk (Continued)**

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 2021.

	<b>Increase (+) / Decrease (-)</b>	<b>Effect on Balances</b>
<b>Financial Assets</b>	<b>%</b>	<b>£</b>
Movement in the relative value of the GB Pound Sterling	+25%	129,679
Movement in the relative value of the GB Pound Sterling	-25%	(129,679)

	<b>Increase (+) / Decrease (-)</b>	<b>Effect on Balances</b>
<b>Financial Liabilities</b>	<b>%</b>	<b>£</b>
Movement in the relative value of the GB Pound Sterling	+25%	268,717
Movement in the relative value of the GB Pound Sterling	-25%	(268,717)

**21. Capital Management**

The Commonwealth defines the capital that it manages as the aggregate of its net assets, which is comprised of accumulated balances and reserves. The Commonwealth's objectives in managing capital are to safeguard its ability to continue as a going concern to fund its asset base and to fulfil its mission and objectives. The Commonwealth's overall strategy with respect to capital management includes the balancing of its operating and capital activities with its funding on an annual basis.

The Commonwealth manages its capital structure in light of global economic conditions, the risk characteristics of the underlying assets, and working capital requirements. The Commonwealth manages its capital by reviewing, on a regular basis, the actual results against the budgets approved by the Board of Governors

**22. Events After Reporting Date**

There are no material events, favourable or unfavourable that occurred between the reporting date, 30 June 2021, and the date of authorisation for issue that would have impacted these financial statements.

The Secretary-General authorised these financial statements for issue on 23 December 2021.

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