INTERNATIONAL TRAINING
CENTRE OF THE ILO

Board of the Centre

CC 72/2

72nd Session

Turin, 4-5 November 2010

FOR DECISION

SECOND ITEM ON THE AGENDA

REPORT ON THE IMPLEMENTATION OF THE PROGRAMME AND BUDGET FOR THE CURRENT FINANCIAL YEAR (2010), AND PROGRAMME AND BUDGET PROPOSALS FOR THE 2011 FINANCIAL YEAR

Financial Statements and External Auditor's Report for the financial year 1 January to 31 December 2009

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INTERNATIONAL TRAINING CENTRE OF THE ILO
STATEMENT OF ASSETS, LIABILITIES, AND RESERVES AND FUND BALANCES
AS AT 31 DECEMBER 2009

EXPRESSED IN THOUSANDS OF EUROS

	NOTES	GENERAL FUND		NOTES	WORKING CAPITAL FUND		NOTES	CAMPUS IMPROVEMENT FUND		NOTES	INVESTMENT FUND	
		2009	**2008**		**2009**	**2008**		**2009**	**2008**		**2009**	**2008**
ASSETS												
CASH AND TERM DEPOSITS	3	10,056	6,636	3	1,865	1,844	3	2,769	3,395			
ACCOUNTS RECEIVABLE	4	7,851	11,023									
LESS PROVISION FOR DOUBTFUL ACCOUNTS	4	(935)	(1,078)									
INTERFUND BALANCES						56					33	15
OTHER ASSETS	5	472	610		1	1			3			
FIXED ASSETS	6	842	962									
TOTAL ASSETS		18,286	18,153		1,866	1,901		2,769	3,398		33	15
LIABILITIES												
PAYMENTS OR CONTRIBUTIONS RECEIVED IN ADVANCE	7	5,847	4,211				16	2,422	3,361			
UNLIQUIDATED OBLIGATIONS	8	3,156	1,681								28	15
ACCOUNTS PAYABLE												
INTERFUND BALANCES		19	56		14				15			
OTHER	9	1,854	5,821					346	22		5	
OTHER LIABILITIES	10	1,047	230					1				
TOTAL LIABILITIES		11,923	11,999		14	-		2,769	3,398		33	15
RESERVES AND FUND BALANCES												
RESERVES AND FUNDS BALANCES, BEGINING OF YEAR		6,154	7,009		1,901	1,879			-			-
SAVINGS ON OR CANCELLATIONS OF PRIOR PERIOD'S OBLIGATIONS		193	214						6			
TRANSFER (TO)/FROM OTHER FUNDS		(304)	(184)		(70)					11	374	184
NET EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE		320	(885)		21	22			(6)		(374)	(184)
TOTAL RESERVES AND FUND BALANCES		6,363	6,154		1,852	1,901			-		-	-
TOTAL LIABILITIES, RESERVES AND FUND BALANCES		18,286	18,153		1,866	1,901		2,769	3,398		33	15

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

INTERNATIONAL TRAINING CENTRE OF THE ILO
STATEMENT OF INCOME AND EXPENDITURE AND CHANGES IN RESERVES AND FUND BALANCES
FOR THE PERIOD ENDING 31 DECEMBER 2009

EXPRESSED IN THOUSANDS OF EUROS

	NOTES	GENERAL FUND 2009	GENERAL FUND 2008	NOTES	WORKING CAPITAL FUND 2009	WORKING CAPITAL FUND 2008	NOTES	CAMPUS IMPROVEMENT FUND 2009	CAMPUS IMPROVEMENT FUND 2008	NOTES	INVESTMENT FUND 2009	INVESTMENT FUND 2008
INCOME												
VOLUNTARY CONTRIBUTIONS	12	11,066	11,564					1,389	(12)			
OTHER INCOME												
REVENUE-PRODUCING ACTIVITIES	13	16,506	19,743									
FUNDS RECEIVED UNDER INTER-ORGANIZATIONAL ARRANGEMENTS	13	10,717	6,814									
INTEREST INCOME		36	185		21	22		59	111			
MISCELLANEOUS	14	1,222	1,352									
TOTAL INCOME		39,547	39,658		21	22		1,448	99		-	-
EXPENDITURE												
FIXED EXPENSES		21,103	21,240									
VARIABLE EXPENSES		18,145	17,915				16	1,448	105	11	374	184
CURRENCY EXCHANGE ADJUSTMENTS		71	442									
TOTAL EXPENDITURE		39,319	39,597		-	-		1,448	105		374	184
EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE		228	61		21	22		-	(6)		(374)	(184)
REVERSAL OF/(PROVISION FOR) DOUBTFUL ACCOUNTS	4	92	(946)									
NET EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE	15	320	(885)		21	22			(6)		(374)	(184)
RESERVES AND FUND BALANCES												
SAVINGS ON OR CANCELLATIONS OF PRIOR PERIOD'S OBLIGATIONS		193	214						6			
TRANSFER (TO)/FROM OTHER FUNDS	11	(304)	(184)		(70)					11	374	184
RESERVES AND FUND BALANCES, BEGINNING OF PERIOD		6,154	7,009		1,901	1,879						
RESERVES AND FUND BALANCES END OF PERIOD		6,363	6,154		1,852	1,901		-	-		-	-

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

INTERNATIONAL TRAINING CENTRE OF THE ILO
STATEMENT OF CASH FLOW FOR THE PERIOD ENDING 31 DECEMBER 2009

EXPRESSED IN THOUSANDS OF EUROS

	GENERAL FUND		WORKING CAPITAL FUND		CAMPUS IMPROVEMENT FUND		INVESTMENT FUND	
	2009	2008	2009	2008	2009	2008	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES								
NET EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE	320	(885)	21	22		(6)	(374)	(184)
(INCREASE) DECREASE IN ACCOUNTS RECEIVABLE	3,029	(784)						
(INCREASE) DECREASE IN OTHER ASSETS	138	(253)		10	3			
INCREASE (DECREASE) IN PAYMENTS OR CONTRIBUTIONS RECEIVED IN ADVANCE	1,636	426			(939)	465		
INCREASE (DECREASE) IN ACCOUNTS PAYABLE	(3,967)	3,203			324	(2)	5	
INCREASE (DECREASE) IN UNLIQUIDATED OBLIGATIONS	1,475	305					13	15
INCREASE (DECREASE) IN OTHER LIABILITIES	817	(439)			1			
NET CASH FLOWS FROM OPERATING ACTIVITIES	3,448	1,573	21	32	(611)	457	(356)	(169)
CASH FLOWS FROM INVESTING ACTIVITIES								
(INCREASE) DECREASE IN FIXED ASSETS	120	(84)						
NET CASH FLOWS FROM INVESTING ACTIVITIES	120	(84)	-	-	-	-	-	-
CASH FLOWS FROM FINANCING ACTIVITIES								
SAVINGS ON OR CANCELLATIONS OF PRIOR PERIOD'S OBLIGATIONS	193	214				6		
(INCREASE) DECREASE IN INTERFUND BALANCES RECEIVABLE		13	56	(56)			(18)	(15)
INCREASE (DECREASE) IN INTERFUND BALANCES PAYABLE	(37)	56	14		(15)	2		
TRANSFER (TO)/FROM OTHER FUNDS	(304)	(184)	(70)				374	184
NET CASH FLOWS FROM FINANCING ACTIVITIES	(148)	99	0	(56)	(15)	8	356	169
NET INCREASE (DECREASE) IN CASH AND TERM DEPOSITS	3,420	1,588	21	(24)	(626)	465		
CASH AND TERM DEPOSITS, BEGINNING OF PERIOD	6,636	5,048	1,844	1,868	3,395	2,930		
CASH AND TERM DEPOSITS, END OF PERIOD	10,056	6,636	1,865	1,844	2,769	3,395	-	-

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

STATEMENT IV

INTERNATIONAL TRAINING CENTRE OF THE ILO
GENERAL FUND - STATEMENT OF APPROPRIATIONS
for the period ending 31 December 2009

(Expressed in thousands of euros)

Chapter	Item	Title		2009 BUDGET	2009 ACTUAL	BUDGET VARIANCE
		INCOME				
I		**Voluntary contributions**				
	10	International Labour Organization		2,010	2,266	256
	11	Government of Italy		7,850	7,850	-
	12	Government of France		150	50	(100)
	13	Piedmont Region		400	400	-
	14	City of Turin		500	500	-
		Total contributions	*Note 17a*	10,910	11,066	156
II		**Earned income**				
	20	Income from training activities	*Note 17b*	29,000	27,223	(1,777)
	20a	Other income		1,307	1,258	(49)
		Total earned income		30,307	28,481	(1,826)
	21	Use of 2006/2007 surplus		361	536	175
		TOTAL BUDGET INCOME		**41,578**	**40,083**	**(1,495)**
		EXPENDITURE				
III		**Fixed expenses**				
	22	Staff		14,934	14,404	(530)
	23	External collaborators		400	364	(36)
	24	Buildings		2,405	2,439	34
	25	Transport and communications		666	593	(73)
	26	Specialized services		734	687	(47)
	27	Services provided by ILO Offices		147	46	(101)
	28	Official meetings		130	113	(17)
	29	Missions and representation		400	297	(103)
	30	Library and training resources		42	21	(21)
	31	Depreciation		651	384	(267)
	32	Other fixed costs		1,919	1,755	(164)
		Total fixed expenses	*Note 17c*	22,428	21,103	(1,325)
IV		**Variable expenses**				
	33	Temporary assistance		8,300	8,857	557
	34	Missions		1,000	831	(169)
	35	Participants subsistence		3,500	2,782	(718)
	36	Participants travel		2,300	2,104	(196)
	37	External tuition fees		300	5	(295)
	38	Books, training aids, supplies		200	162	(38)
	39	Other variable costs		3,600	3,090	(510)
	39a	Other costs related to other income		300	314	14
		Total variable expenses	*Note 17d*	19,500	18,145	(1,355)
		TOTAL OPERATING EXPENSES		**41,928**	**39,248**	**(2,680)**
		BUDGET SURPLUS (DEFICIT)		**(350)**	**835**	**1,185**
		Other items				
	40	Reversal of doubtful accounts			92	92
	41	Currency exchange adjustments			(71)	(71)
	42	Savings on or cancellations of prior period's obligations			193	193
		TOTAL OTHER ITEMS			**214**	**214**
		NET BUDGET SURPLUS (DEFICIT) /1		**(350)**	**1,049**	**1,399**

/1 As referred to in the Financial Regulations 7(4).
The accompanying notes are an integral part of the financial statements.

1. STATEMENT OF OBJECTIVES AND ACTIVITIES

The objective of the International Training Centre of the International Labour Organization (the "Centre") is, in keeping with the principles set forth in the Preamble of the Constitution of the International Labour Organization (ILO) and in the Declaration of Philadelphia, to provide training activities at the service of economic and social development in accordance with, and through, the promotion of international labour standards. Its training activities, elaborated within the framework of the technical co-operation of the ILO, the United Nations system and other international organizations, are mainly addressed to people in senior positions in their Member States.

The Centre's operations are funded by two distinct types of resources:

- voluntary contributions by governments, intergovernmental organizations, international non-governmental organizations and other sources;
- earned income.

There are four funds maintained at the Centre. The General Fund is the main operating fund of the Centre for training activities and it includes funds held in trust on behalf of the Italian Government. The Working Capital Fund was established in accordance with the Financial Regulations of the Centre to finance expenditure temporarily pending receipt of firmly pledged voluntary contributions and other income to be received under signed agreements. Its target level has been established at € 1,852,200. The Campus Improvement Fund was established by the Director of the Centre to receive funds specifically for the refurbishments of the campus and in particular the creation of a conference centre. The Investment Fund was created following the approval of the Board in November 2006 for the upgrade and development of curricula and training materials and other projects to improve the overall capacity of the Centre.

2. STATED ACCOUNTING POLICIES

2.1. General accounting policies

The general accounting policies and reporting practices applied by the Centre reflect the requirements of the Financial Regulations of the Centre as adopted by the Board of the Centre. Other than for fixed assets as described in note 2.3 i), they conform to the United Nations System Accounting Standards (UNSAS).

The Financial Statements comprise a statement of assets, liabilities, and reserves and fund balances, a statement of income and expenditure and changes in reserves and fund balances, a statement of cash flow and a statement of appropriations.

2.2. Significant accounting policies

The following significant accounting policies have a material effect on the results reported in the Financial Statements.

a) The financial period of the Centre is a calendar year.

b) The Centre's Financial Statements are prepared according to the historical cost accounting convention and have not been adjusted to reflect the effects of changing price levels for goods and services.

c) Income from voluntary contributions is recorded on an accrual basis and income for all activities for which the main element, such as training or consulting, has been completed by the end of the financial year is recognized in total that year. For activities that span more than one financial year, the income element is recorded in the respective years in proportion to the delivery of the activities in each of those years.

d) All expenditure, including expenditure for follow-up actions that may be performed in a future period, for activities completed by the end of the financial period is expensed or accrued in that period. Disbursements made in the financial period that relate to activities that will take place in a future period are recognized into expenditure in the year the activity takes place.

   Transactions which have been initiated at year-end and which involve a charge against the resources of the current financial period, but that have not been invoiced, are recorded as unliquidated obligation.

   For activities that span more than one financial period, the expenses are recorded in the period in which they occurred.

e) Income and expenditure are recorded and reported on a gross basis.

f) The Centre does not record contributions in kind in the accounts. The land and buildings of the Centre are provided by the City of Turin at a nominal rent. All expenses related to the improvement of the buildings of the Centre that are funded specifically for that purpose by donors are recorded as expenditure and not as capital assets.

g) Cash and deposits include term deposits maturing within a year from the acquisition date.

h) Stock of consumable supplies consists of publications held for sale and training materials and other consumable supplies held either for sale or for internal use. Stock is presented in Other Assets and is recorded at the lower of costs and net realizable value.

i) Fixed assets acquired since July 1980, except for leasehold improvements related to the buildings of the Centre, have been recorded in the accounts at cost. Fixed assets have been depreciated on a straight-line basis at rates of 20% or 10% per annum, depending on their estimated useful life. As a general rule, vehicles, office equipment and computer systems are given a five-year life, while other equipment and furniture are given a ten-year life. The capitalization of these fixed assets is a departure from the UNSAS. However, this practice reflects more accurately the cost of the use of these assets.

j) The statement of assets, liabilities and reserves and fund balances prepared at the end of the financial period does not contain provisions for termination payments made to officials upon their departure from the Centre because such payments are made by the ILO Terminal Benefits Fund, to which the Centre makes monthly contributions. Furthermore, in accordance with UN accounting practices, the Centre accrues neither for outstanding leave not taken by the end of the financial year nor for the actuarial valuation of the liability for after-service medical benefits. The Centre discloses the potential liability of these costs in notes 19 and 20 of the financial statements.

2.3. Exchange rate translation policy

a) The unit of account used in these financial statements is the euro. All transactions in other currencies are translated into euros at the United Nations Operational Rate of Exchange (UNORE) effective at the time of the transactions. Monetary balances at the end of the year are expressed in euros at the UNORE effective at 31 December.

b) Losses as a result of currency fluctuations are offset against gains during the same financial period. At the close of the financial period, if the net result is a gain, it is presented as Other Income (Currency Exchange Adjustments) and if the net result is a loss, it is presented as expenditure (Currency Exchange Adjustments).

3. CASH AND TERM DEPOSITS

General Fund

Cash and Term Deposits at 31 December comprise:

(Expressed in thousands of euros)

	2009	2008
Bank current accounts	12,010	2,178
Term deposits	-	7,014
Sub-Total	12,010	9,192
Less: Amounts held on behalf of the Italian Government	(1,954)	(2,556)
TOTAL CASH AND TERM DEPOSITS	**10,056**	**6,636**

Working Capital Fund

Cash and Term Deposits at 31 December comprise:

(Expressed in thousands of euros)

	2009	2008
Bank current account	1,865	13
Term deposit	-	1,831
TOTAL CASH AND TERM DEPOSITS	**1,865**	**1,844**

Campus Improvement Fund

Cash and Term Deposits at 31 December comprise:

(Expressed in thousands of euros)

	2009	2008
Bank current account	1,751	295
Term deposits	1,018	3,100
TOTAL CASH AND TERM DEPOSITS	**2,769**	**3,395**

The term deposits mature in March 2010.

4. ACCOUNTS RECEIVABLE

General Fund

Accounts Receivable at 31 December comprise:

(Expressed in thousands of euros)

	2009	2008
Accounts receivable other than voluntary contributions	6,175	10,123
Less: provision for doubtful accounts	(935)	(1,078)
Net accounts receivable other than voluntary contributions receivable	5,240	9,045
Voluntary contributions receivable	900	900
Net accounts receivable before balance due to the Centre by the ILO	6,140	9,945
Balance due to the Centre by the ILO	776	0
TOTAL ACCOUNTS RECEIVABLE NET	**6,916**	**9,945**

Sixty-one percent of net accounts receivable before balance due to the Centre by the ILO are 0-90 days old (2008 = 70%); 18% (2008 = 11%) are 91–360 days old; and the remaining 21% (2008 = 19%) are over 360 days old.

The Centre has reduced the provision for doubtful accounts receivable by € 92,000 (2008 = increase of € 946,000) at year end. The Centre provides for 50% of the value of all unpaid accounts receivable over one year old and 100% of the value of all unpaid debts over two years old except for amounts that have been recognised by the debtor and for which firm promises to pay have been received. During the year, the Centre wrote off € 51,000 (2008 = € 159,000) of accounts receivable which were mostly accounts receivable over three years old and which were provided for in previous years.

The balance due to the Centre by the ILO represents the net of all cash transactions to be received from the ILO. The cash transactions include training services provided to the ILO, both on and off campus, salary-related transactions, voluntary contributions from the ILO and cash settlements.

5. OTHER ASSETS

Other Assets at 31 December comprise:

(Expressed in thousands of euros)

	2009	2008
Stock of consumable supplies	306	352
Prepaid expenses and sundry advances	166	258
TOTAL OTHER ASSETS	**472**	**610**

6. FIXED ASSETS

(Expressed in thousands of euros)

	Vehicles and Office Equipment	Computer Systems	Other Equipment and Furniture	TOTAL
Cost at 01/01/2009	1,227	2,292	693	4,212
2009 additions	124	59	85	268
2009 disposals	(132)	-	(157)	(289)
Cost at 31/12/2009	1,219	2,351	621	4,191
Depreciation at 01/01/2009	917	1,700	633	3,250
2009 depreciation	138	231	16	385
2009 disposals	(132)	-	(154)	(286)
Depreciation at 31/12/2009	923	1,931	495	3,349
Net book value at 31/12/2009	296	420	126	842
Net book value at 31/12/2008	310	592	60	962

7. PAYMENTS OR CONTRIBUTIONS RECEIVED IN ADVANCE

The amount of € 5,847,000 (2008 = € 4,211,000) mainly comprises contributions for future training activities. The largest contributions in advance were received from the European Commission in the amount of € 1,757,000 (2008 = € 1,244,000), the Italian Ministry of Foreign Affairs for Project Palestine in the amount of € 952,000 (2008 = € 966,000) and from the Ministry of Labour and Social Policy of Bulgaria in the amount of € 1,578,000 (2008 = € 1,189,000).

8. UNLIQUIDATED OBLIGATIONS

The amount of € 3,156,000 (2008 = € 1,681,000) includes expenses mainly associated with training courses and advisory services, plus various accruals for fixed costs.

9. ACCOUNTS PAYABLE - OTHER

The amount of € 1,854,000 (2008 = € 5,821,000) represents amounts due to suppliers for goods received and services rendered. In 2008, it included € 1,855,000 as a net balance due to the ILO, representing staff costs and disbursements for ITC training activities incurred on behalf of the ITC at both ILO external offices and headquarters.

10. OTHER LIABILITIES

The amount of € 1,047,000 (2008 = € 230,000) is largely an amount owing to the Italian Government trust fund for eligible training activities.

11. TRANSFER (TO)/FROM OTHER FUNDS

In accordance with the approval by the Board of the Centre of an investment programme of US$ 2,310,000 for 2007-2011 at its 68th session in Turin on 2-3 November 2006, € 374,000 (2008= € 184,000) was transferred to the Investment Fund for the upgrade and development of course curricula and training materials.

12. INCOME FROM VOLUNTARY CONTRIBUTIONS

General Fund

Income from voluntary contributions for the period ending 31 December is detailed below:

(Expressed in thousands of euros)

	2009	2008
INTERNATIONAL LABOUR ORGANIZATION	2,266	2,440
GOVERNMENT OF ITALY	7,850	7,850
GOVERNMENT OF FRANCE	50	120
CITY OF TURIN	500	754
PIEDMONT REGION	400	400
TOTAL	**11,066**	**11,564**

a) The ILO contribution of € 2,266,000 (US$ 3,160,000) is one half of the approved 2008/2009 biennial contribution of US$ 6,320,000. In 2008, it was € 2,440,000 (US$ 3,160,000).

b) The Italian Government contribution to the Centre in 2009 was € 7,850,000 (2008 = € 7,850,000). This amount was received in 2009.

c) The French Government contributed and paid € 50,000 (2008 = € 120,000).

d) In 2009, the City of Turin contributed € 500,000 (2008 = € 500,000) to cover costs of major maintenance in accordance with the agreement signed between the City and the ILO. This amount had not been received as at 31 December 2009.

e) The Piedmont Region contributed € 400,000 (2008 = € 400,000). This amount had not been received as at 31 December 2009.

13. INCOME FROM REVENUE-PRODUCING ACTIVITIES AND FUNDS RECEIVED UNDER INTER-ORGANIZATIONAL ARRANGEMENTS

General Fund

(Expressed in thousands of euros)

REVENUE-PRODUCING ACTIVITIES	2009	2008
GOVERNMENT OF ITALY (voluntary contribution)	3,852	7,477
GOVERNMENT OF ITALY AND OTHER ITALIAN ORGANIZATIONS (including the Ministry of Foreign Affairs and the Ministry of Labour)	1,549	2,108
EUROPEAN UNION (including the European Commission, the European Training Foundation and the European Social Fund)	4,722	2,693
BILATERAL DONORS / DIRECT TRUST FUNDS	4,988	5,567
OTHER MULTILATERAL AGENCIES	1,395	1,898
TOTAL REVENUE-PRODUCING ACTIVITIES	**16,506**	**19,743**
FUNDS RECEIVED UNDER INTER-ORGANIZATIONAL ARRANGEMENTS		
INTERNATIONAL LABOUR ORGANIZATION – REGULAR BUDGET	5,688	2,080
INTERNATIONAL LABOUR ORGANIZATION - OTHER	3,151	2,560
WORLD BANK	309	449
OTHER UN AGENCIES	1,569	1,725
TOTAL FUNDS RECEIVED UNDER INTER-ORGANIZATIONAL ARRANGEMENTS	**10,717**	**6,814**
TOTAL INCOME FROM TRAINING ACTIVITIES	**27,223**	**26,557**

A firm pledge of € 450,000 (2008 = € 600,000) was made by the Compagnia di San Paolo, which is an arm's-length organization of the Centre's bankers, the Intesa San Paolo Bank, for specific training activities. The earned portion of this pledge was recognized under revenue-producing activities.

14. MISCELLANEOUS INCOME

Miscellaneous income comprises:

(Expressed in thousands of euros)

	2009	2008
Non-training activities and services	1,170	1,271
Sundry receipts	52	81
TOTAL MISCELLANEOUS INCOME	**1,222**	**1,352**

Non-training activities and services income includes rentals and receipts from other UN organizations for the use of the Centre's facilities, income from social life activities and paying guests.

15. NET EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE

The net excess of income over expenditure of € 320,000 (2008 = € 885,000 shortfall), was increased by savings on, or cancellations of, prior period obligations of € 193,000 (2008 = € 214,000).

In accordance with Article 7 paragraph 4 of the Financial Regulations of the Centre, the Director decided to set aside for future years the amount of US$ 800,000 (€ 592,000) out of the 2006 surplus, to finance two P4 positions, together with the related operational expenses, for the years 2008 and 2009 to develop and promote activities in the fields of: a) employment and skills development; and b) migration, forced labour and human trafficking. At the 69th session, held in Geneva on 29 and 30 October 2007, the Board of the Centre approved this use of the 2006 surplus. In 2009, € 258,000 (2008 = € 14,000) was spent for this purpose, leaving an unspent balance of € 320,000 (2008 = € 578,000).

Furthermore, the officers of the Board met in Geneva on 7 March 2008 and approved additional budgetary expenditure of US$ 1,086,000 (€ 745,000) out of the 2007 surplus to improve training capabilities in the amount of US$ 437,000 (€ 300,000) and for improvement works on the campus in the amount of US$ 649,000 (€ 445,000). In 2009, a total of € 8,000 (2008 = € 82,000) was spent on improving training capabilities and € 270,000 (2008 = € 169,000) on campus improvement works, leaving unspent balances of € 210,000 (2008 = € 218,000) and € 6,000 (2008 = € 276,000) respectively.

16. CAMPUS IMPROVEMENT FUND

In December 2002, the Government of Italy made an extraordinary initial contribution to the Centre for the urgent need to adapt the buildings in order to meet security standards. During the following years, additional funds were donated in order to adapt the buildings to current security standards and to cover exceptional expenses incurred in upgrading the hotel facilities and other structures of the Centre. Currently, the funds are being used to refurbish its main conference building (Pavilion L) in order to improve its capacity and address security and safety concerns.

The contributions received and used by the Centre are detailed below:

Date of receipt of funds	Origin of funds	Amounts in euros
01 December 2002	Government of Italy	516,500
27 January 2004	Compagnia di San Paolo	25,000
16 September 2004	Piedmont Region	1,000,000
04 November 2004	SanPaolo IMI S.p.A.	83,600
07 December 2004	Government of Italy	569,500
06 September 2005	Piedmont Region	1,000,000
01 October 2006	Piedmont Region	1,000,000
13 February 2007	Compagnia di San Paolo	150,000
27 July 2007	Compagnia di San Paolo	150,000
12 February 2008	Compagnia di San Paolo	225,000
11 July 2008	Compagnia di San Paolo	225,000
27 April 2009	Compagnia di San Paolo	225,000
28 October 2009	Compagnia di San Paolo	225,000
Total contributions received		**5,394,600**
Less: Total expenses incurred		3,323,700
Add: Interest earned		351,400
Payments or contributions received in advance		**2,422,300**

At the end of 2008, a bid tender for renovation works on Pavilion L was launched and a contract of € 2,947,000 was signed. In 2009, a total of € 1,396,000 for renovation works and € 52,000 for engineering services was incurred.

17. STATEMENT OF APPROPRIATIONS

General Fund

a) Voluntary Contributions

The Italian Government contribution to the Centre in 2009 was, as planned in the budget, € 7,850,000 (2008 = € 7,850,000). This amount was paid in 2009.

The ILO contribution of € 2,266,000 (US$ 3,160,000) is one half of the approved 2008/2009 biennial contribution of US$ 6,320,000. In 2008 it was € 2,440,000 (US$ 3,160,000).

The French Government contributed € 50,000 (2008 = € 120,000), which is € 100,000 less than planned in the budget.

For 2009, the City of Turin contributed € 500,000 (2008= € 500,000).

The Piedmont Region contributed, in line with the budget, € 400,000 (2008 = € 400,000).

b) Earned Income

(Expressed in thousands of euros)

TOTAL INCOME FROM TRAINING ACTIVITIES	**Budget 2009**	**Actual 2009**	**Budget Variance**
Group training, advisory services and publications	29,000	27,223	(1,777)

c) Fixed Expenses

Fixed expenses, which include € 536,000 in expenditure funded by the 2006/2007 surplus, are € 1,325,000 lower than budget (2008 = € 1,172,000 lower).

d) Variable Expenses

The Centre's variable costs are solely related to the implementation of specific activities. The programme evolves during the budget year in accordance with funding available. The level of these costs itself thus evolves in relation to the programme of activities, just as it is subject to variations resulting from the diversity of the cost factors associated with implementation of the Centre's activities.

18. FUTURE COMMITMENTS

At 31 December 2009, the Centre had a total of € 2.2 million (2008 = € 1.8 million) in future commitments for contracts related to hardware and software maintenance, printing services and outsourced services such as cleaning of campus premises and hotel rooms, hotel reception, post office, security, catering and transport.

19. ACCRUED LEAVE AND END OF SERVICE BENEFITS

The Centre, in accordance with UN accounting practices, does not accrue either for leave not taken by the end of the financial year or for amounts due to staff on termination. At 31 December 2009, the liability for outstanding leave is estimated at € 1,911,000 (2008 = € 1,723,000) and the liability for end of service benefits is estimated at € 8,383,000 (2008 = € 7,939,000).

20. AFTER-SERVICE MEDICAL BENEFITS

On retirement, staff members are entitled, under certain conditions, to continue to benefit from the Staff Health Insurance Fund (SHIF) on paying a yearly contribution of 3.30%, plus 0.99 % for a spouse, of the pension received.

The SHIF is not fully funded by contributions and an actuarial valuation made as at 31 December 2009 estimated the liability of the Centre for after-service medical benefits at € 29,824,000 (US$ 43,036,000) for which, in accordance with UN accounting practices, no provision has been included in the accounts.

21. UNITED NATIONS JOINT STAFF PENSION FUND (UNJSPF)

The International Training Centre of the ILO is a member organization participating in the United Nations Joint Staff Pension Fund, which was established by the United Nations General Assembly to provide retirement, death, disability and related benefits. The Pension Fund is a funded defined benefit plan. The financial obligation of the Centre to the UNJSPF consists of its mandated contribution at the rate established by the United Nations General Assembly, together with any share of any actuarial deficiency payment under Article 26 of the Regulations of the 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 Fund as of the valuation date. At the time of this report, the United Nations General Assembly has not invoked this provision.

22. CONTRIBUTIONS IN KIND

The ILO provided a total of four man months of staff time free of charge, valued at € 47,000 (2008 = 4 man months, valued at € 41,000). In addition to this, it has provided legal and audit services valued at €112,000 (US$ 162,000) in 2009 (2008 = nil).

The French Government provided a total of twelve man months of staff time free of charge, valued at € 33,000 (2008 = 10.5 man months, valued at € 29,000).

The land and buildings of the Centre are provided by the City of Turin at a nominal rent. The valuation of the land and buildings has not been determined.

23. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the presentation adopted this year.

APPROVAL OF THE FINANCIAL STATEMENTS

The statements of assets, liabilities, and reserves and fund balances (Statement I), of income and expenditure and changes in reserves and fund balances (Statement II), of cash flow (Statement III), of appropriations (Statement IV) and notes to the Financial Statements (Notes 1-23) are approved.

So far as the Director is aware, there is no relevant audit information of which the Centre's external auditors are unaware, and he has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the external auditors are aware of that information.

(signed)	(signed)
François Eyraud Executive Director Turin Centre	Remedios Dungca Treasurer and Chief, Financial Services
26 March 2010	26 March 2010

Auditor General of Canada
Vérificatrice générale du Canada

INDEPENDENT AUDITOR'S REPORT

To the Board of the International Training Centre of the International Labour Organization

Report on the Financial Statements

I have audited the accompanying financial statements of the International Training Centre of the International Labour Organization, which comprise the statement of assets, liabilities, and reserves and fund balances as at 31 December 2009, and the statement of income and expenditure and changes in reserves and fund balances, statement of cash flow and statement of appropriations for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the stated accounting policies set out in Note 2 to the financial statements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the International Training Centre of the International Labour Organization as at 31 December 2009, and its financial performance and its cash flows for the year then ended in accordance with the stated accounting policies set out in Note 2 to the financial statements.

Report on Other Legal and Regulatory Requirements

As required by the *Financial Regulations* of the International Training Centre of the International Labour Organization, I report that, in my opinion, the accounting policies set out in Note 2 to the financial statements have been applied on a basis consistent with that of the preceding year.

Further, I report that, in my opinion, the transactions of the International Training Centre of the International Labour Organization that have come to my notice as part of my audit have, in all significant respects, been in accordance with the *Financial Regulations* and legislative authority of the International Training Centre of the International Labour Organization.

In accordance with Article 28 of the *Financial Regulations* of the International Training Centre of the International Labour Organization, I have also issued a detailed report on my audit of the International Training Centre of the International Labour Organization's financial statements to the Board.

Sheila Fraser

Sheila Fraser, FCA
Auditor General of Canada

Ottawa, Canada
26 March 2010

International Training Centre of the ILO

REPORT TO THE BOARD
ANNUAL AUDIT RESULTS

FOR THE YEAR ENDING 31 DECEMBER 2009

Auditor General of Canada
Vérificatrice générale du Canada

To the Board of the International Training Centre of the ILO,

On 26 March 2007, at its 298th session, the governing body of the International Labour Organization (ILO) appointed the Auditor General of Canada as the external auditor for a period of four years.

Under the Financial Regulations of the International Training Centre of the ILO (the Centre), the external auditor of the ILO is the external auditor of the Centre. In accordance with Article 28 of the Financial Regulations, a detailed report shall be issued on the audit, in addition to the Independent Auditor's Report.

The audit of the 2009 financial statements of the Centre represents our second audit as external auditor. The following report contains the results of our audit and includes observations arising from our audit of the 2009 financial statements.

We wish to express our appreciation to the Director of the Centre, his officers and members of their staff for the cooperation and assistance received during our audit. We also wish to express our appreciation to the Board and Governing body of the ILO for the support and interest shown in the work of our office.

Sheila Fraser

Sheila Fraser, FCA
Auditor General of Canada
External Auditor

Ottawa, Canada
28 May 2010

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MAIN POINTS

We expressed an unqualified audit opinion on the Centre's financial statements. In our opinion, the financial statements present fairly, in all material respects, the Centre's financial position, financial performance and cash flows in accordance with the stated accounting policies set out in Note 2 to the financial statements. We concluded that these accounting policies were applied on a basis consistent with that of the preceding year. We also concluded that the transactions of the Centre that have come to our notice as part of our audit have, in all significant respects, been in accordance with the *Financial Regulations* and legislative authority of the Centre.

Management of the Centre prepared a complete set of financial statements ready for audit by March 2010. This was quite an accomplishment for the Treasurer and her team, and it enabled us to successfully complete our audit work in March instead of July. As part of this audit, we examined the payroll system conversion and we are satisfied that the payroll information transferred is complete and accurate. We also followed-up on the management letter that was issued after the 2008 audit and we are satisfied with the initiatives taken by management. While we do not plan to issue a management letter related to the 2009 audit, we have discussed opportunities to strengthen financial controls with the Treasurer. During this year's audit, we have not identified any significant unadjusted differences.

The United Nations Task Force on Accounting Standards has recommended that the International Public Sector Accounting Standards (IPSAS) be adopted as the accounting framework for all organizations within the United Nations system. The move from the United Nations System Accounting Standards (UNSAS) to IPSAS will result in a fundamental shift in reporting. The Centre is planning to present financial statements that are fully compliant with the IPSAS in 2012 and is not planning to adopt a phased implementation. This will be a challenging task that we will continue to monitor and report to the Board of the Centre.

ABOUT THE OFFICE OF THE AUDITOR GENERAL

1. The Office of the Auditor General of Canada (OAG) is an independent audit office, a world leader in legislative and environmental auditing. We promote good financial and environmental management and sustainable development.

2. The OAG is widely involved in the activities of the Canadian, as well as the international, audit and accountancy profession. In Canada, the OAG is involved in many professional organizations, notably the Canadian Institute of Chartered Accountants which sets accounting and assurance standards. Internationally, the Auditor General is a member of the International Public Sector Accounting Standards Board, and the OAG has more than 50 years of experience collaborating with international partners in developing professional standards, capacity-building, knowledge-sharing and conducting audits of international institutions.

SCOPE AND OBJECTIVES OF THE AUDIT

3. The scope of the audit was determined in compliance with Chapter VIII of the Centre's *Financial Regulations* and in accordance with the additional terms of reference governing the external audit, which are presented in Appendix II to those Regulations.

4. An audit is an independent examination of evidence supporting the amounts and disclosures in the financial statements. It also includes an assessment of the Centre's compliance with significant authority instruments and considers whether, during the course of our examination, we have become aware of any other matters that, in our opinion, should be brought to the attention of the Board.

   The objectives of the audit were to provide an independent opinion on whether:

   - the financial statements have been fairly presented, in all material respects, in accordance with the stated accounting policies set out in Note 2 to the financial statements;
   - these accounting policies have been applied on a basis consistent with that of the preceding year; and
   - the transactions coming to our notice as part of our audit were, in all significant respects, in accordance with the *Financial Regulations* and legislative authority.

5. The audit is not designed to, and normally does not, identify all matters that may be relevant to those charged with governance. Accordingly, this report only includes those matters that came to our attention in the course of the audit.

6. No restrictions were placed on the scope of our audit, and we obtained all the information and explanations we considered necessary.

AUDIT APPROACH AND AUDITOR'S RESPONSIBILITIES

7. We conducted our audit in accordance with the International Standards on Auditing. These standards require that we plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by Management as well as evaluating the overall presentation of the financial statements.

8. When planning the audit, we update our knowledge of the Centre and its environment, the business risks it faces, how the Centre manages those risks, and its overall control environment. We update our understanding in order to plan our audit and also to determine the nature, timing and extent of audit procedures to be performed.

9. The auditor's responsibility is to express an opinion on the financial statements based on an audit thereof. An audit is performed to obtain reasonable but not absolute assurance as to whether the financial statements are free of material misstatement including those caused by fraud or error.

10. Owing to the inherent limitation of an audit, there is an unavoidable risk that some misstatements in the financial statements will not be detected (particularly intentional misstatements concealed through collusion), even though the audit is properly planned and performed.

AUDIT RESULTS

11. We confirm that the Office of the Auditor General of Canada remained independent of the Centre throughout the audit.

12. We issued an unqualified audit opinion on the Centre's 2009 financial statements. We concluded that they present fairly, in all material respects, the Centre's financial position, financial performance and cash flows in accordance with the stated accounting policies set out in Note 2 to the financial statements and that the accounting policies were applied on a basis consistent with that of the preceding year. We also concluded that the transactions of the Centre that have come to our notice as part of our audit of the financial statements have, in all significant respects, been in accordance with the *Financial Regulations* and legislative authority of the Centre.

13. In the normal course of an audit, adjustments arise that in our judgment could, either individually or in aggregate, affect the Centre's financial reporting process. In the 2009 audit we have not identified any significant adjustments as a result of the audit procedures we performed.

14. We are charged with reporting any disagreements with management over auditing, accounting, or disclose matters that could, individually or in aggregate, significantly affect the financial statements or our independent auditor's report. We are also obliged to report whether we resolved any disagreements satisfactorily. There are no such matters to report.

15. We are required to report on fraud and illegal acts involving senior management, as well as fraud and illegal acts (whether by senior management or other employees) that cause a more-than-trivial misstatement of the financial statements. We emphasize that it is management's responsibility to establish a control environment and maintain policies and procedures to help ensure the orderly and efficient conduct of the Centre's business. In determining which internal controls it will implement to prevent and detect fraud, management should consider the risk that the financial statements may be materially misstated as a result of fraud. Consistent with International Standard on Auditing, during the audit we considered the possibility that fraud or error, if sufficiently material, might affect our opinion on the financial statements. Our audit procedures did not identify any matters related to fraud and/or error that should be brought to the attention of the Board.

16. Preparing the financial statements requires the use of accounting estimates. Certain estimates are particularly sensitive due to their significance to the financial statements and the possibility that future events may differ significantly from management's expectations. The most significant estimates include the unliquidated obligations, the provision for doubtful accounts and the estimated useful lives of fixed assets. When considering the reasonableness of these estimates, we reviewed the supporting working papers and documentation, performed recalculations, and performed other such tests and procedures as we considered necessary in the circumstances. We accepted management's judgments and found them consistent with the corroborating evidence.

AUDIT COMPLETION

17. As agreed with the Centre's finance management, for the 2009 audit, we performed our year-end field work in March 2010. Although the deadline was advanced by four months, we found that the Centre was well prepared for the audit. All requested information from the audit team was ready when the team arrived and proper analyses of the 2009 accounts had been performed. This contributed to an effective and efficient audit and resulted in the substantial completion of the audit on 26 March 2010.

NEW PAYROLL SYSTEM

18. In 2009, the Centre implemented a new Payroll system (IRIS WIN Payroll system). This system has been used to process pay since September 2009. It replaced INFORMIX, which was a DOS based program.

19. We reviewed the procedures followed by management to ensure accuracy and completeness of the information converted. Based on the work performed we are satisfied that the payroll system conversion was properly performed by the Centre.

MANAGEMENT LETTER

20. We only report our most significant observations and recommendations regarding weaknesses in internal controls in our Report to the Board. While we have no significant weaknesses to report for 2009, we have identified during our audit opportunities to improve the financial controls, one of which pertains to updating internal policies that are outdated. These opportunities have been discussed with the Treasurer.

21. A management letter was issued in November 2009 for the 2008 audit. During the 2009 audit, we followed up on the observations made in this letter. As a result of the short period between the issuance of the management letter and the audit work conducted in March 2010, management was still in the process of addressing the observations made. We are satisfied with the initiatives undertaken by management.

IMPLEMENTATION OF THE INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS (IPSAS) – PROGRESS TO DATE

22. As mentioned in our Report to the Board for the audit on the 2008 financial statements, we strongly support the United Nations System's move to adopt the IPSAS. The adoption of the IPSAS will improve the quality, comparability and credibility of United Nations System financial reporting, resulting in improvements with respect to accountability, transparency and governance.

23. In February 2010, the United Nations System High Level Committee on Management removed the target of 1 January 2010 for the adoption of the IPSAS by United Nations organizations in order to provide more flexibility for organizations to comply with the new standards. We have been informed by Management that the earlier plan to have a phased implementation has now been replaced by a full scale implementation in 2012.

24. We examined the progress made by the Centre in its preparation for the transition to the IPSAS. We have been informed by Management that the following actions have been taken:

    - A list of the standards with an overall plan to address each of them was prepared.
    - In late September 2009, an external consultant was hired for a period of two months with a view to assisting the Centre in its IPSAS implementation.
    - Towards the end of November 2009, position papers on standards relating to Accrual of expenses, Revenue from exchange transactions (IPSAS 9), Revenue from non-exchange transactions (IPSAS 23) and Inventories (IPSAS 12) were prepared. The

position papers explain the differences between the prevalent standards and the IPSAS and the impacts, if any, on the organization's financial reporting.

- Based on these position papers, a session was held with the finance staff to explain the implications of these standards.

Management has also informed us that the same external consultant has been hired for the month of May 2010 to prepare a position paper on Property, Plant & Equipment (IPSAS 17).

25. Although management has prepared a list of standards to examine with an overall plan to address each of them, management should develop a timetable and a list of the different milestones. In addition, as the decisions with regards to the IPSAS will have an impact on the ILO who will have to consolidate the Centre's financial results into its financial statements, it is essential for the Centre to continue to hold discussions with the ILO on the accounting policy decisions and on the resulting reporting implications.

26. During our audit, we started to examine the position papers that were provided to us and some questions and comments on the position papers were discussed with the Treasurer. We will continue to examine the position papers that will be provided to us and to discuss them with the Treasurer during our interim work in the fall 2010. We will also continue to monitor and report on the Centre's progress in the implementation of the IPSAS.

OTHER WORK CONDUCTED AT THE CENTRE

27. As the external auditor of the Centre, we have been engaged to perform agreed-upon procedures regarding financial information related to a contract between the Centre and the European Commission. This engagement is conducted in accordance with International Standards on Related Services applicable to agreed-upon procedures engagements. In accordance with the contract two engagements are to be performed. The first engagement on the interim financial report was performed at the end of 2009 and a report on factual findings was issued in January 2010. The second engagement is planned to be performed in the summer 2010.

28. We have also been engaged to perform an audit of a Financial Status Report on a grant received by the Centre in 2008 from the World Bank. The auditor's report will conclude as to whether expenditures incurred under this grant were presented fairly, in all material respects, in accordance with the United Nations System Accounting Standards. We plan to complete this engagement during the summer 2010.

CONCLUSION

29. In summary, we are satisfied that progress is being made by the Centre in preparing for the implementation of the IPSAS in 2012. We encourage management to pursue its analysis of the impacts of the changes to the IPSAS and its cooperation with the ILO. We would like to take this opportunity to thanks the Director, Mr. Eyraud, the Deputy Director, Mr. Arrigotti, the Treasurer, Mrs. Dungca, and their staff for the excellent cooperation we received throughout the audit and we look forward to continuing our collaboration with them.