



Inter-Parliamentary Union

For democracy. For everyone.

Executive Committee
Item 7
Governing Council
Item 6

138th IPU ASSEMBLY AND RELATED MEETINGS

Geneva, 24 – 28.03.2018

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Financial results for 2017

Financial report and audited financial statements

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#IPU138

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1. Introduction

The audited financial statements for 2017 are once again fully compliant with International Public Sector Accounting Standards (IPSAS). They reflect the substantial changes effected during the past six years - consolidating the IPU closed Pension Fund with the IPU's own accounts, carrying out a full actuarial review of the Pension Fund, reflecting the Headquarters building in Geneva at fair value and amortizing the 50-year loan that was offered by the Swiss Confederation in 2003 for the construction and renovation of the IPU Headquarters building.

The content of the IPU Financial Report is derived from the body of the five audited financial statements and their comprehensive notes. Comparison of budget performance by category of expenditure and by strategic direction is found in Statement V: Statement of Comparison of Budget and Actual Amounts and in note 17 on segment reporting. Details of expenditure by line item are provided in note 18. This financial report therefore provides a summary of key information and narrative explanation of budget variances, and points out where further information can be located in the financial statements and notes.

The budget for 2017 was prepared with a 1.5 per cent increase in Member assessed contributions to begin to stabilise contributions following the extensive cuts made since 2012 and to counteract the operating losses in 2016 and 2015. Several new Members joined the IPU in 2017, further increasing total contributions, and the IPU's investments in mutual funds generated a solid return on capital during the year. At the same time, salary and depreciation costs were temporarily reduced. The IPU's net assets are therefore increased by an operating surplus of CHF 559,617, thereby increasing the Working Capital Fund of the IPU and reversing its reduction during the previous two years. An amount of CHF 24,177 spent on climate change-related activities has been drawn from the IPU's carbon offset reserve.

The liquid portion of the IPU's Working Capital Fund currently stands at 86 per cent of its 2017 target level. The target level was set by the Executive Committee in 2006 at one half of the IPU's approved annual operating budget although the Working Capital Fund is now composed not only of available cash, cash equivalents and investments but also of IPSAS-required accounting adjustments which cannot be realized in cash. The liquidity of the Fund at 31 December 2017 can be summarized as follows:

<u>Values at 31.12.2017</u>	<u>CHF</u>
Cash, cash equivalents and investments at fair value	6,786,723
Headquarters building revaluation - IPSAS adjustments	1,687,201
Closed Pension Fund liability - IPSAS adjustments	(779,448)
Amortization of FIPOI building loan to 2052 - IPSAS adjustments	<u>1,198,335</u>
Accumulated balance of Working Capital Fund	<u>8,892,812</u>

The following sections provide a summary of the revenues and expenses of the IPU during 2017, in particular where these amounts have varied from the Consolidated Budget as identified in Statement V: Statement of Comparison of Budget and Actual Amounts.

2. Revenue

The principal sources of revenue for the IPU are the assessed contributions of Members and voluntary funds from donors. A small proportion of total revenue is earned from interest, investments and other sources including meeting room rentals. In 2017, overall revenue increased by 2.4 per cent to CHF 13,690,169. The increase in Members' assessed contributions plus the addition of four new Members and one Associate Member increased revenue by CHF 177,450. Interest and investment earnings produced a very strong performance, with an overall gain of CHF 587,787 across the combined IPU and closed Pension Fund portfolios. Staff assessment was slightly below budget with a decrease of CHF 111,413. Other income stood at CHF 14,300 compared to a budget of CHF 16,000.

2.1 Assessed contributions from Member Parliaments

In all, 175 Members and 12 Associate Members were assessed a total of CHF 10,243,450 in 2017. By the end of 2017, all but CHF 682,575 of the current year assessments had been collected, a decrease of 36 per cent compared to the previous year. There were 52 Members and Associate Members with contributions outstanding and no Members suspended under Article 5.3 of the IPU Statutes. Of the Members in arrears at the year end, three were liable to be suspended under Article 5.3 and 10 were liable for loss of voting rights under Article 5.2.

2.2 Voluntary Contributions

The 2017 budget for voluntary contributions was set at an ambitious level of CHF 4.2 million. As a consequence of lower than expected programme expenditure and some grants reduced or arriving later than anticipated, actual expenditure of voluntary contributions was 32 per cent less than the budgeted amount (CHF 1,379,668).

At the start of 2017, the IPU had pledges from donors totalling CHF 3.3 million. During the year, donors firmly committed an additional amount of CHF 2.2 million, subject to specific conditions set forth in agreements. Meanwhile, CHF 2.8 million was spent and the end of the year balance of pledges from donors totalled CHF 2.7 million.

The total amount of voluntary contributions earned/spent in 2017 was CHF 2,826,841, representing an increase of 1 per cent from 2016.

2.3 Staff Assessment

Six per cent of budgeted revenue came from the internal taxation of staff salaries. The rates of staff assessment, which are set by the International Civil Service Commission, are based upon the average tax rates in Geneva, London, Montreal, New York, Paris, Rome and Vienna. In line with IPSAS requirements, the IPU no longer recognizes this staff assessment element as either income or expenditure in Statement II: Statement of Financial Performance.

The IPU is contractually obliged to reimburse certain staff members for any national income taxes which are imposed on their IPU incomes. In 2017, CHF 122,046 was reimbursed to staff members who paid taxes to France and Canada.

2.4 Investment income and other revenues

In 2006, the IPU placed a portion of its funds in a balanced mutual fund in order to increase returns on the Working Capital Fund through diversification. Market performance was strong in 2017 and the year-end value of the IPU and Pension Fund portfolios reflected an overall investment gain of CHF 587,787. Interest rates continue to remain very low or even negative following the actions of the Swiss National Bank during the past two years, substantially limiting the opportunities for the IPU to generate low-risk income. The IPU maintains its prudent stance towards investments and deposits cash in banks with credit ratings of A or higher.

3. Expenditure

Following the IPU Strategy for 2017-2021 and in line with the IPU's compliance with IPSAS, the IPU 2017 Consolidated Budget was organized according to the eight Strategic objectives and the enabling actions.

A total of 72 per cent of the budget of the IPU is directly attributable to the activities planned to achieve the eight objectives of the Strategy. The balance of 28 per cent of expenditures comes from the enablers: effective internal governance and oversight, which covers costs relating to the President, the Executive Committee and the Executive Office; visibility, advocacy and communication for the IPU; gender mainstreaming and a rights-based approach; a properly resourced and efficient Secretariat, which include the services of finance, administration and human resources, as well as all costs relating to office accommodation, asset depreciation, equipment rental, ICT and supplies for the Secretariat; and Other Charges, including grants and all contributions to reserves.

Further financial details can be found in Statement V: Statement of Comparison of Budget and Actual Amounts and in the segment reporting in note 17. Details of the results achieved against each budgeted objective are provided in the summarized logframe detailing impact, results and outputs of the IPU's work in 2017.

3.1 Strategic Objective 1: Build strong, democratic parliaments

The 2017 operating costs of activities towards achieving this objective were CHF 2,214,172 (91 per cent of its budget). The budget included funds related to UNDP country partnerships, Myanmar in particular, which were lower than originally planned. Savings were also made in the core expenditure budget on travel and printing costs.

3.2 Strategic Objective 2: Advance gender equality and respect for women's rights

Core expenditure on gender equality work finished the year with savings achieved in travel, translation and consultancy costs. Extrabudgetary expenditure was lower than anticipated due mainly to reduced expenditure on the Turkey programme for political and capacity reasons. For these reasons, the gender equality objective expenditure was below budget by 15 per cent for the year with a total annual expenditure of CHF 1,310,211.

3.3 Strategic Objective 3: Protect and promote human rights

CHF 1,393,057 was spent on activities to promote and protect human rights, within budget by 9 per cent, with the Committee on Human Rights of Parliamentarians examining the situation of a total of 507 parliamentarians from 41 countries. Savings were made on the core budget mainly through reducing travel costs, and voluntary expenditure was reduced by the cancellation of a regional seminar and lower consultancy costs.

3.4 Strategic Objective 4: Contribute to peacebuilding, conflict prevention and security

Total expenditure on this objective was CHF 187,786. While the core budget allocation was fully spent, expenditure foreseen in the area of counter-terrorism was deferred to 2018 until new funding could be secured.

3.5 Strategic Objective 5: Promote inter-parliamentary dialogue and cooperation

Activities supporting Members accounted for expenditures of CHF 2,977,778 in 2017 and finished the year below budget by 6 per cent. Both the first and second Assemblies came in comfortably within budget, with the travel and conference costs of the second Assembly in St Petersburg being fully supported by the Russian Federation. Further savings were made on the budgets of the Standing Committees and regional events.

Comparative data on the costs of each Assembly is given in the tables below:

Comparative Costs of the First Assembly (in CHF)

Item	Dhaka 2017	Lusaka 2016	Hanoi 2015	Geneva 2014
Permanent staff overtime	29,422	21,509	32,236	41,108
Temp. staff/contractual services	593,279	664,670	544,395	568,975
Travel & related expenses	125,961	146,324	104,627	64,545
Freight/communication	18,690	23,925	12,801	6,124
Supplies/equipment/services	2,723	8,191	9,235	51,320
Publications	3,450	3,913	3,626	12,659
Gifts/hospitality	3,998	2,233	8,477	3,089
Total Expense	777,523	870,765	715,397	747,820

Comparative Costs of the Second Assembly (in CHF)

Item	St. Petersburg 2017	Geneva 2016	Geneva 2015	Geneva 2014
Permanent staff overtime	39,802	35,094	34,499	37,884
Temp. staff/contractual services	459,550	487,022	456,882	443,507
Travel & related expenses	477	39,511	39,235	25,909
Freight/communication	227	10	4,141	21
Supplies/equipment/services	1,458	116,332	151,905	165,517
Publications	3,440	7,873	5,429	7,421
Gifts/hospitality	7,463	3,192	5,371	3,391
Total Expense	512,417	689,034	697,462	683,650

3.6 Strategic Objective 6: Promote youth empowerment

Total expenditure on the new objective to promote youth empowerment was CHF 151,118. Additional funding pledged by the government of Equatorial Guinea had not yet materialized so expenditure was deferred pending receipt of funds.

3.7 Strategic Objective 7: Mobilize parliaments around the global development agenda

CHF 660,689 was expended on Strategic Objective 7, all of which came from voluntary sources. Expenditure against this objective was lower than anticipated, due in part to the reduced staffing costs compared to budget in 2017. For the SDG self-assessments UNDP contributed at the country level, thereby reducing IPU's costs. For the regional seminars on SDGs, invited experts that had been budgeted by IPU were often paid by the UN or the host parliaments. Some of the SDG and climate change tools that had been budgeted were paid for by the partnering organizations (UNEP, LSE) using their own funds. Due to lack of capacity, specific regional climate change activities were mainstreamed into the other SDG activities. Maternal, new born and child health activities were fully funded and implemented.

3.8 Strategic Objective 8: Bridge the democracy gap in international relations

This objective was primarily met through the work of the New York Office. The Office came in below budget by 7 per cent helped by savings from the weakening US dollar exchange rate against the Swiss franc.

3.9 Enablers and other charges

Effective internal governance and oversight

Results for the management and governance enabler were achieved for a total expenditure of CHF 807,446 in 2017, under budget by 5 per cent thanks to the Executive Committee not requiring an additional meeting during the year.

Visibility, advocacy and communications

A total of CHF 898,136 was spent on this enabler during a transitional year for the communications function. Two staff positions remained unfilled during the year with ongoing tasks and development work covered by external collaborators, leaving a saving on the total budget of 17 per cent. The IPU website redevelopment had already been initiated with generous in-kind support from the parliament of the United Arab Emirates and the additional capital funds set aside by the IPU for aspects of the development were partly used in 2017. These capital costs are reported below under Section 5.

Gender mainstreaming and a rights-based approach

A small budgetary allocation was made towards training and information activities relating to the promotion of gender mainstreaming and a rights-based approach to the work of the IPU, which will be reviewed in 2018.

Properly resourced and efficient Secretariat

The expenditures on Support Services (which include finance, administration and human resources services, office accommodation, asset depreciation, equipment rental, ICT and supplies) were CHF 2,431,227, which was within budget by 9 per cent. Budget savings were generated primarily from lower depreciation, postage and stationery costs following the PaperSmart initiative as well as timing of the expenditure on additional Headquarters security measures under way.

Other charges

An allowance for doubtful accounts is set aside to cover the write-off of outstanding debts. In 2017, the IPU membership as a whole was less prompt in paying assessed contributions than in the previous year. In accordance with IPSAS, provision is required for all debts more than two years old, and the reserve was therefore increased by CHF 29,857 to CHF 153,701 (14 per cent of the total amount receivable from Members).

The annual grant to the Association of Secretaries General of Parliaments was CHF 44,755 (CHF 37,887 in 2016).

No addition to the reserve for major building repairs to IPU Headquarters was budgeted in 2017. The reserve currently stands at CHF 427,694. No utilization of the provision was required during 2017, although the Headquarters windows are being renovated in 2018 and the depreciation cost of this will be offset against the accumulated reserve funds in the coming years.

In accordance with the decision of the Governing Council in Geneva in 2007, an amount of CHF 30,600 was set aside in a reserve for the purpose of offsetting the CO₂ emissions and to mitigate the environmental impact of operations. CHF 24,177 out of the total accumulated reserve of CHF 30,734 was used for climate change-related activities in 2017.

The Parliamentary Solidarity Fund received an opening grant of CHF 30,000 from the British Group IPU. Of this amount, a total of CHF 4,751 was spent during 2017 supporting the participation of Vanuatu at the second Assembly in St. Petersburg.

4. Gender analysis

Under the IPSAS presentation of the Financial Statements, expenditure on the objective of advancing gender equality is shown directly in Statement V: Statement of Comparison of Budget and Actual Amounts. In 2017, gender-specific expenditure totalled CHF 1,310,211, which represents 10 per cent of the IPU's total expenses.

Women continue to outnumber men in the Secretariat both in the professional and general service categories:

Representation in the Secretariat	2017		2016	
	No.	Per cent of total	No.	Per cent of total
Women on Staff – General Services	16	89%	16	89%
Women on Staff – Professional	13	57%	14	61%
Women on Staff – Total	29	71%	30	73%
Women recruited during year	-	-	-	-
Women promoted during year	1	100%	1	50%

5. Capital expenditures

In 2017, CHF 113,947 was spent on furniture, vehicles, equipment and premises, including the routine replacement of outdated IT and communications equipment. CHF 68,021 was spent on work in progress towards the redevelopment of the IPU website and open data platform, which will be fully functional in 2018.

6. Staff pension fund

The closed legacy Pension Fund covers the pension commitments made to former employees of the IPU who have already retired. In compliance with IPSAS requirements, the accounts of the closed Pension Fund were consolidated into the IPU Financial Statements from 2012 onwards.

An actuarial study was carried out to calculate the valuation of the pension liabilities of the IPU as of 31 December 2017. The results of the study are set out in note 11 to the Financial Statements, along with details of all of the IPU's other employee benefit liabilities.

7. Recommendations

In accordance with Rule 13.3 of the financial regulations, it is recommended that the Governing Council approve the financial administration of the Inter-Parliamentary Union and the financial results for 2017.

8. Management's responsibility for financial reporting


The management of the Inter-Parliamentary Union is responsible for the reliability, integrity and objectivity of the accompanying financial statements and annual financial report. The financial statements have been prepared in accordance with International Public Sector Accounting Standards. Where necessary, the statements include amounts that are based on judgements and estimates by management. To assist management in fulfilling its responsibilities, a system of internal accounting controls has been established to provide reasonable assurance that the financial statements are accurate and reliable and that assets are safeguarded.

The Governing Council is responsible for approving the Annual Financial Statements. The Governing Council has delegated certain responsibilities to the Internal Auditors, including the responsibility for reviewing the annual financial statements and meeting with management and the External Auditor, as necessary, on matters relating to the financial reporting process.

These financial statements have been audited by the External Auditor appointed by the Executive Committee.



Martin Chungong
Secretary General



Andrée Lorber-Willis
Director
Division of Support Services

9. External auditor's opinion

EXTERNAL AUDITOR'S AUDIT OPINION

To the Executive Committee of the IPU

Report on the audit of the financial statements

Opinion

The SFAO has audited the financial statements of the IPU, which comprise the statement of financial position as at December 31, 2017, and the statement of comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In the opinion of the SFAO, the accompanying financial statements give a true and fair view of the financial position of the IPU as at December 31, 2017, and of its financial performance and its cash flows for the year then ended in accordance with the International Public Sector Accounting Standards (IPSAS) and the Organization's Financial Regulations.

Basis for Opinion

The SFAO conducted its audit in accordance with International Standards on Auditing (ISAs). Its responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of its report. The SFAO is independent of the IPU in accordance with the ethical requirements that are relevant to its audit of the financial statements in Switzerland, and it has fulfilled its other ethical responsibilities in accordance with these requirements. The SFAO believes that the audit evidence it has obtained is sufficient and appropriate to provide a basis for its opinion.

Responsibilities of the Secretary General for the financial statements

The Secretary General is responsible for the preparation and fair presentation of the financial statements in accordance with the International Public Sector Accounting Standards (IPSAS) and the IPU's Financial Regulations, and for such internal control as he determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Secretary General is responsible for assessing the IPU'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 IPU or to cease operations, or has no realistic alternative but to do so.

The Secretary General is entrusted with the responsibility of overseeing the IPU's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs, the SFAO exercises professional judgment and maintains professional scepticism throughout the audit. It also:

- Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence that is sufficient and appropriate to provide a basis for its opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the IPU's internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Secretary General.
- Concludes on the appropriateness of Secretary General's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the IPU's ability to continue as a going concern. If the SFAO concludes that a material uncertainty exists, the SFAO is required to draw attention in its auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify its opinion. Its conclusions are based on the audit evidence obtained up to the date of its auditor's report. However, future events or conditions may cause the IPU to cease to continue as a going concern.
- Evaluates the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The SFAO communicates with the Executive Committee through its Sub-Committee on Finance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that it identifies during its audit.

Berne, 16 February 2018

SWISS FEDERAL AUDIT OFFICE¹
(External Auditor)

Eric-Serge Jeannet
Deputy Director

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(original signed in French)

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10. Statement of financial position

INTER-PARLIAMENTARY UNION

Statement I:

Statement of Financial Position

at 31 December 2017

In CHF (Swiss francs)

	2017	2016
ASSETS		
Current assets		
Cash on Hand	7,377	11,881
Cash in current accounts	5,734,320	6,959,389
Cash held by investment fund manager	344,217	264,122
Term deposits and savings accounts	4,738,777	4,738,677
Sub total cash and cash equivalents (Note 3)	<u>10,824,691</u>	<u>11,974,069</u>
Accounts Receivable		
from Members (Note 4)	965,983	721,626
from Donors (Note 4)	161,443	36,358
from Tax Reimbursements	37,334	44,966
Others	5,761	25,316
Sub total accounts receivable	<u>1,170,520</u>	<u>828,266</u>
Investments (Note 5)	8,567,896	8,702,020
Other current assets (Note 6)	<u>273,787</u>	<u>311,781</u>
Sub-total current assets	20,836,895	21,816,136
Non-current assets		
Fixed Assets (Note 7)		
Building and Grounds	8,255,438	8,490,950
Furnishings	24,782	33,457
General Equipment	60,317	-
IT Equipment	73,993	66,793
Vehicles	16,775	22,875
	<u>8,431,304</u>	<u>8,614,076</u>
Intangible assets (Note 8)	68,021	-
Sub-total non-current assets	8,499,326	8,614,076
Total Assets	<u><u>29,336,221</u></u>	<u><u>30,430,212</u></u>

LIABILITIES

Accounts Payable and Accrued Payables	429,956	204,290
Advances from Members	227,124	527,195
Deferred revenue (Note 9)	2,677,682	3,492,146
Loans (Note 10)	<u>189,600</u>	<u>189,600</u>
Sub-total current liabilities	3,524,363	4,413,231
Borrowings Long Term (Note 10)	5,248,065	5,373,687
Closed Pension Fund (Note 11)	9,733,387	10,387,112
Other Employee benefits (Note 11)	<u>1,503,344</u>	<u>1,488,738</u>
Sub-total non-current liabilities	16,484,796	17,249,537
Total Liabilities	20,009,159	21,662,768
NET ASSETS		
Restricted Funds (Note 13)	434,251	427,828
Accumulated fund balance (Working Capital Fund after contribution)	<u>8,892,812</u>	<u>8,339,618</u>
Net Assets	<u>9,327,063</u>	<u>8,767,446</u>

11. Statement of financial performance

INTER-PARLIAMENTARY UNION

Statement II:

Statement of Financial Performance

for the year ended 31 December 2017

In CHF (Swiss francs)

	2017	2016
Revenue (Note 18)		
Assessed Contributions	10'243'450	10'066'000
Voluntary Contributions (Note 9)	2'844'632	2'826'841
Investment income	587'787	411'823
Other Income	14'300	58'362
Total Revenue	13'690'169	13'363'026
Expenses (Note 18)		
Personnel Expenditure – permanent staff	7'940'942	8'382'833
Personnel Expenditure – temporary staff	2'617'544	2'792'457
Change in closed pension fund provision	-587'384	-686'186
Travel Expenditure	1'053'124	1'013'941
Contractual Services	698'662	785'138
Operating Expenses	668'074	766'269
Supplies, Materials and Equipment	96'586	120'416
Allowance for Doubtful Accounts	29'857	41'489
Grants and Honoraria	168'754	68'183
Depreciation (Note 7)	296'719	309'491
Amortization of loan (Note 10)	63'978	65'406
Loss on Foreign Exchange	83'698	-
Total Expenses	13'130'552	13'659'436
Operating Surplus/(Deficit)	559'617	(296'409)

12. Statement of changes in net assets

INTER-PARLIAMENTARY UNION

Statement III:

Statement of Changes in Net Assets

for the year ended 31 December 2017

In CHF (Swiss francs)

	Accumulated Fund Balance	Reserves	Total
Closing balance 31 December 2013	8,414,639	500,518	8,915,157
Transfer to reserves (Note 12)	(83,500)	83,500	-
Net result 2014	<u>694,803</u>	<u>(51,508)</u>	<u>643,295</u>
Closing balance 31 December 2014	9,025,942	532,510	9,558,452
Transfer to reserves (Note 12)	(25,700)	25,700	-
Net result 2015	<u>(413,721)</u>	<u>(80,875)</u>	<u>(494,596)</u>
Closing balance 31 December 2015	8,586,521	477,335	9,063,856
Transfer to reserves (Note 12)	(30,400)	30,400	-
Net result 2016	<u>(216,502)</u>	<u>(79,908)</u>	<u>(296,409)</u>
Closing balance 31 December 2016	8,339,619	427,828	8,767,447
Transfer to reserves (Note 12)	(30,600)	30,600	-
Net result 2017	<u>583,794</u>	<u>(24,177)</u>	<u>559,617</u>
Closing balance 31 December 2017	8,892,813	434,251	9,327,064

13. Statement of changes in cash flows

INTER-PARLIAMENTARY UNION

Statement IV:

Statement of Cash Flows

for the year ended 31 December 2017

In CHF (Swiss francs)

	2017	2016
Cash flows from Operating Activities		
Operating surplus (deficit)	559'617	-296'409
Depreciation	296'719	309'491
Amortization of loan	63'978	65'406
	-	-
(Increase) decrease in receivables	342'254	195'251
(Increase) decrease in other current assets	37'994	-86'897
	-	-
Increase (decrease) in payables and deferred revenue	888'868	1'426'570
	-	-
Increase (decrease) in pension fund liability	653'725	-686'187
Increase (decrease) in other employee benefit liabilities	14'606	-45'832
Net cash flows from Operating Activities	-911'934	881'393
Cash flows from Investing Activities		
(Increase) decrease in Investments	127'053	528'715
Intangible assets	-68'021	-
Property, plant and equipment	-113'947	-32'994
Net cash flows from Investing Activities	-54'916	495'721
Cash flows from Financing Activities		
Loan repayment to Swiss Federal Government	-189'600	-189'600
Net cash flows from Financing Activities	-189'600	-189'600
Net increase/(decrease) in Cash and Cash Equivalents	-1'156'450	1'187'514
Cash and Cash Equivalents at beginning of period	11'974'071	10'786'557
Cash and Cash Equivalents at end of period	10'817'621	11'974'071

14. Statement of Comparison of budget and actual amounts

INTER-PARLIAMENTARY UNION

Statement V: Statement of Comparison of Budget and Actual Amounts

for the year ended 31 December 2017

In CHF (Swiss francs)

	Original Budget	Final Budget	Actual on comparable basis	Difference
Revenue				
Assessed contributions	10,227,000	10,227,000	10,243,450	16,450
Working Capital Fund	337,000	337,000	-	-337,000
Staff assessment	1,023,000	1,023,000	911,587	-111,413
Voluntary contributions	4,224,300	4,224,300	2,844,632	-1,379,668
Interest	100,000	100,000	121,060	21,060
Other income	<u>16,000</u>	<u>16,000</u>	<u>3,311</u>	<u>-12,689</u>
Total revenue	15,927,300	15,927,300	14,124,040	-1,803,260
Expenses				
Build strong, democratic parliaments	2,428,700	2,428,700	2,214,172	-214,528
Advance gender equality and respect for women's rights	1,555,900	1,555,900	1,310,211	-245,689
Protect and promote human rights	1,538,400	1,538,400	1,393,057	-145,343
Contribute to peacebuilding, conflict prevention and security	502,300	502,300	187,786	-314,514
Promote inter-parliamentary dialogue and cooperation	3,182,000	3,182,000	2,977,778	-204,222
Promote youth empowerment	329,600	329,600	151,118	-178,482
Mobilize parliaments around the global development agenda	1,083,700	1,083,700	660,689	-423,011
Bridge the democracy gap in international relations	893,000	893,000	832,799	-60,201
Effective internal governance and oversight	854,700	854,700	807,446	-47,254
Visibility, advocacy and communications	1,086,900	1,086,900	898,136	-188,764
Gender mainstreaming and a rights-based approach	10,000	10,000	-	-10,000
Properly resourced and efficient Secretariat	2,668,900	2,668,900	2,431,227	-237,673
Other charges	106,000	106,000	105,212	-788
Eliminations	<u>-312,800</u>	<u>-312,800</u>	<u>-210,362</u>	<u>102,438</u>
Total expenses	15,927,300	15,927,300	13,759,269	-2,168,031
Operating Surplus	-	-	364,771	364,771

NOTE 1 NATURE OF THE ORGANIZATION

1. The Inter-Parliamentary Union (IPU) is the international organization of parliaments and has a unique inter-State character. It is the focal point for worldwide parliamentary dialogue. Since 1889, the IPU has worked for peace and cooperation among peoples and for the firm establishment of representative institutions. The IPU shares the objectives of, and works in close cooperation with, the United Nations, where it has official Observer status at the UN General Assembly. It also cooperates with regional inter-parliamentary organizations, as well as with international, intergovernmental and non-governmental organizations which are motivated by the same ideals.
2. The IPU is an international parliamentary political organization and possesses international legal personality. It is representative in character and structure, subject to the rule of law, and governed by its Statutes. States and international organizations dealing with the IPU have recognized its standing, authority and capacity to act in the international arena, within the area of its functional responsibilities, as the international organization of parliaments.
3. The IPU's main decision-making body is its Governing Council, established by the IPU Statutes and consisting of three delegates of all of the Members of the IPU. It normally holds two sessions per year. The Governing Council elects the President of the IPU, appoints the Secretary General, sets the policy, guides the activities of the IPU and monitors their implementation. The Council adopts the work programme and budget, establishes the scale of assessed contributions, authorizes the acceptance of donations and legacies and approves the accounts. An Executive Committee composed of the President of the IPU and 15 members elected by the Governing Council proposes the annual work programme and budget to the Governing Council, oversees the administration of the IPU Secretariat, including establishing the scales of salaries and allowances of staff members, and appoints the External Auditor.
4. The IPU is funded by assessed contributions paid by its Members and voluntary contributions from Members and donors. The IPU operates within the framework of an annual work programme and budget, which provides the appropriations that constitute the expenditure authorizations approved by the Governing Council for each financial year. The approval of the appropriations provides the Secretary General with the authority to commit and authorize expenses and to make payments for the purposes assigned within the limits of the appropriations.
5. Since 1 January 2005, the IPU has been affiliated to the United Nations Joint Staff Pension Fund (UNJSPF). The IPU has a closed Pension Fund which is governed by the Regulations of the Pension Fund for members of staff of the IPU. In accordance with these Regulations, the assets of the Pension Fund are administered separately from those of the IPU. The Pension Fund is administered by a Management Board comprising a representative of the IPU's Executive Committee, who serves as President of the Board, the Secretary General, an expert in financial administration appointed by the Executive Committee, a representative of the staff of the IPU and a representative of the current retirees who are beneficiaries of the Fund. The Regulations of the Fund provide that the IPU is fully responsible for the benefits owed to existing pensioners and their survivors.
6. The Financial Regulations of the Inter-Parliamentary Union is the overall instrument governing the IPU's financial administration.

NOTE 2 ACCOUNTING POLICIES AND BASIS OF PRESENTATION

The Financial Statements have been prepared on a full accrual and going-concern basis and the accounting policies have been applied consistently throughout the period. The Statements comply with the requirements of International Public Sector Accounting Standards (IPSAS). IPU has adopted in advance the provisions of IPSAS 40 which is effective 1 January 2019. IPSAS 39, related to changes in accounting for employee benefit liabilities will be adopted when it becomes effective on 1 January 2018.

The Financial Statements include the accounts of the IPU and the accounts of the closed Pension Fund. All internal transactions and balances are eliminated on consolidation.

Advances from Members

Advances from Members represent advance payment of assessed contributions for future financial periods received during the current reporting period.

Borrowing

Borrowing includes an interest-free loan from the Swiss Confederation, which is valued at amortized cost using the effective interest rate methodology.

Cash, investments and other financial assets

Cash and cash equivalents include cash in hand, deposits held at call with banks, savings deposits without term limit and term deposits held up to 90 days. Investments include bonds of the Swiss Confederation and shares in mutual funds both valued at market value. All investments are publicly traded, readily convertible to cash and subject to limited risk of change in value.

Closed Pension Fund

Prior to becoming a participating organization in the UNJSPF, the IPU had its own pension fund, established in 1965. The Pension Fund was closed to new members on 1 January 2005 and continues for those who were pensioners (including survivors) at the time of closure under the management of a Board. The IPU's representative on the Pension Board provides a report to the Executive Committee each year on the activities and status of the Pension Fund. In accordance with the requirements of IPSAS, the assets, liabilities, revenue and expense of the Pension Fund have been consolidated into the IPU's Financial Statements. The unfunded liability of the closed Pension Fund is a liability of the IPU. In addition, active staff members with permanent contracts dated earlier than 1 May 1996 have the option of retiring at age 60 rather than at age 62 as provided in the UNJSPF regulations. Eligible staff members who chose this option contribute to a Bridge Pension, to which the IPU also contributes. The IPU is ultimately responsible for any unfunded liability resulting from this benefit.

Employee benefits

Provisions are established for the liabilities for separation benefits payable (repatriation grants and travel) as determined by the IPU at nominal value. In addition, provisions are established for accumulated leave, home leave deferred, overtime earned but not paid at the reporting date and education grants payable at the reporting date that have not been included in current expenditure.

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

The plan exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets, and costs to individual organizations participating in the plan. The IPU, in line with the other participating organizations in the Fund, is not in a position to identify its share of the underlying financial position and performance of the plan with sufficient reliability for accounting purposes, and hence has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 25. The IPU's contributions to the plan during the financial period are recognized as expenses in the Statement of Financial Performance.

Expense recognition

Expenses are recognized as goods are received and services rendered.

Financial Instruments

Financial instruments are recognized when the IPU becomes a party to the contractual provisions of the instrument and are derecognized when the right to receive cash flow from another entity in connection with a financial asset or the obligation to deliver cash to another entity in connection with a financial liability has expired.

Investments are non-derivative financial assets designated as held for trading and are valued at fair value through surplus and deficit based on quoted active market prices at the reporting date. Cash and cash equivalents represent financial assets held for short-term periods and are valued at nominal value at the reporting date. Cash deposits held for periods longer than 12 months are valued at fair value through surplus and deficit.

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on active markets comprising assessed contributions and other amounts receivable in cash. Short-term receivables are valued at amortized cost. Longer-term receivables covering arrears for Members are valued at amortized cost less allowances for estimated irrecoverable amounts.

Accounts payable and borrowings are non-derivative financial liabilities with fixed payments not quoted on an active market that are payable in cash. Accounts payable, due to their short-term nature, are valued at nominal value, which is the equivalent of amortized cost. Borrowings (loans) are valued at amortized cost using the effective interest rate method.

Foreign currency transactions

The functional currency of the IPU is the Swiss franc (CHF) and these Financial Statements are presented in that currency. All transactions occurring in other currencies are translated into Swiss francs using the United Nations official rate of exchange on the date of the transaction. Both realized and unrealized gains and losses resulting from the settlement of such transactions and from the translation at the reporting date of assets and liabilities denominated in currencies other than Swiss francs are recognized in the Statement of Financial Performance.

Fixed assets

Equipment is valued at historic cost less accumulated depreciation and impairment. Equipment or sets of equipment and other fixed assets costing in excess of CHF 2,000 are capitalized as an asset. The IPU Headquarters building is valued at fair value as determined by an independent valuation in accordance with International Valuation Standards as at 31 December 2012. No further revaluation will be undertaken. The IPU reviews the value of its property and equipment at the end of each reporting period to determine whether carrying values are recoverable and to determine the extent of any impairment loss with any resulting impairment charged as an expense.

The fair value of buildings and the historic cost of each item of equipment in its class of equipment are depreciated on a straight-line basis so as to write off the full cost of fixed assets over their estimated useful lives, which are estimated as follows:

Category	Useful Life
Buildings – original structure	100 years
Buildings – new structure	75 years
Buildings – technical installations and equipment	30 years
Buildings – interior works	40 years
Furnishings	10 years
Vehicles	5 years
General equipment	4 years
IT hardware and software	4 years

The initial recognition of the difference between cost and fair value of the Headquarters building has been recognized directly in revaluation surplus, which forms part of the net assets. Accumulated depreciation is eliminated against the gross carrying amount of the building and the net amount restated to the revalued amount.

The land on which the Headquarters building sits has been made available to the IPU by the Canton of Geneva, which has granted, through the *Fondation des immeubles pour les organisations internationales* (FIPOI), surface rights, including the right to construct buildings for a period of 50 years with an option of an extension for an additional period. These surface rights were acquired by the IPU at no cost and no value has been recognized in the Statement of Financial Position as the IPU has only limited authority to dispose of the rights which revert to the Republic and Canton of Geneva unless renewed.

Official gifts are considered heritage items and no value has been recognized in the Statement of Financial Position.

Intangible assets

Costs associated with the development of software and the IPU's website are capitalized at historic cost and depreciated over a useful life of four years if they exceed a threshold of CHF 2,000. Recognition of intangible assets is prospective following the date of IPSAS implementation.

Inventories

Stocks of publications for future distribution are written down to a net realizable value of zero in each reporting period.

Investments

Investments in long-term bonds held to maturity are valued at fair value at the reporting date. Investments in shares in money market funds available for trading are valued at fair value at the reporting date.

Net assets

Net assets include the unrestricted accumulated surplus and deficit of the IPU, which comprise its Working Capital Fund, revaluation surplus reflecting the difference between historic cost and current value of the Headquarters building and reserves established by the IPU Governing Council for Headquarters building maintenance and for carbon emissions offset.

Payables and accruals

Accounts payable include invoices received from suppliers not yet settled, including the revaluation of invoices payable in currencies other than Swiss francs. Accounts payable are valued at fair value through surplus and deficit. Accruals are liabilities for the cost of goods and services that have been received by or provided to the IPU during the year and which have not been invoiced by suppliers at the reporting date.

Provisions

Provisions are recognized when the IPU has a legal or constructive obligation as a result of a past event, whereby it is probable that an outflow of resources will be required to settle the obligation and where a reliable estimate of the amount of the obligation can be made.

Receivables

Receivables from assessed contributions are recognized when they become due. An allowance for doubtful receivables is recorded at the end of each fiscal period equal to the arrears of Members' contributions older than two years. For all other receivables an allowance for non-recovery is established based on a review of the outstanding amounts at the reporting date. Recoverable taxes paid in the jurisdictions in which the IPU is located are recognized as receivables when they become due in accordance with the agreements with each jurisdiction.

Revenue Recognition

Assessed contributions are recognized as revenue at the beginning of each year. Voluntary contributions supported by enforceable agreements are recognized as revenue at the time the agreement becomes binding unless the agreement includes conditions related to specific performance or the return of unexpended balances. If the agreements contain conditions, revenue recognition is deferred until the liability is discharged through performance of the specific conditions contained in the agreement.

Revenue from investments is recognized when earned. Other revenues are recognized when services are performed or when products are shipped.

Segment reporting

Segment reporting reflects the strategic directions of the Organization as established by the Governing Council.

Taxes

The IPU has been expressly recognized by the two countries in which it is physically located, Switzerland and the United States of America, as an international organization entitled to the appropriate privileges and immunities. It enjoys a special international organization tax-exempt status in both countries. In Switzerland, under the terms of a 1971 Accord, the IPU is exempted from direct and indirect federal, cantonal and community taxes and is subject to the same duties as other international organizations. In the United States, the IPU is exempted from direct federal taxes and duties under the terms of the International Organizations Immunities Act and is exempted from the payment of New York State and local sales and use taxes.

Use of Estimates

The preparation of the Financial Statements in conformity with IPSAS requires management to make estimates and assumptions that affect the amounts reported in the Financial Statements and accompanying notes. These estimates are based on management's best knowledge of current events and actions that the IPU may undertake in the future. Actual results could differ from these estimates. Estimates include, but are not limited to, separation benefit obligations, financial risk on accounts receivable, degree of impairment of fixed assets and valuation of the Headquarters building. Changes in estimates are reflected in the Statement of Financial Performance in the period in which they become known.

NOTE 3 CASH AND CASH EQUIVALENTS

Amount in CHF	31 December 2017	31 December 2016
Cash on hand	7'377	11'881
Current accounts with banks - Swiss francs	3'770'101	4'053'960
Current accounts with banks - Other currencies	<u>1'301'216</u>	<u>1'951'746</u>
Total unrestricted cash and current accounts	5'071'317	6'005'707
Current accounts with banks - Swiss francs	427'694	427'694
Current accounts with banks - Other currencies	16'965	17'866
Current accounts with banks pension fund - Swiss francs	<u>218'344</u>	<u>508'122</u>
Total restricted cash and current accounts	663'003	953'683
Sub total cash and current accounts	5'734'320	6'959'389
Cash held by investment fund manager	301'050	245'213
Pension fund cash held by investment fund manager - Swiss francs	<u>43'166</u>	<u>18'909</u>
Sub total cash held by investment fund managers	344'217	264'122
Term deposit USD	-	-
Term deposit CHF	534'886	534'886
Savings account CHF	<u>4'203'891</u>	<u>4'203'791</u>
Sub-total term deposits and savings accounts	4'738'777	4'738'677
Total cash and cash equivalents	10'824'691	11'974'069

Cash deposits are held in instant-access bank accounts, interest-bearing accounts and short-term deposits of 90 days or fewer. The average rate of interest earned on interest-bearing accounts and investments was 0.43 per cent in 2017 (0.37 per cent in 2016).

Restricted funds included funds held on behalf of donors for use in carrying out specific performance required by binding agreements, funds allocated for repairs and renovation of the IPU headquarters building and cash held on behalf of the Pension Fund, which must be held separately from those of the IPU in accordance with the Pension Fund Regulations.

The Organization minimizes the credit risk involved by holding all of its funds in banks with high Fitch, Moody's or Standard and Poor's credit ratings as follows:

Cash and cash equivalents	AA	A	Not rated	Total
	653'263	10'164'051	7'377	10'817'620
Per cent	6%	94%	0%	100%

The Organization has no confirmed credit lines but does maintain limited and informal overdraft arrangements with banks in which it has funds on deposit. These arrangements may be withdrawn by the banks at any time. No overdraft facilities were required in 2017 or 2016.

Lebanon	17'400	0	0	0	0	0	17'400
Libya	27'600	29'000	21'020	0	0	0	77'620
Madagascar	391	0	0	0	0	0	391
Malawi	10'200	10'000	711	0	0	0	20'911
Mali	9'600	0	0	0	0	0	9'600
Mauritania	10'200	10'000	60	0	0	0	20'260
Nepal	385	0	0	0	0	0	385
Niger	10'200	10'000	956	0	0	0	21'156
Nigeria	37'800	0	0	0	0	0	37'800
Panama	15'219	0	0	0	0	0	15'219
Papua New Guinea	11'200	11'000	11'600	0	0	0	33'800
Paraguay	1'526	0	0	0	0	0	1'526
Rwanda	10'200	0	0	0	0	0	10'200
Sao Tome and Principe	10'200	10'000	0	0	0	0	20'200
Senegal	11'200	20	0	0	0	0	11'220
Sierra Leone	222	0	0	0	0	0	222
Somalia	10'199	0	0	0	0	0	10'199
South Sudan	10'200	10'936	0	0	0	0	21'136
Sudan	11'200	11'000	932	0	0	0	23'132
Tajikistan	11'200	4'486	0	0	0	0	15'686
Tuvalu	10'200	0	0	0	0	0	10'200
United Republic of Tanzania	11'200	11'000	0	0	0	0	22'200
Uzbekistan	6'650	0	0	0	0	0	6'650
Venezuela (Bolivarian Republic of)	79'700	84'900	0	0	0	0	164'600
Yemen	11'200	11'000	11'582	0	0	0	33'782
Andean Parliament	1'900	0	0	0	0	0	1'900
Committee of the West African Economic and Monetary Union	1'000	1'000	123	0	0	0	2'123
Parliament of the Economic Community of West African States	900	0	0	0	0	0	900
Minor balances	484	0	0	0	0	0	484
Total	682'575	283'408	82'368	22'900	21'200	27'233	1'119'684
<i>Comparative Figures 2016</i>		221'137	68'936	19'575	8'100	27'233	
Less doubtful accounts			-82'368	-22'900	-21'200	-27'233	-153'701
Net receivable from Members	682'575	283'408	-	-	-	-	965'983

Allowance for Doubtful Accounts (contributions)

The IPU has established an allowance for doubtful accounts. This allowance is the best estimate of accounts, including Member contributions, that have been recorded as income and set up as accounts receivable, but which may never be received.

At the beginning of 2017, the provision for doubtful accounts was CHF 123,844. During the year, no Members were suspended under Article 5.3 and no debts were written off. After an increase of the provision of CHF 29,857 (increase of CHF 68,722 in 2016), the allowance for doubtful accounts stood at CHF 153,701, representing 13.7 per cent (14.6 per cent in 2016) of the outstanding arrears.

Amount in CHF	31 December 2017	31 December 2016
Opening Balance	123'844	55'122
Change in provision	29'857	68'722
Closing Balance	153'701	123'844

Receivable from donors

The IPU receives funds from several donors for the implementation of various activities.

Accounts receivable from donors (amount in CHF)	31 December 2017	31 December 2016
Equatorial Guinea	10'038	10'038
UN Development Programme	48'435	22'950
UN Women	3'369	3'369
WSD	99'600	0
Total	161'443	36'358

Tax reimbursements

The IPU is entitled to reimbursement by the Swiss Confederation under the terms of its headquarters agreement of VAT and withholding taxes paid and taxes withheld on Pension Fund investments. The amount represents the amount receivable for taxes paid in 2017 outstanding at the reporting date.

NOTE 5 INVESTMENTS

In accordance with the financial regulations and the investment policy approved by the Executive Committee, monies not needed for immediate requirements are invested in mutual funds and bonds. Total return on investments in 2017 was a gain of CHF 587,787 (gain of CHF 411,823 in 2016).

Amount in CHF	31 December 2017	31 December 2016
Current assets		
Mutual funds	<u>2'662'416</u>	<u>2'597'320</u>
Sub total IPU Investments	2'662'416	2'597'320
Mutual funds - flexible fund CHF	<u>5'905'480</u>	<u>6'104'700</u>
Sub total Pension Fund Investments	5'905'480	6'104'700
Total Investments	8'567'896	8'702'020

Investments in mutual funds are available for trading but are generally held for investment income. The shares held by the IPU are valued at fair value at the reporting date and were acquired at a cost of CHF 2,518,120. The shares held by the Pension Fund are valued at fair value at the reporting date and were acquired at a cost of CHF 5,669,858.

NOTE 6 OTHER CURRENT ASSETS

The IPU has already paid some expenses that relate to 2018 for items such as rent, subscriptions and postage meter deposits. These disbursements have been reported as current assets and include the guarantee deposit on leased facilities in New York City. Other current assets also include staff salary and travel advances and loans to former staff made from the Pension Fund.

Amount in CHF	31 December 2017	31 December 2016
Project and travel advances	82'708	165'174
Prepaid expenses	181'331	136'390
Guarantee deposit	9'749	10'217
Total Other current assets	273'787	311'781

NOTE 7 PROPERTY, PLANT AND EQUIPMENT

The IPU has a Headquarters building and annex in Geneva, Switzerland. The building's original structure was completely renovated in 2002 and a new section built to extend and develop the basement area. The building is located on land owned by the Canton of Geneva, which has been set aside for the use of the IPU for a period of 50 years from 2003 to 2052, with an option to extend. The terms of a lease agreement were finalized during 2009 between the Canton of Geneva, the Federal Government of Switzerland and the IPU and the agreement was signed at the end of 2010 (see Note 2 – Fixed assets).

At 31 December 2011, the value of the building was determined by an independent external valuation consultant as the fair value of the building at that date in accordance with International Valuation Standards. Depreciation has been computed and included in the fair value recognized as the deemed cost as of the date of implementation of IPSAS. Additions in 2017 include an amount of CHF 11,417 for renovation work in progress, upon which depreciation will be charged on completion.

Depreciation is recorded in accordance with the policy described in Note 2. A detailed inventory is kept for all computer-related hardware and software as this is routinely replaced and upgraded and represents a significant investment.

Amount in CHF	Buildings and grounds		Furnishings		Technology, Communications Equipment		General Equipment		Vehicles		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	Historic cost at 01 January	9,725,597	9,725,597	556,872	556,872	388,417	409,380	43,426	43,426	69,981	69,981	10,784,292	10,805,256
Additions	11,417				40,930	32,994	61,600	-			113,947	32,994
Disposals	-	-	-	-	-7,744	-53,958	-	-			-7,744	-53,958
Historic cost at 31 December	9,737,014	9,725,597	556,872	556,872	421,603	388,417	105,026	43,426	69,981	69,981	11,155,960	10,784,292
Accumulated depreciation	-1,234,647	-987,717	-523,415	-513,601	-321,624	-328,933	-43,426	-43,426	-47,106	-41,006	-2,170,216	-1,914,683
Adjust depreciation for disposals					7,744	53,958					7,744	53,958
Depreciation current period	-246,929	-246,929	-8,676	-9,813	-33,730	-46,649	-1,283	-	-6,100	-6,100	-296,719	-309,491
Total accumulated depreciation	-1,481,576	-1,234,647	-532,090	-523,415	-347,610	-321,624	-44,709	-43,426	-53,206	-47,106	-2,459,191	-2,170,216
Net carrying value at 01 January	8,490,950	8,737,880	33,457	43,271	66,793	80,448	-0	-	22,875	28,975	8,696,768	8,890,573
Net carrying value at 31 December	8,255,438	8,490,950	24,782	33,457	73,993	66,793	60,317	-0	16,775	22,875	8,431,304	8,614,076

NOTE 8 INTANGIBLE ASSETS

In 2017 the IPU undertook work on an extensive revision to its public website and open data platform. The development will include a complete redesign of the site and improvements to the platform making information accessible and including a greater depth of parliamentary data. The development work is expected to be completed in 2018 and the site will be live and active in 2018. Depreciation will commence when the site is fully functional.

Amount in CHF	Website development	
	2017	2016
Historic cost at 01 January	-	-
Additions	68'021	-
Disposals	-	-
Historic cost at 31 December	68'021	-
Accumulated amortization	-	-
Amortization current period	-	-
Net carrying amount	-	-
Net carrying value at 01 January 2017	-	-
Net carrying value at 31 December 2017	68'021	-

NOTE 9 DEFERRED REVENUE

The IPU receives funds from several donors for the implementation of various activities. Total disbursements from voluntary funds in 2017 were CHF 2,844,632 (CHF 2,826,641 in 2016). At 31 December 2017 the net advance of voluntary contributions was CHF 2,677.683 (CHF 3,297,646 in 2016).

Project (Amount in CHF)	Funder	Unexpended Balance of Prior Commitments	New/Expired Commitment in 2017	Funds used in 2017	Balance of Commitment	Deferred Revenue
Equatorial Guinea	Equatorial Guinea	-166'770	-14'620	-	-181'389	181'389
	Youth	-	-	-	-	-
Global Programme Support	UAE	-87'436	-	-	-87'436	87'436
Micronesia	Migration	-93'494	-	24'810	-68'684	68'684
Global Programme Support	Angola	-124'584	-	6'573	-118'011	118'011
RD Congo	) UNDP	-4'082	-	-	-4'082	4'082
Guinea-Bissau	)	-11'508	-	-	-11'508	11'508
Parliamentary Solidarity Fund	)	-	-30'000	4'751	-25'249	25'249
Myanmar	)	-	-273'957	273'957	-	-
Turkey	UN Women	-	-86'357	85'730	-627	627
Handbook on Statelessness	UNHCR	-826	-	-	-826	826
Global Programme Support	WSD	-	-298'800	140'722	-158'078	158'078
MNCH	WHO	-133'368	-	51'213	-82'155	82'155
MNCH	PMNCH	-79'482	-	79'482	-	-
Global Programme Support	SIDA	-889'850	-557'178	1'242'025	-205'002	205'002
Global Funding	China	-1'379'076	-	367'866	-1'011'210	1'011'210
Gender Issues	CIDA	-318'907	-963'758	567'502	-715'163	715'163
Reconciliation	CIDA	-8'261	-	-	-8'261	8'261
Total		-3'299'483	-2'222'833	2'844'632	-2'677'683	2'677'683
<i>Comparative Figures 2016</i>		<i>-2'050'008</i>	<i>-4'268'980</i>	<i>2'826'841</i>	<i>-3'492'146</i>	<i>-3'492'146</i>

NOTE 10 BORROWINGS

The IPU borrowed CHF 9,480,000 from the Swiss Confederation for the construction and renovation of its Headquarters building in Geneva, Switzerland. The loan is valued at amortized cost using the effective interest rate method based on the Swiss franc Swiss Confederation Bond (fixed 30 years) in effect at 1 January 2012 of 1.15 per cent.

The loan was interest-free and currently requires reimbursement of the principal only. The value of the interest with a rate of 1.15 per cent waived in 2017 was CHF 63,978, (CHF 65,406 in 2016) and the value of interest to be waived until the final payment on the loans due in 2052 is CHF 1,198,335 (CHF 1,262,313 in 2016). The value of the waiver of interest is equal to the future value of the loan discount.

The total borrowing and amounts outstanding shown as current and non-current liabilities at the reporting date are as follows:

Amount in CHF	2017	2016
Current liabilities		
FIPOI loan payable - current	189'600	189'600
Non-current liabilities		
FIPOI loan payable - 1-5 years	948'000	948'000
FIPOI loan payable - after 5 years	<u>5'498'400</u>	<u>5'688'000</u>
Sub-total non-current liabilities	6'446'400	6'636'000
Less discounting of non-current at effective interest rate	<u>1'198'335</u>	<u>1'262'313</u>
Sub-total non-current liabilities at amortized cost	5'248'065	5'373'687
Total borrowings	5'437'665	5'563'287

NOTE 11 EMPLOYEE BENEFIT LIABILITIES

United Nations Joint Staff Pension Fund (UNJSPF)

(a) The Pension Fund’s Regulations state that the Pension Board shall have an actuarial valuation made of the Fund at least once every three years by the Consulting Actuary. The practice of the Pension Board has been to carry out an actuarial valuation every two years using the Open Group Aggregate Method. The primary purpose of the actuarial valuation is to determine whether the current and estimated future assets of the Pension Fund will be sufficient to meet its liabilities.

The IPU’s financial obligation to the UNJSPF consists of its mandated contribution, at the rate established by the United Nations General Assembly (currently at 7.9 per cent for participants and 15.8 per cent for member organizations), together with any share of any actuarial deficiency payments under Article 26 of the Regulations of the Pension Fund. Such deficiency payments are only payable if and when the United Nations General Assembly has invoked the provision of Article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Pension Fund as of the valuation date. Each member organization shall contribute to this deficiency an amount proportionate to the total contributions which each paid during the three years preceding the valuation date.

The last actuarial valuation performed as of 31 December 2013 revealed an actuarial deficit of 0.72 per cent (1.87 per cent in the 2011 valuation) of pensionable remuneration, implying that the theoretical contribution rate required to achieve balance as of 31 December 2013 was 24.42 per cent of pensionable remuneration, compared to the actual contribution rate of 23.7 per cent. The actuarial deficit was primarily attributable to the lower-than-expected investment experience in recent years.

At 31 December 2013, the funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, was 127.5 per cent (130 per cent in the 2011 valuation). The funded ratio was 91.2 per cent (86 per cent in the 2011 valuation) when the current system of pension adjustments was taken into account.

After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as of 31 December 2013, for deficiency payments under Article 26 of the Regulations of the Fund as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the Fund. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as of the valuation date. At the time of this report, the General Assembly has not invoked the provisions of Article 26. The pensionable remuneration will be reviewed at the time of the next actuarial valuation as of 31 December 2017.

During 2017, contributions paid to UNJSPF amounted to CHF 0.9 million (CHF 1.0 million in 2016). Expected contributions due in 2018 are CHF 1.0 million.

The United Nations Board of Auditors carries out an annual audit of the UNJSPF and reports to the UNJSPF Pension Board on the audit every year. The UNJSPF publishes quarterly reports on its investments and these can be viewed by visiting the UNJSPF website: www.unjspf.org.

(b) The IPU guarantees a legacy pension fund that will pay pensions to former employees and some current employees of the IPU based on various factors, including the number of years of service and salary at retirement. The pension liability has been calculated by an independent actuary utilizing the projected unit credit methodology. Each year, the IPU reviews and selects assumptions that will be used in the valuation. For the 2017 valuation, the assumptions utilized are as follows:

	31 December 17	31 December 16
Actuarial assumptions		
Discount rate	0.40%	0.60%
Salary increases	0.80%	0.50%
Pension increase	0.80%	0.50%

The net liability to the IPU, which is the difference between the adjusted market value of the assets of the pension fund and the present value of the accrued pension liability, is as follows:

Amount in CHF	2017	2016
Accrued Pension Liability	9'733'387	10'387'112
Pension Fund Assets	6'210'939	6'676'243
Net Liability	3'522'448	3'710'869

	31 December 17	31.December 16
Change in benefit obligation		
Benefit obligation at 01 January	13'023'299	12'979'805
Current service cost	20'352	13'523
Interest cost	75'244	125'249
Employee contributions	10'989	16'439
Pension paid by plan	-976'144	-926'151
Actuarial gain/loss	<u>471'306</u>	<u>814'434</u>
Benefit obligation at 31 December	12'625'046	13'023'299

Amounts recognized in the statement of financial position

Present value of unfunded obligation	12'625'046	13'023'299
Actuarial gain (loss) unrecognized	<u>-2'891'659</u>	<u>-2'636'187</u>
Amount in the statement of financial position	9'733'387	10'387'112

Components of pension cost

Current service cost	20'352	13'523
Interest cost	75'244	125'249
Actuarial loss in excess of corridor	<u>215'834</u>	<u>84'753</u>
Total pension cost recognized on statement of financial performance	311'430	223'525

Summary of membership data

Number of retirees	11	11
Number of active participants	4	5
Total insured salaries	488'417	782'789
Average age (years) of active participants	53.3	53.82
Average expected remaining service years of active participants	6.7	6.18

The calculation of the net liability to IPU is made using the corridor method which requires the recognition of actuarial gains and losses only if they exceed ten percent of the present value of the defined benefit obligation. IPSAS-39 which becomes effective in 2018 will require the gains and losses resulting from actuarial adjustments to be recognized immediately directly in net assets. Had IPSAS-39 been in effect in 2017, the unrecognized actuarial loss of CHF 2,891,659 would have had to been recognized on the Statement of Financial Position as an increase to the closed pension fund liability and a decrease of net assets. The actual impact in 2018 will be dependent on the discount rate determined based on financial market conditions existing at that time.

(c) Post-employment benefits include separation benefits consisting of grants upon repatriation, repatriation travel and shipping of personal effects for certain internationally recruited personnel. The liability for each benefit has been computed by the IPU at nominal value at the reporting date. At 31 December, the total liability of benefits payable to staff was:

Amount in CHF	2017	2016
Post employment benefits		
Reinstallation Premiums	472'424	473'324
Grants for Removal Expenses	313'500	295'500
Sub Total	785'924	768'824
Other short-term benefits		
Encashment of unused leave	717'421	719'914
Sub Total	717'421	719'914
TOTAL	1'503'344	1'488'738

(d) Other short-term benefits concern the policy providing that staff members earn 30 days of annual leave credit each year, which may be taken or accumulated with up to 60 days paid on separation or retirement. A liability has been established equal to the nominal value of leave accumulated at the reporting date.

NOTE 12 LEASES

The IPU has a five-year lease expiring in 2022 for office accommodation at 336 East 45th Street, New York, USA. The annual lease payment for 2017 was CHF 121,215 (CHF 118,794 in 2016). The lease is cancellable with six months' notice by the IPU.

NOTE 13 RESERVES

(a) The IPU has established a reserve to pay for major repairs to the Headquarters building at some later date. In September 2001, the Governing Council resolved to contribute CHF 55,000 per annum to this reserve beginning in 2008 until 2014.

Amount in CHF	2017	2016
Opening Balance	427'694	427'694
Contributions	-	-
Expenditures	-	-
Closing Balance	427'694	427'694

(b) The IPU has established a reserve for offsetting carbon emissions from IPU activities, especially those involving travel. In 2017, an amount of CHF 30,600 (CHF 30,400 in 2016) was contributed to the reserve to compensate for emissions of CO₂ from regular activities. Expenditures of CHF 24,177 (CHF 79,908 in 2016) were made on climate change-related activities using funds from the reserve.

Amount in CHF	2017	2016
Opening Balance	134	49,641
Contributions	30,600	30,400
Expenditures	24,177	79,908
Closing Balance	6,557	134
Total reserves	434,251	427,828

NOTE 14 CONTINGENT LIABILITIES

During the course of 2017, several staff members received notices of tax assessment from the Ministry of Economy, Finance and Industry of France and the Canada Revenue Agency relating to income earned from the IPU. The IPU is contractually obligated to reimburse to staff members any national taxes paid in respect to income earned from the IPU and it believes that all amounts for prior years were settled during 2017.

**NOTE 15 RECONCILIATION OF BUDGET TO ACTUAL
COMPARISON AND STATEMENT OF FINANCIAL
PERFORMANCE**

	Operating	Financing	Investing	Total
Revenue on budgetary basis	14,124,040	-	-	14,124,040
Less staff assessment included in revenue	<u>-911,587</u>	-	-	<u>-911,587</u>
Revenue net of staff assessment	13,212,453	-	-	13,212,453
Expense on budgetary basis	13,759,269	-	-	13,759,269
Less staff assessment	<u>-911,587</u>	-	-	<u>-911,587</u>
Expense net of staff assessment	12,847,682	-	-	12,847,682
Net result on budgetary basis	364,771	-	-	364,771
Presentation differences				
Plus use of working capital fund	-	-	-	-
Less contribution to Carbon Reserve	-30,600	-	-	-30,600
Plus Expense (travel) charged to fund balance	24,177	-	-	24,177
Adjustment to Closed Pension Fund liability	<u>-188,422</u>	-	-	<u>-188,422</u>
Sub total presentation differences	-194,845	-	-	-194,845
Entity difference				
Pension fund net result	-	-	-	-
Surplus per Statement of Financial Performance	559,617	-	-	559,617

In the budgetary comparison, transfers to the reserves are reported as expenses as they are charged to the revenue received from assessed contributions. On the Statement of Financial Performance, transfers from accumulated fund balance to reserves are reported as an adjustment to net assets and not included in current expense.

In the presentation of revenue and expense on a budgetary basis, staff costs are presented on a gross basis as established by the International Civil Service Commission (ICSC). The amount of the staff assessment less the amount of any reimbursement paid to staff members to cover national income taxes is presented as revenue. On the Statement of Financial Performance, staff costs are presented net of the staff assessment plus the amount of reimbursement paid to staff members. The difference in presentation has no impact on the presentation of the net result.

Amount in CHF	2017	2016
Gross Staff Assessment	1'033'633	1'079'548
Reimbursements		
- France	97'580	83'896
- Canada	24'466	
Total	122'046	83'896
Net Staff Assessment	911'587	995'651

NOTE 16 RELATED PARTY TRANSACTIONS

The IPU's main statutory bodies are the Assembly, the Governing Council and the Executive Committee, which are composed of representatives of Member Parliaments. The representatives do not receive remuneration from the IPU.

The IPU is managed by a Secretary General, appointed by the Governing Council, and senior officers (directors) appointed by the Secretary General and considered key management personnel. All are remunerated by the IPU. The aggregate remuneration paid to key management personnel includes salaries, allowances, statutory travel, pension contributions, medical and accident insurance, education grants, home leave and other entitlements paid in accordance with the Staff Rules and Regulations and applicable to all staff. All key management personnel are members of the UNJSPF and are eligible for participation in the Staff Health Insurance plan.

Key management personnel and their aggregate remuneration were as follows:

	2017		2016	
	Number of individuals	Aggregate remuneration cost	Number of individuals	Aggregate remuneration cost
	(as an average)	(in CHF)	(as an average)	(in CHF)
Senior officers:	4.0		5.0	
Net salary and post adjustment		793'763		1'069'159
Employee pension contributions		73'654		86'074
Employer medical and pension contributions		177'116		208'688
Other allowances		177'726		180'758
Separation benefits paid		0		39'331
Total		1'222'259		1'584'011

There were no loans to key management personnel or to their close family members that were not available to other categories of staff. There was no other remuneration or compensation paid to key management personnel or their close family members.

The IPU has no ownership interest in associations or joint ventures and no controlled entities. The IPU's agreement with the UNJSPF requires that its salaries be established in accordance with those of the United Nations Common System. The policies are promulgated by the ICSC, which is an entity established by the UN General Assembly. Post-adjustment and the methodology for determining general service staff salaries in accordance with salary surveys are determined by the ICSC. Salaries for professional staff, levels of dependency allowance and education grants are recommended by the ICSC to the UN General Assembly, which makes the final decision for the entire UN Common System, including the IPU.

NOTE 17 SEGMENT REPORTING

Segment information is presented in a format based upon the strategic objectives and enablers approved by the Governing Council in the 2017 budget. Only revenue and expense are presented by segment. All assets and liabilities belong to the IPU as a whole and there is no reasonable basis for allocation of individual assets, liabilities and net assets to individual segments.

	Strategic Objectives	Enablers	Other	Pension Fund	Eliminations	Total
Revenue						
Assessed Contributions	6,363,503	3,811,207	68,740	0	0	10,243,450
Voluntary Contributions	2,844,632	0	0	0	0	2,844,632
Investment income	0	121,060	0	466,727	0	587,787
Other Income	0	213,673	0	32,967	-232,339	14,300
Total revenue	9,208,135	4,145,939	68,740	499,694	-232,339	13,690,169
Expense						
Personnel Expenditure – permanent staff	5,554,647	2,443,023	0	876,836	-933,565	7,940,942
Personnel Expenditure – temporary staff	2,094,722	522,821	0	0	0	2,617,544
Actuarial Gain/(Loss) on Pension Fund	0	0	-188,421	-398,962	0	-587,383
Travel Expenditure	920,047	133,077	0	0	0	1,053,124
Contractual Services	768,311	118,892	0	21,819	-210,362	698,661
Operating Expenses	279,954	388,120	0	0	0	668,074
Supplies, Materials and Equipment	40,105	56,481	0	0	0	96,586
Allowance for Doubtful Accounts	0	0	29,857	0	0	29,857
Grants and Honoraria	93,998	30,000	44,755	0	0	168,754
Depreciation	0	296,719	0	0	0	296,719
Amortization of loan	0	63,978	0	0	0	63,978
Loss on Foreign Exchange	0	83,698	0	0	0	83,698
Total expense	9,751,785	4,136,809	-113,809	499,694	-1,143,926	13,130,552

Personnel expenditure for permanent staff is reflected for each segment at gross value (including staff assessment). The staff assessment (revenue and expense) and the IPU contribution to the closed pension fund are eliminated prior to consolidation.

NOTE 18 REVENUE AND EXPENSE

Assessed contributions

Members and Associate Members of the Organization pay an annual contribution to the IPU to finance its activities in accordance with the work programme and budget and scale of contributions adopted by the Governing Council in accordance with Article 21 of the IPU Statutes. Assessed contributions are due at the beginning of the budget year and payable by 31 March of each year in accordance with Financial Rule 5.4.

Voluntary contributions

Members and other donors contribute funds to the Organization for the purpose of financing specific projects and activities. Funds are accepted by the Secretariat with the approval of the Governing Council.

Programme Support Costs

The IPU charges programme support costs for the projects it implements with funding from other agencies. The IPU collected fees in the amount of CHF 210,362 on project direct costs of CHF 2,844,632 (CHF 209,273 on project direct costs of CHF 2,826,641 in 2016).

Other Income

Other income was as follows:

Amount in CHF	2017	2016
Exchange Gain	-	18'437
Staff contributions to pension fund	10'989	16'439
Other	3'311	23'486
Total Other Income	14'300	58'362

Other includes sales of publications, asset disposals and extraordinary income.

Investment income

Total returns on investments were:

Amount in CHF	2017	2016
Interest	44'077	44'642
Capital Gains (Losses)	543'710	367'182
Total Investment Income	587'787	411'823

Expense

Expenses are reported on an accrual basis, recognizing expense when goods are received and services are rendered. All inter-fund charges for services have been eliminated prior to consolidation on the Statement of Financial Performance.

Personnel Expenditure - permanent staff includes short-term employee benefits such as base salary, post-adjustment, dependency allowance, pension contribution, health and other insurance contributions, home leave and other entitlements for permanent staff. The pension contribution from the IPU to the closed Pension Fund has been eliminated on consolidation.

Amount in CHF	2017	2016
Salaries and allowances - regular staff	5'091'467	5'375'776
Dependent allowance	326'552	191'193
Pension contribution UNJSPF	944'336	974'734
Health insurance	289'810	293'591
Education allowance	372'706	461'921
Other allowances	26'415	39'721
Separation benefits	25'432	66'048
Pension and survivor benefits	876'836	876'816
Other benefits	9'364	135'910
Less eliminations	-21'978	-32'878
Total personnel expense - permanent staff	7'940'942	8'382'833

Personnel expenditure - temporary staff includes costs of short-term staff and consultants.

Amount in CHF	2017	2016
Temporary Staff	222'925	257'490
Interpreters	868'201	1'021'843
Translators	224'135	233'688
Consultants	1'302'283	1'279'436
Total personnel expense - temporary staff	2'617'544	2'792'457

Closed pension fund adjustment reflects the net impact of actuarial adjustments on the defined benefit obligation.

Amount in CHF	2017	2016
Current service cost	20'352	13'523
Interest cost	75'244	125'249
Employee contributions	10'989	16'439
Pension paid by plan	-976'144	-926'151
Actuarial loss in excess or Corridor	215'834	84'753
Refunds of contributions of participants in bridge pension	66'341	0
Net credit to employee benefits recognized on statement of Financial Performance	-587'384	-686'187

Travel expenditure includes the costs of airfare, daily subsistence allowances, terminal allowances and other travel costs for staff on official business, travel for delegates and travel for participants and experts in connection with training activities.

Amount in CHF	2017	2016
Transportation	642'369	637'857
Allowances	408'632	373'821
Incidentals	2'122	2'263
Total travel expenditure	1'053'124	1'013'941

Contractual services include costs of translation and editing, printing and publishing, conference services and software and database maintenance. The management fees charged for project support costs are eliminated on consolidation.

Amount in CHF	2017	2016
Translating/editing	344'567	329'660
Printing and publishing	115'588	136'419
Conference Venue Services	134'633	204'852
Computer maintenance and on line databases	14'101	12'497
Audit costs	9'100	5'000
Pension fund investment management and banking	21'819	23'219
Management services	210'362	209'273
Other	58'852	73'492
Eliminations	-210'362	-209'273
Total contractual services	698'662	785'138

Operating expenses include the costs of maintenance and cleaning of the Headquarters building, communications (postage and telephone), meeting costs and bank charges.

Amount in CHF	2017	2016
Rent	121'215	118'794
Heating	30'476	31'094
Electricity	25'616	29'615
Water	2'823	3'688
Premises and grounds maintenance	65'312	49'625
Cleaning	18'902	17'316
Security	23'761	62'444
Insurance	11'693	13'974
Vehicles	6'626	14'109
GE Maintenance, insurance & rental	85'574	101'376
Communications	119'816	143'143
Internet connectivity	20'237	19'589
Website	3'760	-
Press and publicity costs	7'714	1'950
Hospitality	86'093	117'406
Institutional gifts	19'309	25'625
Bank charges	19'148	16'512
Over/Under	-2	10
Total Operating expenses	668'074	766'269

Supplies, materials and equipment include office equipment that does not meet the threshold in Note 2

Amount in CHF	2017	2016
Paper	6'371	13'050
Stationery	6'070	3'118
Miscellaneous office supplies	35'821	44'464
Coffee/tea/drinking water	10'333	7'778
Sundry	1'941	4'079
IT maintenance and repair	7'244	9'993
Software and supplies	23'111	32'399
Books	60	531
Periodicals	5'635	5'004
Total supplies , materials and equipment	96'586	120'416

Expenses related to depreciation are explained in Note 7.

The expense related to the increase in the **provision for doubtful debts** as explained in Note 4 to the Financial Statements above.

Amount in CHF	2017	2016
Change in provision for assessed contributions receivable	29'857	68'722
Less special debt reinstated as receivable	-	-27'233
Creation of provision for pension fund withholding taxes	-	-
Write-off of doubtful debt - voluntary contribution UNDP		
Total change in provisions	29'857	41'489

Expenses for **grants and honoraria** include a grant to the Association of Secretaries General of Parliaments (ASGP) and the honoraria for the President of the IPU.

Amount in CHF	2017	2016
Grants	132'602	37'887
Honorariums	36'152	30'297
Total grants and honorariums	168'754	68'183

NOTE 19 FINANCIAL RISKS

The IPU's financial position includes the following financial instruments:

Amount in CHF	2017	2016
Cash and cash equivalents	6'078'843	7'235'392
Deposits	4'738'777	4'738'677
Accounts receivable - assessed contributions	965'983	721'626
Accounts receivable - voluntary contributions	161'443	36'358
Accounts receivable - other	43'094	70'282
Investments	8'574'967	8'702'020
Borrowing	-5'437'665	-5'563'287
Accounts Payable	-429'956	-204'290
Net financial assets less financial liabilities	14'695'487	15'736'779

The IPU is exposed to certain market, credit and liquidity risks as follows:

Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices, including currency risk, interest rate risk and other price risk. The IPU is exposed to foreign currency exchange and interest rate risk. It receives revenue from fees and voluntary contributions, and incurs expenses in currencies other than its presentation currency (CHF). The IPU is exposed to foreign exchange risk arising from fluctuations of currency exchange rates. It does not use derivative financial instruments to hedge exchange risk.

A change in the currency exchange rate between the Swiss franc and other currencies (US dollar and euro) in which financial instruments are held or revenue or expense transactions recognized of +/-5 per cent would have had the following impact on the financial statements:

Amount in CHF	Impact on surplus/deficit	Impact on Net Assets
+ 5 percent	96'441	71'690
- 5 percent	-119'735	71'690

The IPU also has a limited exposure to the risks of changes in interest rates. Its operating budget is financed primarily from revenue from Members' contributions and the sale of goods and services. Though only 0.5 per cent of its operating budget is financed from revenue derived from investment income, the investments by the Pension Fund are held in a mutual fund, which is exposed to the risk of changes in market conditions. Should investment revenue decrease or increase the funds available to finance the closed Pension Fund, the contribution from the operating budget would increase or decrease accordingly. The IPU does not utilize financial instruments to hedge interest rate risk.

Liquidity risk

Liquidity risk is the risk that the IPU will encounter difficulties in meeting obligations associated with financial liabilities. The IPU has limited exposure to liquidity risk, owing to its substantial unrestricted cash reserves, which are replenished from the results of its operations. The IPU's investment policy has been developed to ensure that its investments are held primarily in liquid short-term deposits.

The IPU's total of cash and cash equivalents at 31 December 2017 of CHF 10.8 million is sufficient to meet its current liabilities at that date of CHF 3.5 million. On an ongoing basis, it is anticipated that the IPU will have sufficient liquidity to pay all of its debts due. The maturity of the financial liabilities is reflected in Statement I – Statement of Financial Position.

Credit risk

Credit risk is the risk that a counter party of the IPU's financial assets will fail to discharge its obligations. The IPU's accounts receivable derive almost exclusively from its Member Parliaments; the IPU therefore considers its credit risks to be minor. Credit risk is re-evaluated annually, and changes are reflected in the calculation of the provision for doubtful debts. Cash and cash equivalents are held in banks with sovereign risk or with credit ratings of A- or higher, based on ratings by Fitch and Standard and Poor's (S&P). The asset value of accounts receivable has been reduced through the use of a provision for doubtful debts to reflect receivables for which payment is not anticipated in the short term.

LOGFRAME

The Logframe report will be distributed as a separate document