



WORLD TRADE  
ORGANIZATION

**RESTRICTED**

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**Committee on Budget, Finance and Administration**  
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**6-7 October 2022**

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## **WTO PENSION PLAN**

### **REPORT OF THE INDEPENDENT EXTERNAL AUDITOR ON THE AUDIT OF THE FINANCIAL STATEMENTS OF THE WORLD TRADE ORGANIZATION PENSION PLAN FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021**

The report of the independent External Auditor on the audit of the financial statements of the WTO Pension Plan for 2021 is attached.

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Cour des comptes  
FRANCE



# EXTERNAL AUDIT OF THE WORLD TRADE ORGANIZATION PENSION PLAN

AUDIT REPORT

FINANCIAL STATEMENTS OF  
THE WORLD TRADE ORGANIZATION  
PENSION PLAN  
FOR THE FINANCIAL YEAR ENDED  
31 DECEMBER 2021

FRENCH NATIONAL AUDIT OFFICE REFERENCE: CoE 2021-2



WTO OMC

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## I. OBJECTIVES AND SCOPE OF THE AUDIT

1. In accordance with the conditions of our undertaking and our notification letter dated 12 January 2021, a team of seven auditors carried out, from 2 to 20 May 2022, the final audit mission of the financial statements of the World Trade Organization (WTO) and its Pension Plan for the financial year ended 31 December 2021.
2. The audit of the financial statements was carried out in accordance with the provisions of the Regulations of the World Trade Organization Pension Plan, the International Standards on Auditing (ISA) and International Standards of Supreme Audit Institutions (ISSAI<sup>1</sup>) on financial audit.
3. The financial statements for the financial year ended 31 December 2021 were sent to the External Auditor on 2 May 2022.
4. The observations and conclusions in this report were discussed with WTO and Pension Plan officials, to whom an interim report was sent on 16 June 2022. Their comments (factual and/or formal) and written replies have, where appropriate, have been fully reflected in the final version of this report.
5. The External Auditor is issuing, on the financial statements of the Pension Plan for the financial year ended 31 December 2021, an **unqualified opinion including an emphasis of matter** on the limitations of the use of financial statements presented under a specific accounting framework.

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<sup>1</sup> *International Standards of Supreme Audit Institutions.*

## II. LIST OF RECOMMENDATIONS

6. The recommendations made are assigned a priority level, decided by the External Auditor:

- **Priority 1:** fundamental point requiring special attention of the governing bodies and prompt action by senior management;
- **Priority 2:** point that must be implemented, but may be postponed depending on the circumstances;
- **Priority 3:** point of improvement of controls, rendering of accounts or management, brought to the attention of senior management.

Area	Priority	Recommendations
	2	<b>1. The External Auditor recommends clarifying, with objective and quantitative criteria, what the Management Board means by "long-term balance of the Pension Plan" and setting a deadline for the achievement of this balance.</b>
	2	<b>2. The External Auditor recommends that the actuarial information produced by the actuary EY be communicated to employees, beneficiaries and members of the Management Board, as well as the actuarial information produced by the consulting actuary C-alm, and that the differences and purposes be explained.</b>

7. The External Auditor had previously made a recommendation in support of his audit of the financial statements of the WTO Pension Plan for the financial year ended 31 December 2020.

Previous recommendation: The External Auditor recommends (i) submitting the accounting framework of the Pension Plan, applied per purpose, for formal approval by the Management Board when it approves the financial statements for 2020; (ii) also presenting the Management Board, with a view to the rendering of the 2021 accounts, with the option of adopting an appropriate existing accounting standard, as well as, where appropriate, any deviations from that standard that would be warranted by the information of the Plan's stakeholders.

8. The accounting framework of the Pension Plan, applied per purpose, was formally approved on 24 June 2021 at the 136<sup>th</sup> meeting of the Management Board.

9. Moreover, at its 140th meeting on 22 February 2022, the Management Board decided not to adopt an existing accounting standard and to await the IPSAS Board's adoption of a new standard being drafted on the basis of IAS 26 ("Accounting and Reporting by Retirement Benefit Plans"). At present, there is still no IPSAS that deals specifically with Pension Plans.<sup>2</sup>

10. Thus, the recommendation made by the External Auditor as part of his audit of the financial statements of the WTO Pension Plan is considered to have been addressed.

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<sup>2</sup> The development of a specific standard, IPSAS 26, appears in the IPSAS Board's work plan, but is not supposed to be finalized before late 2022.



**III. GENERAL COMMENTS**

11. Investment income totalled CHF 75 million in 2021, a significant increase from 2020 (CHF 28 million). This increase was mainly to the strong performance of equity markets in 2021.

12. Contributions rose 2%, from CHF 28.8 million to CHF 29.4 million, while periodic benefits rose 4%, from CHF 26.1 million to CHF 27.1 million, following an increase in the number of beneficiaries (427 beneficiaries as at 31 December 2021 compared to 408 beneficiaries as at 31 December 2020). Lump sum benefits increased to CHF 3 million in 2021, compared to CHF 2 million in 2020.

13. Thus, in 2021, for the first time in the history of the Pension Plan, the sum of benefits paid exceeded the total contributions received by CHF 1 million. This difference is expected to increase in the future due to the expected increase in the population of beneficiaries.

14. Moreover, the benefits paid in 2021 were partially financed by the financial income generated by the Plan's investments.

15. The administrative expenses of the Plan totalled CHF 1,030,400, a slight increase due to, *inter alia*, the increase in management costs (from CHF 509,415 in 2020 to CHF 577,824 in 2021) as a result of the increase in the value of investments.

16. As at 31 December 2021, financial assets totalled CHF 737 million, up CHF 74 Million from 31 December 2020.

17. The other claims for CHF 1,775,026 relate to receivable tax refunds resulting from withholding taxes on dividend payments and coupons received. The other claims decreased by CHF 672,000 from 31 December 2020. This variation is a result of the expected disability reimbursements from the insurance company Cigna as of 31 December 2020, while Cigna's reimbursements for 2021 were paid prior to 31 December 2021.

#### **IV. AUDIT OBSERVATIONS**

##### **1. Corrections to the financial statements of the Pension Plan**

18. As part of the audit of the 2021 financial statements of the Pension Plan, the External Auditor identified an anomaly relating to the absence in the financial statements of short-term liquidity in the Pictet L-1036700.004 account, for the amount CHF 45,444.

19. After investigating the matter, the Pension Plan identified that the difference was the result of a double error on the Pictet L -1036700.004 account, which consisted of a reclassification between the accounting items of short-term liquidity and securities. Therefore, the identified error had no impact on either the result for the year or the total assets of the Plan.

20. The External Auditor's work also led him to obtain a banking confirmation from the bank Pictet of the cash and investment balances as at 31 December 2021. This confirmation showed a positive difference of CHF 923,476 with the amount originally recorded by the Pension Plan. This difference stems from the valuation of CBRE's shareholdings (European real estate investment fund), reflected on the Pictet L-1036700.006 account. This position is subject to a quarterly valuation. The Pictet report originally used for the Pension Plan reporting did not include the final valuation of this position, which was known at a later date.

21. The anomalies found were corrected in the final financial statements ended 31 December 2021, leading to an increase of CHF 923,476 in the investments and income generated by the Plan.

##### **2. Accounting framework applicable to rendering the accounts of the Pension Plan**

22. The WTO Pension Plan is not a separate legal entity from the WTO, but a component thereof.

23. Article 5(d) of the Regulations of the WTO Pension Plan (in its amended version of 26 July 2017) provides that the Management Board shall present a report each year to the WTO General Council containing various pieces of information, including: (i) an account of the financial transactions during the financial year, (ii) the balance sheet of the Plan, [...] (vi) any other decisions taken in connection with the administration of the Plan.

24. The financial statements presented by the Pension Plan and submitted to the External Auditor specifically meet the obligations provided for in this Article. According the principles and definitions of the international standards on auditing, they constitute special purpose financial statements.

25. Article 5(e) of the Regulations of the Pension Plan provides that the accounts of the Plan shall be audited by the External Auditor [of the WTO] under the conditions decided by mutual agreement with the Management Board. Since no agreement relating to the external audit of the accounts of the Pension Plan had been concluded, the accounts were audited in accordance with International Standard on Auditing (ISA) 800 ("Special Considerations - Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks").

26. In order to have a framework for his audit work, as required by ISA 800, the External Auditor first sought to obtain a description of the accounting principles and methods applied to the production of their accounts from the Pension Plan managers.

27. However, in accordance with paragraph 14 of ISA 800, the opinion of the External Auditor includes an emphasis of matter "alerting users of the auditor's report [i.e the beneficiaries of the Pension Plan] that the financial statements are prepared in accordance with a special purpose framework and that, as a result, the financial statements may not be suitable for another purpose".

##### **3. Long-term balance of the Pension Plan**

28. Article 9(a) of the Regulations of the Pension Plan states that the Management Board shall have an actuarial valuation made of the Plan at least once every three years by the consulting actuary. Article 9(d) provides that in the particular case of an actuarial deficit or surplus, the Management Board shall recommend to the General Council any necessary corrective action. Such action may

include an adjustment to contributions and/or benefits or any other measure which the Management Board deems appropriate to restore an actuarial balance.

29. According to the 2021 interim actuarial valuation report by the consulting actuary C-alm, the long-term cost (required contribution rate) of the Pension Plan decreased from 34.2% at year-end 2020 to 33.1% at year-end 2021. As the actual contribution rate remained unchanged at 23.7%, there was an actuarial difference of 9.4% at year-end 2021. It should be recalled that the actuarial difference was 10.5% at year-end 2020 and 5.8% at year-end 2019.

30. Furthermore, in accordance with the Regulations of the Pension Plan, the Management Board must propose to the General Council measures to ensure that the actual contribution rate is equal to the required contribution rate.

31. The External Auditor notes, however, that strict equality between the two rates is neither a realistic nor satisfactory objective, as its pursuit would imply some variability in contribution rates.

**Recommendation No. 1 The External Auditor recommends clarifying, with objective and quantitative criteria, what the Management Board means by "long-term balance of the Pension Plan" and setting a deadline for the achievement of this balance.**

#### **4. Communication elements of the Pension Plan**

32. In its communication to employees, beneficiaries and members of the Management Board, the Pension Plan only refers to the work carried out by the consulting actuary C-alm. The figures reported are taken from the C-alm actuarial valuation report and primarily concern the long-term cost (required contribution rate) of the Pension Plan and the actuarial difference found with the actual contribution rate.

33. The assumptions used in the actuarial valuation carried out by the consulting actuary C-alm differ from those used by the actuary EY, which carries out an actuarial valuation for the WTO reporting established in IPSAS.

34. The purpose of IPSAS is to improve the quality of general purpose financial reporting by public sector entities, by enhancing the transparency and comparability of financial statements at the international level. Therefore, the actuarial valuation carried out by EY pursuant to IPSAS contains relevant information which enhances the financial information provided by the Pension Plan. It is all the more necessary that the information concerning the Pension Plan contained in the WTO financial report be accessible to all members of the Pension Plan, who may be troubled by the fact that this information differs significantly from the information that appears in the accounts of the Pension Plan.

**Recommendation No. 2 The External Auditor recommends that the actuarial information produced by the actuary EY be communicated to employees, beneficiaries and members of the Management Board, as well as the actuarial information produced by the consulting actuary C-alm, and that the differences and purposes be explained.**

#### **5. Other audit observations**

35. The External Auditor's other observations relating to the liabilities of the Pension Plan and the basic implementation and actuarial assumptions can be found in the audit report of the WTO's financial statements.

**V. ACKNOWLEDGEMENTS**

36. The External Auditor extends its sincere thanks to all the WTO Pension Plan teams for making themselves available and for the quality of the information provided during the audit.

*End of audit observations.*

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