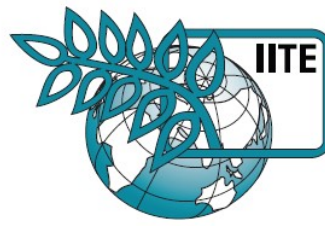


THE UNESCO INSTITUTE FOR INFORMATION TECHNOLOGIES IN EDUCATION (IITE)



United Nations
Educational, Scientific and
Cultural Organization



UNESCO Institute
for Information Technologies
in Education

THE UNESCO INSTITUTE FOR INFORMATION TECHNOLOGIES IN EDUCATION (IITE)

**CERTIFICATION OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

In accordance with the Financial Regulations (Article 11) of the United Nations Educational, Scientific and Cultural Organization (UNESCO), attached are the financial statements and accompanying notes for the year ended 31 December 2021.

The financial statements are the responsibility of Management and they have been prepared in accordance with International Public Sector Accounting Standards (IPSAS) and comply with the Financial Regulations of the United Nations Educational, Scientific and Cultural Organization. They include certain amounts that are based on Management's best estimates and judgements.

Accounting procedures and related systems of internal control, developed by Management provide reasonable assurance that assets are safeguarded, that the books and records properly reflect all transactions.

The External Auditor, in line with Article 12 of the Financial Regulations, also provides an opinion on the financial statements.

The financial statements numbered I to IV and the accompanying notes are hereby approved and submitted to the Governing Board of the Institute for Information and Technologies in Education.

Mr. Tao Zhan
Director
Institute for Information Technologies in Education (IITE)

(Signed)

Mrs. Magdolna Bona
Chief Financial Officer
UNESCO

(Signed)

Date: 6/7/2022

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STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021
(STATEMENT I)

	Note	2021	2020
Expressed in US dollars			
<u>ASSETS</u>			
Current Assets			
Cash	5	9 350	6 967
Other receivables	6	512 997	411 259
Total current assets		522 347	418 226
Non-current assets			
Property, plant and equipment	7	1 948	4 940
Total non-current assets		1 948	4 940
<u>TOTAL ASSETS</u>		524 295	423 166
<u>LIABILITIES</u>			
Current Liabilities			
Accounts payable and accruals	8	47 562	8 766
Employee benefits	9	28 803	29 998
Other liabilities		400	-
Total current liabilities		76 765	38 764
<u>TOTAL LIABILITIES</u>		76 765	38 764
<u>NET ASSETS</u>	10	447 530	384 402

The accompanying notes are an integral part of the financial statements.

**STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 31 DECEMBER 2021
(STATEMENT II)**

Expressed in US dollars	Note	2021	2020
<u>REVENUE</u>			
UNESCO Financial Allocation		358 800	358 800
Voluntary contributions		44 982	-
In-kind contribution		528 328	528 328
Other/miscellaneous revenue		-	3 242
Total revenue	11	932 110	890 370
<u>EXPENSES</u>			
Staff costs		302 894	417 196
Consultants, external experts and mission costs		7 778	18 815
External training, grants and other transfers		2 589	10 947
Supplies, consumables and other running costs		533 465	600 275
Contracted services		19 194	13 066
Depreciation		2 992	3 377
Foreign exchange losses		1	1 075
Other expenses		-	2 964
Finance costs		69	84
Total expenses	12	868 982	1 067 799
<u>SURPLUS/(DEFICIT) FOR THE YEAR</u>		63 128	(177 429)

The accompanying notes are an integral part of the financial statements.

**STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 31 DECEMBER 2021
(STATEMENT III)**

Expressed in US dollars	Note	2021	2020
Net Assets at the beginning of the year	10	<u>384 402</u>	<u>561 831</u>
Surplus/(Deficit) for the year		63 128	(177 429)
Total change in Net Assets		<u>63 128</u>	<u>(177 429)</u>
Net Assets at the end of the year	10	<u>447 530</u>	<u>384 402</u>

The accompanying notes are an integral part of the financial statements.

**STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2021
(STATEMENT IV)**

Expressed in US dollars	Note	2021	2020
Cash flows from operating activities			
Surplus/(Deficit) for the year		63 128	(177 429)
Depreciation		2 992	3 377
(Increase)/Decrease in other receivables		(101 738)	264 210
Increase/(Decrease) in accounts payable and accruals		38 796	(78 042)
(Increase) in Employee benefits		(1 195)	(3 783)
(Increase) in Other liabilities		400	-
Net cash flows from operating activities		<u>2 383</u>	<u>8 333</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		-	(1 900)
Net cash flows from investing activities		<u>-</u>	<u>(1 900)</u>
Net increase in cash		<u>2 383</u>	<u>6 433</u>
Cash at the beginning of the year	5	<u>6 967</u>	<u>534</u>
Cash at the end of the year	5	<u><u>9 350</u></u>	<u><u>6 967</u></u>

The accompanying notes are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: REPORTING ENTITY

The UNESCO Institute for Information Technologies in Education (IITE) was established within the United Nations Educational, Scientific and Cultural Organization (UNESCO) with the mission of providing Member States with an international mechanism to assist them in the application of information and communication technologies (ICTs) in education and monitoring their foreseeable impact on educational processes. IITE has its Headquarters located in Moscow, Russian Federation. UNESCO is considered the controlling entity of IITE, which is included within the UNESCO consolidated Financial Statements. The Statutes of IITE were approved by Resolution 6 adopted by the General Conference at its 29th session in November 1997. The financial regulations of the Special Account for IITE were first approved by the Executive Board at its 156th session in June 1999. IITE became operational as from January 2000.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation and presentation

Basis of preparation

The financial statements have been prepared on an accrual and going concern basis in accordance with the requirements of International Public Sector Accounting Standards (IPSAS) and comply with the UNESCO Financial Regulations. The accounting policies set out below have been applied consistently in the preparation and presentation of these financial statements.

Financial period

The financial statements are prepared on an annual basis, beginning on the first day of January and ending on the thirty-first day of December each year.

Presentation and Functional Currency

The financial statements are presented in United States (US) dollars which is also the functional currency of UNESCO Institute for Information Technologies in Education (IITE).

2.2 Foreign currency transactions

Foreign currency transactions carried out during the financial year are converted into US dollars using the United Nations Operational Rate of Exchange (UNORE) prevailing at the date of the transaction. The UNORE approximate market rates as they are set once a month, and revised mid-month if there are significant exchange rate fluctuations relating to individual currencies.

Non-monetary items that are measured in terms of historical cost or fair value in a foreign currency are translated using the UNORE prevailing at the date of the initial transaction or when the fair value was determined. Monetary assets and liabilities that are denominated in foreign currencies are translated into US dollars at the exchange rate prevailing on the date of the statement of financial position.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the Statement of Financial Performance.

2.3 Financial assets

IITE's financial assets include cash and other receivables.

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, as appropriate. IITE determines the classification of its financial assets at initial recognition.

The subsequent measurement of financial assets depends on their classification. The classification depends on the purpose for which the financial assets are acquired, and is determined at initial recognition and re-evaluated at each reporting date.

Financial assets classified as loans and receivables (L&R) are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially measured at fair value plus transaction costs and subsequently recorded at amortized cost using the effective interest rate method.

The following table presents the classification and measurement of IITE's financial assets:

Financial assets	Classification	Subsequent Measurement
Cash	L&R	Amortized cost
Other receivables	L&R	Amortized cost

Impairment of financial assets

IITE assesses at each reporting date whether there is objective evidence that a financial asset is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events, occurring after the initial recognition of the asset, have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in surplus or deficit. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to revenue in surplus or deficit.

2.4 Financial liabilities

IITE's financial liabilities include Accounts payable and accruals and other liabilities.

The measurement of financial liabilities depends on their classification.

(a) Financial liabilities at fair value through surplus or deficit include financial liabilities classified as held for trading and financial liabilities designated upon initial recognition as at fair value through surplus or deficit

(b) Financial liabilities classified as amortized cost are, after initial recognition, measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or

deficit when the liabilities are derecognized as well as through the effective interest method amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

IITE has classified all its financial liabilities as amortized cost and are therefore, measured at amortized cost.

2.5 Cash

Cash includes cash in hand. Cash that can only be used for a specific purpose are considered as restricted.

2.6 Other receivables

Receivables are initially measured at fair value and then, their carrying value adjusted for any allowance for estimated irrecoverable amounts. An allowance is established when there is objective evidence, based on a review of outstanding amounts at the reporting date, that IITE will not be able to collect all amounts due according to the original terms of the receivables. In establishing the allowance, if any, the fair value of receivables is calculated as the estimated discounted cash flows arising from receivables to be collected in the future. The level of accounts receivable related to voluntary contributions does not require discounting.

Receivables are classified into current and non-current on the basis of the timing of the expected amounts to be received.

2.7 Property Plant and equipment

Property, plant and equipment (PP&E) is carried at cost less accumulated depreciation and impairment. Heritage assets are not recognized in the financial statements, but appropriate disclosure is made in the notes to the financial statements.

Additions

The cost of an item of PP&E is recognized as an asset if it is probable that future economic benefits or service potential associated with the item will flow to the IITE and the cost of the item can be measured reliably. When an asset is donated, its initial cost is measured as the fair value of the asset as at the date of acquisition.

Disposals

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount of the asset and are included in the Statement of Financial Performance.

Subsequent costs

Costs incurred subsequent to initial acquisition are capitalized only when it is probable that future economic benefits or service potential associated with the item will flow to the Institute and the cost of the item can be measured reliably.

Depreciation

Depreciation is provided on a straight-line basis on all PP&E, at rates that will write off the cost of the assets over their useful lives. The useful lives of major classes of assets have been estimated as follows:

Class of Property, Plant and Equipment	Depreciation period
Communication and IT equipment	4 years
Other equipment	5 years

Impairment

The carrying amount of fixed assets are reviewed for impairment if events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss, if any. Any impairment loss is recognized in the Statement of Financial Performance. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset’s recoverable amount since the last impairment loss was recognized. For this purpose, all property, plant and equipment assets are considered as non-cash generating assets.

2.8 Employee benefits

IITE recognizes the following categories of employee benefits:

Short-term employee benefits

Short-term employee benefits are expected to be settled within 12 months of the reporting date and are measured at their nominal values based on accrued entitlements at current rates of pay. Short-term employee benefits comprise first-time employment benefits (assignment grants); regular monthly benefits (wages, salaries, allowances) and other benefits (education grant, home leave, etc.). An expense is recognized when employees render service to the Institute and a liability is recognized for an entitlement that has not been settled at the reporting date.

Post-employment benefits

Post-employment benefits are employee benefits that are payable after the completion of employment.

UNESCO participates in the United Nations Joint Staff Pension Fund (UNJSPF or Fund), which was established by the United Nations General Assembly to provide retirement, death, disability and related benefits to employees. IITE contributes to UNJSPF through UNESCO. The Fund is a funded, multi-employer defined benefit plan. As specified in 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 the specialized agencies.

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The Fund 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. UNESCO and the UNJSPF, in line with the other participating organizations in the Fund, are not in a position to identify UNESCO's proportionate share, and thereby IITE's proportionate share, of the defined benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence, UNESCO has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 39 Employee Benefits. IITE's contributions to the plan during the financial year are recognized as staff costs in the Statement of Financial Performance.

In addition, IITE participates in the UNESCO after service health insurance (ASHI) programme. Under this programme, staff retiring, who have reached their fifty-fifth birthday and who have completed at least ten years of participation in the Medical Benefits Fund as at the date of their separation, may opt to remain (indefinitely) in that Fund as an associate participant with UNESCO continuing to participate in the funding of their contributions. The ASHI programme at UNESCO is a defined benefit plan for entities under common control.

UNESCO performs annually both a long-term projection and an actuarial valuation of the ASHI scheme to measure its employee benefits obligation. The plan exposes participating Institutes to actuarial risks associated with the current and former employees of other group entities, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets, and costs to individual entities participating in the plan. IITE, as well as other participating group entities, is not in a position to identify its share of the underlying financial position and performance of the plan on an IPSAS 39 basis with sufficient reliability for accounting purposes, and hence has recorded this plan as if it were a defined contribution plan.

The contribution of IITE to the UNESCO ASHI programme consists of contributions to the UNESCO Special Account for ASHI. IITE's contribution to the Special Account for ASHI during the financial year are recognized as Staff costs expenses in the Statement of Financial Performance.

Other long-term employee benefits

Other long-term employee benefits are benefits, which are expected to be settled more than 12 months after the end of the reporting period and relates to repatriation grants and accumulated leave. The liability recognized for this other long term benefits is the present value of the defined benefit obligations at the reporting date. These liabilities are calculated by an independent actuary using the Projected Unit Credit Method. Interest cost, current service costs, and actuarial gains or losses arising from changes in actuarial assumptions or experience adjustments are recognized in the Statement of Financial Performance.

In addition, IITE participates in the Terminal Payment Fund (TPF). This Fund was set up in accordance with Article 6, paragraph 6, of the Financial Regulations of UNESCO to cover costs of separation of staff members such as: termination payments, repatriation grants and death grants. IITE, in line with the other participating organizations in the Fund, is not in a position to identify IITE's proportionate share of the liability associated with this other long-term benefit with sufficient reliability for accounting purposes. Hence, IITE has treated this benefit as if it were a defined contribution plan in line with the requirements of IPSAS 39. IITE's contribution to the TPF during the financial year are recognized as Staff costs expenses in the Statement of Financial Performance.

2.9 Tax

The Institute enjoys the privilege of tax-exemption. As such, the Institute's assets, income and other property are exempt from all direct taxation.

2.10 Provisions and contingent liability

Provisions are recognized for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditure will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not made for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation. The increase in the provision due to the passage of time is recognized as interest expense.

Contingent liabilities are disclosed where a possible obligation is uncertain but can be measured, or where IITE has a present obligation but cannot reliably measure the possible outflow of resources.

2.11 Revenue recognition

Revenue from non-exchange transactions

Revenue from non-exchange transactions is measured based on the increase in net assets recognized.

The revenues from non-exchange transactions are as follows:

- UNESCO financial allocation

The financial contributions made available from UNESCO under the biennial budget by its General Conference, presented as UNESCO financial allocation in the Statement of Financial Performance, are approved for each financial year and are recognized as revenue at the beginning of the relevant year as soon as the amounts are communicated to the Institute.

- Voluntary contributions

Voluntary contributions and other transfers which are supported by enforceable agreements are recognized as revenue at the time the agreement becomes binding and when control over the underlying asset is obtained, unless the agreement establishes a condition on transferred assets that requires recognition of a liability.

Conditions are imposed by donors on the use of contributions and include both a performance obligation to use the donation in a specified manner, and an enforceable return obligation to return the donation if it is not used in the specified manner. The amount recognized as a liability is the best estimate of the amount that would be required to settle the obligation at the reporting date. As IITE satisfies the conditions on voluntary contributions through performance in the specified manner, the carrying amount of the liability is reduced and an amount of revenue equal to that reduction is recognized.

Voluntary contributions such as pledges and other promised donations which are not supported by binding agreements are recognized as revenue when received.

- In-kind contributions

In-kind contributions of goods that directly support approved operations and activities and can be reliably measured, are recognized and valued at fair value. The contribution value is based on the commercial rate for renting the building.

In-kind contributions of services, such as the services of volunteers, are not recognized.

2.12 Expenses

Expenses are defined as decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrences of liabilities that result in decreases in net assets. Expenses are recognized when the transaction or event causing the expense occurs, and the recognition of the expense is therefore not linked to when cash or its equivalent is received or paid.

Expenses from non-exchange funding agreements are recognized when the funding is legally in force, except where the agreement establishes a condition on transferred assets. In such cases, expenses are recognized as services are performed and the condition on transferred assets fulfilled consistent with the terms of the agreement.

Advance payments are amortized based on objective evidence to reflect the risk of non-recovery. Where revenue is recognized from in-kind contributions, a corresponding expense is also recognized in the financial statements.

2.13 Accounts payable and accrued liabilities

Accounts payable are financial liabilities for goods and services that have been received by IITE and invoiced but not yet paid by the reporting date.

Accrued liabilities are financial liabilities for goods and services that have been received by IITE and which have neither been paid for nor invoiced to IITE at the reporting date.

NOTE 3: ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

The preparation of financial statements in accordance with IPSAS requires the Institute to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the year. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future periods.

The areas where estimates, assumptions or judgement are significant to IITE's financial statements include, but are not limited to employee benefit, in-kind contributions and useful lives of property, plant and equipment. Changes in estimates are reflected in the year in which they become known.

Furthermore, in early March 2020, the World Health Organization declared the COVID-19 coronavirus outbreak to be a pandemic. Responses to the spread of COVID-19 have resulted in a significant increase in economic uncertainty and volatility (i.e.: interest rates, foreign exchange rates, government/partner budgets, etc.). The impact on IITE estimates, assumptions and judgements is

presently limited, but it remains difficult to reliably estimate the length or severity of the pandemic, which could have further financial impacts.

Estimates and assumptions

IITE based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of IITE.

Below is a list of key assumptions:

a) Useful lives of Property, plant and equipment

The useful lives of Property, plant and equipment are assessed using the following indicators to inform potential future use and value from disposal and impairment:

- The condition of the asset based on the assessment of experts employed by IITE;
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes;
- The nature of the processes in which the asset is deployed;
- Availability of funding to replace the asset; and
- Changes in the market in relation to the asset

Note 2.7 provides information on the determined current useful lives.

b) Employee benefits:

Employee benefits are determined using actuarial valuation which involves making various assumptions on financial and non-financial elements that may differ from actual developments in the future such as determination of the discount rate, future salary increases, mortality rates and future cost increases. The employee benefit liability is highly sensitive to the variation of these assumptions and some of them are reviewed at each reporting date. Details about employee benefits are provided in Note 9

Judgements

IITE undertakes a valuation of the in-kind contribution for the use of premises at regular intervals. The valuation is based on the availability of similar assets for rent.

NOTE 4: ACCOUNTING STANDARDS ISSUED

Accounting standards adopted during the year

- IPSAS 2 - Cash flows – Changes in Liabilities Arising from Financing Activities: the amendment to this standard is effective for annual reporting years beginning on or after 1 January 2021. The amendment establishes the disclosure principles that enable users of the

financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. This amendment has no impact on IITE’s financial statements disclosures.

Accounting standards issued and to be adopted at a later date:

- IPSAS 41 - Financial Instruments: the standard is effective for annual reporting year beginning on or after 1 January 2023. The standard establishes the principles for financial reporting of financial assets and financial liabilities for the assessment of the amounts, timing and uncertainty of an entity’s future cash flows. IITE has not yet assessed the impact of the adoption of the standard and IITE plans to adopt this standard as of the effective date.
- IPSAS 42 – Social Benefits: the standard is effective for annual reporting year beginning on or after 1 January 2023. The standard establishes principles and requirements on the recognition, measurement, and presentation of Social Benefits in the financial statements. IITE has assessed that the adoption of the standard will not have any impact on the financial statements.

NOTE 5: CASH

Expressed in US dollars	2021	2020
Cash with banks	9 322	6 773
Cash in hand	28	194
Total cash	9 350	6 967

IITE’s cash management practice is to have low balances for cash in bank and cash in hand at year-end.

NOTE 6: OTHER RECEIVABLES

Expressed in US dollars	2021	2020
Receivable from UNESCO	512 997	411 259
Total other receivables	512 997	411 259

The receivable from UNESCO balance represents the amount owed to IITE by UNESCO.

NOTE 7: PROPERTY PLANT AND EQUIPMENT

Expressed in US dollars	Comms & IT Equipm't	Other Equipm't	Total
1 January 2021			
Cost or fair value	82 835	4 989	87 824
Accumulated depreciation	(77 895)	(4 989)	(82 884)
Carrying amount	4 940	-	4 940

Movements 12 months to 31 December 2021

Depreciation	(2 992)	-	(2 992)
Total movements 12 months to 31 December 2021	(2 992)	-	(2 992)

31 December 2021

Cost or fair value	82 835	4 989	87 824
Accumulated depreciation	(80 887)	(4 989)	(85 876)
Carrying amount	1 948	-	1 948

Heritage assets: IITE does not own any relevant work or arts. As at 31 December 2021, IITE holds fully depreciated property, plant and equipment which is still in use for a gross value of USD 76 139 (2020: USD 75 006). In 2021, cash payment of USD 1 900 were made in relation to fixed assets acquisition.

Expressed in US dollars	Comms & IT Equipm't	Other Equipm't	Total
1 January 2020			
Cost or fair value	80 935	4 989	85 924
Accumulated depreciation	(74 518)	(4 989)	(79 507)
Carrying amount	6 417	-	6 417

Movements 12 months to 31 December 2020

Additions	1 900	-	1 900
Depreciation	(3 377)	-	(3 377)
Total movements 12 months to 31 December 2020	(1 477)	-	(1 477)

31 December 2020

Cost or fair value	82 835	4 989	87 824
Accumulated depreciation	(77 895)	(4 989)	(82 884)
Carrying amount	4 940	-	4 940

NOTE 8: ACCOUNTS PAYABLE AND ACCRUALS

	2021	2020
Expressed in US dollars		
Accruals	47 562	8 766
Total Accounts payable and accruals	47 562	8 766

Accruals are liabilities for goods and services that have been received or provided to the entity during the period and which have not been invoiced or formally agreed with the suppliers. Accruals for 2021 have increased by USD 38 796 compared to 2020 reflecting higher delivery of goods and services in 2021.

NOTE 9: EMPLOYEE BENEFITS

	2021			2020
	Actuarial valuation	Institute valuation	Total	
Expressed in US dollars				
Payroll and reimbursement	-	5 225	5 225	-
Accumulated annual leave	23 578	-	23 578	29 998
Employee benefits (current)	23 578	5 225	28 803	29 998
Total employee benefits	23 578	5 225	28 803	29 998

Employee benefits – current

Current or short-term employee benefits include payroll and allowances, death grant, education grant, home leave and accumulated annual leave.

AAL is fully included in short term as required by the standards since IITE does not have an unconditional right to defer settlement of the liability for a least 12 months.

Accumulated annual leave (AAL) - IITE staff can accumulate unused annual leave up to a maximum of 60 working days. Due to COVID-19, in 2020, it was decided that staff could carry forward up to an additional 15 days (above the existing 60 days), to be used by end of March 2022. Upon separation, staff members are entitled to receive a sum of money for AAL that they hold up to 60 days.

Repatriation benefits

A staff member who has completed one year of continuous service outside the country of his/her recognized home is entitled upon separation from IITE to a repatriation grant payable on the basis of completed years and months of qualifying service outside the country of his/her recognized home. For eligible staff members hired after July 1st, 2016 the grant is payable starting on five years of expatriate service according to the current scale. Staff members are also entitled to travel and removal costs for repatriation on separation from IITE.

Actuarial valuations

An actuarial valuation was carried out to calculate IITE’s estimated liability related to AAL. The following assumptions and methods have been used to determine the value of this benefit for IITE as at 31 December 2021:

Assumptions used for Annual Leave and Repatriation Grant		2021	2020
Discount rate Annual Leave and Repatriation Grant	The rate used is based on the Mercer Yield Curve	1.15% (maturity around 11.5 years)	0.70% (maturity around 10 years)
Inflation rate	For all benefits	1.75%	1.75%
Pre-retirement Mortality Tables	2019 United Nations in-service mortality table for annual leave and repatriation grant		
Salary increase rate - Annual Leave		2.00% per year	2.00%
Salary increase rate - Repatriation Grant		2.00% per year	linear increase between 2020 and 2030 from 1.21% to 1.75% rate per year from 2030 and beyond 1.75%
Repatriation Travel and Removal trend	For staff members without dependent For staff members with at least one dependent	USD 5 916 USD 7 718	USD 5 916 USD 7 718
Retirement Age		65	65
Withdrawal Table	Based on a study of UNESCO’s turnover rates from 2017 and 2021		
Take up rate – Repatriation benefits	Staff eligible for repatriation benefits on leaving to actually claim their entitlement	75%	75%
Take up rate – Accumulated annual leave	Staff eligible for accumulated annual leave to actually claim their entitlement at separation	100%	100%

The following tables and text provide additional information and analysis on accumulated annual leave liability calculated by actuaries:

	2021	2020
Expressed in US dollars		
Defined benefit obligation beginning of the year	29 998	25 577
Movement for period ended 31/12/2021		
Service cost	2 182	2 068
Interest cost	199	251
Actuarial (gain)/loss	(8 783)	439
Foreign exchange difference	(18)	1 663
Total expenses recognized for year ended 31/12/2021	23 578	29 998

A total actuarial gain of USD 8.8 thousand was recognized through the Statement of Financial Performance.

The annual expense amounts recognized in the Statement of Financial Performance related to accumulated annual leave are as follows:

	2021	2020
Expressed in US dollars		
Service cost	2 182	2 068
Interest cost	199	251
Actuarial (gain)/loss	(8 783)	439
Foreign exchange difference	(18)	1 663
Total expenses recognized for year ended 31/12/2021	(6 420)	4 421

The expected contribution of IITE in 2022 to the accumulated annual leave defined benefit is USD 94 which represents expected benefit payments for the year.

United Nations Joint Staff Pension Fund (UNJSPF)

The 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.

IITE participates in UNESCO's financial obligation to the Fund consisting of its mandated contribution, at the rate established by the United Nations General Assembly (currently at 7.9% for participants and 15.8% 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

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actuarial sufficiency of the 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 latest actuarial valuation for the Fund was completed as of 31 December 2019, and the valuation as of 31 December 2021 is currently being performed. A roll forward of the participation data as of 31 December 2019 to 31 December 2020 was used by the Fund for its 2020 financial statements.

The actuarial valuation as of 31 December 2019 resulted in a funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, of 144.4%. The funded ratio was 107.1% 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 2019, 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 plan. 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 provision of Article 26.

Should Article 26 be invoked due to an actuarial deficiency, either during the ongoing operation or due to the termination of the Fund, deficiency payments required from each member organization would be based upon the proportion of that member organization's contributions to the total contributions paid to the Fund during the three years preceding the valuation date. Total contributions paid to the Fund during the preceding three years (2018, 2019 and 2020) amounted to USD 7,993.15 million, of which 2.22% was contributed by UNESCO.

During 2021, contributions paid to the Fund amounted to USD 43.41 million (2020 USD 41.27 million). Expected contributions due in 2022 are approximately USD 42.98 million.

Membership of the Fund may be terminated by decision of the United Nations General Assembly, upon the affirmative recommendation of the Pension Board. A proportionate share of the total assets of the Fund at the date of termination shall be paid to the former member organization for the exclusive benefit of its staff who were participants in the Fund at that date, pursuant to an arrangement mutually agreed between the organization and the Fund. The amount is determined by the United Nations Joint Staff Pension Board based on an actuarial valuation of the assets and liabilities of the Fund on the date of termination; no part of the assets which are in excess of the liabilities are included in the amount.

The United Nations Board of Auditors carries out an annual audit of the Fund and reports to the Pension Board and to the United Nations General Assembly on the audit every year. The Fund publishes quarterly reports on its investments, and these can be viewed by visiting the Fund's website.

NOTE 10: NET ASSETS

	01/01/2021 Opening Balance	Surplus for the year	31/12/2021
Expressed in US dollars			
Surplus	418 629	63 128	481 757
Actuarial Loss	(34 227)	-	(34 227)
Total net assets	384 402	63 128	447 530

NOTE 11: REVENUE

	2021	2020
Expressed in US dollars		
UNESCO Financial Allocation	358 800	358 800
Voluntary contributions		
<i>Voluntary contributions - Extra-budgetary</i>	44 982	-
<i>In-kind contributions</i>	528 328	528 328
Total voluntary contributions	573 310	887 128
Other/miscellaneous revenue		
<i>Interfund transfers</i>	-	3 242
Total other/miscellaneous revenue	-	3 242
Total revenue	932 110	890 370

IITE's financial resources are made up of the UNESCO financial allocation and contributions in-kind from the Russian Federation. In accordance with the Agreement dated 21 July 1998 between UNESCO and the Government of the Russian Federation and the Protocol to the Agreement signed in Paris on 28 December 2000, the Government of the Russian Federation provides the Institute with official premises (free of charge). The 2021 in-kind contribution relating to the premises was conservatively estimated at USD 528 328.

In addition to the official premises (free of charge), the Russian Federation also provides an in-kind contribution to cover some operational costs of the Institute, such as maintenance of the building, basic equipment, security and salaries of loaned staff. A voluntary contribution from the Danish Cultural Institute was also received in 2021.

NOTE 12: EXPENSES

Expressed in US dollars	2021	2020
Staff costs		
<i>International & National staff</i>	270 177	360 688
<i>Temporary staff</i>	24 122	45 314
<i>Other personnel costs</i>	8 595	11 194
Total staff costs	302 894	417 196
Consultants, external experts and mission costs		
<i>Consultants</i>	7 590	6 539
<i>Staff mission costs</i>	188	12 276
Total consultants, external experts and mission costs	7 778	18 815
External training, grants and other transfers		
<i>External training and seminars</i>	2 589	10 947
Total external training, grants and other transfers	2 589	10 947
Supplies, consumables and other running costs		
<i>Communications</i>	1 077	6 986
<i>Equipment</i>	819	1 233
<i>Leases</i>	528 328	528 338
<i>Utilities</i>	2 228	2 590
<i>Premises maintenance and repairs</i>	-	59 977
<i>Other supplies</i>	1 013	1 151
Total supplies, consumables and other running costs	533 465	600 275
Contracted services		
<i>Other contracted services</i>	19 194	13 066
Total contracted services	19 194	13 066
Depreciation	2 992	3 377
Foreign exchange losses	1	1 075
Other expenses	-	2 964
Finance costs	69	84
Total expenses	868 982	1 067 799

The 2021 total expenses decreased by 19% (USD 198 817) as compared to 2020. In particular, staff costs decreased by 27% (USD 114 302) and other running cost expenses decreased by 11% over 2020. In 2020, one-off expenses of USD 59 977 were made for the repair of the building roof, which was not the case in 2021.

Staff costs:

International & National staff expenses include salaries, post adjustments, entitlements and pensions and health plan contributions for Professional and General Service category staff. This line also includes movements in the actuarial liability for Accumulated Annual Leave and Repatriation Benefits. Temporary staff expenses include all costs relating to the employment of temporaries and supernumeraries. Other personnel costs include reimbursement of medical claims. This line also includes staff travel expenses which are not related to mission costs (home leave, family visit, education grant, interview, separation).

Consultants, external experts and mission costs

Consultants expenses represent the cost of contracting consultants, including insurance and travel expenses. Staff mission costs are the mission and training costs for IITE's staff, temporaries and supernumeraries. These concern principally travel and per diem expenses. Delegates & external individuals missions are expenses for travel and per diem of representatives, delegates, individuals and others (i.e. non-staff). Other contracts concern principally interpreter fees.

External training, grants and other transfers

Financial contributions include contributions made to United Nations joint activities, publications, conferences and programme activities. Grants and fellowships include study grants, fellowships, subventions, sponsorships and grant-in-aid. Expenses for external training and seminars are mainly travel and per diem costs for participants.

Supplies, consumables and other running costs

Communications expenses concern mainly telephone and postal/freight costs. Equipment expenses represent equipment purchases and costs during the year, which do not meet the criteria for capitalization as PP&E or Intangible Assets. Leases represents primarily premises rental cost. This line includes the expense which corresponds to the in-kind voluntary contribution for premises provided to IITE's no or nominal cost. Maintenance and repairs expenses are mainly those incurred in relation to IITE's premises

Contracted services

Contracted services represent expenses where IITE's has engaged a third party to perform work on behalf of IITE. Major categories of these types of arrangements include research, seminars and meetings and document production. Other contracted services include, among others, implementing partner agreements, activity financing contracts, contract for services and other fees for contracted activities.

Depreciation

Depreciation is the expense resulting from the systematic allocation of the depreciable amounts of property, plant and equipment (PP&E) over their useful lives (see Note 2.7)

Other expenses, foreign exchange and finance costs

Finance costs are mainly due to bank charges and commissions.

NOTE 13: CONTINGENT ASSETS

In accordance with IPSAS 19 (Provisions, Contingent Liabilities and Contingent Assets), contingent assets will be disclosed for cases where an event will give rise to a probable inflow of economic benefits. As at 31 December 2021, there are no contingent assets.

NOTE 14: OBLIGATIONS

Expressed in US dollars	2021	2020
Commitments	17 005	1 262
Total unliquidated obligations	17 005	1 262

For budgetary purposes IITE records unliquidated obligations. Unliquidated obligations include both budget commitments which have not yet given rise to the delivery of a service at the reporting date, and accruals for goods and services received but not yet invoiced/settled. Budget commitments are not recorded in the financial statements whereas accruals are recognized in accordance with IPSAS. IITE had no accruals at year end.

NOTE 15: FINANCIAL RISK MANAGEMENT

Exposure to credit, liquidity, currency and interest rate risk arises in the normal course of IITE’s operations. The following presents information about IITE’s exposure to each of the above risks, policies and processes for measuring and managing risk and IITE’s management of capital.

IITE’s financial risks are managed in accordance with the risk management policies of UNESCO. UNESCO’s risk management policies, along with its Investment Policy and the Financial Regulations and Rules of the Special Account of IITE, aim to minimize potential adverse effects on the resources available to IITE to fund its activities.

The primary objective of UNESCO’s Investment Policy is the preservation of the value of resources of the Organization. Within this general objective the principal considerations for investment management are, in order of priority, security of principal, liquidity, and rate of return.

UNESCO has an Investment Committee comprising senior management representatives and external members that advise the Chief Financial Officer on investment and cash management policy of UNESCO, on overall investment strategy and on related risk management.

15.1 Fair value of financial assets and liabilities

The fair value of cash, and other receivables approximate their recorded carrying amount due to their short-term nature. The fair value of accounts payables and accruals and other liabilities approximate their recorded carrying amount due to their short-term nature.

The fair value of accounts payables, other liabilities and voluntary contributions approximate their recorded carrying amount due to their short-term nature.

15.2 Credit risk

Credit risk is the risk of financial loss to IITE if customers or counterparties to financial instruments fail to meet their contractual obligations. It mainly arises from IITE’s cash and receivables.

Cash and receivables

The majority of the receivables is a receivable from UNESCO, which can be settled when requested by IITE. At year-end, an objective review is performed to review these receivables, and when there is objective evidence, based on a review on outstanding amounts at the reporting date that a group will not comply with the original terms of the receivables an allowance would be established.

IITE only held cash at 31 December 2021 and did not hold any cash equivalents nor investments at year-end. That combined with their composition of receivables, IITE is not exposed to significant credit risk.

The credit risk exposure related to receivables are not material as contributions are primarily from governments and related bodies.

15.3 Liquidity risk

Liquidity risk is the risk that IITE might not have adequate funds to meet its obligations as they fall due. IITE ensures on the basis of cash flow forecasts and approved budget that it has sufficient cash on demand to meet expected operating expenses.

As at the year-end, IITE's cash and other receivables amount to USD 522 347, which is higher than the current liabilities equalling USD 76 765. Therefore, IITE is not exposed to a significant liquidity risk.

15.4 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument fluctuates due to changes in foreign exchange rates. IITE is exposed to foreign exchange risk on revenues and expenses denominated in foreign currencies. Foreign currency risk related to extra budgetary activities is managed through individual project budget planning for foreign currency expenditure.

15.5 Interest rate risk

Interest rate risk arises from the effects of market interest rates fluctuations on the fair value of financial assets and liabilities and/or on future cash flows. IITE is mainly exposed to interest rate risk on its financial interest-bearing assets. IITE did not hold any investments as at 31 December 2021. IITE is not exposed to any significant interest rate risk.

15.6 Concentration risk

The concentration risk of IITE is mitigated by the counterpart and country limits established by the Investment Policy of UNESCO. The maximum exposure to any single banking group is limited to 7% or 10% of UNESCO's internally managed investment portfolio depending on the financial rating of the counterpart. IITE did not hold any investments as at 31 December 2021, and due to the composition of the receivables, IITE is not exposed to any significant concentration rate risk.

NOTE 16: RELATED PARTY DISCLOSURES

Governing Bodies

The Institute is administered by its Governing Board (The Board) which is composed of eleven members. The members are chosen for their competence and sit in a personal capacity. They do not receive any remuneration from IITE. The Board meets once a year. As such, IITE incurs the costs

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related to travel and subsistence of the members for the execution of their duties. In 2020 IITE Governing Board meeting took place entirely on-line due to travel restrictions caused by COVID-19 pandemic situation with no cost to IITE.

Key Management Personnel

Key management personnel is personnel of the senior management team of the Institute, who has the authority and responsibility for implementing and directing the programme voted by the IITE Governing Board.

The aggregate remuneration paid to key management personnel includes net salaries, post adjustment, entitlements such as allowances, grants and subsidies, and employer pension and health insurance contributions.

Key management personnel also qualify for post-employment benefits (Note 9) at the same level as other employees. Key management personnel are ordinary members of UNJSPF.

The remuneration of key management personnel is as follows:

Year	Number of individuals	Compensation and Post Adjustment	Entitlements (Allowances, Grants and Subsidies)	Pension and Health Plans	Total Remuneration
2021	5	488 461	26 537	136 478	651 476
2020	5	465 137	28 185	129 612	622 934