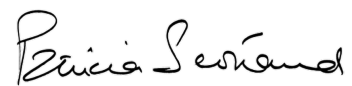


Financial Statements of the Commonwealth Fund for Technical Co-operation

Year Ended 30 June 2023



The Commonwealth



**The Rt Hon
Patricia Scotland KC**
Secretary-General
14 December 2023



Dr Arjoon Suddhoo
Deputy Secretary-General
13 December 2023

COMMONWEALTH FUND FOR TECHNICAL COOPERATION

PRINCIPAL ACTIVITIES AND OPERATING STRUCTURE

Principal Activities of the Commonwealth Secretariat

The Commonwealth Secretariat, herein after referred to as The Commonwealth, is a voluntary association of 56 independent countries and equal sovereign states. Its members are bound together by respect for all states and peoples; by shared values and principles; and by concern for the vulnerable.

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

The Commonwealth:

- Supports 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; and
- 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 its 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 2021/22 - 2024/25 which was approved in September 2021, can be found on the website www.thecommonwealth.org

Commonwealth Fund for Technical Cooperation

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

- Commonwealth Secretariat Fund (COMSEC);
- Commonwealth Fund For Technical Cooperation (CFTC); and
- Commonwealth Youth Programme Fund (CYP).

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

Accordingly, these are the financial statements of the **Commonwealth Fund for Technical Cooperation** for the period ended 30 June 2023.

COMMONWEALTH FUND FOR TECHNICAL COOPERATION

PRINCIPAL ACTIVITIES AND OPERATING STRUCTURE

Governance and Structure

The Commonwealth is headed by a Secretary-General, The Rt Hon Patricia Scotland KC, 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.

COMMONWEALTH FUND FOR TECHNICAL COOPERATION

FINANCIAL STATEMENT HIGHLIGHTS

Overview of Financial Statements

In this second year off the 2021/22-2024/25 Strategic Plan, despite the many challenges, the Secretariat is committed to delivering the 2022 Commonwealth Heads of Government Meeting mandates, in alignment with agreed Strategic Plan outcomes.

The CFTC experienced a challenging financial year in 2022-23, marked by a significant decrease in revenue from non-exchange transactions resulting in a deficit for the year. Obviously, the reduction in revenue is 3.7 times higher than the reduction in the total expense leading a higher deficit in the year under review. This was primarily driven by reduced pledges and special project funding.

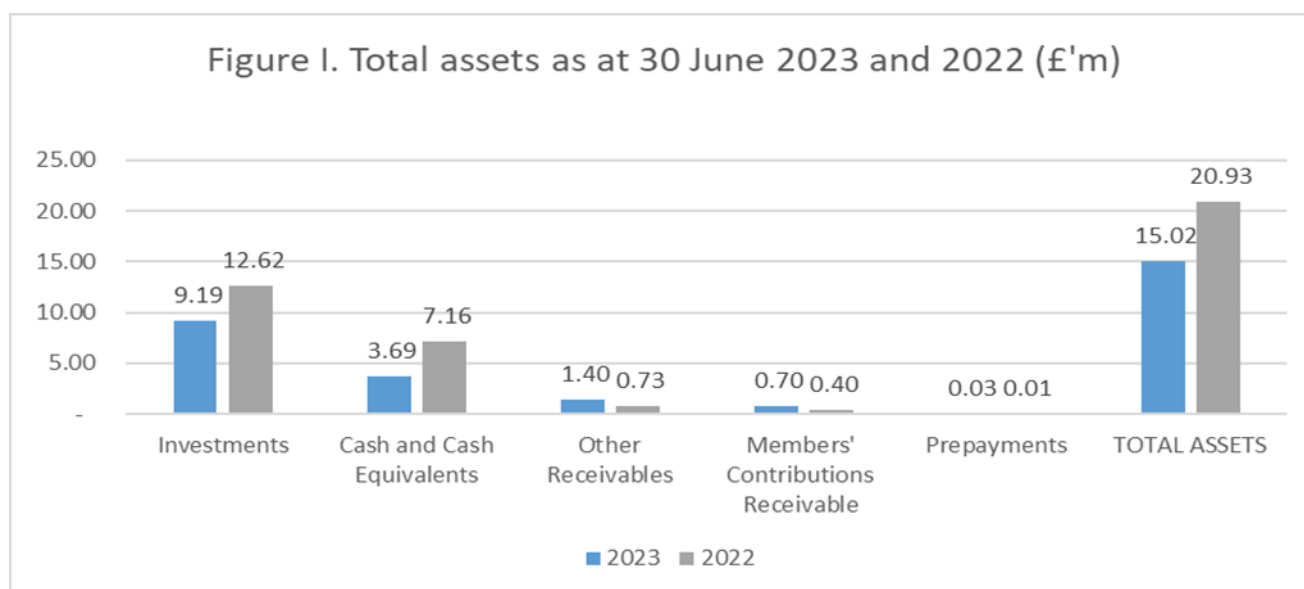
The Secretariat continues to adapt and focus on the effective implementation of its programmatic activities. Below are the highlights of the financial outcomes for 2023.

Financial review

Assets

At the end of 2023, CFTC's total assets were £15.02 million (2022: £20.93 million), a decrease of £5.91 million (28%) compared to the previous year.

A significant portion of the assets that CFTC managed is Cash and cash equivalents and Investments, making a total of £12.88 million or 86% of current assets (2022: £19.78 million or 94%) that support its core and extrabudgetary activities. CFTC also reported £0.70 million (2022: £0.40 million) Members' contributions receivable and £1.4 million (2022: £0.73 million) in Other receivables.



The decrease of £6.90 million in Cash and cash equivalents and investments was occasioned by the reduction of CFTC voluntary members' contributions.

Other Receivables increased by £0.67 million mainly due to the pending settlements of COMSEC and Small States Office - Geneva in the cut-off of the year. The sundry debtors mainly consist of accrued interest income and accrued income which were invoices after the year end which will be collected in due dates.

Members' Contributions Receivable from Non-exchange Transactions increased by £0.3 million (74%) attributable to a slow down collection rate of 90% (2022: 99%) during the year.

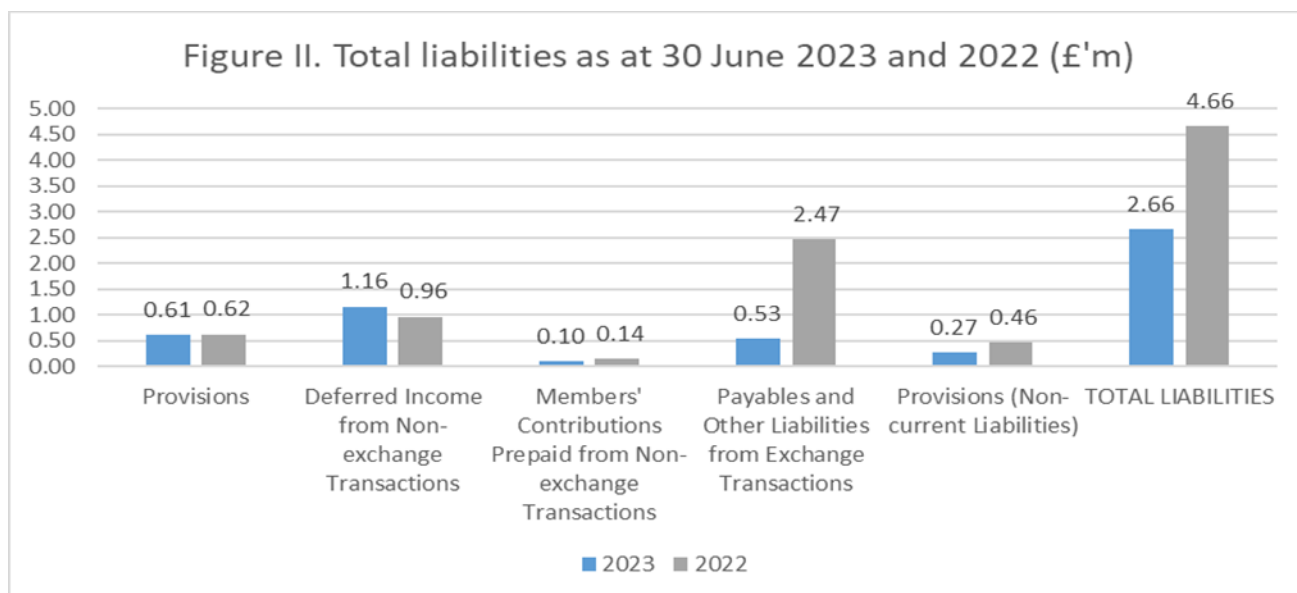
COMMONWEALTH FUND FOR TECHNICAL COOPERATION

FINANCIAL STATEMENT HIGHLIGHTS

Overview of Financial Statements (Continued)

Liabilities

Total liabilities of £2.66 million at the end of 2023 (2022: £4.66 million) show a decrease of £2.00 million (43%) compared to the previous year.



The decrease of £1.81 million (43%) in current liabilities was due to the decrease in Payables and other liabilities from exchanged transactions (£1.93 million). Deferred income from non-exchange transactions increased by (£0.19 million), while Members' contributions prepaid from non-exchange transactions decreased by (£0.05 million).

Deferred income from non-exchanged transactions increased by 20% mainly due to new EBR (Extra Budgetary Resources) funds received in the current year prior to its commencement.

Payables and other liabilities from exchange transactions decreased by 78% mainly due to the decrease in outstanding payable payments and staff annual leave provision at year end.

Members' contributions prepayment decreased by 33%.

Non-current liabilities which consist of Provisions decreased by 42% attributable to the staff relocation expenses calculation.

Net assets

The net assets position decreased by £3.92 million (24%) from £16.28 million as at 30 June 2022 to £12.36 million as at 30 June 2023 as presented in the Statement of Financial Position. It constitutes the fund balances for the CFTC as a whole.

The distribution of the net assets is shown on figure III below. The movements in net assets for the year ended 30 June 2023 is reported in Statement of Changes in Net Assets.

COMMONWEALTH FUND FOR TECHNICAL COOPERATION

FINANCIAL STATEMENT HIGHLIGHTS

Overview of Financial Statements (Continued)

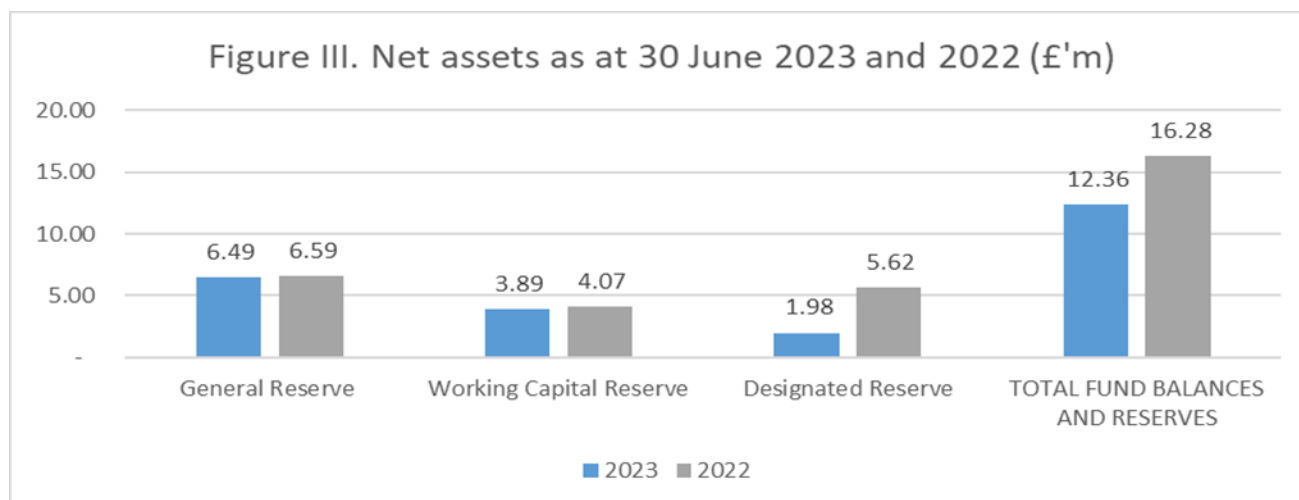


Figure III highlights that the General reserve decreased by £0.1 million, attributed to the year's deficit £3.92 million, the net transfer in from Working capital reserve £0.18 million and Designated reserves £3.64 million.

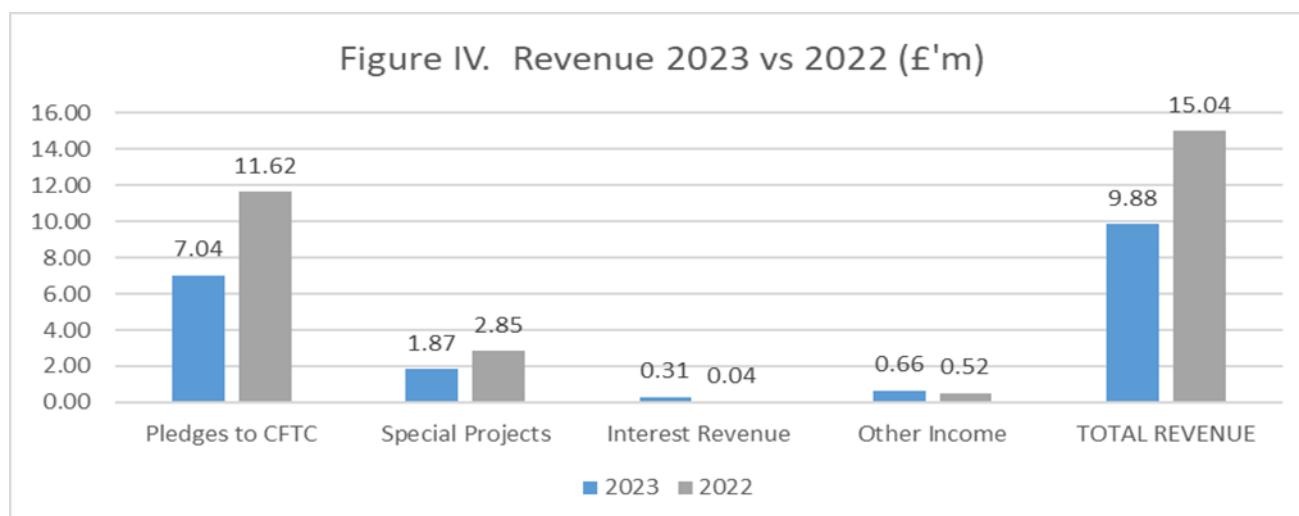
As of 30 June 2023, the Working capital reserve retained at 25% of approved planned expenditure for the year, is in line with Section V of the revised Financial Regulations.

The Designated reserve decreased by £3.64 million to £1.98 million (2022: £5.62 million). The decrease comprised the use of designated fund in 2023, the set aside funds for Debt Management Programmes and Blue Charter Action Group, and the closure of terminated funds.

Income

Total revenue of £9.88 million decreased significantly (by 34%) compared to the previous year.

The main sources of revenue at CFTC are Pledges and Special projects incomes. Pledges to CFTC from member states make up 71% (2022: 77%) of total revenue, followed by extra budgetary resources for Special projects at 19% (2022: 19%). There was a significant increase in interest revenue which augmented the revenue stream. The percentage of interest to revenue stood at 3% (2022: 0%), and Other income at 7% (2022: 3%).



COMMONWEALTH FUND FOR TECHNICAL COOPERATION

FINANCIAL STATEMENT HIGHLIGHTS

Overview of Financial Statements (Continued)

Revenue from Pledges to CFTC has decreased by £4.59 million (39%), from £11.62 million to £7.04 million. The most significant being the voluntary pledges income for current year, £7.0 million (2022: £10.76 million), which has decreased by 35%. The retroactive pledges received for 2023 was £0.04 million, a decrease of £0.82 million from 2022 where it was £0.86 million.

Special projects revenue decreased by 34% to £1.87 million (2022: £2.85 million). Revenue from Special projects is recognised when the agreed conditions are met. It usually fluctuates from year to year due to the timing of contributions and the discharge of obligations for agreements with specified conditions.

Interest revenue increased in 2023 to £0.31 million (2022: £0.04 million). This increase is due to an improvement in interest rates and revenue earned from investments. Interest bearing accounts and investments yielded an average annual rate of 2.09% (2022: 0.33%) during the reporting period.

Other income increased by 26% to £0.66 million (2022: £0.52 million) attributed to the increase in debt management system's subscription and the decrease in Special project administration fees.

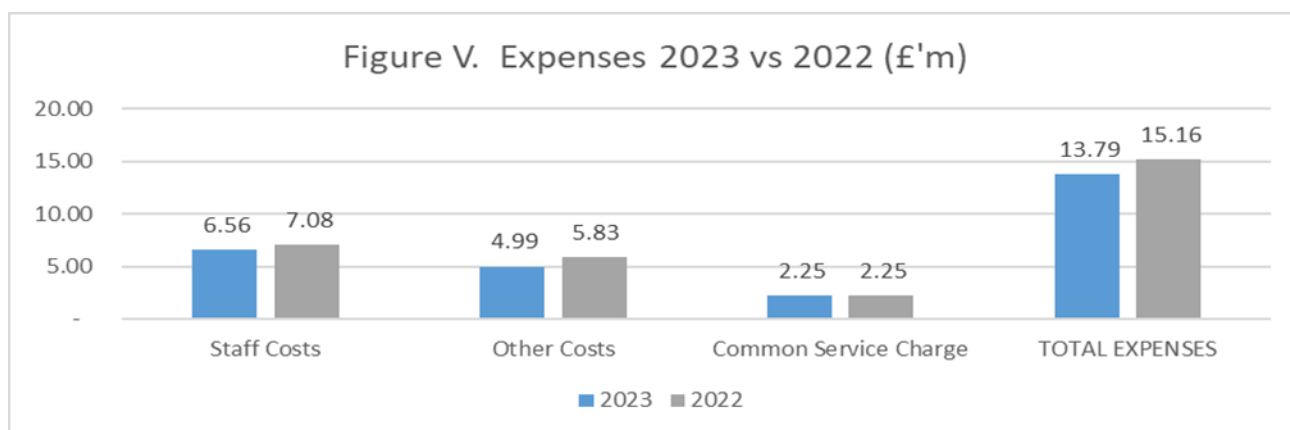
Expenses

Total expenses of £13.79 million decreased by £1.36 million (9%) compared to 2022.

Staff costs decreased slightly by 7% mainly due to the reduced staff cost allocated from COMSEC and the increase in long-term consultants cost for direct projects.

Other costs decreased by 15% attributable to the decrease of short-term consultants, conference costs, professional fees, accommodation and venue costs and the increase of currency loss.

Common service charge remains at a similar level to 2022.



Result for the year 2023

The 2023 deficit is £3.92 million (2022: £0.12 million), a further dip of £3.80 million compared to 2022. The increase in deficit is largely attributable to the declining incomes in CFTC pledges.

It should be noted that the financial performance of revenue and expenses reflected in Statement of Financial Performance is presented on an IPSAS accrual basis and thus is different in its measurement and accounting from the budgetary performance of receipts and payments reflected in Management accounts prepared on a modified cash/accrual basis.

COMMONWEALTH FUND FOR TECHNICAL COOPERATION

INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF GOVERNORS

Independent auditor's report to the Board of Governors of Commonwealth Fund For Technical Cooperation

Opinion

We have audited the non-statutory financial statements of Commonwealth Fund for Technical Cooperation (CFTC) for the year ended 30 June 2023 which comprise the Statement of Financial Position, Statement of Financial Performance, Statement of Changes in Net Assets, Cash Flow Statement and notes to the non-statutory financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Public Sector Accounting Standards and the Financial Regulations as authorised by the Commonwealth Heads of Government.

In our opinion the non-statutory financial statements:

- give a true and fair view of the state of CFTC's affairs as at 30 June 2023 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.

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 CFTC in accordance with the ethical requirements that are relevant to our audit of the non-statutory financial statements in the UK, including the FRC's Ethical Standard, and also 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

In auditing the non-statutory financial statements, we have concluded that the Board's use of the going concern basis of accounting in the preparation of the non-statutory financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on CFTC's ability to continue as a going concern for a period of at least twelve months from when the non-statutory financial statements are authorised for issue.

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

Other information

The Board are responsible for the 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. Our opinion on the non-statutory financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the non-statutory financial statements, 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 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.

We have nothing to report in this regard.

COMMONWEALTH FUND FOR TECHNICAL COOPERATION

INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF GOVERNORS

Independent auditor's report to the Board of Governors of Commonwealth Fund For Technical Cooperation

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 CFTC'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 Secretary-General either intends to liquidate CFTC 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.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud and non-compliance with laws and regulations are set out below.

A further description of our responsibilities for the audit of the non-statutory financial statements is located on the Financial Reporting Council's website at: 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 identified and assessed the risks of material misstatement of the non-statutory financial statements from irregularities, whether due to fraud or error, and discussed these between our audit team members. We then designed and performed audit procedures responsive to those risks, including obtaining audit evidence sufficient and appropriate to provide a basis for our opinion.

We obtained an understanding of the legal and regulatory frameworks within which CFTC operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the non-statutory financial statements. The laws and regulations we considered in this context were the Commonwealth Secretariat Act 1966 (as amended by the International Organisations Act 2005) and financial reporting standards. We assessed the required compliance with these laws and regulations as part of our audit procedures on the related non-statutory financial statement items.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the non-statutory financial statements but compliance with which might be fundamental to CFTC's ability to operate or to avoid a material penalty. We also considered the opportunities and incentives that may exist within CFTC for fraud.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Board and other management and inspection of regulatory and legal correspondence, if any.

We identified the greatest risk of material impact on the non-statutory financial statements from irregularities, including fraud, to be within the timing of recognition of special project income and the override of controls by management. Our audit procedures to respond to these risks included enquiries of management and the Audit Committee about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals, reviewing accounting estimates for biases, reviewing regulatory correspondence, and reading minutes of meetings of those charged with governance.

COMMONWEALTH FUND FOR TECHNICAL COOPERATION

INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF GOVERNORS

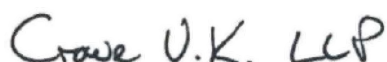
Independent auditor's report to the Board of Governors of Commonwealth Fund For Technical Cooperation

Regarding timing of recognition of special project income, we addressed this risk through review of funding agreements to understand terms and reporting requirements, and sample testing to ensure that performance conditions have been met where income has been recognised, and that the correct balance is either accrued or deferred in relation to the achievement of performance conditions at the year end.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the non-statutory financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the non-statutory financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

Use of our report

This report is made solely to the Board of Governors in accordance with the engagement letter dated 16 May 2022 and the Financial Regulations of CFTC. Our audit work has been undertaken so that we might state to CFTC's Board of Governors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than CFTC's Board of Governors, for our audit work, for this report, or for the opinions we have formed.



Crowe UK LLP
London, United Kingdom

Date: 15 December 2023

COMMONWEALTH FUND FOR TECHNICAL COOPERATION

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

		30 June 2023	30 June 2022
ASSETS	Notes	£	£
Current Assets			
Cash and Cash Equivalents	2	3,691,466	7,163,239
Investments	3	9,193,000	12,619,600
Prepayments		30,681	13,601
Members' Contributions Receivable from Non-exchange Transactions	9(a)	703,654	404,840
Other Receivables from Exchange Transactions	4	1,400,401	733,205
		15,019,202	20,934,485
Non-current Assets			
Members' Contributions Receivable from Non-exchange Transactions	9(a)	-	-
TOTAL ASSETS		15,019,202	20,934,485
LIABILITIES			
Current Liabilities			
Provisions	8	608,118	621,506
Deferred Income from Non-exchange Transactions	7	1,156,826	963,918
Members' Contributions Prepaid from Non-exchange Transactions	9(b)(i),9(b)(ii)	95,600	142,897
Payables and Other Liabilities from Exchange Transactions	6	531,763	2,466,040
Total Current Liabilities		2,392,307	4,194,361
Non-Current Liabilities			
Provisions	8	269,606	463,635
Total Non-Current Liabilities		269,606	463,635
TOTAL LIABILITIES		2,661,913	4,657,996
NET ASSETS		12,357,289	16,276,489
FUND BALANCES AND RESERVES			
General Reserve		6,490,759	6,589,527
Working Capital Reserve		3,891,420	4,066,420
Designated Reserve		1,975,110	5,620,542
TOTAL FUND BALANCES AND RESERVES		12,357,289	16,276,489

COMMONWEALTH FUND FOR TECHNICAL COOPERATION

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2023

		2022-23	2021-22
	Notes	£	£
REVENUE FROM NON-EXCHANGE TRANSACTIONS			
Pledges to CFTC	9(a)	7,037,100	11,622,284
Special Projects	10(a)(i),(a)(ii),17	1,869,309	2,852,684
SUB-TOTAL REVENUE FROM NON-EXCHANGE TRANSACTIONS		<u>8,906,409</u>	<u>14,474,968</u>
REVENUE FROM EXCHANGE TRANSACTIONS			
Interest Revenue	11	313,131	38,178
Other Income	12	656,082	522,294
SUB-TOTAL REVENUE FROM EXCHANGE TRANSACTIONS		<u>969,213</u>	<u>560,472</u>
TOTAL REVENUE		<u>9,875,622</u>	<u>15,035,440</u>
EXPENSES			
Staff Costs	13	6,557,946	7,076,072
Other Costs	15	4,986,633	5,832,691
Common Service Charge		2,250,243	2,248,591
TOTAL EXPENSES		<u>13,794,822</u>	<u>15,157,354</u>
DEFICIT FOR THE YEAR		<u>(3,919,200)</u>	<u>(121,914)</u>

COMMONWEALTH FUND FOR TECHNICAL COOPERATION

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2023

	Notes	General Reserve	Working Capital Reserve	Designated Reserve	Total
		£	£	£	£
Balance as at 1 July 2021		7,448,909	4,066,420	4,883,074	16,398,403
Deficit		(121,914)	-	-	(121,914)
Transfer from General Reserve to Working Capital	1.13	-	-	-	-
Transfer from General Reserve to Designated Reserve	1.13	(1,450,000)	-	1,450,000	-
Transfer from Designated Reserve to General Reserve	1.13	712,532	-	(712,532)	-
Balance as at 30 June 2022		6,589,527	4,066,420	5,620,542	16,276,489
Deficit		(3,919,200)	-	-	(3,919,200)
Transfer from Working Capital to General Reserve	1.13	175,000	(175,000)	-	-
Transfer from General Reserve to Designated Reserve	1.13	(561,350)	-	561,350	-
Transfer from Designated Reserve to General Reserve	1.13	4,206,782	-	(4,206,782)	-
Balance as at 30 June 2023		6,490,759	3,891,420	1,975,110	12,357,289

COMMONWEALTH FUND FOR TECHNICAL COOPERATION

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2023

	2022-23	2021-22
Notes	£	£
Cash Flow from Operating Activities		
Deficit for the year	(3,919,200)	(121,914)
Adjustments for:		
Increase in Prepayments	(17,080)	(960)
Increase in Contributions - Pledges Receivable	(298,814)	(210,602)
Increase in Other Receivables	(667,196)	(208,018)
(Decrease)/Increase in Provisions	(207,417)	75,837
Increase/(Decrease) in Deferred Income	192,908	(1,256,209)
Decrease in Contributions Prepaid	(47,297)	(323,305)
(Decrease)/Increase in Payables and Other Current Liabilities	(1,934,277)	1,182,667
Net Cash Flow used in Operating Activities	<u>(6,898,373)</u>	<u>(862,504)</u>
Cash Flow from Investing Activities		
Investments in Fixed Term Deposits	(9,193,000)	(12,619,600)
Cash from Fixed Term Deposit Maturities	12,619,600	6,118,000
Net Cash Flow from/ (used) in Investing Activities	<u>3,426,600</u>	<u>(6,501,600)</u>
Net Decrease in Cash and Cash Equivalents	(3,471,773)	(7,364,104)
Cash and Cash Equivalents at the Beginning of the Period	7,163,239	14,527,343
Cash and Cash Equivalents at the End of the Period	<u>3,691,466</u>	<u>7,163,239</u>

COMMONWEALTH FUND FOR TECHNICAL COOPERATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

1. Accounting Policies

1.1 Statement of Compliance

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

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

The financial statements include segmental information relating to the General Fund and Special Projects. 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. IPSAS41 will be effective from 1 January 2023. The Commonwealth has not yet implemented this standard whose expected impact on The Commonwealth'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 The Commonwealth as the nature of the entity's work does not include transactions that would be classified as social benefits.

1.2 Change to Accounting Policies

The Commonwealth 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 Cooperation (CFTC); and
- Commonwealth Youth Programme Fund (CYP).

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

The Commonwealth has reviewed IPSAS 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.

COMMONWEALTH FUND FOR TECHNICAL COOPERATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

1.5 Going Concern Assumption

The financial statements have been prepared on the going concern basis. The going-concern assertion is based on the approval by the Commonwealth's Board of Governors of the work programme and budget estimates for the 2023-24, its net assets position, the stable historical trend of collection of voluntary contributions and the fact that the Secretariat has made no decision to cease the operations of CFTC. 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 these financial statements are approved. The Board of Governors has approved the 2023-24 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 The Commonwealth'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 CFTC becomes a party to the contractual provisions of the instrument until such a time as when the rights to receive cash flows from those assets have expired or have been transferred and CFTC has transferred substantially all the risks and rewards of ownership.

Financial assets that are held for trading are 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 CFTC 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 2023, no such financial assets were held by CFTC.

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

1.8 Cash and Cash Equivalents

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

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

Cash and cash equivalents held for specific purposes or considered not readily accessible are considered as restricted.

COMMONWEALTH FUND FOR TECHNICAL COOPERATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

1.9 Impairment

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

1.10 Payables and Accruals

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

1.11 Deferred Income

CFTC receives additional contributions and grants from member 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.

1.12 Provisions and Contingent Liabilities

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

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

1.13 Reserves

CFTC's reserves consist of the following balances:

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

Transfers to and from the General Reserve are analysed in the Statement of Changes in Net Assets on Page 12.

1.14 Revenue

(a) Revenue from Non-Exchange Transactions

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

(i) Contributions - Pledges

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

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

COMMONWEALTH FUND FOR TECHNICAL COOPERATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

1.14 Revenue (a) Revenue from Non-Exchange Transactions (Continued)

(ii) Special Projects

CFTC receives additional contributions and grants from member states, non-Commonwealth countries and other organisations for special projects (see note 10 for details of individual special projects). These monies are awarded subject to specific performance conditions. Where a transfer is subject to conditions that, if unfulfilled, require the return of the transferred resources, deferred income is reported as a non-exchange liability on the Statement of Financial Position. The revenue for these projects is recognised when these conditions are met.

(b) Revenue from Exchange Transactions

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

(i) Cost Share Contributions

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

(ii) Interest Receivable

Interest income from interest-bearing accounts and investments is recognised in the period in which the transaction occurred rather than when the income is received.

(iii) Other Income

Other income consists of:

- Debt Management Fee from countries towards the integrated programme of assistance on debt management offered under the Economic Development Outcome;
- Sundry receipts, insurance payments and refunds; and
- Special Projects Administration Fees.

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

1.15 Expenses

(a) Staff Costs

(i) Unused Annual Leave

Staff are permitted to accumulate unused annual leave for use in future periods. The value of unused annual leave at year-end has been estimated using salary pay points and number of leave days outstanding. It is included in staff costs in the Statement of Financial Performance. The corresponding 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 a minimum of 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 a defined contribution pension scheme, two defined benefit pension schemes, and a supplementary arrangement as described below.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

1.15 Expenses (a) Staff Costs (iv) Pensions (Continued)

Work Place Pension

The Commonwealth Secretariat Workplace Pension Scheme is a defined contribution pension scheme administered by Scottish Widows. Staff can elect to have either The Commonwealth's contribution of 15% of their gross salary transferred to the Workplace Pension Scheme or The Commonwealth's contribution of 10% of their gross salary transferred to the Workplace Pension Scheme with the remaining 5% invested in the Staff Gratuity Fund. The Commonwealth's contributions to the workplace pension scheme are recognised as staff costs in the statement of financial performance.

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 of COMSEC. The present value of defined benefit obligations due to the former Secretaries-General is determined by discounting the estimated future cash outflows using agreed assumptions. There are no directly attributable investments or assets to support the obligations of this scheme. Unrealised actuarial gains and losses are recognised in the Statement of Changes in Net Assets in COMSEC.

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

Staff Defined Benefit Pension Scheme

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

The Scheme is subject to UK pension regulations. It undertakes valuations every three years and prepares financial statements to 31 March. The financial statements of the scheme are audited by Assure UK. The scheme's actuary is Neal Thompson, Partner, First Actuarial LLP. The audited financial statements and details of advisors are available on request from the Payroll and Pensions Team, Finance and Management Information Section, Marlborough House, London, SW1Y 5HX.

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

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

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

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

Further details of the defined benefit scheme are disclosed on pages 35 to 39 of the 2022-23 financial statements of the Commonwealth Secretariat Fund.

COMMONWEALTH FUND FOR TECHNICAL COOPERATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

1.15 Expenses (a) Staff Costs (iv) Pensions (Continued)

Supplementary Pension

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 provides 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 in the main scheme. Additional increases may be awarded on a discretionary basis based on an annual review by The Commonwealth.

An actuarial valuation of The Commonwealth's obligation as at the year-end is obtained with the entire liability recognised in the Statement of Financial Position of COMSEC as it is not possible to separate the scheme liabilities under the different funds. The present value of the supplementary pension obligations is determined by discounting the estimated future cash outflows using agreed assumptions.

There are no directly attributable investments or assets to support the obligations of this scheme. Unrealised gains and losses are recognised in the Statement of Changes in Net Assets in COMSEC.

Further details of the supplementary pension scheme are disclosed on pages 40 to 42 of the 2022-23 financial statements of the Commonwealth Secretariat Fund.

(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 CFTC 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 Marlborough House in London. Marlborough House is provided free of rent by the UK Government. Under IPSAS 23 Revenue from Non-Exchange Transactions the value of this service in-kind is recognised as both income and expense in the Statement of Financial Performance of the COMSEC Fund. Marlborough House is a unique Grade1 listed property and as a result identifying comparable properties to produce an estimate of fair value is challenging. In previous financial years the service in kind has been estimated using the rental value of Commonwealth House in proportion to the office area in Marlborough House. In financial year 2023 to arrive a more reliable fair value the rateable value from UK government was adopted.

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

COMMONWEALTH FUND FOR TECHNICAL COOPERATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

1.15 Expenses (Continued)

(c) Common Service Charge

CFTC is charged a levy referred to as the Common Service Charge by COMSEC. The charge recovers some of the costs incurred by COMSEC in operating the internal corporate business support functions which includes Finance, Human Resources and Facilities Management, Information and Communications 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.

(d) Direct Projects

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

(e) Foreign Currency Transactions

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

1.16 Tax

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

1.17 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 are no key sources of estimation uncertainty at the statement of financial position date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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

COMMONWEALTH FUND FOR TECHNICAL COOPERATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

2. Cash and Cash Equivalents

Restricted Cash and Cash Equivalent balances are those funds which meet the definition of Cash and Cash Equivalents but are not available for general use by the CFTC.

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

	Unrestricted		Restricted		Total	
	30 June		30 June		30 June	
	2023	2022	2023	2022	2023	2022
	£	£	£	£	£	£
UK Bank Accounts	1,669,713	4,734,740	1,167,130	1,227,986	2,836,843	5,962,726
Foreign Bank Accounts	110,459	119,192	744,164	1,081,321	854,623	1,200,513
Total Cash and Cash Equivalents	1,780,172	4,853,932	1,911,294	2,309,307	3,691,466	7,163,239

The foreign bank account restricted balance of £744,164 (2022: £1,081,321) is classified as such due to the challenges experienced in repatriating the funds from Pakistan to the United Kingdom.

3. Investments

	30 June 2023	30 June 2022
	£	£
Fixed term deposits - current	9,193,000	12,619,600
Total Investments	9,193,000	12,619,600

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

4. Other Receivables from Exchange Transactions

	Note	30 June 2023	30 June 2022
		£	£
Debt Management Recovery Debtors		94,375	138,000
Cost Share Debtors	5(a)(i), 5(a)(ii)	36,557	36,557
Sundry Debtors		320,676	125,293
Commonwealth Youth Programme		529,850	-
Small States Office – Geneva		518,000	494,912
Provision for Doubtful Debts-Cost Share Debtors	4(a)	(36,557)	(36,557)
Provision for Doubtful Debts-Debt Management Recovery Debtors	4 (b)	(62,500)	(25,000)
Total Receivables		1,400,401	733,205

Small State Office - Geneva £518,000 represents the intercompany receivables from Commonwealth Secretariat Fund.

Ageing of receivables from exchange transactions:

	30 June 2023	30 June 2022
	£	£
Current	882,401	374,187
> 12 months	518,000	359,018
Total Receivables	1,400,401	733,205

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

COMMONWEALTH FUND FOR TECHNICAL COOPERATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

4. Other Receivables from Exchange Transactions (Continued)

4. (a) Cost Share Debtors Provisions 2022-23

	Provision at 1 July 2022	Increase in provision	(Decrease) in provision	Provision at 30 June 2023
	£	£	£	£
Provision for doubtful debt	36,557	-	-	36,557

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

4. (b) Debt Management Recovery Provision 2022-23

	Provision at 1 July 2022	Increase in provision	(Decrease) in provision	Provision at 30 June 2023
	£	£	£	£
Provision for doubtful debt	25,000	37,500	-	62,500

5. Cost Share Debtors 2022-23

5. (a) (i) Cost Share Debtors 2022-23

Country / Organisation	Balance Receivable as at 1 July 2022	Contributions Invoiced in 2022-23	Receipts in 2022-23	Balance Receivable as at 30 June 2023
	£	£	£	£
Grenada	36,557	-	-	36,557
Total	36,557	-	-	36,557

5. (a) (ii) Cost Share Debtors 2021-22

Country / Organisation	Balance Receivable as at 1 July 2021	Contributions Invoiced in 2021-22	Receipts in 2021-22	Balance Receivable as at 30 June 2022
	£	£	£	£
Grenada	36,557	-	-	36,557
Total	36,557	-	-	36,557

6. Payables and Other Liabilities from Exchange Transactions

Amounts falling due within one year

	30 June 2023	30 June 2022
	£	£
Trade Payables and Accruals	505,461	1,166,363
Staff Expenses	14,600	3,822
Commonwealth Youth Programme	11,702	54,196
Commonwealth Secretariat	-	1,241,659
Total Payables and Current Liabilities	531,763	2,466,040

COMMONWEALTH FUND FOR TECHNICAL COOPERATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

7. Deferred Income from Non-Exchange Transactions

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

	Notes	30 June 2023	30 June 2022
		£	£
Special Projects	1.11	1,156,826	963,918
Total Deferred Income	10a (i), 10 a (ii)	1,156,826	963,918

8. Provisions

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

	At 30 June 2023		At 30 June 2022	
	Due within one year	Due after one year	Due within one year	Due after one year
	£	£	£	£
Relocation Expenses	421,551	269,606	398,594	460,817
Home Leave Expenses	19,351	-	55,696	2,818
Grant Agreement Expense Claim	167,216	-	167,216	-
Total Provisions	608,118	269,606	621,506	463,635

Movements in all provisions during the year are as follows:

Provision for Liabilities and Charges	Notes	As at 1 July 2022	(Decrease)/ Increase in Provision	Amount Used in the year	As at 30 June 2023
		£	£	£	£
Relocation Expenses	(a)	859,411	(38,406)	(129,848)	691,157
Home Leave Expenses	(b)	58,514	21,328	(60,491)	19,351
Grant Agreement Expense Claim	(c)	167,216	-	-	167,216
Total Provisions for Liabilities and Charges		1,085,141	(17,078)	(190,339)	877,724

(a) CFTC incurs relocation expenses for overseas recruited staff and experts at the beginning and end of their contracts. The costs of relocation are variable because they depend on the timing of the relocation, which can be at any stage within the maximum contract period of nine years (depending on renewal of three year contracts), the location from which the staff member is relocated, the size and circumstances of the family, and the complexity of the individual's affairs at the time. The level of the provision is based on an annual review of future costs and the movement in the provision for the year has been included in the Statement of Financial Performance under staff costs.

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

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

COMMONWEALTH FUND FOR TECHNICAL COOPERATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

9. Members' Contributions - Pledges from Non-Exchange Transactions

9. (a) Members' Contributions - Pledges from Non-Exchange Transactions 2022-23

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

	2022-23	2021-22
	£	£
Amounts Pledged for Current Year	6,997,325	10,763,832
Retroactive Pledges	39,775	858,452
Total Members' Pledges	7,037,100	11,622,284

Members' contributions - pledges receivable from non-exchange transactions in the Statement of Financial Position are calculated as follows:

	30 June 2023	30 June 2022
	£	£
Current	782,410	511,851
Provisions for Doubtful Accounts	(78,756)	(107,011)
Total Net Current Pledges Receivable	703,654	404,840
Non-Current	39,441	34,279
Provisions for Doubtful Accounts	(39,441)	(34,279)
Total Net Non-Current Pledges Receivable	-	-

In order to manage and reduce long outstanding arrears, affected member countries are invited to discuss and agree suitable payment plans. Three member countries had agreed a payment plan for arrears amounting to £39,441 (2022: £34,279).

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

	30 June 2023	30 June 2022
	£	£
Less than one year	677,218	391,622
Between one and two years	-	-
More than two years	26,436	13,218
Total	703,654	404,840

	Provision as at 1 July 2022	Increase in provision	(Decrease) in provision	Provision as at 30 June 2023
	£	£	£	£
Provision for Doubtful Debt	141,290	3,343	(26,436)	118,197

The increase in provision of £3,343 (2022: £20,000) is for additional outstanding balances from member states assessed as doubtful pledges as at 30 June 2023 due to delays in settlement of arrears.

The decrease in the provision of £26,436 (2022: £31,700) is due to receipts received during the year in respect of outstanding contribution balances previously provided for as doubtful.

COMMONWEALTH FUND FOR TECHNICAL COOPERATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

9 (b) Members' Contributions from Non-Exchange Transactions

9. (b) (i). Members' Contributions from Non-Exchange Transactions 2022-23

Country	Balance as at 1 July 2022		Adjustment	Retroactive Pledges 2022-23	Pledges 2022-23	Receipts 2022-23	Balance as at 30 June 2023	
	Receivable	Prepaid					Receivable	Prepaid
	£	£					£	£
Anguilla	3,000	-	-	-	-	-	3,000	-
Antigua & Barbuda	-	-	-	-	2,044	2,044	-	-
Australia	-	-	-	-	-	-	-	-
Bahamas	-	-	-	-	130,405	130,405	-	-
Bangladesh	-	-	-	-	148,704	-	148,704	-
Barbados	-	-	-	-	8,000	8,000	-	-
Belize	-	-	-	-	-	-	-	-
Botswana	-	-	-	-	15,000	15,000	-	-
Brunei Darussalam	-	-	-	-	100,000	100,000	-	-
Cameroon	-	(1,025)	-	-	-	-	-	(1,025)
Cyprus	-	-	-	-	71,087	71,087	-	-
Cook Island	-	-	-	-	-	-	-	-
Dominica	8,163	-	-	-	1,944	-	10,107	-
eSwatini	-	-	-	-	80,000	80,000	-	-
Fiji	-	-	-	-	20,000	20,000	-	-
Ghana	-	-	-	-	47,799	-	47,799	-
Gibraltar	-	-	-	-	15,000	15,000	-	-
Grenada	-	-	-	-	-	-	-	-
Guyana	-	-	-	-	63,157	63,157	-	-
India	-	-	-	-	-	-	-	-
Jamaica	-	-	-	-	165,126	165,126	-	-
Kenya	-	-	-	-	329,000	-	329,000	-
Kiribati	-	-	-	-	5,056	5,056	-	-
Lesotho	-	-	-	-	-	-	-	-
Malawi	-	(8,406)	-	-	4,150	-	-	(4,256)
Malaysia	-	-	-	-	100,000	100,000	-	-
Maldives	39,654	-	-	-	5,000	18,218	26,436	-
Malta	-	-	-	-	57,539	-	57,539	-
Mauritius	-	-	-	-	194,363	194,363	-	-
Mozambique	-	(42,000)	-	-	42,000	-	-	-
Namibia	-	-	-	-	-	-	-	-
Nauru	-	-	-	-	-	-	-	-
New Zealand	-	-	-	-	776,100	776,100	-	-
Nigeria	-	(77,705)	-	-	-	-	-	(77,705)
Niue	331	-	-	-	-	-	331	-
Pakistan	242,731	-	-	-	-	242,731	-	-
Papua New Guinea	-	-	-	-	-	-	-	-
Rwanda	-	-	-	38,775	12,925	51,700	-	-
Samoa	-	-	-	-	10,000	20,060	-	(10,060)
Seychelles	-	-	-	-	1,000	1,000	-	-
Sierra Leone	-	(13,455)	-	-	13,455	-	-	-
Singapore	-	-	-	-	20,000	20,000	-	-
Solomon Islands	-	-	-	1,000	1,000	2,000	-	-
South Africa	-	-	-	-	314,754	314,754	-	-
Sri Lanka	-	-	-	-	-	-	-	-
St Kitts & Nevis	-	-	-	-	19,455	19,455	-	-
St Lucia	-	(306)	-	-	18,652	18,652	-	(306)
St Vincent & The Grenadines	-	-	-	-	5,000	5,000	-	-
Tanzania	-	-	-	-	64,176	-	64,176	-
The Gambia	20,000	-	-	-	10,000	8,602	21,398	-
Tonga	-	-	-	-	10,000	-	10,000	-
Trinidad & Tobago	95,434	-	-	-	95,434	190,868	-	-
Uganda	53,456	-	-	-	-	55,704	-	(2,248)
United Kingdom	-	-	-	-	4,000,000	4,000,000	-	-
Vanuatu	-	-	-	-	20,000	-	20,000	-
Zambia	83,361	-	-	-	-	-	83,361	-
Total	546,130	(142,897)	-	39,775	6,997,325	6,714,082	821,851	(95,600)

COMMONWEALTH FUND FOR TECHNICAL COOPERATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

9 (b) Members' Contributions from Non-Exchange Transactions

9. (b) (i). Members' Contributions from Non-Exchange Transactions 2021-22

Country	Balance as at 1 July 2021		Adjustment	Retroactive Pledges 2021-22	Pledges 2021-22	Receipts 2021-22	Balance as at 30 June 2022	
	Receivable	Prepaid					Receivable	Prepaid
	£	£	£	£	£	£	£	£
Anguilla	3,000	-	-	-	-	-	3,000	-
Antigua & Barbuda	-	-	-	-	2,044	2,044	-	-
Australia	-	-	-	-	282,432	282,432	-	-
Bahamas	-	-	-	-	130,405	130,405	-	-
Bangladesh	-	-	-	-	148,704	148,704	-	-
Barbados	-	(10,000)	-	-	10,000	-	-	-
Belize	-	-	-	-	16,000	16,000	-	-
Botswana	-	-	-	-	15,000	15,000	-	-
Brunei Darussalam	-	-	-	-	100,000	100,000	-	-
Cameroon	-	(1,025)	-	-	-	-	-	(1,025)
Cyprus	-	-	-	71,087	71,087	142,174	-	-
Cook Island	-	-	-	-	-	-	-	-
Dominica	10,371	(1,944)	-	-	1,944	2,208	8,163	-
eSwatini	80,000	-	-	-	80,000	160,000	-	-
Fiji	-	-	-	-	-	-	-	-
Ghana	-	(332,480)	284,681	-	47,799	-	-	-
Gibraltar	-	-	-	-	15,000	15,000	-	-
Grenada	-	-	-	-	18,198	18,198	-	-
Guyana	-	-	-	-	60,859	-	-	-
India	-	(60,859)	-	-	2,000,000	2,000,000	-	-
Jamaica	-	-	-	-	165,126	165,126	-	-
Kenya	-	(2,049)	-	-	329,000	326,951	-	-
Kiribati	-	-	-	-	5,056	5,056	-	-
Lesotho	-	-	-	-	-	-	-	-
Malawi	5,000	-	-	-	4,150	17,556	-	(8,406)
Malaysia	-	-	-	-	100,000	100,000	-	-
Maldives	57,872	-	-	-	5,000	23,218	39,654	-
Malta	-	(57,539)	-	-	57,539	-	-	-
Mauritius	-	-	-	-	194,363	194,363	-	-
Mozambique	-	-	-	42,000	42,000	126,000	-	(42,000)
Namibia	-	-	-	-	15,000	15,000	-	-
Nauru	-	-	-	-	-	-	-	-
New Zealand	-	-	-	-	1,550,700	1,550,700	-	-
Nigeria	-	-	-	701,365	350,682	1,129,752	-	(77,705)
Niue	331	-	-	-	-	-	331	-
Pakistan	-	-	-	-	242,731	-	242,731	-
Papua New Guinea	-	-	-	-	-	-	-	-
Rwanda	-	-	-	-	-	-	-	-
Samoa	-	-	-	-	10,000	10,000	-	-
Seychelles	-	-	-	-	1,000	1,000	-	-
Sierra Leone	-	-	-	14,000	14,000	41,455	-	(13,455)
Singapore	-	-	-	-	20,000	20,000	-	-
South Africa	-	-	-	-	281,556	281,556	-	-
Sri Lanka	-	-	-	-	-	-	-	-
St Kitts & Nevis	-	-	-	-	19,455	19,455	-	-
St Lucia	-	(306)	-	-	18,652	18,652	-	(306)
St Vincent & The Grenadines	9,553	-	-	-	5,000	14,553	-	-
Tanzania	64,176	-	-	-	64,176	128,352	-	-
The Gambia	33,565	-	-	10,000	10,000	33,565	20,000	-
Tonga	-	-	-	-	10,000	10,000	-	-
Trinidad & Tobago	-	-	-	-	95,434	-	95,434	-
Uganda	-	-	-	-	133,740	80,284	53,456	-
United Kingdom	-	-	-	-	4,000,000	4,000,000	-	-
Vanuatu	-	-	-	20,000	20,000	40,000	-	-
Zambia	83,361	-	-	-	-	-	83,361	-
Total	347,229	(466,202)	284,681	858,452	10,763,832	11,384,759	546,130	(142,897)

*Gabon and Togo joined The Commonwealth in June 2022.

COMMONWEALTH FUND FOR TECHNICAL COOPERATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

10. (a) (i). Deferred Income from Non-Exchange Transactions 2022-23

Special Projects	Deferred Income Balance 1 July 2022	Project Cash Receipts	Project Expenses	Adjustment	Deferred Income Balance 30 June 2023
	£	£	£	£	£
Tackling Cyber Crime	-	682,000	(615,284)	(61,992)	4,724
The Commonwealth Climate Finance Access Hub (UK)	4,300	-	(31,877)	27,577	-
The Commonwealth Climate Finance Access Hub (Australia)	566,598	531,991	(450,009)	-	648,580
The Commonwealth Climate Finance Access Hub (WRI/NDC)	-	34,650	(28,142)	(6,508)	-
Countering Violent Extremism	73,430	-	(10,878)	(62,552)	-
Trade Competitiveness	-	57,411	(56,933)	-	478
Improved and constructive engagement with the UN UPR (Australia)	-	147,547	-		147,547
Strengthening Co-operation among Commonwealth Member States to tackle the illicit proliferation of conventional weapons	22,288	-	-	-	22,288
Commonwealth Blue Charter (UK)	-	82,728	(82,728)	-	-
A Resilient Blue Commonwealth: Building Sustainable Ocean Governance and Mobilising Climate Finance to Strengthen Resilience	-	81,712	(13,772)	-	67,940
Assessment of the Effects of LDC Graduation on the Agricultural and Social Sectors in Solomon Islands	32,086	-	-	-	32,086
Natural Resources	152,107	162,347	(202,717)	-	111,737
Geneva Trade Adviser	39	176,976	(176,976)	-	39
Improved and Constructive Engagement with the UN UPR	4,327	78,351	(78,351)	-	4,327
Promote International Practice in Debt Management	-	16,341	(6,260)		10,081
Identifying Climate-smart Solutions for Commonwealth SIDS and Coastal cities (Stimpson)	-	23,050	-	-	23,050
UN Development Programme	97,937	95,970	(109,958)	-	83,949
To Foster Engagement, Attendance and Participation of Commonwealth States at ISA Meetings	10,806	7,989	(18,795)	-	-
Common Sensing Project	-	109,650	(117,795)	8,145	-
Total	963,918	2,288,713	(2,000,475)	(95,330)	1,156,826

Amounts in the adjustment column represents balances transferred to debtors to be recovered from donors, as well as refund to donors.

COMMONWEALTH FUND FOR TECHNICAL COOPERATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

10. (a) (i). Deferred Income from Non-Exchange Transactions 2021-22

Special Projects	Deferred Income Balance 1 July 2021	Project Cash Receipts	Project Expenses	Adjustment	Deferred Income Balance 30 June 2022
	£	£	£	£	£
Tackling Cyber Crime	261,753	489,737	(813,484)	61,994	-
The Commonwealth Climate Finance Access Hub (UK)	-	65,136	(60,836)	-	4,300
The Commonwealth Climate Finance Access Hub	244,956	565,149	(243,507)	-	566,598
The Commonwealth Climate Finance Access Hub (WRI/NDC)	-	-	(13,282)	13,282	-
Countering Violent Extremism	1,219,267	-	(1,145,837)	-	73,430
Complete the development of the 'Law and Climate Change Toolkit'	1,272	-	-	(1,272)	-
Strengthening Co-operation among Commonwealth Member States to tackle the illicit proliferation of conventional weapons	22,288	-	-	-	22,288
Commonwealth Blue Charter (UK)	-	35,640	(35,640)	-	-
Commonwealth Blue Charter (Stockholm Resilience Centre))	-	50,000	(50,000)	-	-
A Resilient Blue Commonwealth: Building Sustainable Ocean Governance and Mobilising Climate Finance to Strengthen Resilience	70,580	-	(70,580)	-	-
Assessment of the Effects of LDC Graduation on the Agricultural and Social Sectors in Solomon Islands	32,086	-	-	-	32,086
Natural Resources	-	196,219	(44,112)	-	152,107
Geneva Trade Adviser	32	120,095	(120,088)	-	39
Improved and Constructive Engagement with the UN UPR	4,327	163,419	(163,419)	-	4,327
Short Term Trade Capacity Development Support for Pacific ACP Countries	6,272	4,180	(10,452)	-	-
Assistance Fund (TAF), on behalf of the NDC Partnership Climate Action Enhancement Package (CAEP)	-	99,618	(42,311)	(57,307)	-
UN Development Programme	95,950	27,712	(25,725)	-	97,937
To Foster Engagement, Attendance and Participation of Commonwealth States at ISA Meetings	21,901	-	(11,095)	-	10,806
Common Sensing Project	239,443	-	(239,443)	-	-
Total	2,220,127	1,816,905	(3,089,811)	16,697	963,918

Amounts in the adjustment column represents balances transferred to debtors to be recovered from donors, as well as refund to donors.

COMMONWEALTH FUND FOR TECHNICAL COOPERATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

11. Interest Receivable from Exchange Transactions

Interest bearing accounts and investments yielded an average rate of 2.09% (2022: 0.33%) during the reporting period.

	2022-23	2021-22
	£	£
Interest on Bank Deposits	313,131	38,178
Total Interest Receivable	313,131	38,178

12. Other Income from Exchange Transactions

	2022-23	2021-22
	£	£
Debt Management Recovery Fees	524,916	285,167
Special Project Administration Fees	131,166	237,127
Total Other Income	656,082	522,294

13. Staff Costs

	2022-23	2021-22
	£	£
Salaries and Allowances	4,050,916	4,593,476
Employers National Insurance Contributions	463,268	445,563
Contributions to Staff Gratuity Fund	517,256	534,650
Contributions to Staff Defined Contribution Scheme	80,608	82,486
Pension Expense	203	38,145
Long-term Consultants Costs - Direct Projects	697,321	601,809
Long-term Consultants Costs – Special Projects	738,389	737,298
Staff Provisions	9,985	42,645
Total Staff Costs	6,557,946	7,076,072

£1,064,555 (2022: £857,663) of staff costs has been charged to projects and included in other costs. (See note 15).

14. Remuneration of Key Management Personnel

The members of the Board of Governors do not receive any remuneration from the organisation for their roles. The aggregate remuneration paid or payable to key management personnel on a full time equivalent basis for CFTC during the year was as follows:

	Number of Persons		Aggregate Remuneration	
	2022-23	2021-22	2022-23	2021-22
			£	£
Senior Management Committee	2	2	247,968	256,555
Directors	1	1	100,089	93,686
Total	3	3	348,057	350,241

COMMONWEALTH FUND FOR TECHNICAL COOPERATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

14. Remuneration of Key Management Personnel (Continued)

Key management personnel includes members of the Senior Management Committee, which is comprised of 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.

	Senior Management Committee		Directors	
	2022-23	2021-22	2022-23	2021-22
	£	£	£	£
Salary	176,250	186,692	74,773	72,501
Allowances	34,715	30,807	10,366	7,653
Gratuity	37,359	39,056	14,950	13,532
Total	248,324	256,555	100,089	93,686

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

15. Other Costs

	2022-23	2021-22
	£	£
Short-term Consultants	1,342,905	1,602,915
Travel Costs	1,096,321	1,124,943
Publication, Information and Printing	391,891	339,465
Currency Loss	368,683	127,537
Professional Fees	317,515	605,940
Accommodation and Venue Costs	316,209	425,170
Conference Costs	256,103	699,938
Equipment Maintenance	238,625	257,412
Property Services and Maintenance Costs	225,343	251,157
Communications	102,881	138,543
Utilities	79,099	21,101
Insurance	53,538	36,068
Audit Fees	41,406	44,200
Pension Administration Costs	30,695	33,801
Miscellaneous Expenses	28,753	20,726
Staff Development and Training	25,540	18,150
Rent and Rates	21,690	65,830
Library and Subscriptions	18,738	22,171
Other Property Costs	15,938	17,092
Increase/(Decrease) in Provision for Doubtful Balances	14,407	(21,699)
Bank and Financial Charges	353	2,231
Total Other Costs	4,986,633	5,832,691

COMMONWEALTH FUND FOR TECHNICAL COOPERATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

16. Direct Project expenses

16. (a) Direct Project Expenses by Outcome

A breakdown of direct project expenses analysed according to the outcomes in the four year Strategic Plan 2021-22 to 2024-25 is provided below:

	2022-23	2021-22
	£	£
Democracy & Governance	1,047,170	1,314,498
Sustainable Development	4,998,711	4,625,610
Resilience & Climate Action	1,545,126	1,134,181
Small and other Vulnerable states	11,788	647,867
Cross-Cutting outcomes	-	198,673
Catalysts for Agile and Adaptive Delivery	69,492	80,398
Internal Outcomes	740,575	809,691
Sub-Total Direct Expenses	8,412,862	8,810,918
Staff Provision	(41,265)	214,629
Total Direct Expenses	8,371,597	9,025,547

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

16. (b) Direct Project Expenses by Cost Type

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

	Notes	2022-23	2021-22
		£	£
Direct Staff Costs	13	5,824,038	6,328,323
Other Costs	15	2,547,559	2,697,224
Total		8,371,597	9,025,547

17. Segmental Information

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

(a) General Fund

This segment includes all resources of CFTC that are commingled and not earmarked. The main funding sources of this segment are voluntary contributions from 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.

COMMONWEALTH FUND FOR TECHNICAL COOPERATION

STATEMENT OF FINANCIAL POSITION BY SEGMENT AS AT 30 JUNE 2023

17. Segmental Information (continued)

	General Fund	Special Projects	TOTAL
	£	£	£
ASSETS			
Current Assets			
Cash and Cash Equivalents	2,524,336	1,167,130	3,691,466
Investments	9,193,000	-	9,193,000
Prepayments	30,681	-	30,681
Members' Contributions Receivable from Non-exchange Transactions	703,654	-	703,654
Other Receivables from Exchange Transactions	1,400,401	-	1,400,401
TOTAL ASSETS	<u>13,852,072</u>	<u>1,167,130</u>	<u>15,019,202</u>
Non-Current Assets			
Members' Contributions Receivable from non-exchange transactions	-	-	-
TOTAL ASSETS	<u>13,852,072</u>	<u>1,167,130</u>	<u>15,019,202</u>
LIABILITIES			
Current Liabilities			
Provisions	606,468	1,650	608,118
Deferred Income from Non-exchange Transactions	-	1,156,826	1,156,826
Members' Contributions Prepaid from Non-exchange Transactions	95,600	-	95,600
Payables and Other Liabilities from Exchange Transactions	523,109	8,654	531,763
	<u>1,225,177</u>	<u>1,167,130</u>	<u>2,392,307</u>
Non-Current Liabilities			
Provisions	269,606	-	269,606
Total Non-Current Liabilities	<u>269,606</u>	<u>-</u>	<u>269,606</u>
TOTAL LIABILITIES	<u>1,494,783</u>	<u>1,167,130</u>	<u>2,661,913</u>
NET ASSETS	<u>12,357,289</u>	<u>-</u>	<u>12,357,289</u>

COMMONWEALTH FUND FOR TECHNICAL COOPERATION

STATEMENT OF FINANCIAL PERFORMANCE BY SEGMENT FOR THE PERIOD ENDED 30 JUNE 2023

17. Segmental Information (continued)

	General Fund £	Special Projects £	Elimination £	TOTAL £
REVENUE FROM NON-EXCHANGE TRANSACTIONS				
Pledges to CFTC	7,037,100	-	-	7,037,100
Special Projects	-	2,000,475	(131,166)	1,869,309
SUB-TOTAL REVENUE FROM NON-EXCHANGE TRANSACTIONS	7,037,100	2,000,475	(131,166)	8,906,409
REVENUE FROM EXCHANGE TRANSACTIONS				
Interest Revenues	313,131	-	-	313,131
Other Income	656,082	-	-	656,082
SUB-TOTAL REVENUE FROM EXCHANGE TRANSACTIONS	969,213	-	-	969,213
TOTAL REVENUE	8,006,313	2,000,475	(131,166)	9,875,622
EXPENSES				
Staff Costs	5,819,557	738,389	-	6,557,946
Other Costs	3,855,713	1,262,086	(131,166)	4,986,633
Common Service Charge	2,250,243	-	-	2,250,243
TOTAL EXPENSES	11,925,513	2,000,475	(131,166)	13,794,822
DEFICIT FOR THE YEAR	(3,919,200)	-	-	(3,919,200)

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 column to accurately present these financial statements, for example, special project administration fees.

Included in total expenses of £11,925,513 is the sum of £8,371,597 which represents direct project expenses incurred by CFTC. Direct project expenses are analysed within note 16 of these financial statements.

COMMONWEALTH FUND FOR TECHNICAL COOPERATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

18. Related Party Disclosures

(a) Controlled Entities

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

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

As described in note 1.15(c), costs of corporate business support functions are incurred by COMSEC. These costs are recovered from CFTC and CYP as Common Service Charges.

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.

In the financial period to 30 June 2023, there were no transactions outside the normal operations between The Commonwealth Fund for Technical Cooperation and the two Commonwealth organisations mentioned above (2022: £Nil).

The Senior Management Committee is remunerated through COMSEC and a portion of the cost is allocated to CFTC as disclosed in note 14.

19. Contingencies

As at 30 June 2023 there were no contingent liabilities relating to Arbitral Tribunal claims (2022: £Nil).

20. Commitments

Obligations under Operating Leases

Operating lease costs are shared among the three Funds COMSEC, CFTC and CYP. In this Financial year there are no leases held with COMSEC. The total amount of operating leases recognised in CFTC Statement of Financial Performance for the period is £Nil (2022: £Nil).

21. 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.

COMMONWEALTH FUND FOR TECHNICAL COOPERATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

21. Financial Instruments (Continued)

(a) Fair Values

The assets of CFTC are categorised as follows:

	30 June 2023	30 June 2022
	£	£
Financial assets	14,988,521	20,920,884
Non-financial assets	30,681	13,601
Total	15,019,202	20,934,485

The liabilities of CFTC are categorised as follows:

	30 June 2023	30 June 2022
	£	£
Financial Liabilities	531,763	2,466,040
Non-financial Liabilities	2,130,150	2,191,956
Total	2,661,913	4,657,996

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

	Carrying Amount	Fair Values
	£	£
Financial Assets:		
2023		
Cash and Cash Equivalents	3,691,466	3,691,466
Investments	9,193,000	9,193,000
Current Receivables	2,104,055	2,104,055
Total	14,988,521	14,988,521
2022		
Cash and Cash Equivalents	7,163,239	7,163,239
Investments	12,619,600	12,619,600
Current Receivables	1,138,045	1,138,045
Total	20,920,884	20,920,884

	Carrying Amount	Fair Values
	£	£
Financial Liabilities:		
2023		
Payables	531,763	531,763
Total	531,763	531,763
2022		
Payables	2,466,040	2,466,040
Total	2,466,040	2,466,040

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.

COMMONWEALTH FUND FOR TECHNICAL COOPERATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

21. Financial Instruments (Continued)

(b) Foreign Currency Risk

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

At 30 June 2023, 93% of cash and cash equivalents are denominated in GB Pound Sterling, 6% in Pakistani Rupees, and the remaining 1% in other currencies (91% in GB Pound Sterling, 8% in Pakistani Rupees and the remaining 1% in other currencies at 30 June 2022).

c) Credit Risk

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

The treasury and investment management policy manages credit risk by limiting the amount of credit exposure to any one counter party and ensuring these financial assets are held with well-recognised financial institutions. 90% of the outstanding amount is at counterparty banks with a Moody's credit rating of A1 and higher.

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

(d) Liquidity Risk

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

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

The following are contractual liabilities as at 30 June 2023:

2023	<6 months
	£
Payables and other liabilities	531,763
Total Liabilities	531,763

As at 30 June 2023 CFTC had not issued any financial guarantees.

Liquidity Risk also includes the risk of CFTC not being able to access funds held in a Pakistan bank account from outside of Pakistan. The liquidity risk is managed by the funds being classified as restricted and CFTC not relying on these funds for use. These funds are excluded from all cash flow forecasts (Refer Note 2).

	Inability to Access Funds	Effect on Surplus
Funds Held In Pakistan	%	£
	0%	-
	80%	(595,331)
	100%	(744,164)

COMMONWEALTH FUND FOR TECHNICAL COOPERATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

21. Financial Instruments (Continued)

(e) Market Risk

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

(f) Interest Rate Risk

Owing to the short maturity of cash and investments an interest rate sensitivity analysis does not disclose significant variations in value. If the weighted average interest rate at 30 June 2023 had been 25% higher or lower, the interest income would have been affected as follows:

	Increase (+)/ Decrease (-)	Effect on Surplus / Deficit
Cash and Cash Equivalents	%	£
Movement in the relative value of the GB Pound Sterling	25%	78,283
Movement in the relative value of the GB Pound Sterling	-25%	(78,283)

(g) Foreign Currency Risk

Foreign currency balances in GB Pound Sterling as at 30 June 2023 comprise of the following:

2023	GBP	Other Currencies	Total
	£	£	£
Financial Assets	14,133,898	854,623	14,988,521
Percentage of Total	94%	6%	100%
Financial Liabilities	531,763	-	531,763
Percentage of Total	100%	-	100%

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 2023.

	Increase (+)/ Decrease (-)	Effect on Balances
Cash and Cash Equivalents	%	£
Movement in the relative value of the GB Pound Sterling	25%	213,656
Movement in the relative value of the GB Pound Sterling	-25%	(213,656)

22. 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.

23. Events After Reporting Date

There are no material events, favourable or unfavourable that occurred between the reporting date, 30 June 2023, and the date of authorisation for issue that would have impacted these statements.

The Secretary-General authorised these financial statements for issue on 14 December 2023.

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