Officers of the Board of the Centre

Meeting of Officers of the Board, May 2022

FOR DECISION

Financial Statements and External Auditor's Report

for the year ended 31 December 2021

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Financial report on the 2021 accounts

Introduction

1. These financial statements are prepared in accordance with Article 14 of the Financial Regulations of the International Training Centre of the International Labour Organization (the Centre) and they are submitted to the Board in accordance with Article 17. The External Auditor's report on the audit of the Centre's 2021 financial statements, in addition to the Independent Auditor's Report, is also submitted to the Board of the Centre in accordance with Article 27 of the Financial Regulations.

2. The 2021 financial statements have been prepared in accordance with the International Public Sector Accounting Standards (IPSAS). Financial statements prepared under IPSAS recognize the general operations' voluntary contributions for which there are no conditions when receipt is probable and the amount is known. Contributions relating to training and consultative services that have conditions are recognized as revenue when these services are delivered by the Centre. Expenditure are recognized when goods and services are received or delivered, rather than when they are paid. Employee benefits relating to accumulated leave, repatriation shipment and travel are recognized in the financial statements as they are earned by the Centre's officials, rather than when they are paid.

3. The implementation of IPSAS has no impact on the preparation of the budget, which is still presented on a modified accrual basis. As the basis and scope of the budget and the financial statements differ, reconciliations between the IPSAS Statement of budget and actuals and the Statements of financial performance and cash flow are presented in Note 16 to the financial statements.

4. The Centre was established by the Governing Body of the ILO and the Government of Italy in 1964. The Centre is governed by a Board chaired by the Director-General of the ILO. The Board has 33 members, 24 of whom are appointed by the Governing Body of the ILO. As the ILO is the controlling entity of the Centre, the Centre's financial statements are consolidated with those of the ILO.

Financial Highlights of 2021

5. The results presented below are those of the financial year 2021, a year during which the Centre continued to face challenges as a result of the COVID-19 pandemic that started in early March 2020. The Centre continued to hold its training activities mostly using online modalities with intermittent teleworking arrangements for staff. This has resulted in a significant growth in the level of enrolments of participants to its training activities and its efforts to further increase its non-training services to constituents has been successful.

6. While the Centre is still in a transition period whereby few activities have yet to be held on the Turin campus, it is actively working towards the implementation of a new business model as approved by the Board and thus the work undertaken in the 2020-21 biennium is in preparation of the implementation of the new Strategy for 2022-25. In 2021, the overall number of participants enrolled in its training activities increased by more than 127%, far exceeding its targets. The number of activities, whether training or non-training, also increased by more than 60% with a higher overall Contribution to Fixed Costs (CFC), thus resulting in one of the best years in the Centre's history, as shown below:

(In thousands of Euro)

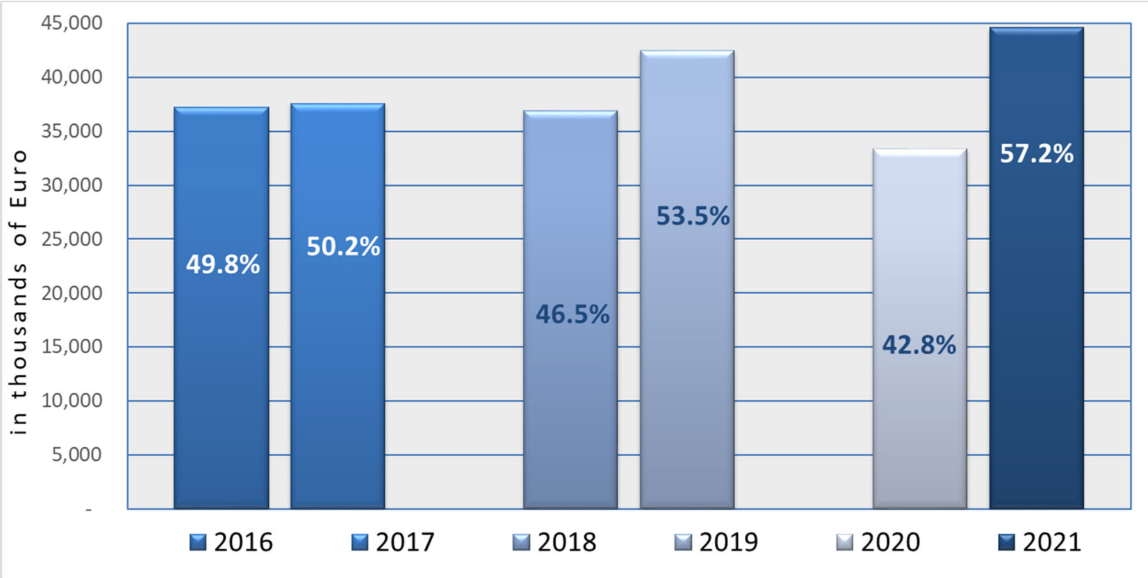
	2021	2020	2019	2018
Revenue	44 604	33 395	42 464	36 917
Expenditure	37 463	32 205	41 252	36 931
Net IPSAS surplus (deficit)	**7 141**	**1 190**	**1 212**	**(14)**
Assets	49 989	39 772	40 265	37 134
Liabilities	25 442	22 301	23 942	21 874
Net assets	**24 547**	**17 471**	**16 323**	**15 260**
Budget surplus	**3 325**	**2 087**	**2 138**	**950**

The IPSAS-based 2021 surplus amounts to €7.141 million and incorporates the total financial results of all Funds of the Centre whereas the budget surplus of €3 325 million includes the results of the General Fund only. The difference is explained by:

- the difference in the depreciation expenditure for assets expensed prior to 2012 as a result of the conversion to IPSAS of €268 000;
- the use of past surpluses of €92 000 recognized in the Statement of Budget and Actuals only;
- the unrealised foreign exchange gain of €928 000 recognized in the Statement of Financial Performance;
- the net surplus of funds in the Campus Improvement Fund, the Italian Trust Fund, the Innovation Fund as well as the newly created Information and Communication Technology (ICT) Development Fund and Fellowship Fund of €3 256 000; and
- the inter-fund expenditure of €8 000.

7. The change in net assets from €17.471 million in 2020 to €24.547 million in 2021 is attributable to the net surplus in the Statement of Financial Performance and the actuarial loss on the employee benefit liability, as a result of an actuarial valuation of the liability on repatriation travel and removal.

Total revenue, three biennium comparison



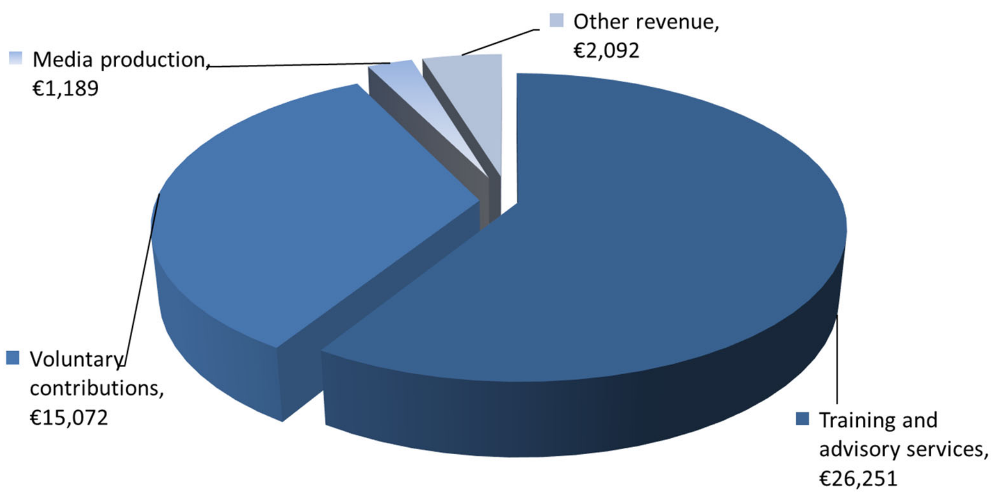
8. Prior to the 2020-21 biennium, the Centre's total revenue generally followed a pattern over a two-year cycle whereas the Centre's total revenue was higher in the second year. In 2020-21, the pattern increased further due to the start of the pandemic in March 2020, whereby the Centre's revenue were greatly affected while training modalities went from face-to-face to online learning. In 2021, as a result of the significant increase in the Centre's outreach, the revenue level increased even further, by more than 33% over the previous year, and reached an overall 57.2% of the biennium total revenue.

Financial performance

Revenue

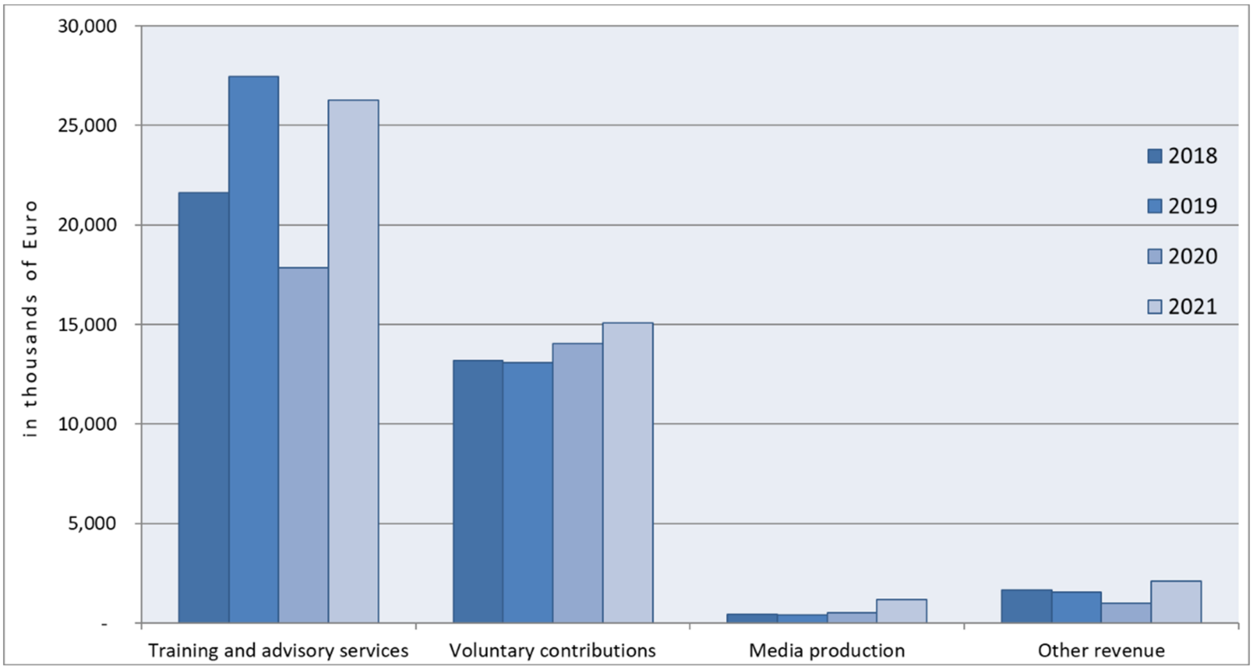
9. Revenue in 2021 totaled €44.604 million (€33.395 million in 2020) and was distributed as follows:

Revenue by source, 2021 (in thousands of Euro)



10. The two major sources of revenue, representing 92.6 per cent of total revenue (2020 – 95.4 per cent) are derived from training and advisory services as well as voluntary contributions.

Revenue sources, four-year comparison



11. Training and advisory services revenue totaled €26.25 million in 2021 as compared to €17.83 million in 2020 showing a sharp increase of €8.42 million or 47 per cent. Again in 2021, the majority of all training activities were delivered through distance learning modalities as was the case in 2020, due to the continuing impact of the pandemic. The increase was due to two reasons: a significant increase of 60% in the number of activities, going from 625 in 2020 to 1 006 in 2021, and an increase of some 127% in the total outreach of participants, going from approx. 36 500 in 2020 to some 82 800 in 2021.

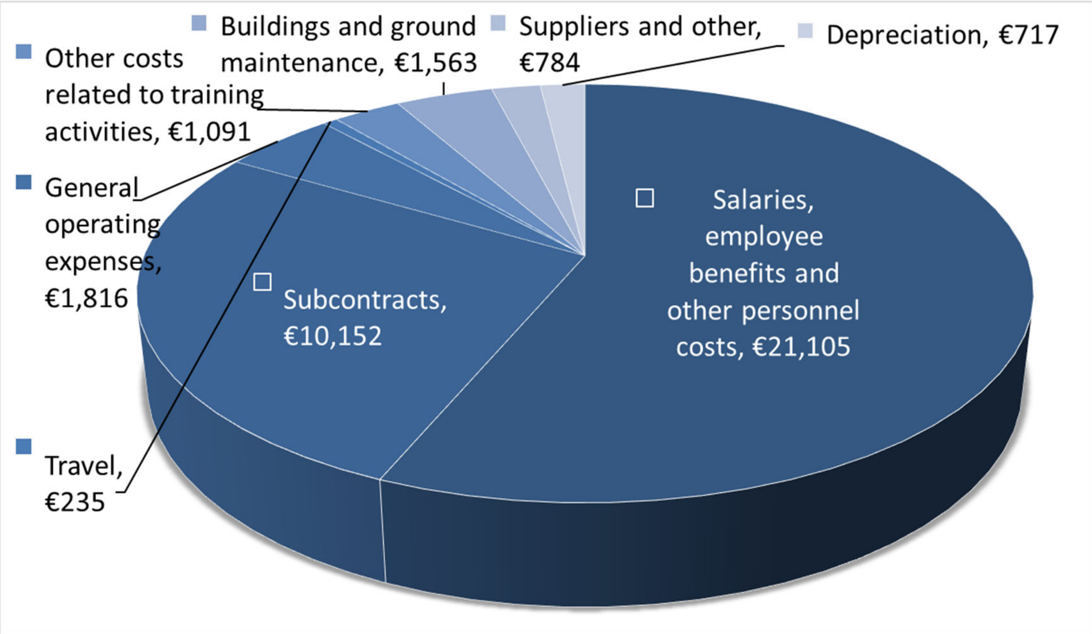
12. Voluntary contributions increased by €1.036 million in 2021 as compared to 2020. The Italian Government's ex-lege contribution of €7.85 million as well as its contribution for training activities of €1.6 million remained constant. The Centre has also received from the Government of Italy an amount of €3 million for the renovation of the Africa 10 and 11 pavilions on Campus, of which an amount of €700 000 (2020 – €126 000) was recorded as revenue. The unspent balance remains in deferred revenue. The ILO contribution of 4.483 million US dollars was the same than in 2020 and its conversion resulted in a lower revenue of approx. €332 000 due to the change in foreign exchange rate.

13. In 2021, the Centre incurred a net foreign exchange gain of €947 000 (2020 – loss of €687 000) made up of realized gains of €19 000 (2020 – €81 000 realized gains) and unrealized gains of €928 000 (2020 – €768 000 in unrealized losses).

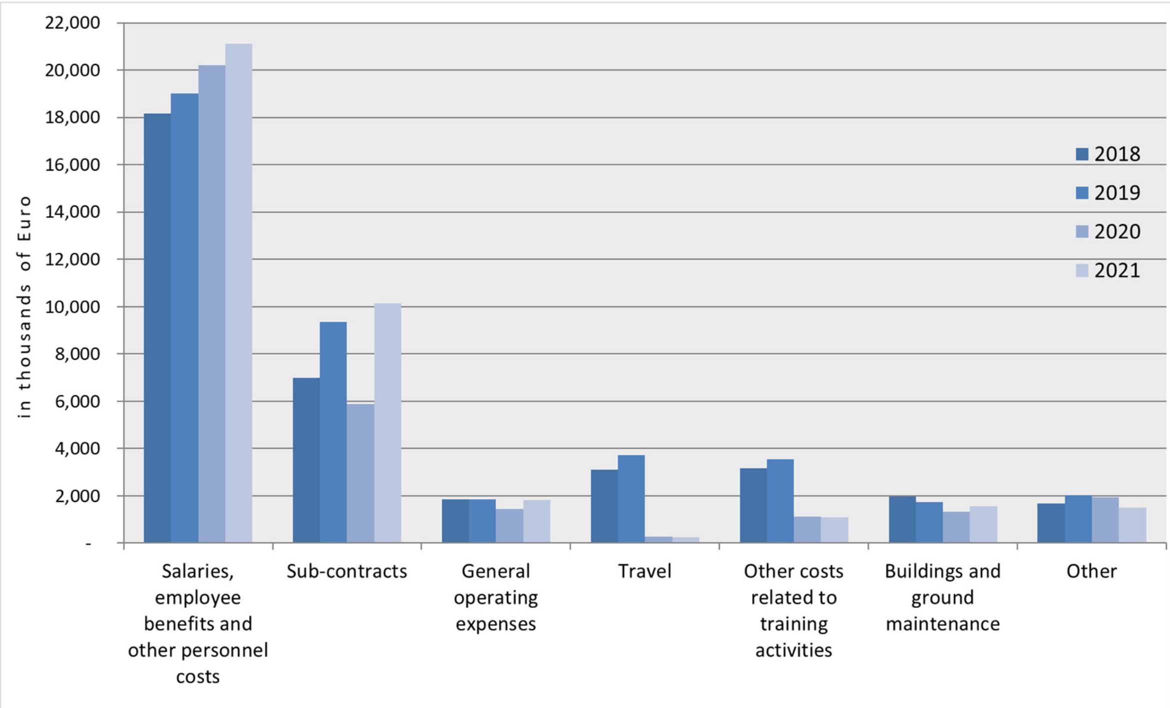
Expenditure

14. Expenditure in 2021 totaled €37.46 million (€32.21 million in 2020) and were distributed as follows:

Expenditure by source, 2021 (in thousands of Euro)



Expenditure, four-year comparison



15. Overall, expenditure increased in 2021, due to the elimination of the cost containment measures put in place in 2020. The Centre saw an increase in its training and advisory services related expenditure of some €4.81 million or 51.9% however this is still well below the budget level. With the significant increase in the related revenue, this resulted in a small decrease in the overall contribution to fixed costs ratio of 4.6%, going from 65.4% in 2020 to 62.4% in 2021, still remaining very healthy. Included in the 2021 expenditure is the After Service Health Insurance expenditure for the Centre's retirees totaling €806 000 for which the Centre also receives a matching contribution from the ILO. Some smaller increases are also noted in the service contract expenditure supporting the campus. This was the result of a lower recovery rate of the reception costs from bed nights sold, and some increased consultative support to operations.

16. In 2021, the Centre maintained its freeze on recruitment of vacant positions. It did however temporarily retain limited external services in key areas, by recruiting short-term and time-based staff. As part of the restructuring of the Centre to support the new business model, the Centre negotiated agreed termination packages with interested staff and a total of some €560,000 were absorbed within the savings in 2021.

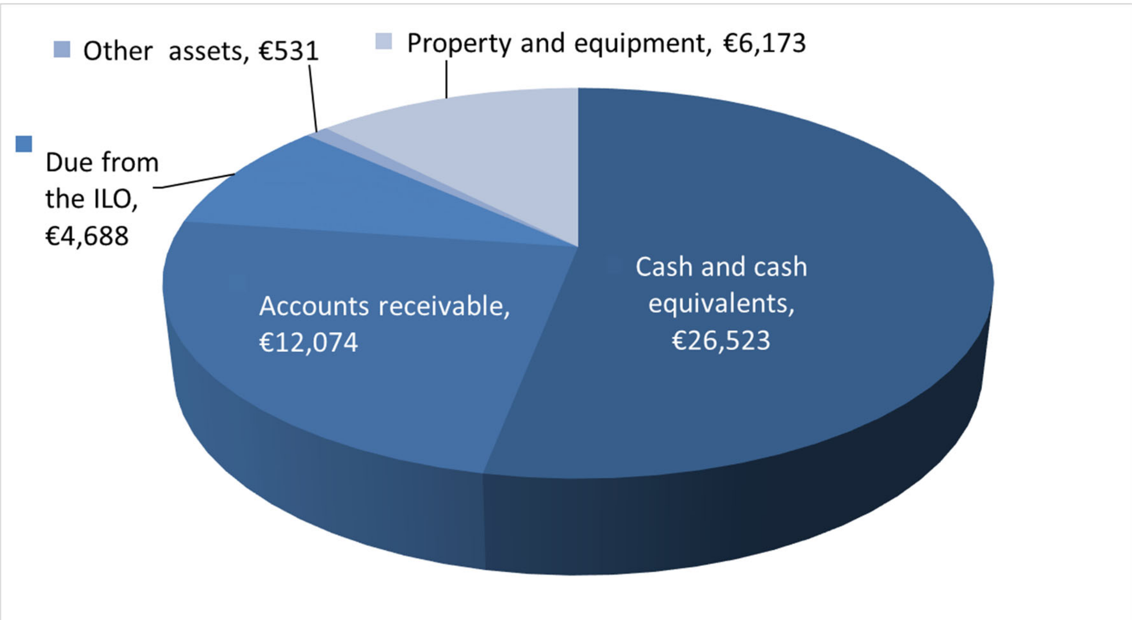
17. In order to continue funding the Terminal Benefit Fund, the Centre made an ad hoc contribution of €1 million in order to increase the available funding for future end-of-service benefits and repatriation grant payments to staff members. While the liability for these benefits stands at €10.480 million at the end of the year, it is funded to the level of €3.6 million. This additional contribution was funded from the overall expenditure savings from both staff and non-staff expenditure and is recorded under salaries, employee benefits and other personnel costs.

Financial position

Assets

18. The Centre held assets of €50.0 million as at 31 December 2021 (€39.8 million as at 31 December 2020) which were as follows:

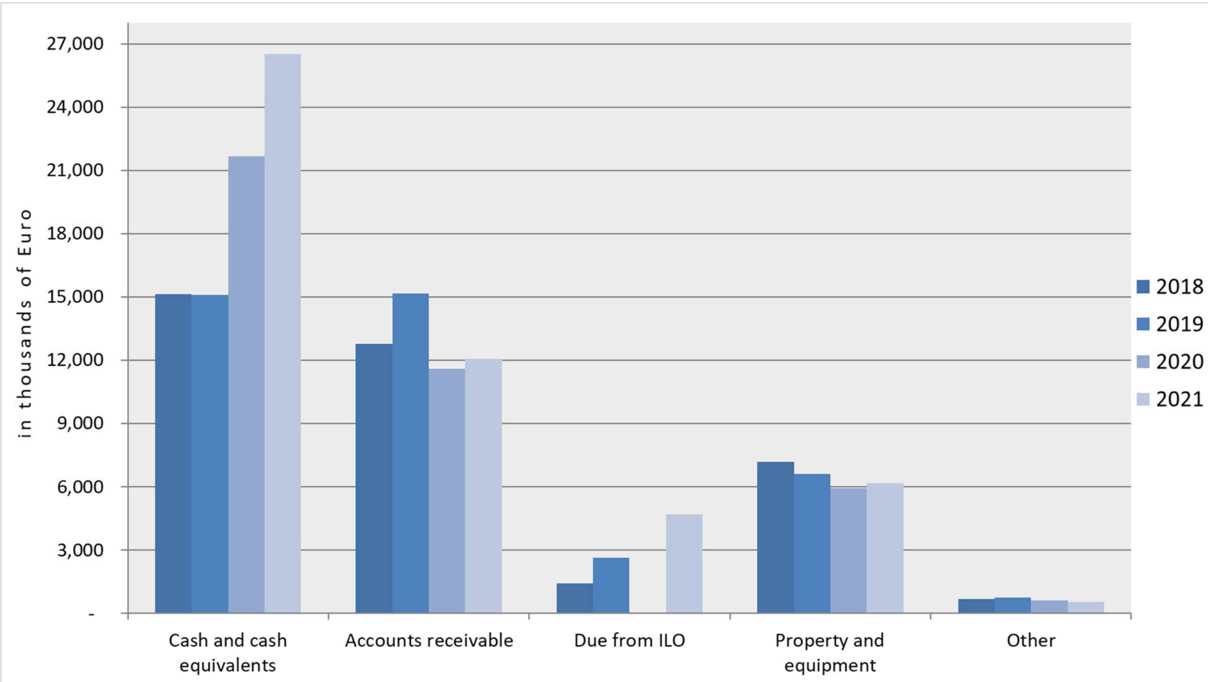
Assets by type, 2021 (in thousands of Euro)



19. As at 31 December 2021, the Centre's most significant asset was cash and cash equivalents totaling €26.52 million (€21.65 million as at 31 December 2020) and representing 53.0 per cent of the total assets. Of this amount, €7.3 million or 28 per cent corresponds to funds held on behalf of donors for training activities and the refurbishment of the Africa 10 and 11 pavilions (€6.1 million or 28 per cent as at 31 December 2020). Funds of €4.55 million (€3.3 million as at 31 December 2020) were held in the Campus Improvement Fund, the ICT Development Fund, the Innovation Fund and the Fellowship Fund.

20. Accounts receivable, the due from ILO as well as property and equipment were the other significant asset components.

Assets, four-year comparison



21. The Centre's total assets increased by €10.2 million or 25.7 per cent (€493 000 or 1.2 per cent decrease as at 31 December 2020).

22. Cash and cash equivalents have increased by €4.873 million or 22.5 per cent as at 31 December 2021 (increased by €6.5 million in 2020). Further information is provided on the Statement of Cash Flow.

23. Accounts receivable increased by some €1.9 million or 21.7 per cent (decrease of €3.8 million or 25.1 per cent as at 31 December 2020) mainly as a result of the increase of €2.1 million (decrease of €3.5 million as at 31 December 2020) in accounts receivable relating to agreements for training and advisory services held at the end of the year. There was also a decrease of €327 000 in the receivables pertaining to training services delivered, as a result of the on-going collection efforts, among others.

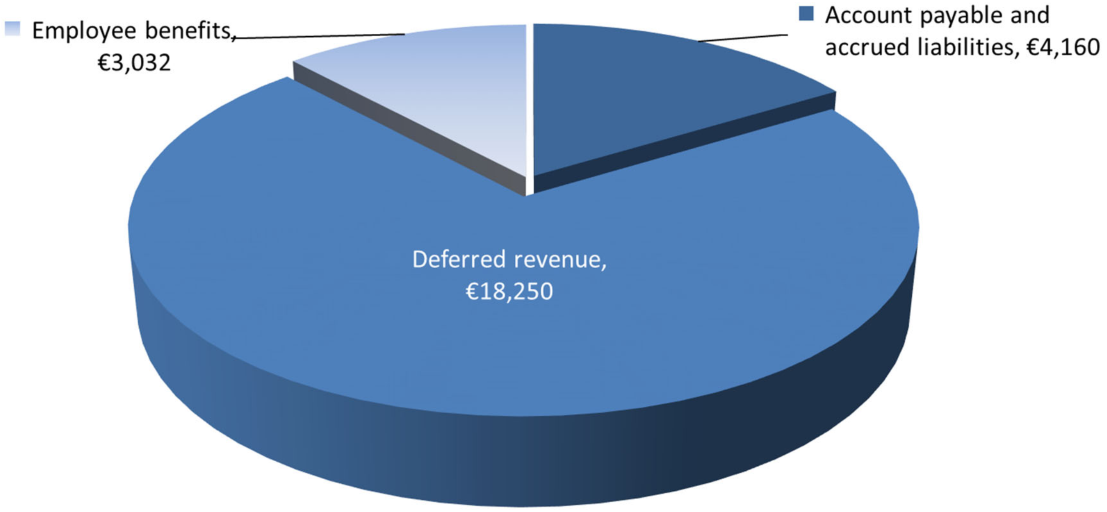
24. The receivable from the ILO increased by €5.6 million or 616.3 per cent (decrease of €3.5 million or 134.4 per cent as at 31 December 2020) and became a Due from the ILO asset in 2021. This is as a result of the high number of activities that were invoiced at year-end which accounted for some one-third of the overall activities of the Centre in 2021.

25. Property and equipment increased by €249 000 or 4.2 per cent (decrease of €681 000 or 10.3 per cent as at 31 December 2020) mainly as a result of the refurbishment work-in-progress on the Africa 10 and 11 pavilions carried out during the year which amounted to €700 000 (€126 000 as at 31 December 2020) and some other smaller purchases. There was also a full year of depreciation recorded in the amount of €717 000 (€833 000 as at 31 December 2020).

Liabilities

26. The Centre had liabilities totaling €25.4 million as at 31 December 2021 (€22.3 million as at 31 December 2020) which were as follows:

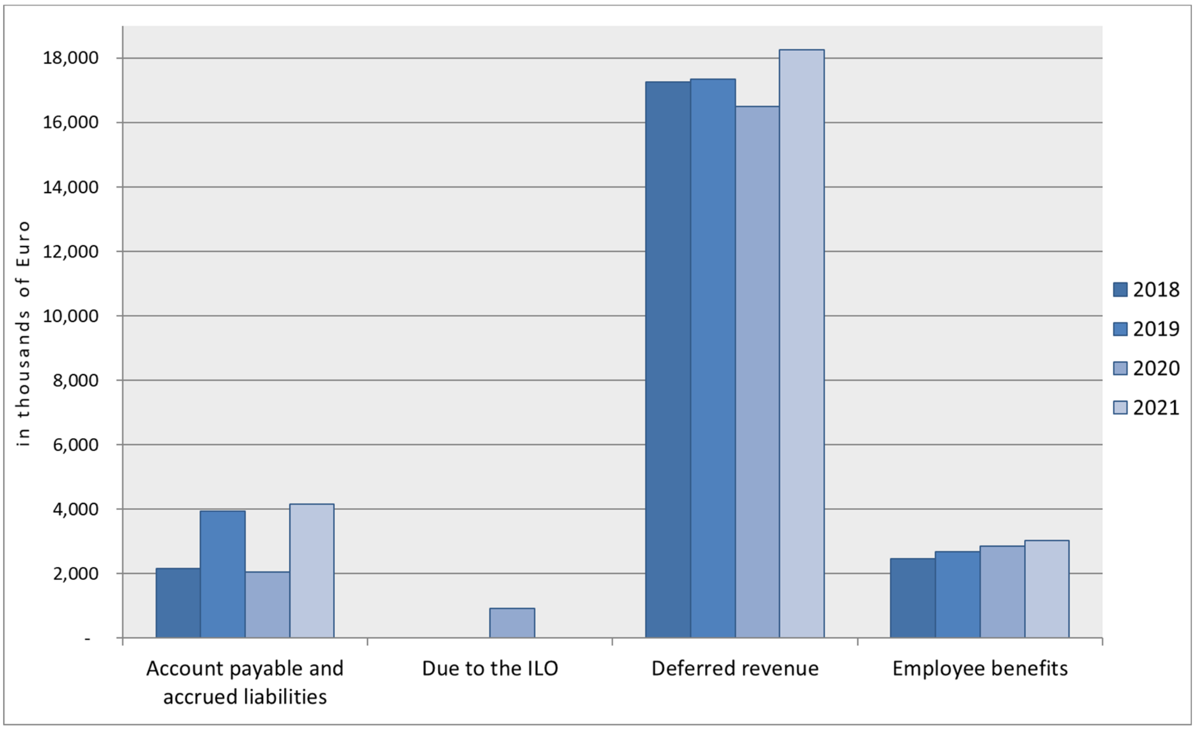
Liabilities by type, 2021 (in thousands of Euro)



27. The most significant liability totaling €18.2 million or 71.7 per cent (€16.5 million or 73.9 per cent as at 31 December 2020) relates to deferred revenue. This balance represents funds advanced by donors and sponsors for specific training and advisory services as well as other purposes, including the renovation of Africa 10 and 11 pavilions for a total of €7.3 million (€6.1 million as at 31 December 2020). This liability also includes funds receivable based on signed agreements with sponsoring agencies and other donors with respect to future training and advisory services, subject to specific performance conditions which totaled €10.9 million (€10.4 million as at 31 December 2020).

28. The employee benefits liability includes future employee benefits earned by staff while they work at the Centre and for which the liability is accrued at year-end. This includes accumulated leave as well as repatriation travel and removal entitlements.

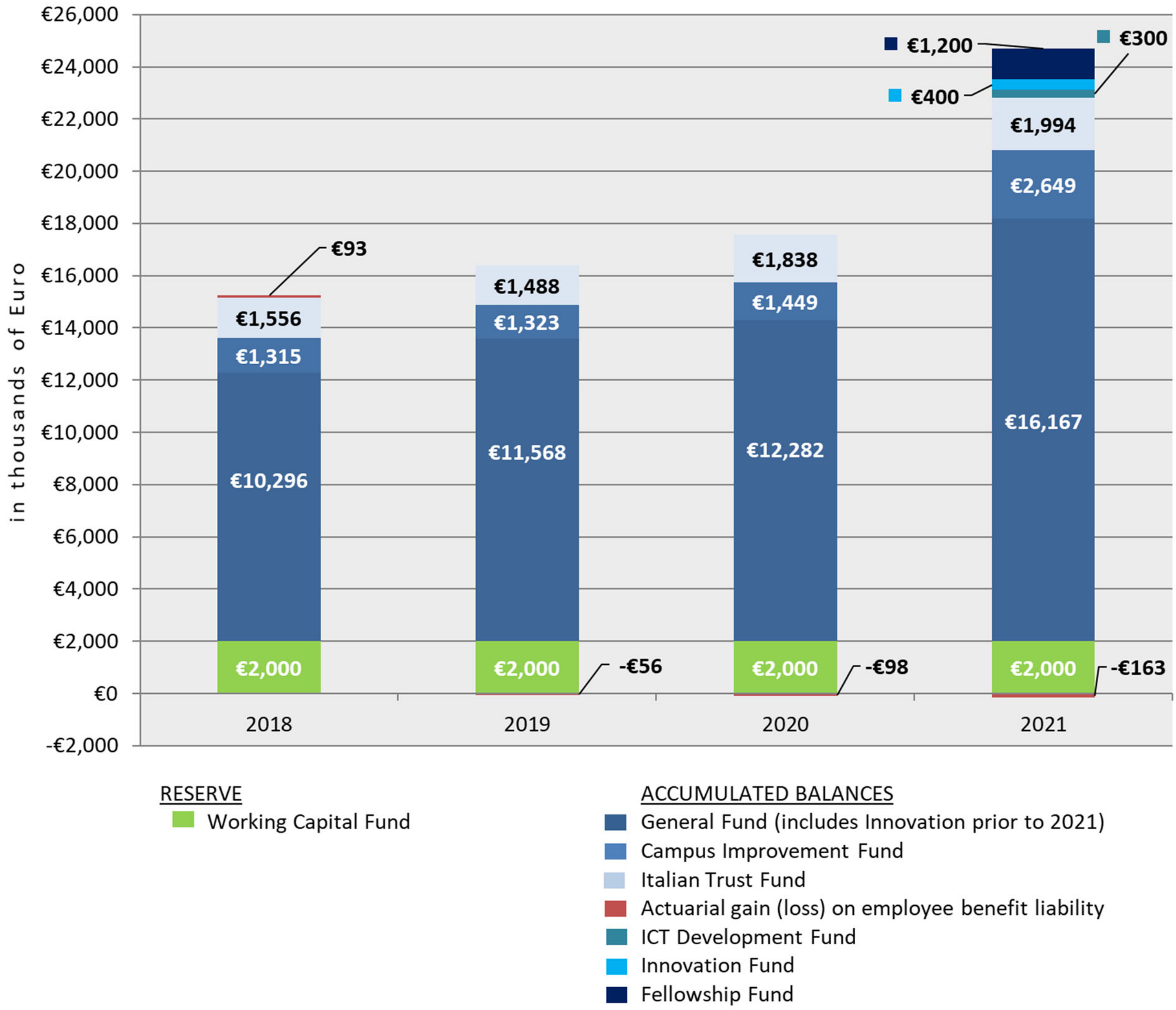
Liabilities, four-year comparison



29. Accounts payable and accrued liabilities increased by €2.1 million or 103.4 per cent (decrease of €1.9 million or 48.0 per cent as at 31 December 2020) as a result of increased levels of annual expenditure relating to training and advisory services, and other operations.

Net assets

Net assets, four-year comparison by Fund



30. The Centre's net assets include the Working Capital Fund which represents 8.1 per cent or €2 million (11.4 per cent or €2 million as at 31 December 2020) as set by the Financial Regulations.

31. Net Assets also includes accumulated balances of various other funds totaling €22.55 million (€15.5 million as at 31 December 2020). This is comprised of: the General Fund totaling €16.2 million and 65.9 per cent of the overall net assets (€12.3 million and 70.1 per cent as at 31 December 2020), the Campus Improvement Fund with €2.6 million and 10.8 per cent of the total (€1.5 million and 8.3 per cent as at 31 December 2020), the Italian Trust Fund with €2.0 million and 8.1 per cent of the total (€1.8 million and 10.5 per cent as at 31 December 2020), the Information and Communication Technology Development Fund with €300 000 and 1.2 per cent (nil as at 31 December 2020), the Innovation Fund with €400 000 and 1.6 per cent (nil as at 31 December 2020) and the Fellowship Fund with €1.2 and 4.9 per cent (nil as at 31 December 2020). Also included is the actuarial loss on employee benefits liability of €163 000 (€98 000 loss as at 31 December 2020), recorded in compliance with IPSAS.

Regular Budget

32. At its 82nd Session (October 2019), the Board approved the 2020-21 Budget Proposals consisting of total expenditure of €82.417 million including a contingency of €600 000 and total revenue of €82.417 million resulting in a balanced budget.

33. The preliminary budget results for the 2021 financial year, the second year of the 2020-21 biennium, are summarized in Statement V, with the details of voluntary contributions received from donors shown in Note 12.

34. The 2021 actual revenue amounted to €42.912 million which was made up of voluntary contributions of €12.8 million, external revenue of €30.1 million, use of past surpluses totaling €92 000 and a small realized foreign exchange gain. The actual expenditure amounted to €39.6 million including the newly approved expenditure for institutional investments of €2.4 million. The 2021 budget surplus is €3.325 million.

35. The total results for the 2020-21 biennium as shown on Statement V reveals a total budget surplus of €5.412 million which combines the 2020 budget surplus of €2.087 million and the 2021 budget surplus of €3.325 million.

Significant differences between the 2021 budget and actual amounts as presented on Statement V

(In thousands of Euro)

Line item in Statement V			Budget 2021[1]	Actual 2021	Variance Amount	Variance %
Chapter	Line					
I	10	International Labour Organization voluntary contribution	3 584	3 686	102	2.8
		ILO – ASHI for Centre retirees	–	806	806	100
I	14	City of Turin voluntary contribution	–	180	180	100
II	20	Revenue from training and advisory services	27 345	27 695	350	1.3
II	21	Revenue from media production	800	1 189	389	48.6
III	30	Past surpluses to training activities	606	92	(514)	(84.8)
IV	40	Regular budget (RB) staff	16 127	16 542	415	2.6
		After Service Health Insurance for Centre retirees	–	806	806	100
IV	41	Facilities	2 039	1 798	(220)	(10.8)
IV	44	General operating costs	811	1 007	196	24.2
IV	45	Mission and representation	285	46	(239)	(83.9)
IV	46	Governance	358	41	(317)	(88.5)
IV	48	Depreciation	602	450	(152)	(25.3)
V	50	Variable budget (VB) staff	2 499	2 967	468	18.7

[1] Budget represents 50% of the approved budget for voluntary contributions, media production revenue and related costs, other revenue and related costs, regular budget (RB) and variable budget (VB) expenditure, as well as the contingency; approximately 49.5% of the approved budget for training activities and advisory services revenue, total fixed expenditure excluding regular budget (RB) staff expenditure and depreciation, and total variable expenditure excluding variable budget (VB) staff expenditure; and approximately 40% of the approved budget for depreciation.

Line item in Statement V			Budget 2021[1]	Actual 2021	Variance Amount	Variance %
Chapter	Line					
V	51–57	Total variable expenditure	15 332	10 291	(5 041)	(32.9)
V	58	Costs related to miscellaneous revenue	105	393	288	274.3
		Institutional investments	–	2 400	2 400	100

Contributions – Chapter I

36. For the period of 2020-21, the Centre received a contribution of US$8.966 million as approved by the ILO in its 2020-21 Programme and Budget. Half of this was received in 2021. The small variance is due to a favorable exchange rate when converting the contribution. In addition, the ILO provided a contribution to cover the After Service Health Insurance expenditure for Centre retirees of €806 000.

37. The 2020 contribution from the City was received in 2021. The cash was used to cover some related maintenance costs incurred during the year.

Revenue – Chapters II and III

38. Revenue from training and advisory services totaled €27.965 million, higher by €350 000 of the original budget level for 2021. Although the distance learning unit cost for many of the training activities is well below that of face-to-face activities, the outreach results have impacted significantly the final amount of revenue earned from training activities, as the number of participants went from approx. 36 500 in 2020 to more than 82 800 in 2021, an increase of nearly 127 per cent. In addition, advisory services have also grown by 16 per cent during the year with an overall increase in the related revenues of 26.6 per cent.

39. Revenue from media production totaled €1.189 million, an increase of €389 000 or 48.6% over the annual budget. This is due mainly to the fast-growing demand for digital media and design services, communication and advocacy assignments throughout the year. The demand for such services is expected to continue growing in the future. The revenue under this line item only relates to work carried out for external parties and all revenue related to internal work carried out to support the Centre's activities is recognized under training services and advisory services revenue.

40. The use of past surpluses for training activities totaled €92 000 and this is below the budget by €514 000 or 84.8 per cent. In the activities undertaken in 2021, the Centre was able to allocate funds from other sources, where needed.

Fixed expenditure – Chapter IV

41. In 2021, certain types of expenditure were not incurred due to the pandemic and its continuing impact on the face-to-face activities, and some fixed expenditure. As a result, significant savings were made in the budget lines of missions and representation as well as governance. Due to the transition of the Centre towards a new business model, some expenditure initially planned in the 2021 budget were temporarily postponed as the new needs are defined. One such area especially affected relates to campus-related expenditure.

42. In 2021, the Centre made an additional contribution to the Terminal Benefit Fund (TBF) to ensure that the Fund is financially sustainable to cover the anticipated repatriation grant payments to professional staff and the end-of-service benefit payments to general service staff. At the end of 2021, the Fund held approximately €3.6 million in funding which is available for future disbursements. The liability as at 31 December 2021 is estimated at €10.5 million, thus showing a position of under-funding of €6.9 million. A plan is in place to achieve full funding within the next 4 biennia. The additional contribution is partially charged to Regular budget staff expenditure (approx. €820 000) for a final expenditure of €16.542 million, slightly over the budget of €16.127 million by €415 000 or 2.5 per cent.

43. As of 2021, the ILO is passing to the Centre the expenditure relating to the After Service Health Insurance for the former officials of the Centre. This is now recorded under the Centre's expenditure with no impact on the budget surplus, as it balanced by the additional voluntary contribution of the same amount, recorded under Voluntary Contributions from the ILO in the revenue section.

44. In 2021, facilities expenditure are under budget by €220 000 or 10.8 per cent. The main reason being that utilities and cleaning were lower in 2021 by approx. €217 000 or some 20 per cent, as a result of the lower number of bed nights occupied throughout the year. While the Centre sold bed nights to outside organizations and partners, these were not complemented by the similar level of 2019 bed nights sold to participants attending face-to-face training on campus. Bed nights sold in 2021 were approx. 25 000 as compared to some 50 600 bed nights sold in 2019 and on which the 2020-21 budget was largely based.

45. General operating costs increased by €196 000 or 24.2 per cent as a result of the portion of the reception cost which was not recovered through face-to-face training activities, as this forms part of the accommodation costs for every room sold. While the service level of the reception was adjusted in 2021, a significant portion still had to be absorbed under this budget line.

46. Mission, representation and governance expenditure were lower by a total of €556 000 or 86.4 per cent. The main reasons are that travel was limited throughout 2021 due to the pandemic and this included having to hold the two sessions of the Board through videoconferencing instead of in-person. In addition, in order to assist the Centre, ILO had approved in early 2020 to provide to the Centre the human resources services, Internal, Advisory and Oversight services as well as Legal services free of charge, thus resulting in some €275 000 in savings.

47. Depreciation is lower than the budget by €152 000 or 25.3 per cent as the budgeted amount anticipated a full year of depreciation for the renovation costs of the Africa 10 and 11 pavilions, which was delayed to 2022.

Variable expenditure – Chapter V

48. Variable budget staff expenditure totaled €2.967 million and is over budget by €468 000 or 18.7 per cent. This is mainly due to the additional contribution of €1.0 million made to the TBF (see paragraph 41 above), of which €180 000 was related to the variable budget staff expenditure. The Centre also paid early termination packages within this category of staff.

49. The balance of the total variable expenditure were below the budget and show a significant variance of €5.041 million or 32.9 per cent. As a result of having few face-to-face training on campus and in the field, the level of total variable expenditure is again much lower than initially budgeted, as the model supporting the 2020-21 budget was based on the majority of the training being delivered face-to-face, whereas the reality of 2021 showed that training activities were delivered mostly online. Both types of delivery modalities have very different costing structures and the expenditure to revenue ratio differs significantly.

50. Costs related to miscellaneous revenue have more than tripled when compared to the budget. This is directly linked to the significant increase also observed in the related revenue for other types of activities whereby parts of the campus training and accommodation facilities were rented throughout the year.

51. Institutional investments of €2.4 million were included in the 2021 budget expenditure, to provide preliminary funding of two new funds – the Information and Communication Technology fund as well as the Fellowship fund, and two existing funds for Innovation and Campus Improvements, as approved by the Board in October 2021.

Ex–gratia payment

52. There was one ex-gratia payment made in 2021 for an amount of €74 600.

Approval of the Financial Statements for the year ended 31 December 2021

The financial statements are the responsibility of and have been prepared by Management in accordance with the International Public Sector Accounting Standards and comply with the Financial Regulations of the International Training Centre of the International Labour Organization. They include certain amounts that are based on Management's best estimates and judgments.

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 and that overall, policies and procedures are implemented with the appropriate segregation of duties.

The financial governance of the Centre includes the review of financial systems and internal controls by the International Labour Organization's Office of Internal Audit and Oversight, the External Auditor, and by the Board. The External Auditor also provides an opinion on the Financial Statements which are appended thereto.

In accordance with Article 17.2 of the Financial Regulations, the financial statements numbered I to V and the accompanying notes are hereby approved and submitted to the Board of the International Training Centre of the International Labour Organization.

Christine Boulanger
Treasurer and Chief of Financial Services
7 March 2022

Giuseppe Casale
Director a.i.
7 March 2022

Point for decision

The Board is requested to adopt the Financial Statements as submitted in accordance with Article 17.2 of the Financial Regulations.

REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City, Philippines

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of the International Training Center (ITC) of the International Labour Organization, which comprise the statement of financial position as at 31 December 2021, and the statement of financial performance, statement of changes in net assets, statement of cash flow, and statement of comparison of budget and actual amounts for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the ITC as at 31 December 2021, and its financial performance, changes in net assets, cash flow, and comparison of budget and actual amounts for the year then ended, in accordance with International Public Sector Accounting Standards (IPSAS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) issued by the International Auditing and Assurance Standards Board. Our responsibilities under those standards are described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the ITC in accordance with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the ITC financial statements and external auditor's report for the year ending 31 December 2021, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IPSAS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free of misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the ITC's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the ITC or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the ITC's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the ITC's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ITC's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Further, in our opinion, the transactions of the ITC, that have come to our notice or which we have tested as part of our audit have, in all significant respects, been in accordance with the *Financial Regulations* and legislative authority of the ITC.

In accordance with Article 27 of the *Financial Regulations* of the ITC, we have also issued a long-form report on our audit of the ITC.

RIZALINA NOVAL JUSTOL
Chairperson, Commission on Audit
Republic of the Philippines
External Auditor

Quezon City, Philippines
08 March 2022

Financial Statements
for the year ended 31 December 2021

International Training Centre of the ILO

Statement of financial position as at 31 December
(in thousands of Euro)

	Notes	2021	2020
Assets			
Current assets			
Cash and cash equivalents	**4**	26 523	21 650
Accounts receivable	**5**	10 474	8 605
Contributions receivable	**6**	–	13
Due from the ILO		4 688	–
Prepayments		434	494
Other current assets		96	107
		42 215	**30 869**
Non-current assets			
Accounts receivable	**5**	1 600	2 972
Property and equipment	**8**	6 173	5 924
Intangible assets		1	7
		7 774	**8 903**
Total assets		**49 989**	**39 772**
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		4 160	2 045
Due to the ILO		–	908
Deferred revenue	**9**	16 877	13 747
Employee benefits	**10**	1 656	1 600
		22 693	**18 300**
Non-current liabilities			
Deferred revenue	**9**	1 373	2 742
Employee benefits	**10**	1 376	1 259
		2 749	**4 001**
Total liabilities		**25 442**	**22 301**
Net assets			
Reserve		2 000	2 000
Accumulated balances		22 547	15 471
Total net assets	**11**	**24 547**	**17 471**
Total liabilities and net assets		**49 989**	**39 772**

The accompanying notes form an integral part of these Financial Statements.

International Training Centre of the ILO

Statement of financial performance for the year ended 31 December

(in thousands of Euro)

	Notes	2021	2020 (restated – Note 21)
Revenue			
Training and advisory services		26 251	17 828
Voluntary contributions	**12**	15 072	14 036
Other revenue	**13**	2 278	1 424
Exchange gain and revaluation, net		947	–
Investment revenue		56	107
Total revenue		**44 604**	**33 395**
Expenditure			
Salaries, employee benefits and other personnel costs	**14**	21 105	20 188
Subcontracts	**14**	10 152	5 889
General operating expenditure	**14**	1 816	1 454
Travel	**14**	235	279
Other costs related to training activities	**14**	1 091	1 072
Buildings and ground maintenance	**14**	1 563	1 332
Supplies	**14**	738	437
Depreciation	**14**	717	833
Exchange loss and revaluation, net	**14**	–	687
Bank charges	**14**	46	34
Total expenditure		**37 463**	**32 205**
Net surplus		**7 141**	**1 190**

The accompanying notes form an integral part of these Financial Statements.

International Training Centre of the ILO

Statement of changes in net assets for the year ended 31 December

(in thousands of Euro)

	Reserve	Accumulated Balances								Net Assets
	Working Capital Fund	General Fund	Campus Impro-vement Fund	Italy Trust Fund	ICT Develop-ment Fund	Inno-vation Fund	Fellow-ship Fund	Actuarial gain (loss) on employee benefit liability	Total accu-mulated balances	Total
Balance as at 1 January 2021	**2 000**	**12 282**	**1 449**	**1 838**	–	–	–	**(98)**	**15 471**	**17 471**
Net surplus of 2021	–	3 885	1 200	156	300	400	1 200	–	7 141	7 141
Actuarial gain (loss) on employee benefit liabilities	–	–	–	–	–	–	–	(65)	(65)	(65)
Balance as at 31 December 2021	**2 000**	**16 167**	**2 649**	**1 994**	**300**	**400**	**1 200**	**(163)**	**22 547**	**24 547**
Balance as at 1 January 2020	**2 000**	**11 568**	**1 323**	**1 488**	–	–	–	**(56)**	**14 323**	**16 323**
Net surplus of 2020	–	714	126	350	–	–	–	–	1 190	1 190
Actuarial gain (loss) on employee benefit liabilities	–	–	–	–	–	–	–	(42)	(42)	(42)
Balance as at 31 December 2020	**2 000**	**12 282**	**1 449**	**1 838**	–	–	–	**(98)**	**15 471**	**17 471**

The accompanying notes form an integral part of these Financial Statements.

International Training Centre of the ILO

Statement of cash flow for the year ended 31 December
(in thousands of Euro)

	2021	2020
Cash flows from operating activities		
Net surplus for the period	7 141	1 190
Effect of exchange rates on cash and cash equivalents	1 005	(1 013)
Non-cash items:		
Depreciation	717	833
(Increase)/decrease in accounts receivable	(497)	3 581
Decrease in contributions receivable	13	-
(Increase)/decrease in due to / due from the ILO	(5 596)	3 548
Decrease in prepayments	60	96
Decrease in other current assets	11	12
Increase/(decrease) in accounts payable and accrued liabilities	2 115	(1 886)
Increase/(decrease) in deferred revenue	1 761	(854)
Increase in employee benefit liabilities	108	149
Net cash flows from operating activities [/1]	**6 838**	**5 656**
Cash flows from investing activities		
Acquisitions of property and equipment and intangible assets	(960)	(127)
Proceeds from disposals of property and equipment	-	–
Net cash flows from investing activities	**(960)**	**(127)**
Effect of exchange rates on cash and cash equivalents	**(1 005)**	**1 013**
Net increase in cash and cash equivalents	**4 873**	**6 542**
Cash and cash equivalents, beginning of period	21 650	15 108
Cash and cash equivalents, end of period	**26 523**	**21 650**

/1 €55 in interest received is included under "Net surplus for the period" in the net cash flows from operating activities (2020 – €119).

The accompanying notes form an integral part of these Financial Statements.

International Training Centre of the ILO

Statement of comparison of budget and actual amounts for the year ended 31 December 2021

(in thousands of Euro)

			2021 Original budget[1]	2021 Final budget	2020 Actual	2021 Actual	2021 Budget Variance[2]	2020-21 Original and Final budget	2020-21 Actual	2020-21 Budget Variance
	Item	**PART A – REVENUE**								
I		**Voluntary contributions**								
	10	International Labour Organization	3 584	3 584	4 017	3 686	908	7 168	7 703	535
		ILO – After Service Health Insurance for Centre retirees	–	–	–	806	806	–	806	806
	11	Government of Italy *(ex-lege)*	7 850	7 850	7 850	7 850	–	15 700	15 700	–
	12	Piedmont Region (Italy)	–	–	13	–	–	–	13	13
	13	Government of Portugal	250	250	250	250	–	500	500	–
	14	City of Turin	–	–	180	180	180	–	360	360
		Total voluntary contributions	**11 684**	**11 684**	**12 310**	**12 772**	**1 088**	**23 368**	**25 082**	**1 714**
II		**External revenue**								
	20	Training activities and advisory services	27 345	27 345	19 078	27 695	350	54 149	46 773	(7 376)
	21	Media production	800	800	526	1 189	389	1 600	1 715	115
	22	Miscellaneous	1 050	1 050	1 005	1 145	95	2 100	2 150	50
		Other	–	–	81	19	19	–	100	100
		Total external revenue	**29 195**	**29 195**	**20 690**	**30 048**	**853**	**57 849**	**50 738**	**(7 111)**
III		**Other**								
	30	Past surpluses to training activities	**606**	**606**	**235**	**92**	**(514)**	**1 200**	**327**	**(873)**
		Total revenue	**41 485**	**41 485**	**33 235**	**42 912**	**1 427**	**82 417**	**76 147**	**(6 270)**
		PART B – EXPENDITURE								
IV		**Fixed expenditure**								
	40	Regular Budget (RB) staff	16 127	16 127	16 786	16 542	415	32 253	33 328	1 075
		After Service Health Insurance for Centre retirees		–	–	806	806	–	806	806
	41	Consultants	534	534	276	506	(28)	1 057	782	(275)
	42	Facilities	2 039	2 039	1 798	1 819	(220)	4 038	3 617	(421)
	43	Security	468	468	401	385	(83)	927	786	(141)
	44	General operating costs	811	811	614	1 007	196	1 606	1 621	15
	45	Missions and representation	285	285	34	46	(239)	565	80	(485)
	46	Governance	358	358	82	41	(317)	709	123	(586)
	47	Information and technology costs	1 566	1 566	1 373	1 490	(76)	3 101	2 863	(238)
	48	Depreciation of property and equipment	602	602	502	450	(152)	1 192	952	(240)
		Total fixed expenditure	**22 790**	**22 790**	**21 866**	**23 092**	**302**	**45 448**	**44 958**	**(490)**
V		**Variable expenditure**								
	50	Variable Budget (VB) staff	2 499	2 499	2 405	2 967	468	4 999	5 372	373
	51	Project Budget (PB) staff	680	680	998	790	110	1 347	1 788	441
	52	External collaborators	4 981	4 981	4 528	8 147	3 166	9 864	12 675	2 811
	53	Missions	689	689	86	59	(630)	1 364	145	(1 219)
	54	Participants' costs	7 033	7 033	654	657	(6 376)	13 926	1 311	(12 615)
	55	Books, training aids and materials	586	586	200	416	(170)	1 160	616	(544)
	56	Training facilities and services outside Turin	1 172	1 172	15	137	(1 035)	2 321	152	(2 169)
	57	Other	191	191	95	85	(106)	378	180	(198)
	58	Costs related to revenue from media production	400	400	157	444	44	800	601	(199)
	59	Costs related to miscellaneous revenue	105	105	144	393	288	210	537	327
		Total variable expenditure	**18 336**	**18 336**	**9 282**	**14 095**	**(4 242)**	**36 369**	**23 377**	**(12 992)**

			2021 Original budget[1]	2021 Final budget	2020 Actual	2021 Actual	2021 Budget Variance[2]	2020-21 Original and Final budget	2020-21 Actual	2020-21 Budget Variance
		Institutional Investments expenditure	–	–	–	**2 400**	**2 400**	–	**2 400**	**2 400**
VI	60	**Contingency**	**300**	**300**	–	–	**(300)**	**600**	–	**(600)**
		Total expenditure	**41 426**	**41 426**	**31 148**	**39 587**	**(1 839)**	**82 417**	**70 735**	**(11 682)**
		BUDGET SURPLUS[3]	**59**	**59**	**2 087**	**3 325**	**3 266**	–	**5 412**	**5 412**

The accompanying notes form an integral part of these Financial Statements.

/1 Original budget represents 50% of approved budget for voluntary contributions, media production revenue and related costs, other revenue and related costs, regular budget (RB) and variable budget (VB) staff expenditure, as well as the contingency; approximately 50.5% of the approved budget for training activities and advisory services revenue, total fixed expenditure excluding regular budget (RB) staff expenditure and depreciation, and total variable expenditure excluding variable budget (VB) staff expenditure; and approximately 60% of the approved budget for depreciation.

/2 Budget variances are explained in the accompanying financial report on the 2021 accounts.

/3 As per Financial Regulations 7(4).

The accompanying notes form an integral part of these Financial Statements.

Notes to the Financial Statements for the year ended 31 December 2021

(in thousands of Euro)

Note 1 – Objectives, activities and other information

The International Training Centre of the International Labour Organization (the "Centre") was established by the Governing Body of the ILO and the Government of Italy in 1964. The objective of the Centre, 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, is 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 are elaborated within the framework of the technical co-operation of the ILO, the United Nations System and other international organizations.

The ILO is the controlling entity of the Centre. Under the terms of the Statute of the Centre adopted by the ILO Governing Body, the Centre's funds and assets are accounted for separately from the assets of the ILO (Article VI, paragraph 6). The Centre is financed from voluntary contributions from the ILO's regular budget and the Government of Italy and from revenues earned by providing training services. With the ILO as the controlling entity of the Centre, the financial statements of the Centre are consolidated within the ILO's financial statements. Should the Centre be dissolved, the Governing Body of the ILO has the authority under the Statute (Article XI) to dispose of the Centre's assets and remaining funds.

The Centre is governed by a Board chaired by the Director-General of the ILO. The Board has 33 members, 24 of whom are appointed by the Governing Body of the ILO. Two meetings of the Board are convened in the year. The members of the Board do not receive any remuneration from the Centre for their services. Every second year, at its October meeting, the Centre adopts its programme and budget in accordance with the Centre's Financial Regulations on the recommendation of the members of the Board. Under Article 17 of the Centre's Financial Regulations, the Officers of the Board, as delegated by the Board, adopt the financial statements in May.

The accounts of the Centre, which are produced on an annual basis, are audited by the External Auditor of the ILO.

The Centre is based in Turin, Italy. In accordance with the complementary agreement on the privileges and immunities of the Centre with the Italian government, the Centre is exempt from most taxes and customs duties imposed by the Italian government.

Note 2 – Accounting policies

Basis of Preparation and Presentation

The financial statements of the Centre have been prepared on the accrual basis of accounting in accordance with International Public Sector Accounting Standards (IPSAS) and fully comply with all the applicable standards effective as at 31 December 2021.

The Centre's financial period for budgetary purposes is a biennium consisting of two consecutive calendar years. The financial statements are prepared annually.

The functional and presentation currency of the Centre is the Euro (€).

The financial statements are expressed in thousands of Euro (€) unless otherwise indicated.

Significant accounting policies

Foreign currency transactions

Transactions carried out during the financial period in currencies other than the Euro are converted using the United Nations operational rate of exchange in effect on the date of each transaction. These rates approximate the market rates.

Balances of monetary assets and liabilities maintained in currencies other than the Euro are converted to Euro at the United Nations operational rate of exchange applicable at the reporting date, which approximates the market rate. Exchange differences arising on the settlement of monetary items and unrealized gains or losses from the revaluation of monetary assets and liabilities are recognized as exchange gain (loss) and revaluation, net in the Statement of financial performance.

Balances of non-monetary assets and liabilities carried at historical cost are converted using the United Nations operational rate of exchange at the date of the transaction.

Financial instruments

Financial assets and financial liabilities are categorized as follow:

Assets/Liabilities	Classification	Measurement
Cash and cash equivalent	Cash and cash equivalent	Fair value through surplus and deficit
Accounts receivable	Loans and receivable	Amortized cost
Contributions receivable	Loans and receivable	Amortized cost
Accounts payable and accrued liabilities	Financial liabilities	Amortized cost

The fair value of cash and cash equivalents is determined using quoted prices in active markets for identical assets (Level 1).

Recognition and initial measurement

A financial asset or a financial liability is recognized on the Statement of Financial Position when, and only when, the Centre becomes a party to the contractual provisions of the instrument. The Centre initially measures the financial asset or financial liability at its fair value.

De-recognition

A financial asset is de-recognized from the Statement of Financial Position when, and only when, the contractual rights to the cash flows of the financial asset expire or are waived. A financial liability is de-recognized when, and only when, it has been extinguished.

Impairment

At the end of the reporting period, an assessment of impairment of financial assets is carried out. Impairment provisions are recognized in general operating expenditures on the Statement of performance if objective evidence exists that a financial asset's carrying value has decreased.

More specifically for accounts receivable and contributions receivable, the Centre establishes a provision for doubtful accounts based on its review of individual balances to determine if any amounts are impaired. When all collection efforts have been exhausted, the account is written-off.

Cash and cash equivalents

This includes cash in banks and short-term deposits maturing within three months from the date of acquisition.

Accounts receivable

These result mainly from training and advisory activities, as well as multimedia services and other miscellaneous sources of revenue. They are recognized when it is probable that they will be received and can be reliably measured.

Contributions receivable

Contributions receivable relate to voluntary contributions to cover general operations and are recognized when it is probable that they will be received and can be reliably measured.

Due from/to the ILO

The Centre has an inter-office current account with its controlling entity, the ILO, to record transactions due from and to the ILO. This includes the ILO's voluntary contribution for general operations, staff costs and disbursements for training activities incurred by the ILO, both in the ILO's external offices or headquarters, on behalf of the Centre, as well as remittances made by the Centre to the ILO. The exchange net balance due from, or due to, the ILO is reflected in the Statement of financial position.

Property and equipment

This is comprised of equipment and leasehold improvements that are measured at historical cost and depreciated on a straight line basis over their useful lives, as follows:

Class	Estimated useful life (years)
Vehicles	5
Office equipment	5
Other type of equipment	10
Furniture and fixtures	10
Leasehold improvements	Lower of 15–30 and term of lease

Deferred revenue

Deferred revenue represents funds received or receivable based on signed agreements with training participants and their sponsoring agencies in respect of future training activities and advisory services that are subject to specific performance conditions. They are recognized as revenue when the Centre's performance obligation in providing the related services is fulfilled. Agreements providing for amounts to be received in 12 months or longer from the reporting date are recognized as non-current liabilities and are discounted using a discount rate based on high grade corporate bonds.

Employee benefits

The Centre recognizes the following categories of employee benefits:

1. short-term employee benefits: these benefits fall due within twelve months after the end of the financial year in which employees render the related service and include the following:

    - accumulating leave: accumulating compensated absences, such as annual leave and compensatory time, are recognized as expenditure and liabilities as they are earned by employees. In accordance with Staff Regulations, officials earn annual leave of 30 working days per year. Officials may accumulate up to 60 working days that are payable on separation from service. The value of leave payable as at the reporting date is calculated by multiplying the actual number of days accumulated by each staff member by the staff member's base salary plus post adjustment for eligible professional staff and base salary and language allowance for general services staff. The non-current portion of the liability is not discounted as the impact is not material;
    - non-accumulating leave: non-accumulating compensated absences, such as sick leave and maternity leave, are recognized as an expenditure when the absence occurs;
    - home leave: in accordance with Staff Regulations, non-locally recruited officials are entitled to reimbursement for the costs of travel to their home country in the second year after their initial appointment and thereafter every second year. A liability exists related to the value of home leave entitlements that have been earned by officials but not taken at the reporting date. The value of home leave earned and payable at the reporting date has been calculated on the basis of the last year's cost of home leave adjusted for price increases in airfare; and
    - other benefits: other employee benefits are expensed as part of payroll and a liability is recorded at year-end if an amount remains unpaid. They include non-resident allowance, family allowance, post adjustment allowance, education grant, and language allowance.

2. post–employment benefits:

- Repatriation travel and removal expenditures

  Officials, their spouses and dependent children are entitled to reimbursement of costs of travel and transport of personal effects upon termination. The liability is estimated by an independent actuary using the Projected Unit Credit Method. Interest and current service costs are recognized in the Statement of Financial Performance as a component of salaries, employee benefits and other personnel costs. Actuarial gains and losses arising from the changes in actuarial assumptions or experience adjustments are recognized directly in net assets;

- Repatriation grant and end-of-service payments

  In accordance with Staff Regulations, officials in the General Services category are entitled to an end-of-service payment on separation or on promotion to the Professional category or above. Non-locally recruited officials are entitled to a grant on separation from service if they have completed at least five years of continuous service outside their home country. The liability is estimated by an independent actuary using the Projected Unit Credit Method and is disclosed in the notes to the financial statements.

  The Centre does not recognize any liability for end-of-service payments and repatriation grant. In March 1980, the ILO Governing Body decided that starting on 1 July 1980, the payments related to end-of-service and repatriation grant made to the Centre's staff, would be charged to the ILO's terminal benefits account and that monthly contributions would be made by the Centre to the ILO. As there is no formal agreement for charging the net defined benefit costs to the Centre, the Centre accounts for the end-of-service payments and repatriation grants on a defined contribution basis. Apart from paying direct contributions to the ILO, which is expensed on an ongoing basis, a liability is recognized only if the monthly contribution to the ILO in respect of employee services rendered remains to be paid at the reporting date.

- After-service health insurance (ASHI)

  Officials and their dependents are entitled to after-service medical benefits when they retire at the age of 55 or higher with at least 10 years of service with an agency of the United Nations System and have been a participant in the Staff Health Insurance Fund for the five years immediately preceding separation from service. The Staff Health Insurance Fund is a multi-employer defined benefit plan providing medical coverage to all staff, retirees and their dependents. The Centre is one of the participating members of that Fund. The Officials make a monthly contribution towards this Fund with matching contributions made by the participating organizations. For retirees of the Centre, the ILO, as of the year 2021, provides the Centre with a voluntary contribution equal to the annual cost incurred by the Centre for its retirees.

  The liability is estimated by an independent actuary using the Projected Unit Credit Method and is disclosed in the notes to the financial statements.

- United Nations Joint Staff Pension Fund

  Through the ILO, the Centre is a member organization participating in the United Nations Joint Staff Pension Fund (UNJSPF), established by the United Nations General Assembly to provide retirement, death, disability and related benefits to employees. The Pension Fund is a funded, multi-employer defined benefit plan. As specified 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 that participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.

The plan exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, the plan assets, and costs to individual organizations participating in the plan. The Centre, through the ILO, and the UNJSPF, in line with the other participating organizations in the Fund, are not in a position to identify the Centre'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, the Centre has treated this plan as if it was a defined contribution plan in line with the requirements of IPSAS 39 Employee Benefits. The Centre's contributions to the plan during the financial period are recognized as salaries, employee benefits and other personnel costs in the Statement of Financial Performance. The liability is disclosed in the notes to the financial statements.

Payables and accruals

These are financial liabilities that relate to goods and services that have been received but not yet paid at the end of the reporting date.

Revenue from exchange transactions

1. Other revenue: other revenue includes revenue from the short-term use of the residential and training facilities by external organizations, lease revenue from other organizations occupying the campus and other minor revenue. Revenue is recognized when the services are provided.
2. Investment revenue: investment revenue generated from currency swaps and saving accounts is recognized as it is earned, on a time proportion basis that takes into account the effective yield.

Revenue from non-exchange transactions

1. Voluntary contributions: these are provided to support the general operations of the Centre, for campus improvements and for training activities. These contributions contain no stipulations in the nature of "conditions" that require specific performance and the return of funds not used for their intended purposes. They are recognized as an asset and revenue when it is probable that the contribution will be received and if the amount can be measured reliably.
2. Goods and services–in–kind: the Centre does not recognize services-in-kind in the financial statements. Contributions of goods-in-kind are recognized at fair value at the date of receipt.
3. Training and advisory activities: agreements related to training and advisory activities are subsidized by non-conditional voluntary contributions which provide support to the Centre's operations. These agreements are considered non-exchange transactions since both parties to such transactions do not receive approximately equal direct benefit. Training and advisory activities that include restrictions on their use are recognized as revenue upon signing of a binding agreement. Agreements for which the Centre has full control and that include conditions, including the implicit or explicit obligation to return funds if such conditions are not met, are recognized as assets (accounts receivable) and liabilities (deferred revenue) upon signature of a binding agreement. The liability is

reduced and revenue is recognized based on the proportion of expenditure incurred to the estimated total expenditure of the training and advisory activities.

4. Operating leases with other UN organizations: these comprise revenue from leases with other UN organizations and their use of Centre facilities. These leases are operating leases in that they do not transfer substantially all of the risks of ownership to the lessee, and they are cancellable. Lease payments are contingent rents as they are based on costs incurred by the Centre for the area they occupy.

Contingent assets

The Centre does not recognize a contingent asset, but discloses in the notes to the financial statements details of a possible asset whose existence is contingent upon the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Centre. Contingent assets are assessed regularly to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise from voluntary contributions and training activities and that the asset's value can be reliably measured, the asset and the related revenue are recognized in the financial statements in the period in which the change occurs.

Contingent liabilities

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

A provision is recognized for contingent liabilities when the Centre has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle that obligation, and the amount can be reliably estimated. The amount of the provision is the best estimate of the present value of expenditures required to settle the present obligation at the reporting date.

Segment information

The Centre is a single purpose entity with the purpose of providing training and advisory activities that support the mandate of the ILO. On that basis, it is considered a single segment and no segment note disclosure has been presented.

Significant judgements and sources of estimation uncertainty

The preparation of financial statements in accordance with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts. Judgments and estimates that are significant to the Centre's financial statements include the useful life of property and equipment as well as the provision for doubtful accounts. Estimates are also used to calculate employee benefits. Actual results could differ from those estimates. Changes in estimates are reflected in the period in which they become known.

Depreciation of property and equipment is calculated based on the estimated useful life of the asset which represents the period over which the asset is expected to be available for use by the Centre. This is reviewed annually.

The provision for doubtful accounts is determined by assessing the probability of collection of the receivables based on the efforts already undertaken. When the probability is less than probable, the receivable is fully provisioned. It is written-off only when all practicable efforts have been made.

Significant estimates are used in the calculations of the provision for repatriation travel and removal expenditures and are based on current pricing available and the maximum shipment weight permitted under Staff Regulations. Provisions are measured by an independent actuary and includes various assumptions.

Note 3 – New accounting standards

New accounting standards effective 1 January 2021

There are no new accounting standards adopted by the Centre in the current year.

New accounting standards issued but not yet effective

For the period of 2018 to 2021 inclusively, the International Public Sector Accounting Standards Board (IPSASB) published the following new and amended standards:

- Amendment to IPSAS 36 – Long-term Interests in Associates and Joint Ventures: This amendment clarifies that the amendment to IPSAS 41 also applies to long-term interests in associates and joint ventures. The effective date for the application is for annual periods beginning on or after 1 January 2023, with earlier adoption permitted. This will have no impact on the Centre’s financial statements.
- IPSAS 41 – Financial Instruments: This new standard establishes the requirements for classifying, recognizing and measuring financial instruments to replace those in IPSAS 29, Financial Instruments: Recognition and Measurement. The effective date for the application is for annual periods beginning on or after 1 January 2023, with earlier adoption permitted. This will have no significant impact on the Centre’s financial statements.
- Amendment to IPSAS 41 – Financial Instruments, Prepayment Features with Negative Compensation: This amends the classification requirements for particular financial assets with prepayment features that may result in reasonable negative compensation for early termination of the contract and which may be eligible to be measured at amortized cost or fair value through net assets. The effective date for the application is for annual periods beginning on or after 1 January 2023, with earlier adoption permitted. This will have no impact on the Centre’s financial statements.
- IPSAS 42 – Social Benefits: This new standard defines social benefits and establishes when expenditure and liabilities for social benefits are to be recognized and how they should be measured. The effective date for the application is for annual periods beginning on or after 1 January 2023, with earlier adoption encouraged. This will have no impact on the Centre’s financial statements.
- Amendment to IPSAS 19 – Collective and Individual Services: This amends the requirements under this standard to include transactions for collective and individual services. The effective date for the application is for annual periods beginning on or after 1 January 2023, with earlier adoption encouraged and provided that IPSAS 42 – Social Benefits is adopted at the same time. This will have no impact on the Centre’s financial statements.
- Improvements to IPSAS, 2019: This comprises minor improvements to IPSAS in order to address various issues raised by stakeholders. The effective date for the application

is for annual periods beginning on or after 1 January 2023, with earlier adoption encouraged. This will have no impact on the Centre's financial statements.

Note 4 – Cash and cash equivalents

	US dollar (€ equivalent)	Euro	2021	2020
Current accounts and cash on hand	15 875	10 648	26 523	21 650
Total cash and cash equivalents	**15 875**	**10 648**	**26 523**	**21 650**

Of the total cash and cash equivalents held in 2020, €12 000 was in Euro and the balance was held in US dollars, €9 650 Euro equivalent.

The cash and cash equivalent balance includes an amount of €9 341 (2020 – €7 910) which must be used for training and advisory services and other specific purposes, including the renovation of the Africa 10 and 11 pavilions. This includes the cash and cash equivalent relating to the Italy contribution for training purposes.

Note 5 – Accounts receivable

	2021	2020
Current accounts receivable		
Accounts receivable from invoiced training services	1 272	1 599
Accounts receivable from training services agreements due in 2022	9 192	7 067
Other accounts receivable	17	16
Less: provision for doubtful accounts – training services	(7)	(77)
Total current net accounts receivable	**10 474**	**8 605**
Non-current accounts receivable		
Accounts receivable from training services agreements due after 31 December 2022	1 373	2 742
Advances to implementation agencies	227	230
Less: provision for doubtful accounts – training services	–	–
Total non-current net accounts receivable	**1 600**	**2 972**

All of the above net accounts receivable relate to non-exchange transactions.

	2021	2020
Movements in provision for doubtful accounts		
Balance 1 January	90	162
Amounts written off during the year as uncollectible	(37)	(61)
Impairment losses reversed	(53)	(92)
Increase in allowance for new impairments	7	81
Balance 31 December	**7**	**90**

Note 6 – Contributions receivable

	2021	2020
Piedmont Region	–	26
Less: provision for doubtful accounts	–	**(13)**
Total contributions receivable	**-**	**13**

The above contributions receivable relate to a non-exchange transaction.

Note 7 – Financial instruments

Activities are exposed to the following financial risks: market risk, credit risk and liquidity risk. The Centre focuses on these risks and seeks to minimize potential effects on financial performance. Financial risk management is carried out in conjunction with the Investment Policy, Financial Regulations and Risk Management Policy. In 2021, there were no changes related to the objective, policies and processes for managing these risks. There were also no changes in the risks and risk levels to those identified in 2020.

Market risk

This is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risks: currency risk, interest rate risk or other price risk.

Currency risk

This is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Centre has exposure to currency risk on transactions occurring in currencies other than the Euro, which mainly relate to US dollar transactions. This risk is managed by converting Euros into the necessary currency based on anticipated needs and upon consideration of interest rates and exchange rate forecasts. For significant amounts, the best rates are sought.

The net US dollar foreign currency exposure as at 31 December is as follows:

	2021 US Dollar	2021 € equivalent	2020 US Dollar	2020 € equivalent
Cash and cash equivalents	18 019	15 875	11 840	9 650
Accounts receivable	92	82	354	296
Due to the ILO	(938)	(827)	(3 172)	(2 585)
Accounts payables and accrued liabilities	(230)	(203)	(54)	(46)
Net exposure	**16 943**	**14 927**	**8 968**	**7 315**

Based on the net exposure as at 31 December 2021, and assuming all the other variables remain constant, a hypothetical 5 per cent change in the US dollar against the Euro would result in an increase or decrease in net results of €794 (2020 – €365) or 5 per cent (2020 – 5 per cent).

Interest rate risk

This is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Centre does not charge interest on its accounts receivable nor is it charged interest on its liabilities and does not have borrowings. However, the Centre maintains saving accounts and is therefore subject to interest rate fluctuation. The interest rate risk is not significant.

Other price risk

This is the risk that relates to fluctuations in fair value or future cash flows of financial instruments caused by changes in market price other than changes arising from interest rate risk or currency risks.

There are no outstanding equity investments at the reporting date that would expose the Centre to this risk.

Liquidity risk

Liquidity risk, also referred to as funding risk, is the risk that the Centre will encounter difficulties in meeting its financial obligations. The Centre manages liquidity risk to ensure that it will have sufficient liquidity to meet its liabilities by continuously monitoring actual and estimated cash flows.

Accounts payable are mostly due within 13 days (2020 – 14 days).

In accordance with its Financial Regulations, a Working Capital Fund is maintained which can be used to temporarily finance expenditure pending the receipt of voluntary contributions and other revenue and in exceptional circumstances, to provide advances to meet emergencies. At the reporting date, the Working Capital Fund balance was €2 million (2020 – €2 million).

Credit risk

This is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Centre is exposed to credit risk through its cash and cash equivalents, and accounts receivable.

The Centre invests surplus funds to earn investment revenue with the objective of maintaining the safety and preservation of its capital, maintain adequate liquidity to meet cash flow requirements and obtain the best available return on its investments. In accordance with its investment policy, investments are only made with institutions with a Fitch long term rating of "A" or better. If no Fitch rating is available, a minimum rating of "A" by Standard and Poor's or Moody's is required. The Centre's main banking provider is excluded from this policy due to operational requirements.

Cash and cash equivalents are diversified to several banks in order to avoid an over-concentration of funds with few institutions. The total percentage of cash, cash equivalents and investments that may be placed with a single institution is determined according to its long-term credit rating excluding the main banking service provider.

The credit rating for cash and cash equivalents are as follows as at 31 December:

2021	AAA	AA+–AA–	A+–A–	BBB+–BBB–	Total
Cash and Cash Equivalents	–	–	20 473	6 050	**26 523**
2020					
Cash and Cash Equivalents	–	–	16 800	4 850	**21 650**

Accounts receivable

The accounts receivable, due upon receipt of the invoice pertain to governments, international and United Nation organizations, supra-nationals and individuals. The maximum exposure to credit risk is represented by the carrying value of these assets.

The aging of receivables at 31 December is as follows:

2021	Less than 1 year	1–2 years	Over 2 years	Less provision for doubtful accounts	Total
Accounts receivable	10 430	51	–	(7)	10 474
Contributions receivable	–	–	–	–	–
Total receivable	**10 430**	**51**	–	**(7)**	**10 474**
2020					
Accounts receivable	8 546	127	9	(77)	8 605
Contributions receivable	13	13	–	(13)	13
Total receivable	**8 559**	**140**	**9**	**(90)**	**8 618**

Note 8 – Property and equipment

	Equipment	Leasehold improvements	Total 2021	Total 2020
Cost at 31 December	3 752	11 714	15 466	14 542
Accumulated depreciation at 31 December	3 054	6 239	9 293	8 618
Net book value at 31 December 2021	**698**	**5 475**	**6 173**	**5 924**
Net book value at 31 December 2020	**724**	**5 200**	**5 924**	

There were €2 989 in contractual commitments for the acquisition of property and equipment at the end of 2021 (2020 – nil). This was related to the refurbishment of the Africa 10/11 pavilions.

Equipment

	Vehicles	Office equipment	Other equipment	Furniture and fixtures	Total 2021	Total 2020
Cost at 1 January	5	2 081	1 357	160	3 603	3 674
Additions	–	185	–	–	185	1
Disposals	–	(36)	–	–	(36)	(72)
Cost at 31 December	**5**	**2 230**	**1 357**	**160**	**3 752**	**3 603**
Accumulated depreciation at 1 January	5	1 827	927	120	2 879	2 699
Depreciation	–	102	97	12	211	252
Disposals	–	(36)	–	–	(36)	(72)
Accumulated depreciation at 31 December	**5**	**1 893**	**1 024**	**132**	**3 054**	**2 879**
Net book value at 31 December	**–**	**337**	**333**	**28**	**698**	**724**

Leasehold improvements

The Centre is located on land and in buildings provided by the City of Turin at a nominal rent. The Covenant between the City of Turin and the ILO signed on 29 July 1964 provides the Centre with the right to refurbish and improve the buildings on the site along with the responsibility to provide routine maintenance of the buildings, park, roads and paths on the site. The City assumes responsibility for major repairs and extraordinary maintenance, while the Centre is responsible for minor routine maintenance and repairs.

The carrying value of these improvements is as follows:

	2021	2020
Cost at 1 January	10 939	10 813
Additions	75	–
Work in progress	700	126
Disposals	–	–
Cost at 31 December	**11 714**	**10 939**
Accumulated depreciation at 1 January	5 739	5 183
Depreciation	500	556
Disposals	–	–
Accumulated depreciation at 31 December	**6 239**	**5 739**
Net book value at 31 December	**5 475**	**5 200**

Note 9 – Deferred revenue

	2021	2020
Deferred revenue – Current		
Voluntary contributions received in advance relating to signed agreements	7 347	6 072
Voluntary contribution receivable relating to signed agreements	9 530	7 675
Total current deferred revenue	**16 877**	**13 747**
Deferred revenue – Non-current		
Voluntary contribution receivable relating to signed agreements	1 373	2 742
Total non-current deferred revenue	**1 373**	**2 742**
Total deferred revenue	**18 250**	**16 489**

	2021	2020
Movements in deferred revenue		
Balance 1 January	**16 489**	**17 343**
New agreements signed during the year	10 046	4 679
Recognition of deferred revenue to training revenue in the Statement of financial performance	(7 633)	(5 992)
Refund/reduction of training agreements to donors	(945)	(1 020)

	2021	2020
Variation in other funds received in advance not linked to training agreements and amounts to be refunded	(467)	2 254
Discounting	760	(775)
Balance 31 December	**18 250**	**16 489**

Note 10 – Employee benefits

	Current	Non-current	Total 2021	Total 2020
Accrued salaries	15	–	15	21
Accumulated leave and home leave	1 454	560	2 014	2 045
Repatriation entitlements	31	816	847	793
Other	156	–	156	–
Total employee benefits liabilities	**1 656**	**1 376**	**3 032**	**2 859**

Post-employment benefits

Repatriation entitlements

An actuarial valuation carried out for 2021 calculated the Centre's estimated liability for repatriation entitlements at the reporting date as described in the following paragraphs.

The liability for repatriation travel and removal expenditures is estimated based on an actuarial valuation. The Centre, jointly with the ILO, reviews and selects assumptions and methods that will be used by the actuary in the valuation to determine the expense and contribution requirements for the Centre's repatriation travel and removal expenditures.

For the 2021 valuation, the assumptions and methods used are as described below.

	2021 (%)	2020 (%)
Discount rate	0.88	0.33
Rate of future cost increases	2.20	1.40
Probability of benefit claim	98	98

The discount rate is determined by reference to the AA corporate bond yield curve of the Euro currency as at 31 December 2021 and 2020.

The following table shows the change in the present value of the defined benefit obligation during the reporting period:

	2021	2020
Defined benefit obligation, beginning of the year	**793**	**785**
Interest costs	3	5
Net benefits paid	(14)	(39)
Actuarial (gain) loss due to experience	49	38
Actuarial (gain) loss due to assumption changes	16	4
Defined benefit obligation, end of year	**847**	**793**
Statement of financial position liability, beginning of year	**(793)**	**(785)**
Total (charge) credit for interest cost and current service cost	(3)	(5)
Net benefits paid	14	39
Total (charge) credit recognized in Statement of financial performance	17	44
Total (charge) credit recognized in net assets	(65)	(42)
Statement of financial position liability, end of year	**(847)**	**(793)**

Expenses related to interest costs and net benefits paid for 2021 have been recognized in the Statement of financial performance as salaries, employee benefits and other personnel related costs. The Cumulative net actuarial loss of €65 (2020 – loss of €42) has been recognized in net assets.

End–of–service payments and repatriation grant

The total amount paid to the ILO, both for end of service payments and repatriation grant in 2021 was €699 (2020 – €721).

The present value of the defined benefit obligation for end-of-service was estimated at €8 997 (2020 – €9 012). The present value of the defined benefit obligation for repatriation grant was €1 483 at the end of 2021 (2020 – €1 350). These liabilities are recognized by the ILO in its consolidated financial statements.

The Centre currently has funded a portion of these liabilities to the level of €3.6 million as at 31 December 2021 (€2.3 million as at 31 December 2020).

United Nations Joint Staff Pension Fund

The Centre, through the ILO, is a member organization participating in the United Nations Joint Staff Pension Fund (the "Fund"), which was established by the United Nations General Assembly to provide retirement, death, disability and related benefits to employees. 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.

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 Fund. The Centre and the Fund, in line with the other participating organizations in the Fund, are not in a position to identify the Centre'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, the Centre has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 39: Employee Benefits. The Centre's contributions to the Fund during the financial year are recognized as expenses in the Statement of Financial Performance.

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 Fund will be sufficient to meet its liabilities.

The Centre's financial obligation to the Fund consists 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 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 0.16 per cent was contributed by the Centre.

During 2021, contributions paid to the Fund amounted to €4 349 (2020 – €4 436). Expected contributions due in 2022 are approximately €4 788.

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 at www.unjspf.org.

After-service health insurance plan (ASHI)

The liability for after-service medical benefits was estimated at €114 965 at the end of 2021 (2020 – €118 353). This liability is recognized by the ILO in its consolidated financial statements.

Note 11 – Net assets

Net assets represent the value of the Centre's assets less its outstanding liabilities at the reporting date. Net assets consist of the following elements:

1. Reserve includes the Working Capital Fund which was established in accordance with the Financial Regulations of the Centre to temporarily finance expenditures pending receipt of firmly pledged voluntary contributions and other income to be received under signed agreements. Its target level has been established at €2.0 million.
2. Accumulated balances include the following:
   - General Fund: the main operating fund of the Centre for training activities which represents the accumulated surpluses and deficits of the current and past years;
   - Campus Improvement Fund: established to meet capital investment needs in campus and refurbishment not covered by ordinary maintenance budgets or host country complementary contributions;
   - Italy Trust Fund: established to receive funds from the Italian government for training activities;
   - Information and Communication Technology (ICT) Development Fund: established to provide for periodic investments in Information and Communication Technology infrastructure and software renewal that are not part of the normal operating expenditure;
   - Innovation Fund: established to promote innovation in learning and knowledge-sharing tools, develop new training activities in response to emerging ILO policies and invest in other innovative actions deemed beneficial to the Centre;
   - Fellowship Fund: established to provide for partial participation by constituents in the Centre's activities and enhance its tripartite character;

- Employee benefit liability: represent the impact on changes in actuarial gains and losses.

Note 12 – Revenue from voluntary contributions

	2021	2020
Government of Italy	10 150	9 576
International Labour Organization	4 492	4 017
Government of Portugal	250	250
City of Turin (Italy)	180	180
Piedmont Region (Italy)	–	13
Total voluntary contributions	**15 072**	**14 036**

The ILO contribution of €3 685 (US$4 483) represents one half of the approved 2020-21 biennial contribution of US$8 966. The ILO also contributed €806 (US$959) to cover the costs of After Service Health Insurance for Centre retirees.

The Italian Government's ex-lege contribution to the Centre in 2021 was €7 850 (2020 – €7 850) and was received in 2021. The Italian Government's contribution for training activities in 2021 was €1 600. The Italian Government also made a contribution of €3 000 for the renovation of the Africa 10 and 11 pavilions on Campus. Of the total contribution, an amount of €700 is recorded as revenue from voluntary contributions, representing the work-in-progress carried out on the pavilions (2020 – €126). The unspent balance of €2 164 is recorded under deferred revenue (2020 – €2 864).

Note 13 – Other revenue

	2021	2020
Non-exchange transactions		
Cost recoveries from other UN organizations	337	305
Use of facilities other than residential	635	268
Other miscellaneous revenue	29	225
Exchange transactions		
Use of residential facilities by non-participants attending training	88	91
Revenue from media production services	1 189	526
Social life activities	–	9
Total other revenue	**2 278**	**1 424**

Note 14 – Expenditure

The Centre has the following main categories of expenditure as presented in Statement II:

- **Salaries, employee benefits and other personnel costs**: this includes all entitlements for active officials of all grades as authorized by the Staff Regulations, staff training, internships, the payments made by the Staff Health Insurance Fund on behalf of former officials of the Centre and their dependants, and other staff-related costs. This also includes the current period interest and current service costs relating to the staff-related entitlement liabilities.
- **Sub-contracts**: this includes expenditure relating to externally provided services for the delivery of outputs as well as the medical service.
- **General operating expenditure**: this includes security services, communication, service contracts, training related licenses, internal removals, among others.
- **Travel**: this includes expenditure relating to official travel of Board members, officials of the Centre and participants attending activities.
- **Other costs related to training activities**: this includes training-relating costs such as residential costs, subsistence at the Centre, training aids and supplies, and university taxes, among others.
- **Buildings and ground maintenance**: this includes utilities, cleaning and maintenance of buildings and grounds.
- **Supplies**: this includes consumables used in the Centre's day-to-day operations including publications, computer and printer supplies, software licenses as well as equipment and intangible assets that do not meet the capitalization policy.
- **Depreciation**: this includes the depreciation costs of leasehold improvements and equipment as well as amortization of intangible assets.
- **Exchange differences and revaluation**: this includes realized and unrealized foreign exchange gains and losses as well as revaluation gains and losses.
- **Bank charges**: this includes fees and charges incurred in banking transactions.

Note 15 – Commitments, leases and contingent liabilities

A potential liability exists relating to a contract with a third party. It is possible that the Centre will incur an actual financial liability by the occurrence of one or more future events which are not wholly within the control of the Centre. As the Centre is not currently in a position to reliably measure the amount of the financial liability that may result from this, no liability or expenditure is recognized in the financial statements.

The Centre has one pending legal case before the ILO Administrative Tribunal. As the final outcome is not yet known, no provision has been recorded.

At 31 December 2021, the Centre had commitments of €2 570 (2020 – €1 737) for contracts related to future services such as hardware and software maintenance as well as outsourced services such as the cleaning of the campus.

All leases entered into by the Centre as a lessee relate to equipment rental and use of software and are cancellable operating leases. Total expenditures for equipment rental were €19 (2020 – €14) and €286 (2020 – €106) for software licenses.

The Centre, acting as a lessor, has cancellable cost recovery agreements with United Nations Interregional Crime and Justice Research Institute (UNICRI) and the United Nations System Staff College (UNSSC). Revenue generated under these leases totaled €337 (2020 – €305).

Note 16 – Statement of comparison of budget and actual amounts

The Statement of financial position (Statement I), Statement of financial performance (Statement II), Statement of changes in net assets (Statement III) and Statement of cash flow (Statement IV) include all funds while the Statement of comparison of budget and actual amounts (Statement V) includes only the General Fund for which a budget is adopted by the Centre.

The budgetary basis is not the same as the basis used for the Statement of financial performance:

1. the use of surplus from prior periods is presented as budgetary income in Statement V while it is not presented on Statement II;
2. the basis of accounting for income related to the Italy Trust Fund and the ILO grants for the Masters Programmes is not the same in Statement II and Statement V. In Statement V, income related to the Italy Trust Fund and the ILO grants for the Masters Programmes is recognized as income from training activities as funds are utilized for training activities. In Statement II, they are recognized as voluntary contributions in the year to which these contributions relate if it is probable that these contributions will be received and if the amounts can be measured reliably; and
3. the unrealized exchange gains (losses) due to revaluation at year-end are not included in Statement V however they are recognized in Statement II.

The basis of accounting for depreciation and information and technology costs are not the same in Statement II and Statement V. In Statements V, depreciation of assets previously expensed and capitalized in 2011 and prior years are not reflected.

Reconciliation between Statement V and Statement IV

	Operating	Investing	Financing	Total
Net budget surplus (Statement V)	**3 325**	–	–	**3 325**
Timing differences	–	–	–	–
Basis differences	(1 668)	(960)	–	(2 628)
Entity differences	3 248	–	–	3 248
Net cash flow	**4 905**	**(960)**	–	**3 945**
Effect of exchange rates on cash and cash equivalent	928	–	–	928
Net increase (decrease) in cash and cash equivalent (Statement IV)	**5 833**	**(960)**	–	**4 873**

Reconciliation between Statement V and Statement II

Net budget surplus (Statement V)	**3 325**
Timing differences	–
Basis differences	(360)
Entity differences	4 176
Net surplus per Statement of financial performance (Statement II)	**7 141**

Use of surplus funds

In accordance with Article 7, paragraph 4 of the Financial Regulations, the Director can include the whole or part of the financial surplus at the end of any completed financial period in a future budgetary proposal, for a limited number of priorities or use it as an increase in the accumulated reserves of the General Fund.

The following table summarizes the remaining balances from the allocations of the 2010, 2013, 2014, 2015 and 2016-17 surpluses. There are no remaining funds available from the allocations of the 2011 and 2012 surpluses.

	Training activities	Innovation Fund	Campus Improvement Fund				Total
			Infrastructures on campus	Business Process Review	HRS – IT applications	Total	
Allocations from 2010 surplus	500	300	650	350	–	**1 000**	**1 800**
Expenditure in 2012	(500)	(45)	–	(31)	–	**(31)**	**(576)**
Expenditure in 2013	–	(255)	–	(51)	–	**(51)**	**(306)**
Expenditure in 2014	–	–	(650)	–	–	**(650)**	**(650)**
Expenditure in 2015	–	–	–	(102)	–	**(102)**	**(102)**
Expenditure in 2016	–	–	–	(77)	–	**(77)**	**(77)**
Expenditure in 2017	–	–	–	(37)	–	**(37)**	**(37)**
Balance at 31 December 2021	**–**	**–**	**–**	**52**	–	**52**	**52**
Allocations from 2013 surplus	1 150	550	950	–	150	**1 100**	**2 800**
Expenditure in 2015	(228)	(123)	–	–	(33)	**(33)**	**(384)**
Expenditure in 2016	(796)	(385)	–	–	(50)	**(50)**	**(1 231)**
Expenditure in 2017	(126)	(33)	(33)	–	(18)	**(51)**	**(210)**
Expenditure in 2018	–	(9)	(95)	–	(20)	**(115)**	**(124)**
Balance at 31 December 2021	**–**	**–**	**822**	**–**	**29**	**851**	**851**
Allocations from 2014 surplus	**286**	–	**100**	–	–	**100**	**386**
Expenditure in 2017	(286)	–	–	–	–	**–**	**(286)**

	Training activities	Innovation Fund	Campus Improvement Fund				Total
			Infrastructures on campus	Business Process Review	HRS – IT applications	Total	
Balance at 31 December 2021	**–**	**–**	**100**	**–**	**–**	**100**	**100**
Allocations from 2015 surplus	**693**	–	**694**	–	–	**694**	**1 387**
Expenditure in 2017	(355)	–	(575)	–	–	**(575)**	**(930)**
Expenditure in 2018	(338)	–	–	–	–	–	**(338)**
Balance at 31 December 2021	**–**	**–**	**119**	**–**	**–**	**119**	**119**
Allocations from 2016-17 surplus	**1 200**	300	–	–	–	–	**1 500**
Expenditure in 2018	(201)	(91)	–	–	–	–	**(292)**
Expenditure in 2019	(598)	(150)	–	–	–	–	**(748)**
Expenditure in 2020	(235)	(39)	–	–	–	–	**(274)**
Expenditure in 2021	(92)	(8)	–	–	–	–	**(100)**
Balance at 31 December 2021	**74**	**12**	**–**	**–**	**–**	–	**86**

Note 17 – Contributions–in–kind

There were no goods-in-kind received during the year. The Centre received services-in-kind for services of trainees from various external parties for which the value is minimal as well as various services-in-kind from the ILO, which varies from year to year. The land and buildings of the Centre are provided by the City of Turin at a nominal rent including facilities constructed with funds provided by various donors.

Note 18 – Contingent assets

	2021	2020
ILO contribution	8 404	3 654
Government of Italy – Centre's operations	7 850	7 850
Funding agreements related to activities	1 100	1 350
Total contingent assets	**17 354**	**12 854**

Note 19 – Related party transactions

The ILO is the controlling entity of the International Training Centre. The ILO made the following contributions to the Centre:

	2021	2020
General operations	4 492	4 017
Training activities	19 037	13 224
ASHI contribution for former employees	806	804
End–of–service benefits	537	912
Staff costs of ILO staff members assigned to Centre	125	71
Internal audit, legal and HR services	210	220
Total related party transactions	**25 207**	**19 248**

All other transactions between the ILO and the Centre occur within the normal supplier and client/recipient relationship.

Key management personnel of the Centre are the Director and the members of the Management Team. The Board consists of representatives of member States of the ILO Governing Body, and a member each from the Italian Government, City of Turin, Piedmont Region and the Unione Industriale of Turin, who serve without compensation.

The aggregate remuneration paid to key management personnel includes salaries and benefits established in accordance with Staff Regulations and approved by the Board. Key management personnel are members of the UN Joint Service Pension Fund (UNJSPF) to which the personnel and Centre contributes and are also eligible for participation in the Staff Health Insurance Fund (SHIF) including the After Service Medical Insurance if they meet the eligibility requirements in the SHIF Regulations and Administrative Rules. Both the SHIF and the UNJSPF are defined benefit plans.

During the reporting period, salaries and benefits in the following amounts were paid to key management personnel:

	2021		2020	
Category	Full-time equivalent	Total remuneration	Full-time equivalent	Total remuneration
Key Management	7.3	1 457	8.0	1 527

There were no loans or advances granted to key management personnel and their close family members which were not available to other categories of staff in accordance with Staff Regulations.

Note 20 – Capital management

The Centre defines the capital that it manages as the aggregate of its net assets, which is comprised of accumulated fund balances. The objectives in managing capital are to safeguard its ability to continue as a going concern, to fund its asset base and to fulfil its mission and objectives as established by its member States and donors. The overall strategy with respect to capital management includes balancing the costs of its operating and capital activities which can extend over multiple financial periods with its funding from voluntary contributions and revenue earned from its training activities.

The Centre manages its capital structure in light of global economic conditions, the risk characteristics of the underlying assets and working capital requirements and reviews on a regular basis the actual project expenditures against the budgets approved by donors providing project funding.

Note 21 – Reclassifications

In Statement II – Statement of financial performance for the year ended 31 December, two amounts have been reclassified in the comparative figures of 2020: €29 previously under the line item Salaries, employee benefits and other personnel costs has been reclassified to the line item Supplies, and €43 previously under the line item Other costs relating to training activities has been reclassified to General operating expenditure.

Note 22 – Subsequent event

In March 2020, the World Health Organization decreed a worldwide pandemic due to the coronavirus (Covid-19). This situation is in constant evolution and the measures put in place by the Prime Minister of Italy as well as worldwide governments will have a multitude of economic impact on the world. Management is monitoring the situation and has put in place various mitigating actions to lower risks identified as a result of the pandemic. Any impact will be accounted for when it will be known and can be estimated.

Report of the External Auditor to the Board on the audit of the Financial Statements of the International Training Centre of the International Labour Organization for the year ended 31 December 2021

REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City, Philippines

To the Delegated Officers of the Board of the International Training Centre of the International Labour Organization:

We have the honour to transmit the Report of the External Auditor on the Financial Operations of the International Training Centre of the International Labour Organization for the financial year 2021.

Our report as External Auditor of the Centre contains the results of our audit of the 2021 financial statements, and our observations and recommendations on the review of the Centre's asset management system. Value-adding recommendations were communicated and discussed with Management to further enhance efficient and effective management of the Centre.

Our audit was conducted in accordance with the International Standards on Auditing. We addressed the matters relative to the review of the Centre's financial statements that came to our attention during the audit that we believe the Board of the Centre should be aware of. We will be pleased to elaborate on any of these key matters during the 2022 meeting of the Board.

We wish to express our appreciation for the cooperation and assistance extended to our auditors by the Centre's key officials and their staff, and for the support and interest in our work as External Auditor by the Centre's Board.

Yours sincerely,

RIZALINA NOVAL JUSTOL
Chairperson, Commission on Audit, Republic of the Philippines
External Auditor

Quezon City, Philippines
08 March 2022

Commission on Audit
Office of the Chairperson
22-149303251217

Republic of the Philippines
COMMISSION ON AUDIT
Quezon City

Report of the External Auditor to the Board on the Financial Operations of the International Training Centre of the International Labour Organization

For the Financial Year Ended 31 December 2021

REPORT OF THE EXTERNAL AUDITOR ON THE FINANCIAL OPERATIONS OF THE INTERNATIONAL TRAINING CENTRE OF THE INTERNATIONAL LABOUR ORGANIZATION FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

Contents **Page**

LIST OF ACRONYMS

FINSERV	Financial Services
FIS	Facilities and Internal Services
HRS	Human Resources Services
IAASB	International Auditing and Assurance Standards Board
ICT	Information and Communication Technology
ICTS	Information and Communications Technology Services
ILO	International Labour Organization
IT	Information Technology
IPSAS	International Public Sector Accounting Standards
ISA	International Standards on Auditing
ITC	International Training Centre
P&B	Programme and Budget
P&E	Property and Equipment
SG	Société Générale
TC	Travel Claim
TOR	Terms of Reference

EXECUTIVE SUMMARY

Introduction

1. This Report of the External Auditor on the audit of the financial operations of the International Training Centre (ITC), also referred hereto as the Centre, of the International Labour Organization (ILO) is issued pursuant to Chapter IX of the Financial Regulations of the Centre. It contains the results of the audit on the financial statements for the financial year ended 31 December 2021 and the observations with respect to the administration and management of the Centre as required under Regulations IX.25.

2. This report is prepared by the Chairperson of the Commission on Audit of the Republic of the Philippines as External Auditor of the Centre. The general objectives of the audit are to provide independent assurance on the fairness of presentation of the financial statements to its Members and stakeholders, to help increase transparency and accountability, and to support the objectives of the Centre's work through the external audit process. The Report discusses in detail the financial and governance matters that the External Auditor believes should be brought to the attention of the Board of the Centre.

Overall results of the audit

3. In line with our mandate, we audited the financial statements of the Centre in compliance with the Financial Regulations and in conformity with the International Standards on Auditing (ISA) issued by the International Auditing and Assurance Standards Board (IAASB).

4. Our audit resulted in the issuance of an unmodified audit opinion[1] on the Centre's financial statements for the financial year ended 31 December 2021. We concluded that the financial statements present fairly, in all material respects: (a) the financial position of the Centre as at 31 December 2021; (b) its financial performance; (c) the changes in net assets; (d) its cash flows; and (e) the comparison of budget and actual amounts of its expenditures for the said year in accordance with International Public Sector Accounting Standards (IPSAS). We commend the Centre's Management for consistently achieving an unmodified audit opinion.

5. We also concluded that the accounting policies were applied on a basis consistent with that of the preceding year, and that the transactions of the Centre that have come to our notice during the audit or that have been tested as part of the audit of the financial statements are, in all significant respects, in compliance with the Financial Regulations and legislative authority.

6. In line with Financial Regulation IX.25, we provided Management with recommendations that are designed to support the objectives of the Centre's work, to reinforce its accountability and transparency, and to improve and add value to the Centre's financial management and governance. For the financial year 2021, we conducted a review of asset management carried out by the Centre with the aim of assessing the Centre's policy, strategy,

[1] Unmodified audit opinion – Under ISA 700, this is an opinion expressed by the auditor when the auditor concludes that the financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework. This is the new terminology that replaced "unqualified" or clean opinion.

and actions in managing its assets in terms of their life stages, i.e. procurement, safeguard and maintenance, and disposal.

7. The review was conducted taking into account the basic requirement of governance, i.e. accountability, risk management, and internal control. Based on our review, we concluded that the Centre's policy, procedures, guidelines and strategies were generally aligned with such requirements of governance and its elements. We nevertheless presented some recommendations for improvement of asset management policy. As to procurement, we pointed out some enhancements with regard to the establishment of a procurement manual, incorporating procurement planning and expanded responsibilities of the Contracts Committee. We also pointed out the importance of having a harmonized and integrated asset register to further advance the Centre's asset safeguard and maintenance. While for disposal, we found the Centre's policy, procedures and guidelines along the processes of asset disposal sufficient and that proper controls are in place in order to manage any anticipated risks, and such controls were noted to be operating as intended.

Summary of recommendations

8. We provided recommendations which were discussed in detail in this Report, the salient points of which were as follows:

Audit of financial statements

Cash and equivalents

a. **ensure compliance with the maximum limit per deposits and investments set per financial institution to harmonize its actual practice with the established policy and to continue properly managing the risks, (i.e. concentration risk and market risk) involved in its investment management. In the alternative, when the current environment should require, revisit its policy on the fund limits and make the necessary adjustments, to consider the needs of the Centre in consonance with the present time (Para. 32);**

Missions

b. **ensure compliance with the policy on the accomplishment of travel authorization forms by properly specifying the actual purpose or objectives of the travel including the required codes to facilitate proper charging of travel expenditure and to enhance review and monitoring activities, all to ensure further strengthening of the internal control measures and accountability over the Centre's financial transactions on missions (Para. 40);**

c. **consider reminding the concerned staff to comply with the submission of travel claims to further lessen the incurrence of delays that may impact the timely reporting of the related expenditures in the financial statements (Para. 41);**

Subcontracts

d. **improve compliance on the processing of contracts by ensuring that all are: (a) signed by both parties before the contract start date or the start of the specified work; and (b) include with the signature, the date on which the parties signed the agreement, in order not to expose the Centre to the risk of External Collaborator taking legal action for higher amounts for work done in case the contract is not properly signed and dated (Para. 47);**

Review of asset management

Asset management policy

e. **facilitate the roll out of the planned revised policy on asset management, not only to align the Centre's processes to the challenges and requirements of the present time but also to establish a more robust asset management process (Para. 57);**

f. **consider in the revised policy on asset management including the responsibilities and accountabilities of the staff assigned with particular groups of assets to further promote accountability over its assets (Para. 58);**

Procurement

g. **prepare a Centre-wide Procurement Manual incorporating all the current and existing policies, guidelines, and procedures pertaining to procurement, and embodying the principles of accountability by emphasizing clarity of roles and responsibilities, performance monitoring and reporting, and the highest standards of integrity and ethical conduct (Para. 66);**

h. **institutionalize the procurement planning process as part of the Centre's policies and procedures in order to promote the principles of best value for money, economy and efficiency; as well as achieve quality and cost effectiveness in its procurement process (Para. 73);**

i. **consider expanding the current responsibilities of the Contracts Committee to include in its scope the conduct of technical and financial evaluations, instead of delegating this to the requisitioning units, in order to ensure proper segregation of duties, an essential element of control and accountability (Para. 80); and**

Safeguarding and maintenance of assets

j. **pursue its plan to establish a harmonized and integrated asset register which will support the needs of each unit involved in asset management, streamlining the overall process to achieve economy, efficiency, and consistency in asset management (Para. 86).**

Implementation of External Auditor's recommendations in prior years

9. We appreciate the actions taken by the Centre's Management in the implementation of prior years' external audit recommendations. We note however that there are some older recommendations still outstanding due to the pandemic and limited resources, which will be addressed in priority. We recommend that Management consider allocating additional resources to complete the implementation of the audit recommendations made in previous financial years. This is to promote accountability over the financial and operational business processes of the Centre.

10. We highlight the status of the implementation of all outstanding recommendations from prior years in Appendix I - Status of the Implementation of the External Audit Recommendations.

A. MANDATE, SCOPE AND METHODOLOGY

Mandate

11. The Chairperson of the Commission on Audit of the Republic of the Philippines was appointed as the External Auditor of the ILO for the 75th and 76th financial periods, with the appointment to commence on 01 April 2016 for a period of four years[2]. Under Financial Regulation IX.24, the External Auditor of the ILO is also the External Auditor of the Centre. The mandate was further extended for another four years by the ILO Governing Body at its 334th session for the 77th and 78th financial periods, covering the period 01 January 2020 to 31 December 2023.

12. As the External Auditor, we are mandated to issue a report on the audit of the financial statements for each calendar year, which shall include necessary information regarding matters referred to in Financial Regulation IX.25. We shall submit a report, together with the audited financial statements and relevant documents, which shall include such information as we deem necessary in the circumstances. The Board of the Centre shall examine the financial statements and the audit reports.

Scope and objectives

13. Our audit is an independent examination of the evidence supporting the amounts and disclosures in the financial statements. This includes the assessment of the accounting principles used and significant estimates made by the Centre, and the overall presentation of the financial statements. It also includes an assessment of the Centre's compliance with Financial Regulations and legislative authority.

14. The primary objectives of the audit are to provide an independent opinion on whether the:

a. financial statements present fairly the financial position of the Centre as at 31 December 2021, the results of its financial performance, the changes in its net assets,

[2] GB 323/PFA/6

the cash flows of the Organization and the comparison of its budget with actual amounts of expenditures are in accordance with IPSAS;

b. accounting policies as set out in Note 2 to the financial statements were applied on a basis consistent with that of the preceding financial year; and

c. transactions that have come to our notice or that we have reviewed as part of the audit, comply in all significant respects with the Financial Regulations and legislative authority.

15. We also conducted a review of the Centre's operations pursuant to Financial Regulation IX.25 in order to identify issues with respect to the efficiency of the financial procedures, the accounting system, the internal financial controls, and in general, the administration and management of its operations. For the financial year 2021, we reviewed the asset management of the Centre with the objective of assessing the Centre's policy, strategy, and actions in managing its assets in terms of the life stages of the assets (Procurement, Safeguard and Maintenance, and Disposal).

16. Overall, our audit was carried out in line with the Audit Plan presented to the Board on 25 October 2021 and is intended to provide independent assurance to the Members of the Board, reinforce transparency and accountability in the Centre, and support the objectives of the Centre's work through the external audit process.

Methodology and auditor's responsibilities

17. We conducted our audit in accordance with ISA. These standards require that we plan and perform our audit to obtain reasonable assurance that the financial statements are free from material misstatements. The audit includes examining evidence supporting the amounts and the disclosures in the financial statements on a test basis. The audit also includes assessing the accounting principles used and the significant estimates made by Management as well as evaluating the overall presentation, structure and content of the financial statements. We adopted the Risk-based Audit Approach in the audit of the financial statements which requires us to conduct a risk assessment to identify all possible material misstatements in the financial statements and the related assertions, based on an understanding of the entity and the environment within which it operates.

18. Our responsibility is to express an opinion on the financial statements based on the results of the audit. An audit is performed to obtain reasonable assurance, not absolute assurance, as to whether the financial statements are free from material misstatements caused by either fraud or error.

19. We communicated with the Board of the Centre, who is charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during the audit. We also reported the audit results to the Centre's Management in the form of audit observation memoranda and management letters containing detailed observations and recommendations. This practice provides a continuing dialogue with Management.

20. We coordinated planned audit areas with the Chief of the Office of Internal Audit and Oversight to avoid unnecessary duplication of efforts and determined the extent of reliance that could be placed on the latter's work as required under the ISA.

Management responsibilities

21. Management is responsible for the preparation and fair presentation of the financial statements in accordance with IPSAS and such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing the Centre's ability to continue as a going concern. Those charged with governance are responsible for overseeing the Centre's financial reporting process.

B. AUDIT RESULTS

22. This section presents the results of the audit for the financial year 2021. It covers matters that in our opinion should be brought to the attention of the Board of the Centre. We afforded the Centre's Management the opportunity to comment on observed Centre's operation weaknesses in our audit observation memorandum to ensure balanced reporting. The recommendations provided to Management are designed to support the objectives of the Centre's mandate, to reinforce its accountability and transparency as well as to improve and add value to Centre's financial management and governance.

B.1 Audit of financial statements

23. We audited the following financial statements of the Centre including the notes to the financial statements in accordance with ISA:

(a) Statement I. Statement of Financial Position;
(b) Statement II. Statement of Financial Performance;
(c) Statement III. Statement of Changes in Net Assets;
(d) Statement IV. Statement of Cash Flow; and
(e) Statement V. Statement of Comparison of Budget and Actual Amounts.

24. As required by the Centre's Financial Regulations, we reviewed the Centre's compliance with accounting and reporting process pertaining to Statements I-V composing the financial statements including all the accounts and their disclosures. We concluded that the transactions of the Centre that have come to our notice during the audit or that have been reviewed as part of the audit of the financial statements are, in all significant respects, in accordance with the Financial Regulations and legislative authority of the Centre.

25. We conducted a comprehensive audit on the financial statements by performing substantive testing and test of balances on the accounts covering the period January to December 2021. We performed minimum testing for non-significant accounts and standard or focused testing for significant accounts based on the results of our risk assessment. Our general audit procedures included the review of the transactional processes, including analysis of transaction flow, which leads to the account balances contained in the Centre's financial statements.

26. We appreciate the efforts taken by Management to address our recommendations issued during the interim and year-end audit of the Centre's 2021 financial statements to present fairly the balances of the affected accounts and improve further the presentation and disclosures in compliance with IPSAS.

27. We concluded that the financial statements present fairly, in all material respects, the financial position of the Centre as at 31 December 2021, the results of its financial performance, the changes in net assets, the cash flows, and the comparison of budget and actual amounts in accordance with IPSAS. Hence, we issued an unmodified opinion on the Centre's financial statements. We commend the Centre Management for consistently achieving an unmodified audit opinion since the start of our mandate in 2016.

28. While we issued an unmodified audit opinion on the financial statements, we presented improvement opportunities that we believe will further enhance the Centre's operations in terms of financial accounting and reporting, accountability and transparency. During the audit, the following improvement opportunities were highlighted:

B.1.1 Cash and equivalents – observance of the cash and investment threshold

29. Paragraph 22 of the ITCILO Policy on IPSAS 30 provided that cash deposits and investments are widely spread in order to avoid an over-concentration of funds with few institutions. The total percentage of the Centre's cash and investments that may be placed with a single institution or investments is determined according to its long-term credit rating. The maximum amount of ITC cash and investments that may be placed with a single institution is EUR 10 million.

30. In the course of our review of the Centre's compliance with the existing policy relative to the maintenance of cash and investments, it was observed that the accounts' balances in Société Générale (SG) amounting to EUR 20,454,238 at year-end which went beyond the threshold set by the Centre. It was also observed that, in previous years, the balance maintained in the same institution already went above the set limit.

31. Upon inquiry, it was explained that the above condition is a result of the Management's consideration of the following factors: (a) the risks involved, associated with the ratings of the institution; (b) the restrictions in opening a new bank account; and (c) ITCILO's criteria and parameters with regard to financial institutions. While we commend Management for considering the important factors in investment, we however emphasize that an established policy on the threshold of fund maintenance is a necessary element of control aimed at protecting the Centre's resources, hence should be complied with. Nevertheless, if there was a needed action which may deplete the requirements of such policy, the Management should revisit its provisions to align with the demands of the current times.

32. **We recommended that Management ensure compliance with the maximum limit per deposits and investments set per financial institution to harmonize its actual practice with the established policy and to continue properly managing the risks (i.e. concentration risk and market risk) involved in its investment management. In the alternative, when the current environment should require, revisit its policy on the fund limits and make the necessary adjustments, to consider the needs of the Centre in consonance with the present time.**

Management response

33. Management responded that it is already in the process of exploring other options to identify other possible institutions but certain conditions should still be considered, such as the preservation of its capital due to the current environment of negative returns on euros. Furthermore, the policy was issued in 2014 under a different environment and will need updating, which is already underway.

B.1.2 Missions – information in the travel authorization form and delayed submission of travel claims

34. Paragraph 5.1. of Circular No. FINSERV 01/2006, on Travel, provided that *to facilitate the approval of the travel authorization and the settlement of travel expenses, officials are requested to comply with the following requirements in establishing form ILO 7. Forms which are incomplete or incorrectly filled in will be returned for correction.* It further provided that *dates (excluding dates of travel) and places of mission should be as complete as possible, and should be accompanied by appropriate terms of reference, specifying the purpose and the expected results of the mission.*

35. Also, Item 2a of Annex D of the ITCILO Staff Regulations states that "travel expenses paid by an official shall be reimbursed upon presentation of the appropriate form, duly completed and accompanied by all vouchers. Claims in respect of travel, except on termination, shall normally be presented within eight days after travel has been completed. In similar manner, this eight-day rule was amplified in Item 5.7.1 of FINSERV Circular No. 01/2006 which states that, the claim for travel expenses (reverse side of original of form ILO 7) must be submitted to (Financial Services) FINSERV within eight days of return from mission."

36. We reviewed the travel authorizations pertaining to 34 travel claims submitted from October to December 2021 and we observed that for travel claims pertaining to the participation of ITCILO staff to a conference in Germany, the expenses were charged to different accounts despite the uniform purpose indicated in the travel authorization which was the "Participation in the …Berlin Conference from 1-3 December 2021." The specific/actual purposes or objectives of the traveler, which determines the account to which the expense is to be charged was not indicated properly in the travel authorization forms, but was determined only upon inquiry. Moreover, upon review of the project/account code box in the travel authorization form, it disclosed that of the 34 reviewed documents, 14 provided the account codes (per chart of accounts), while six provided code of imputation of the expense (activity/cost centre), while the rest were left blank.

37. Further, our review disclosed four travel claims (TCs) relating to missions were submitted 14 to 17 days after the end of the travel period, three TCs relating to home leave were submitted 26 to 56 days after return to the duty station, and two TCs were submitted almost eight months after the travel completion, contrary to the above provisions. Management commented that the spirit of the rule is that the travel has to be submitted on a timely basis. Accordingly, this has happened on all the noted cases and this has not exposed the Centre to any further risks. Nevertheless, this rule has to be put into its proper context since delays happen for a number of reasons, including observance of quarantine upon return to the office (which was a factor that could not be considered at the moment of issuing the circular) and summer holidays.

38. In the recording of related expenses, the process owners relied mainly upon the information provided in the supporting documentation. With incomplete information in such document, the correct recording to various accounts or cost center and the review and monitoring activities over the transactions may be compromised. Establishing the necessary control measures in the proper recording and charging of expenditures necessitates ensuring adequate and appropriate entries in the travel authorization form. This can be achieved when the established policies are complied with, especially so that those policies are anchored on the essential internal control measures and accountability principles to which the ITCILO had subscribed and claimed to have embedded into its organizational processes.

39. For travel claims, we note and recognize the justification by Management that there is no impact to the Centre from the delays of filing of claims, and considering that the delays may have been due to the pandemic and summer holidays. However, we would like to emphasize that policies established by the Centre have underlying rationale, purposes and control purposes, hence should be observed.

40. **We recommended that Management ensure compliance with the policy on the accomplishment of travel authorization forms by properly specifying the actual purpose or objectives of the travel including the required codes to facilitate proper charging of travel expenditure and to enhance review and monitoring activities, all to ensure further strengthening of the internal control measures and accountability over the Centre's financial transactions on missions.**

41. **We also recommended that FINSERV consider reminding the concerned staff to comply with the submission of travel claims to further lessen the incurrence of delays that may impact the timely reporting of the related expenditures in the financial statements.**

Management response

42. The Management took note of the recommendations and it will ensure that, in the revision of the current travel policy, a section for more detailed justifications of travel to support the use of the cost centre/account or activity code/account is included. Management will also ensure that a communication is prepared to remind all staff members to submit travel claims within the set deadline of 8 days after the return from a mission.

B.1.3 Subcontracts – compliance with the signing and dating of contracts

43. Human Resources Services (HRS) Circular No. 11/2012 dated 19 March 2012 provides in paragraph 17(a) that no commitment on behalf of the Centre shall be made prior to the signature of the external collaboration (Excol) contracts. It also states that all Excol contracts must be prepared, signed and dated by all parties before work commences. Likewise, the model contract to procure services from suppliers, which can also be used for service contracts, showed that the place and date should be indicated in the contract alongside the signature of the parties.

44. An analysis of 127 sampled Excol contracts disclosed that 62 out of 127 sample transactions (49 percent) amounting to EUR 87,953 were not in compliance with the requirement on dates and signatures of the parties (Centre and external collaborator). It was noted that two were not dated by both parties, 17 were undated/unsigned by either the Centre

or the external collaborator, 41 were signed by the external collaborator in 1 to 33 days after the contract start dates, two were signed by both parties in 1 to 10 days after the contract start date, while the other 65 samples were found to be in order. Similar non-compliance was noted in 5 out of the 17 samples of Service Contracts (29 percent) amounting to EUR 11,647. We observed that one was undated by the service provider, two were signed by the service provider in 31 to 36 days after contract start date, two were signed by both parties 30 days after contract start date, which was also 21 days after the last day of the contract, while 12 were found to be in order.

45. Management commented that the officials delegated authority to enter into such contracts and their assistants are responsible in ensuring the proper execution of documents supporting the transactions, such as raising and approving purchase orders as well as contracts. Concerning the dates of the contracts, it is their position that while this is important, other factors have a higher significance such as signature, contract price, its funding, the date of delivering the requested outputs and the adequate quality delivered by the third party.

46. While we take note of the above comments made by Management, we see the non-compliance with dating as an important requirement for contracts. Our audit disclosed that all of the third parties in the sample contracts were paid in full according to the terms of payment regardless of the noted deficiencies in the dates and signatures. Hence, the payments for the days between the contract signing and start dates may be considered as without reasonable basis considering that the contract is for a particular period. It is also highlighted that the start date is the day when parties signed the contract thereby agreeing to its terms and conditions. Hence, the work should not commence prior to the contract having been signed by both parties. Otherwise, the Centre is exposed to the risk that Excols perform the agreed works without the Centre having received a contract signed by both parties. Thus, if the contract was not approved, the Centre will be exposed to liabilities.

47. **We recommended that Management, through the officials delegated the related authority and their assistants, improve compliance on the processing of contracts by ensuring that all are: (a) signed by both parties before the contract start date or the start of the specified work; and (b) include with the signature, the date on which the parties signed the agreement, in order not to expose the Centre to the risk of External Collaborator taking legal action for higher amounts for work done in case the contract is not properly signed and dated.**

Management response

48. Management agreed and noted that as per the rules of the Centre, an agreement should be signed between the Centre and any supplier prior to the supplier starting the specified work, as this could expose the Centre to liabilities for which funding has not been cleared. The Treasurer will remind all staff members of this obligation.

B.2 Review of asset management

49. Pursuant to our mandate under Financial Regulation IX.25 of the Centre, we reviewed the asset management of the Centre. The review was conducted with the general objective of assessing whether the Centre's policy, strategy, and actions in managing its assets in terms of the life stages of the assets, i.e. procurement, safeguard and maintenance, and disposal, were adequate.

50. Asset management has been defined as the coordinated series of activities that monitor and maintain items of value – physical assets. This involves balancing risk, cost, opportunities and performance to fully and effectively realize the value of an asset over its entire lifespan. In simplest term, asset management should determine the right assets, in the right place, at the right time, managed by the right people (United Nations, Managing Infrastructure Assets for Sustainable Developments: A Handbook for Local and National Governments, 2021). Asset management for property and equipment is being used as a tool to optimize the whole life impact of costs, performance and risk exposures associated with the availability, efficiency, effectiveness, and longevity of an organization's physical assets. Over the life stages of the assets (acquisition, operation and maintenance, and disposal), the assets should be effectively managed to attain optimal benefits.

51. For procurement, the main guiding principle is the concept of stewardship, which generally refers to the careful and responsible management of something entrusted to one's care. The procurement principles are fundamental to guiding the acquisition procedures, accountability, and management, vendor performance assessment as well as the exercise of economy. For asset safeguard and maintenance, this phase takes the longest period and requires significant attention from the Organization and which would dictate the life span of the assets. Thus, essential to the processes of safeguard and management of asset is the use of an automated tool to monitor and track assets. In fact, one of the challenges in this particular phase of the asset is the establishment of a proper tool to monitor the condition and operability of a particular asset. Lastly, for disposal, there is a frequent requisite to dispose of depreciated, redundant, or excess property and other inventories. Several considerations on disposal of property and inventory would include proper planning and conduct of which should be geared toward obtaining value for money for the Centre. Management of the opportunities for corruption, and ensuring that the write-off of assets are considered and properly recorded.

52. The review was conducted taking into account the above considerations, guided by the basic requirement of governance, i.e. accountability, risk management, and internal control. Based on the review, we concluded that the Centre's policy, procedures, guidelines and strategies were generally aligned with such requirements of governance and its elements. We nevertheless presented some improvements to update its asset management policy. As to procurement, we pointed out some enhancements with regards to the establishment of a procurement manual which would incorporate procurement planning and the expanded responsibilities for the Contracts Committee. We also pointed out the importance of having a harmonized and integrated asset register to further improve the Centre's asset safeguard and maintenance. While for disposal, we found the Centre's policy, procedures and guidelines along the processes of asset disposal sufficient and that proper controls were in place to manage any anticipated risks, and such controls were noted to be operating as intended. We commended Management for establishing sufficient controls along its asset disposal processes thus ensuring that accountability is properly observed and accounting of disposals is properly undertaken. The results of the review conducted are discussed in details, as follows.

B.2.1 Asset management policy

53. The ITCILO recognizes a need for continuing assessment of its processes in order to adjust to its ever-changing environment. In the Strategic Plan of the ITCILO for 2018-2021, it was identified that part of its Institutional Performance dimension is focused on oversight. Under this aspect it was stated that in today's continuously changing business environment,

many factors could and do affect the Centre's operations in the delivery of training services. The likelihood and impact of the risks identified at the programme, service and corporate levels require regular reviews and the Centre strives to adjust itself accordingly.

54. We commend the ITCILO Management for establishing its policy on asset management that provided for responsibilities to process owners and the units involved. This is done through FINSERV Circular No. 08/2012. Further worthy of commendation are the steps already taken by Management to update the policy which was shared during the course of the review. The revised policy proposed was provided and includes the essential enhancement with regards to accountability and controls within the asset management processes. Also, the revisions already considered the current circumstances of the Centre, most of which were triggered by the institutionalization of risk management principles into the core of business operations of the Centre.

55. There were some areas however, that needed further consideration on the provided draft Circular. One was reference to responsibilities and accountabilities of the staff who have been assigned oversight on particular assets. We were informed that there is already a Policy on the use of the tools within Information and Communications Technology Services (ICTS) and this would apply to all assets. Nevertheless, this should be embedded in the Centre's policy to ensure consistency of application. We have been informed that the revised policy has now been issued by the Treasurer.

56. Organizational policies and procedures are, and should be, dynamic and should be adapted to changes in the business environment. Thus, continuous adjustments are required to align organizational processes with the evolving environment.

57. **We recommended that Management facilitate the roll out of the planned revised policy on asset management, not only to align the Centre's processes to the challenges and requirements of the present time but also to provide a more robust asset management process.**

58. **Further, we recommended that Management consider in the revised policy on asset management including the responsibilities and accountabilities of the staff assigned with particular groups of assets to further promote accountability over its assets.**

Management response

59. The Centre's Management agreed and committed that the revised policy was expected to be issued in March 2022 and this has now been done. It was further confirmed that the policy includes the responsibilities of staff or contractors' staff to whom the assets are assigned as well as the responsibilities of the units responsible for the management of these assets [Facilities and Internal Services (FIS) and ICTS].

B.2.2 Procurement

B.2.2.1. Procurement Manual

60. ITCILO Financial Rule 10.10 provides the principles which shall be given due consideration when exercising the procurement of the Centre, which includes: (a) economy

and efficiency to achieve quality and cost effectiveness; and (b) transparency and accountability in the procurement process.

61. It was noted that the procurement processes in ITCILO are decentralized, thus are jointly undertaken by various units, namely: (a) the Facilities and Internal Services (FIS) – the primary department in charge of purchasing and receiving operations of capitalized and non-capitalized assets; (b) the Information and Communications Technology Services (ICTS) – responsible for management of information technology (IT) equipment and undertakes joint procurement undertaking with FIS in case of purchases of IT equipment; and (c) the Treasurer – responsible for setting the rules and processes on procurement and asset management; and Financial Services (FINSERV) also responsible for certain financial aspects of procurement.

62. It was noted that the procurement policies, procedures and guidelines were contained in various documents. The Centre does not have a procurement manual which would include all rules and procedures in one document including all roles and responsibilities of the staff and units/programmes involved in such procurement.

63. This was raised by the ILO Internal Auditor in its Report on the Internal Audit of Procurement at the International Training Centre of the ILO in Turin, August 2015, stating that the Centre does not have a procurement manual, and especially in the context of decentralized procurement without a single procurement unit, it is important that all staff have sufficient guidance to allow work to be completed as efficiently and as effectively as possible without risking compromising the principle of obtaining value for money.

64. A procurement process is a technical area which necessitates clarity of policies and procedures and that can be more easily achieved when all policies and rules are found in one place, thus a procurement Manual. This does not only facilitate efficient procurement procedures and promote transparency and accountability over procurement processes but will also serve as a tool for performance monitoring and evaluation of the existing procurement function which is decentralized and involves various units. Also, a procurement manual which integrates all documents pertaining to procurement will minimize the risk of non-compliance due to oversight, differing interpretations, or misapplication of these policies and procedures. With a procurement manual, the Centre will likewise have a readily available procurement resource material that is contained in a single document.

65. As aptly pointed out by the Internal Auditor, with the decentralized procurement process of the Centre, it would be prudent to establish a Procurement Manual which will detail the procedures that will be undertaken by the different units/programmes across the Centre. This would pave the way towards achieving economy and efficiency in the Centre's Procurement processes thus ensuring value for money on procurement.

66. **We recommended that Management prepare a Centre-wide Procurement Manual incorporating all the current and existing policies, guidelines, and procedures pertaining to procurement, and embodying the principles of accountability by emphasizing clarity of roles and responsibilities, performance monitoring and reporting, and the highest standards of integrity and ethical conduct.**

Management response

67. Management agreed and committed to issue a Procurement Manual, which was initiated a few years ago and that will be finalized in the near future.

B.2.2.2. Procurement Planning

68. The UN Procurement Practitioner's Handbook emphasizes the overall objective and importance of procurement planning stating that *the ultimate goal of procurement planning is coordinated and integrated action to fulfil a need for goods, services or works in a timely manner and at a reasonable cost. Early and accurate planning is essential to avoid last minute, emergency or ill-planned procurement, which is contrary to open, efficient and effective – and consequently transparent – procurement. In addition, most potential savings in the procurement process are achieved by improvements in the planning stages.*

69. The importance and benefits of procurement planning were properly captured by the ILO in its Procurement Manual. The Manual provided that "*procurement planning enables areas to be identified in which proactive measures can be taken, and leads to:*

- *the increased probability of receiving valid offers, through a better definition of requirements;*
- *improved sourcing and, subsequently, increased competition;*
- *reduced transaction costs and more competitive prices due to consolidation of procurement actions and the volume effect;*
- *the reduction of lead times and delays, due to the ability to carry out procurement activities in advance and proactively;*
- *less repetitive, labour-intensive procurement activities, due to the early assessment and use of Long-Term Agreements, joint procurement initiatives with other business units or United Nations organizations, etc.;*
- *greater efficiency in the use of resources by avoiding last-minute actions;*
- *the identification of "peak times" (such as year-end closure) when more or larger order will be requested;*
- *the prevention of non-compliance with rules and procedures, for example due to over-sights or lack of time. Proper procurement planning is also essential in order to avoid circumventing financial thresholds for procurement; and*
- *better monitoring of procurement activities."*

70. In the evaluation of the procurement policies and procedures in the ITCILO, it was noted that procurement planning is not visible, had not been considered and that the procurement activity in the Centre is merely triggered by the current needs of the Centre. It was likewise noted that procurement planning had not been made part of the policies of the Centre, and its importance had not been made clear from the guidelines and procedures established along the procurement process.

71. The current position of the Centre towards procurement planning had been attributed to the notion that the Centre's operation is considered small compared to other UN agencies and that the benefits of procurement planning is less significant. However, given that a large portion of the Centre's resources are tied to its assets as well as large common service contracts, the benefits of procurement planning as identified by the ILO will become significant. Without

sufficient emphasis on procurement planning, the benefits as identified by the ILO may not be achieved.

72. As the main objective of procurement is stewardship on the stakeholders' entrusted funds to the Centre, sufficient control activities should be undertaken in order that the funds of the Centre are protected in all possible ways. This is not only to promote and maintain the good reputation of the ITCILO but also to achieve the objectives of procurement planning as adjunct to the procurement principles identified by the Centre. Procurement planning is important whatever the size or volume of procurement in an entity.

73. **We recommended that Management institutionalize the procurement planning process as part of the Centre's policies and procedures in order to promote the principles of best value for money, economy and efficiency; as well as achieve quality and cost effectiveness in its procurement process.**

Management response

74. Management agreed and assured that procurement planning, as an important aspect, will be included in its Procurement Manual to be established.

B.2.2.3. Contracts Committee

75. The ITCILO Contracts Committee, in furtherance of its Accountability Framework, was constituted with the main objective of ensuring that the procurement process with values over EUR 100,000 is conducted with fairness, integrity and transparency as well as ensuring best value-for-money (Terms of Reference (TOR), Contracts Committee). Also indicated in the TORs, the *Secretary [of the Contracts Committee] will process all actions for the procurement process on behalf of the requisitioning unit, except preparation of the technical specifications and the evaluation criteria.* In the Contracts Committee's guidelines, it indicates that the second phase of this procedure is the evaluation of bids.

76. The principle of segregation of duties is an important element of control. This is vital with regard to procurement considering the vulnerabilities present in such process. In fact, the UN Procurement Practitioner's Handbook emphasized this by stating that *UN organizations have generally developed an administrative structure based on segregation (or in some cases separation) of responsibilities for procurement. This structure typically recognizes that the requisitioner, budget controller, buyer and payer should be separate, in order to provide appropriate organizational checks and balances and to permit specialisation in their respective professional areas. The main purpose is to reduce the possibility of corruption and to emphasize accountability of all key players in the procurement process.*

77. In the course of the review, it was noted that the Contracts Committee had essentially delegated significant portion of the procurement process to the requisitioning unit. This was confirmed by the Secretary of the Contracts Committee stating that all bidding processes are undertaken by the technical units, as the requisitioning units. Nevertheless, it was assured that the evaluation related documents are being reviewed by the Contracts Committee, through a meeting with the technical unit or through email exchanges for further clarifications.

78. It may be considered and determined by the Centre that the risks involved with the current practice are low; however, it is highlighted that risks should be properly managed by

establishing sufficient controls within the procurement process. Such controls should include proper segregation of duties to promote sound management practice in the management of its resources. If this is not possible, then mitigating controls are required. It should be pointed out that the Centre subscribes to the principle that procurement procedures should be undertaken with the highest standards of integrity and ethical conduct and establishing the proper segregation of duties will necessary ensure furtherance of such principle.

79. It should likewise be reiterated that the main concept for asset management is stewardship, i.e. the proper management of funds entrusted to the Centre by its stakeholders and donors. And the concept of segregation of duties is an important element of control within the Centre's processes.

80. **We recommended that Management consider expanding the current responsibilities of the Contracts Committee to include in its scope the conduct of technical and financial evaluations, instead of delegating this to the requisitioning units, in order to ensure proper segregation of duties, an essential element of control and accountability.**

Management response

81. Management agreed to consider this within its future Procurement Manual.

B.2.3 Safeguarding and maintenance of assets

82. For the ITCILO, it is commendable that an Assets Register that details each item of Property and Equipment (P&E) is being maintained and is used to facilitate asset management in the Centre, thus ensuring proper control. Circular No. FINSERV 08/2012 on the Management of property and equipment provides that the asset register includes data to clearly identify the item, provides details relating to its acquisition, captures related financial information, and tracks its custody/location and physical verification details.

83. In the UN Handbook for Asset Management (*United Nations, Managing Infrastructure Assets for Sustainable Development: A handbook for local and national governments)*, the importance of capturing and utilizing the right data and information regarding asset management was emphasized. It was mentioned that *a systematic, methodical approach to data collection will result in a more effective and robust asset management information system that delivers reliable information for sound decision-making and, ultimately, for improved service performance.* It was further stated that *having adequate data on the location, condition, performance and finances of assets allows government to anticipate the resources that need to be set aside for repair, renewal and replacement over the long term, particularly for critical assets.* Also, as one best practice in Asset Management, the World Bank and the Public Sector Accounting and Reporting Program suggests that public sector entities develop a coordinated registry process through harmonized regulations across entities, to ensure a comprehensive and systematic registry process *(World Bank and Public Sector Accounting and Reporting, Strengthening Fixed Asset Management Through Public Sector Accounting, 2020)*.

84. In the course of our evaluation, it was observed that an Asset Register is being maintained separately by the units involved in various aspects of asset management; namely, FINSERV, FIS and ICTS. The asset register databases being maintained by FINSERV and FIS were Excel spreadsheets containing basic information, such as the year of acquisition, description, tag number, condition, status, custodian, and the cost of the assets. While for ICTS,

this was done using an IT Service Management system which includes a network scan to verify the list of computers assigned to ITCILO staff and contractors and which also contained information on the software installed on each computer. In other terms, the asset register databases maintained by each unit are not integrated and have different objectives.

85. Since each unit of the Centre has different needs, it is understandable that the established procedures in each of these units may be different. Also, having multiple databases leads to having to carry out manual reconciliations and following up on discrepancies noted. This also leads to increased risks of errors during the year. A manual process is tedious and results in increased administrative costs affecting organizational efficiency. This goes against the principle of economy and efficiency in asset management. Upon inquiry, however, FINSERV, FIS, and ICTS shared that they are working on integrating asset management within the existing IT system which would streamline the overall process.

86. **We recommended that Management pursue its plan to establish a harmonized and integrated asset register which will support the needs of each unit involved in asset management, streamlining the overall process to achieve economy, efficiency, and consistency in asset management.**

Management response

87. Management was already discussing the integration of the multiple databases within one system and agreed with the recommendation. A revised Circular on asset management has now been issued and the integrated system of asset safeguard and maintenance will become operational thereafter.

C. IMPLEMENTATION OF EXTERNAL AUDIT RECOMMENDATIONS

88. We validated the implementation of External Audit recommendations contained in prior years' audit reports. The status of implementation of the recommendations is summarized as follows:

Audit Report	Number of Recommendations	Fully Implemented	In Progress	Not Implemented
2020	6	6	0	**0**
2019	9	5	4	**0**
2018	11	6	5	**0**
2017	4	4	0	**0**
2016	9	6	3	**0**
Total	**39**	**27**	**12**	**0**

89. We commend the Centre's Management for implementing all the recommendations for 2017 and 2020. For 2019, four recommendations are in progress, pertaining to the enhancements in the resource mobilization strategies and procedures of the Centre. We noted the commitment of Management in considering those recommendations, yet to be fully implemented, in the execution of the 2022-23 Programme and Budget (P&B) of the Centre.

90. We also noted that for 2018, five recommendations are still in progress of implementation, pertaining to the human resource management of the Centre. The full

implementation requires amendments of its Staff Regulations, subject to the approval of the Board of the Centre, and the roll-out of an automated system. There are three recommendations of 2016 that are also in the process of implementation, which the Management committed to fully implement during the biennium 2022-23.

91. The circumstances brought about by the current pandemic presented the Centre with new challenges and considerations which should be managed and which requires immediate attention. Nevertheless, the recommendations presented in audits are measures which could help the Centre cope with such extraordinary circumstances.

92. External audit is an important element of accountability in the Centre's business processes. It is important that the results of the external audit exercise be given sufficient attention to promote integrity and reliability of the information being presented to the Centre's Board and its stakeholders.

Management response

93. Management renewed its commitment to implement the audit recommendations and recognized the value of such improvements to its operations. Nevertheless, there were matters being prioritized during the pandemic that required immediate attention. As the situation starts to normalize, Management has committed to addressing the recommendations.

D. DISCLOSURES BY MANAGEMENT

94. We were provided by Management with a Representation Letter that provided detailed information that is vital in our audit of the financial statements. We found the information contained therein factual and in order. We would like to highlight the following disclosures which may be of interest to Members of the Board of the Centre:

D.1 Receivables

95. Receivables of EUR 12,074,000 (EUR 11,577,000 as at 31 December 2020) as shown on the statement of financial position, represent bona fide claims against debtors and donors for services rendered, funds receivable based on signed agreements in respect of future training activities and consultancy services that are subject to conditions, or other charges arising on or before 31 December 2021. Receivables classified as current do not include any material amounts that are collectible after one year. A provision for doubtful accounts of EUR 7,000 (EUR 90,000 as at 31 December 2020) has been recorded to reflect the Centre's best estimate of accounts impaired.

D.2 Due from the ILO

96. The balance Due from the ILO is EUR 4,688,000 in 2021 (Due to the ILO - EUR 908,000 as at 31 December 2020) as shown on the statement of financial position represents the net balance of the current account with the ILO that is used to record transactions such as staff cost related remittances, payments made by the ILO for the Centre's invoiced training and consultancy services, and other types of transactions between the Centre and the ILO.

D.3 Payables

97. Payables and accrued liabilities, and deferred revenue for a total of EUR 22,410,000 (EUR 18,534,000 as at 31 December 2020) are included in the financial statements as at 31 December 2021 and represent the total obligations of the Centre as required to be recorded by IPSAS other than employee benefits.

D.4 Cases of fraud and presumptive fraud

98. Management confirmed one case of activities that was fraudulent in nature for the financial year 2021 (none was reported for the financial year 2020). The case concerned unauthorized outside activities and the misuse of the Centre's material by a staff. The case is now closed.

D.5 Litigation and claims

99. With respect to a possible obligation related to the receipt of a letter dated 22 March 2012 claiming an amount of EUR 1,921,675 as a result of an investigation conducted by the European Office of the Prevention of Fraud, we confirm that management is not currently in a position to determine whether a present obligation exists nor to reliably measure the likely outflow of resources and therefore no amount was recorded or disclosed in the financial statements.

D.6 Ex-gratia payments

100. In accordance with article 20 of the Financial Regulations, there was one ex-gratia payment made in 2021 for an amount of EUR 74,600 (two ex-gratia payments for a total amount of EUR 5,376 in 2020).

E. ACKNOWLEDGEMENT

101. We wish to express our appreciation for the cooperation and assistance extended to the External Auditor by the Director, Deputy Director, the Treasurer and Chiefs of FIS and the ICTS as well as their staff during our audit.

Commission on Audit
Republic of the Philippines
External Auditor

07 March 2022
Quezon City, Philippines

Appendix I

STATUS OF IMPLEMENTATION OF EXTERNAL AUDIT RECOMMENDATIONS FROM PRIOR YEARS

	Recommendation	External Auditor's Validation
	2020	
1	**Financial accounting and reporting** Centre Management strengthen further its compliance with established financial controls and reporting guidelines by: (a) ensuring that all supporting documents to financial transactions are appropriately and adequately provided; (b) observing properly the rules on travel; and (c) addressing the risks on the timing differences in the reversal of receivable if made earlier than its set up, the inconsistencies in the use of account names, and the unreconciled bank reconciliation statements with the trial balance.	**Implemented.** Continuous monitoring in all the areas is being undertaken.
2	**Assessment and revision of pricing policy** Centre Management, through the Treasurer and the Director of Training, re-evaluate the 2020 Pricing Policy with the end view of establishing a consistent and transparent pricing policy for training activities considering the disparities between face-to-face and other training modalities, such as distance learning, in providing for the components of training and indirect costs.	**Implemented.** The 2021 Pricing Policy addresses the differences of face-to-face and distance learning for purposes of budgeting.
3	**Robust collaboration and coordination among programme managers** Centre Management promote a robust collaboration and coordination between and among the Training Programmes to ensure that individual training programmes severely affected by the pandemic are provided with the necessary assistance and support on its operations in terms of its financial, technical, and institutional performance.	**Implemented.** Constant collaboration meetings are being undertaken and the overall management of all programmes is under the responsibility of the Director of Training.
4	**Cost containment measures** Centre Management, in consultation with the Training Programmes, determine the impact to some programmes of the cost containment measures taken in 2020, and ensure that sufficient financial support is provided for the training services delivery of the Centre in order to maximize the potential of the strategies being undertaken thus, provide optimum training services, amidst the pandemic.	**Implemented.** Such exercise was carried out as part of the preparation of the 2022-23 Programme and Budget (P&B) which was approved by the Board in October 2021.
5	**Cost containment measures** Centre Management, in consultation with the Training Programmes, broaden communication lines to ensure that concerns raised by Programmes are considered in making final decisions in order to enhance the implementation of proactive measures for risk management and ensure realization of established strategic objectives.	**Implemented.** There are on-going meetings at the level of the Training programmes throughout the year for such discussions and management retreats where this is discussed.
6	**Human resource optimization** Centre Management consider the reassessment of the strategies concerning human resources as part of its pandemic response by: (a) revisiting the total ban on recruitment; (b) establishing more aggressive and relevant staff development activities; and (c) undertaking a replacement and reorganization strategy, in order to provide the needed HR support of the Training Programmes to optimize the Centre's training services delivery.	**Implemented.** An HRS Strategy for 2022-25 has been developed and will be finalized by June 2022 as per the P&B, and addresses these specific points.

2019		
7	**Establishment of a more integrated and concrete Resource mobilization strategy** Centre Management consider establishing a more integrated and concrete Resource Mobilization strategy, with specific focus on defining the functions, roles, responsibilities and activities of those involved, to ensure an effective and relevant governance structure on Resource Mobilization.	**In progress.** The Resource mobilization strategy is currently being developed to align to the newly approved Strategic Plan 2022-25 and the P&B 2022-23.
8	**Financial resource allocation: enhance resource mobilization effectiveness** Centre Management review its strategic approach to resource mobilization to ensure that the efforts commensurate with the level of resources required by the Centre, and consider providing ways to identify and monitor resource allocation needs to enhance resource mobilization effectiveness in the context of a review of the resource mobilization strategy to ensure that the core principle of cost-benefit is achieved.	**In progress.** A specific indicator has been included in the P&B 2022-23 to provide progress on the return on investment of the new marketing function.
9	**Bidding for calls for tenders and proposals: enhancement of procedural guidelines** Centre Management enhance its procedural guidelines for competitive bidding and include in the overall Resource Mobilization Strategy to be developed or in the PRODEV Operational Plan, a defined set of criteria applicable to calls for tenders and proposals which will be used in the evaluation of bidding opportunities, to ensure that the principles of good internal control are fully entrenched in Centre's resource mobilization structure.	**In progress.** A quality management document for project cycle management has been drafted. This document needs to be aligned to the P&B 2022-23 and will then be submitted for final validation.
10	**Bidding for calls for tenders and proposals: Risk management in competitive bidding** Centre Management ensure that risk management covers the whole bidding process by identifying the risks involved and by providing mitigation measures to address the identified risks.	**In progress.** The quality management document mentioned in recommendation 10 includes a risk management process covering the full project cycle.
2018		
11	**Recruitment and Selection: (a) The need to enhance and update the written procedures on the recruitment process; (b) The need to evaluate the cause of delays in pre-recruitment activities; (c) The need for an optimum time to fill vacancies; and (d) The need to formalize interview and assessment mechanism** Centre Management re-evaluate the present pre-recruitment procedures with the end view of addressing, to the extent feasible, the root causes of delays in recruitment. It is further recommended that the Selection Committee, after consultation with the JNC, facilitate review, approval and issuance of the corresponding amendatory Circular which should include, among others: a. Prompt posting of vacancy announcement for regular recruitment and enhance the written procedures on the recruitment process; b. Optimum number of days required for the entire recruitment process and ensure that the agreed time periods are enforced, to the extent feasible, to avoid delays; and c. Guidelines on conducting interview and assessment of candidates.	**In progress.** The Selection Committee rules have been amended to incorporate these elements and a Circular has been issued. The recruitment and selection process has been streamlined and standardized. The guidelines regarding interview conduct is to be included in the next Staff Development Fund strategy.
12	**Performance Management System: The need to shift from measuring tasks/ quantities/ measurable/ assessable goals** Centre Management integrate into the Centre's performance management system, predetermined standards and success indicators which are to be	**In progress.** Amendments to the Staff Regulations are to be submitted to the October 2022

	cascaded down to the operational level while addressing the issue of performance rating and appraisal form which is negotiated with the Staff Union in the JNC, as performance management affects the conditions of the employment of staff.	Board of the Centre which will address the implementation of a new Performance Measurement System.
13	**Performance Management System: The need to establish documentation of feedback mechanisms** Centre Management ensure that staff performance feedbacks are documented in the Centre's performance evaluation system and appropriately monitored for more effective and concrete feedback protocol on staff performance and to better support future performance assessments.	**In progress.** Amendments to the Staff Regulations are to be submitted to the next Board of the Centre which will address the implementation of a new Performance Measurement System.
14	**Performance Management System: The need to establish the Rewards and Recognition Policy within the Performance Evaluation System** Centre Management initiate a proposal in consultation with the JNC, to link more closely the Recognition and Awards Programme to its performance management system.	**In progress.** Amendments to the Staff Regulations are to be submitted to the next Board of the Centre which will address the implementation of a new Performance Measurement System.
15	**Performance Management System: The need to formalize rebuttal process in performance management system** Centre Management facilitate the formalization of the procedures to be followed in addressing and escalating staff's disagreements on the results of their performance appraisals.	**In progress.** Amendments to the Staff Regulations are to be submitted to the next Board of the Centre which will address the implementation of a new Performance Measurement System.
	2016	
16	**Accountability Framework: Embedding of a clear definition of accountability in the accountability framework** Embed in the Accountability Framework a clear, and appropriate definition of accountability as it purports in the framework to highlight the meaning and limitations of accountability in the context of the Centre's operation.	**In progress.** This will be completed in 2022-23.
17	**Accountability Framework: Inclusion of well-defined accountability roles and responsibilities as well as mechanisms and tools** Include in its Accountability Framework: a. Clear depiction of roles and responsibilities of all key stakeholders and key players in its accountability continuum to entrench better the culture of accountability and related dependencies within the core of its operations. b. Include the accountability mechanism and tools to effectively facilitate the documentation and monitoring of accountability performance and achieve better transparency.	**In progress.** This will be completed in 2022-23.
18	**Asset Management: Enhancement of asset management policy on lost assets, write off and asset disposal** Enhance its asset management policy by: a. incorporating the criteria defining various circumstances surrounding asset loss, guidelines for documentation and levels of administrative and fiscal responsibility for every type of circumstance defined as the cause of asset loss; and	**Implemented**. The revised policy has been issued on 10 March 2022.

	b. improving its policy on the assessment of impairment, disposal and write-off of supplies, equipment and other assets to align it to its Financial Rule.	
19	**Travel Management: Institution of travel handbook** a. Prepare a travel handbook containing and harmonizing all the Centre's travel circulars, policies, guidelines and procedures for both staff and non-staff to support their information needs and further clarify travel process controls; and b. Document the classification and categorization of all circulars published to identify the level of authority and scope.	**In progress.** The updated Manual is in progress and the development of the system is planned in 2022-23, subject to resources being available.