INTERNATIONAL TRAINING CENTRE OF THE ILO

Officers of the Board of the Centre

Meeting of Officers of the Board, 14 May 2021

FOR DECISION

Financial Statements and External Auditor's Report for the year ended 31 December 2020

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Financial report on the 2020 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 2020 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 2020 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 activities that have conditions are recognized as revenue when the services are delivered by the Centre. Expenditures 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. The after-service health insurance (ASHI) and the end-of-service payments and repatriation grant liabilities are recognized in the International Labour Organization's (ILO) consolidated financial statements.

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 budget and the IPSAS Statements of financial performance and cash flow are presented in Note 15 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 2020

5. The results presented below are those of the financial year 2020, a year during which the Centre faced many challenges as a result of the COVID-19 pandemic that started in early March 2020. All face-to-face training activities had to be stopped and participants went back home and as a result of a decree of lockdown issued by the Italian Authorities, the majority of the Centre's staff started teleworking at this time.

6. To mitigate the serious impact of the pandemic on the financial position, the Centre immediately took measures to address the situation as the 2020 financial outlook was bleak. On the training side, staff immediately initiated the conversion of the face-to-face training courses scheduled in the first half of the year to distance learning modalities; some face-to-face training scheduled in the first half of the year was also postponed to the second half and eventually, these courses were also converted to distance-learning modalities; a global outreach campaign was launched to promote the services of the Centre; the update of the digital learning solutions was accelerated; resource mobilisation efforts were increased; and the Centre expanded its non-training services. On the expenditure side, the Centre froze all discretionary expenditures and ILO confirmed that certain costs provided to the Centre would be provided without charge. It also froze all vacancies and minimized as much as possible, the use of external assistance.

7. With these mitigation actions in place, the Centre saw a significant increase in its outreach for its training activities as well as the demand for its non-training services. In addition, the Centre identified additional savings in many of its expenditure categories by the end of the year. As a result, the Centre was able to turn a bleak 2020 financial outlook to very positive results. The table below summarizes the IPSAS-based financial results and budget surplus of the Centre in 2020 as compared to its previous years:

(in thousands of Euros)

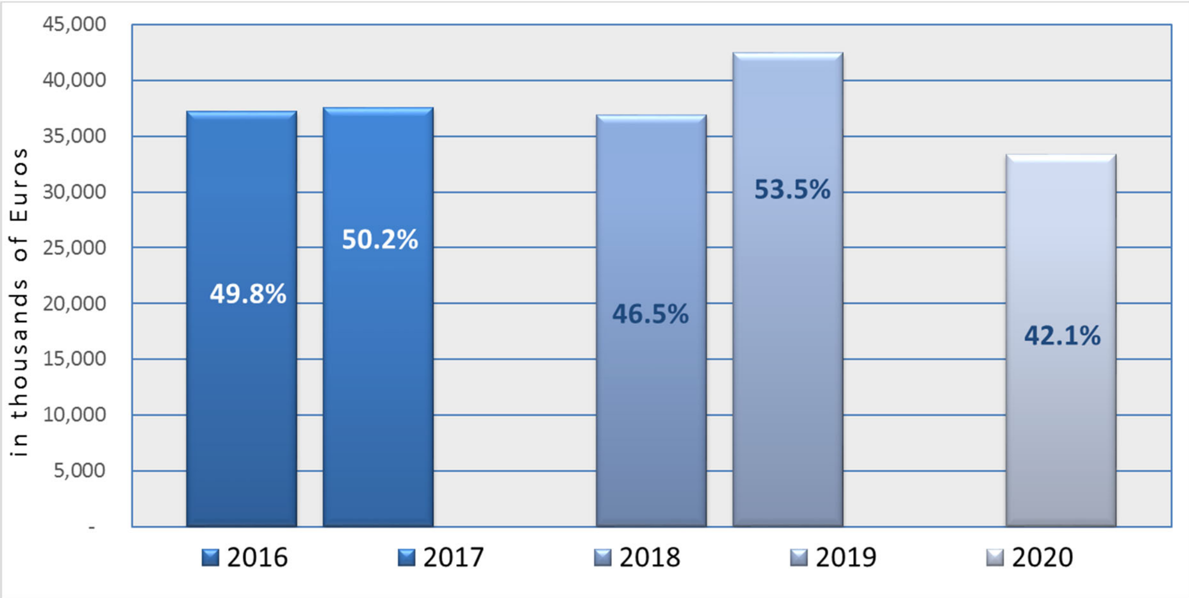
	2020	**2019**	**2018**	**2017**
Revenue	33 395	42 464	36 917	37 581
Expenditure	32 205	41 252	36 931	39 052
Net surplus (deficit)	**1 190**	**1 212**	**(14)**	**(1 471)**
Assets	39 772	40 265	37 134	26 657
Liabilities	22 301	23 942	21 874	11 476
Net assets	**17 471**	**16 323**	**15 260**	**15 181**
Budget surplus	**2 087**	**2 138**	**950**	**712**

The IPSAS-based 2020 net surplus amounts to €1.19 million and incorporates the total financial results of all Funds of the Centre whereas the budget surplus of €2.087 million only includes the results of the General Fund. The difference is explained by:

- the difference in the depreciation expense for assets expensed prior to 2012 as a result of the conversion to IPSAS of €331 000;
- the use of past surpluses of €235 000 recognized in the Statement of Budget and Actual only;
- the unrealised exchange loss of €768 000 recognized in the Statement of Financial Performance;
- the net surplus of funds in the Campus Improvement Fund and Italian Trust Fund of €476 000; and
- the inter-fund expenditures of €39 000.

8. The change in net assets from €16.323 million in 2019 to €17.471 million in 2020 is attributable to the net surpluses in the Statement of Financial Performance, the Campus Improvement and Italy Trust Funds as well as 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



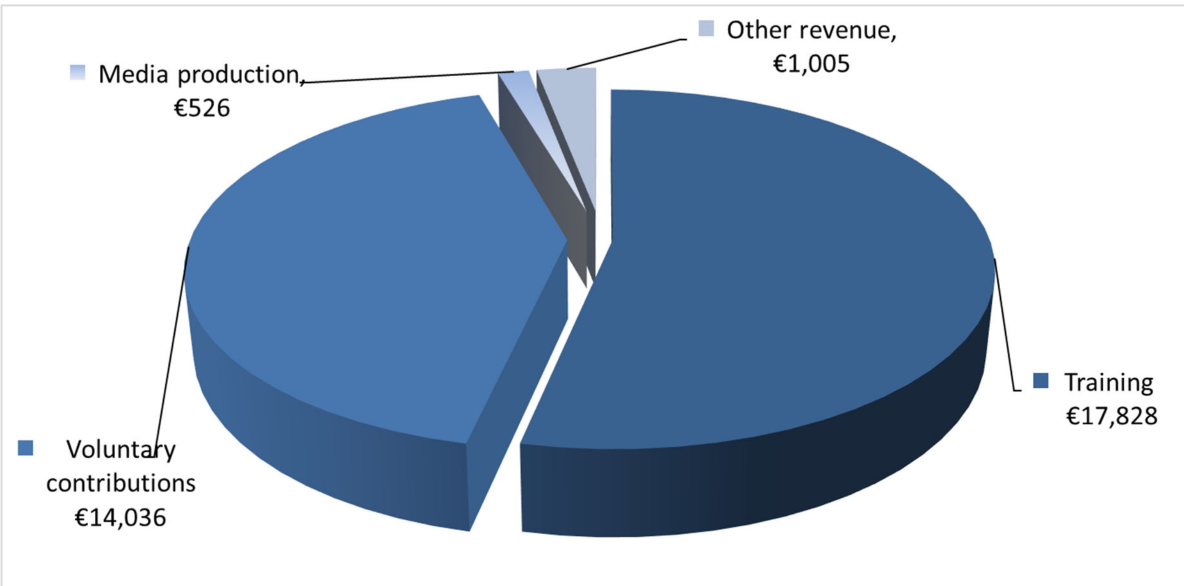
9. The Centre's total revenue generally followed a pattern over a two-year cycle whereas the Centre's total revenue was higher in the second year of the cycle. However in 2020, due to the change in the training modalities, the total revenue earned by the Centre is lower that the anticipated biennial budget level, representing only 42.1%. The related variable expenditure have also decreased significantly, thus permitting the Centre to achieve its contribution to fixed costs (CFC) 2020 target with a higher outreach.

Financial performance

Revenue

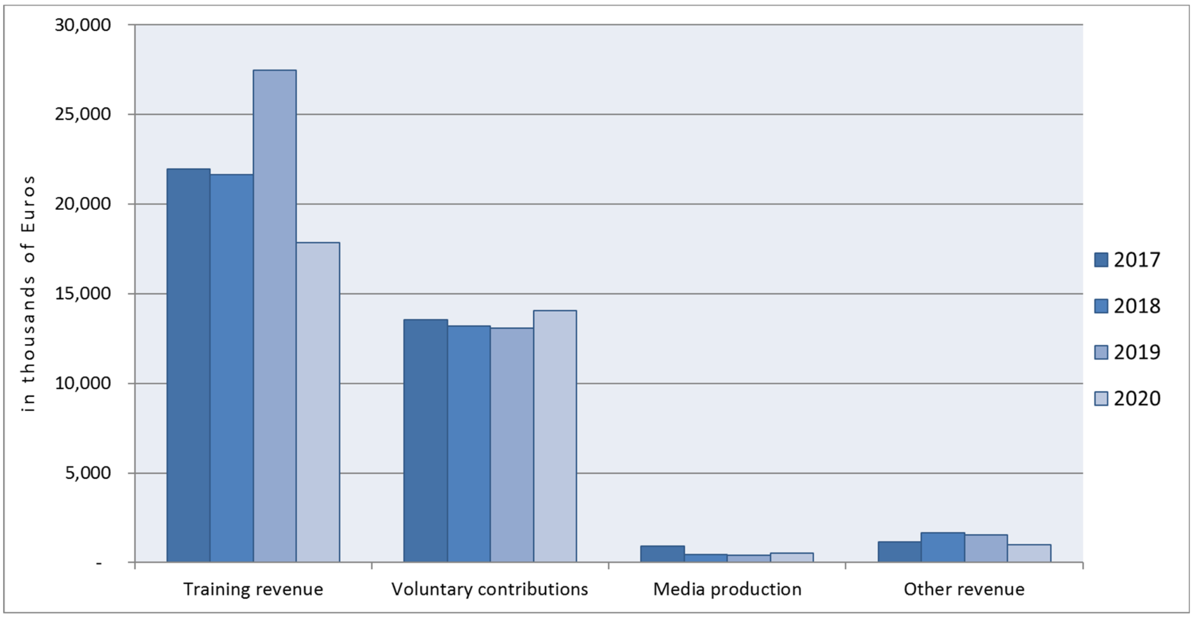
10. Revenue in 2020 totalled €33.395 million (€42.5 million in 2019) and was distributed as follows:

Revenue by source, 2020 (in thousands of Euros)



11. The two major sources of revenue, representing 95.4 per cent of total revenue (2019 – 95.4 per cent), are derived from training activities and voluntary contributions.

Revenue sources, four-year comparison



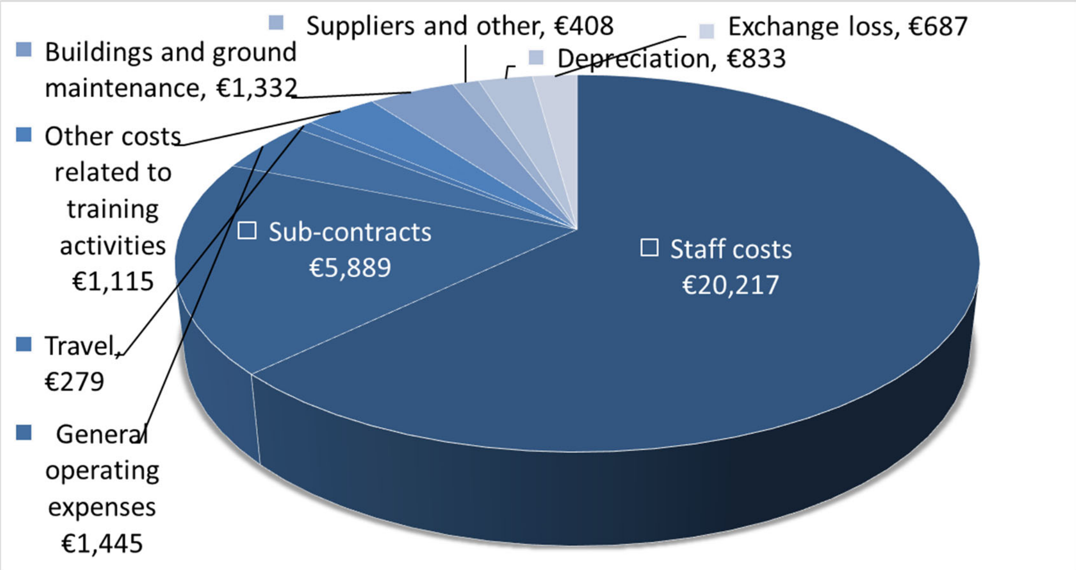
12. Training revenue totalled €17.83 million in 2020 as compared to €27.45 million in 2019 showing a sharp decrease of €9.62 million or 35 per cent. In 2020, training activities were mostly delivered through distance learning as opposed to last year, when the majority of training activities were delivered face-to-face. This had a significant impact on the total revenue earned as the unit price per training activity is much lower in the distance learning modality than the face-to-face. However the Centre increased significantly its outreach during the year. Overall, the number of enrolments in distance learning went from 25 364 in the 2018-19 biennium to 52 056 enrolments in 2020, showing that in a single year, the Centre has doubled its prior results. Face-to-face training, of course, fell significantly as participants were only present on campus in the first two months of the year.

13. Voluntary contributions increased by €958 000 in 2020 as compared to 2019. The Italian Government's contribution for training activities remained constant at €1.6 million however no amount was recorded under deferred revenue in 2020, as required by IPSAS. In 2019, an amount of €300 000 had been deferred. In 2020, the Centre received the balance of €2.639 million for the renovation of the Africa 10 and 11 pavilions on Campus, of which an amount of €126 000 (2019 – €10 500) was recorded as revenue. The ILO contribution of 4.483 million US dollars was slightly higher than in 2019 (approx. 311 000 US dollars) and its conversion resulted in a higher revenue of approx. €280 000 from the exchange rate being in the Centre's favour.

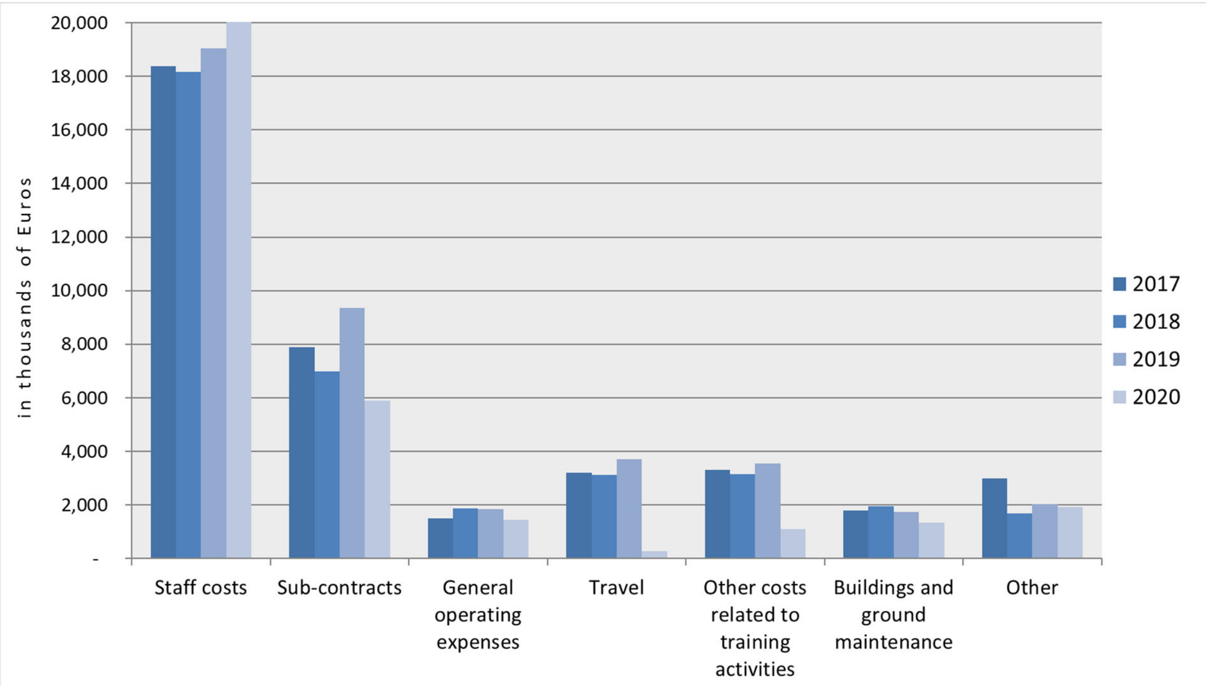
Expenditure

14. Expenditure in 2020 totalled €32.21 million (€41.25 million in 2019) and were distributed as follows:

Expenditure by source, 2020 (in thousands of Euros)



Expenditure, four-year comparison



15. The majority of expenditures decreased in 2020 as compared to 2019. In 2020, the Centre saw a decrease in its training activity related costs of more than €8.832 million or 58.8%, which aligns to the decrease in the training activities' revenue, which decreased by 35%, thus resulting in a lower cost to income ratio. Overall savings of approx. €1.5 million were achieved in its fixed expenditure as a result of freezing certain discretionary expenditure, postponing certain work and the cancellation of certain anticipated costs, such as travel. In 2020, the Centre incurred a net foreign exchange loss of €687 000 (2019 – €166 000) made up of realized gains of €81 000 (2019 – €92 000 realized loss) and unrealized losses of €768 000 (2019 – €258 000 in unrealized gains).

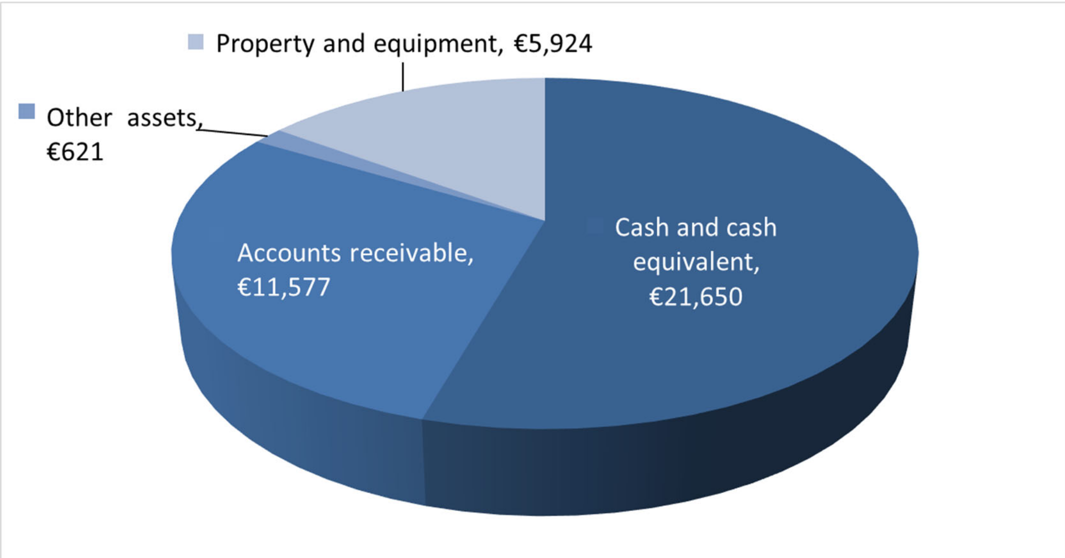
16. During the year, the Centre froze recruitment on vacant positions and certain staff-related costs, and as a result, the Centre had overall savings of €669 000. At the request of the ILO, the Centre made an additional contribution to the Terminal Benefit Fund of €1.6 million, in order to increase the available funding for future End-of-Service and Repatriation Grant payments to staff members. While the liability for these benefits stands at €10.362 million at the end of the year, it is funded at a level of €2.3 million. This additional contribution was funded from the overall expenditure savings however as it is recorded under staff costs, this resulted in an increase of 6.2 per cent from €19.03 million in 2019 to €20.2 million in 2020.

Financial position

Assets

17. The Centre held assets of €39.8 million as at 31 December 2020 (€40.3 million as at 31 December 2019) which were as follows:

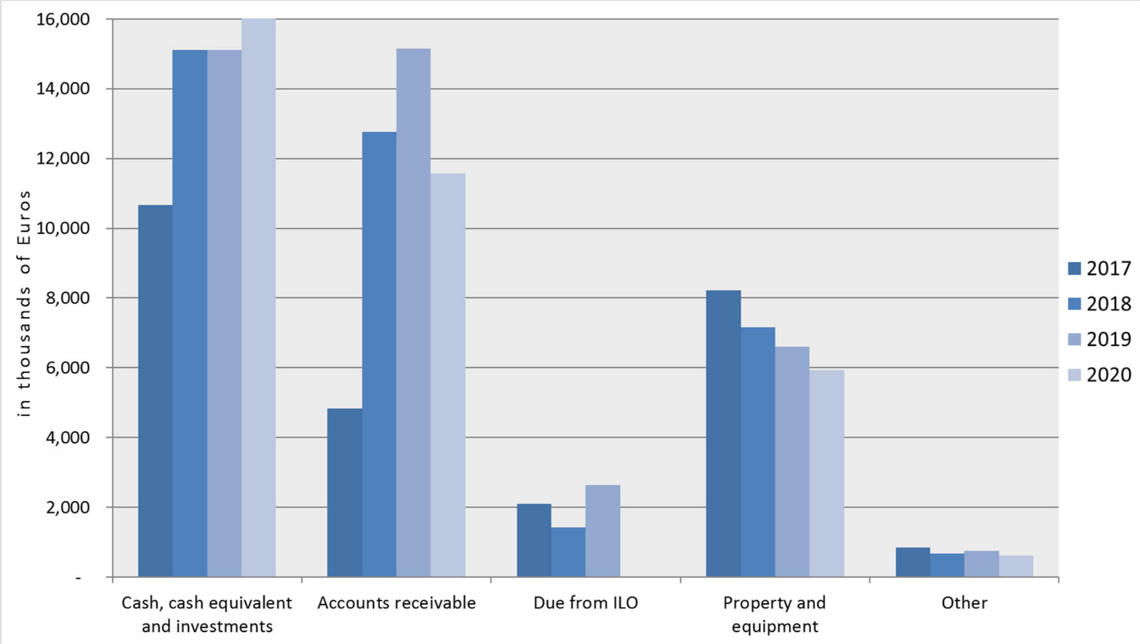
Assets by type, 2020 (in thousands of Euros)



18. As at 31 December 2020, the Centre's most significant asset was cash and cash equivalents totalling €21.65 million (€15.1 million as at 31 December 2019) and representing 54.4 per cent of the total assets. Of this amount, €6.1 million or 28 per cent corresponds to funds held on behalf of donors for training activities and other specific purposes (€4.0 million or 26.3 per cent as at 31 December 2019). Funds of €5.3 million (€4.8 million as at 31 December 2019) were held in the Working Capital, Campus Improvement and Italy Trust Funds.

19. Accounts receivable as well as property and equipment were the other two significant asset components.

Assets, four-year comparison



20. The Centre's total assets decreased by €493 000 or 1.2 per cent (€3.1 million or 8.4 per cent increase as at 31 December 2019).

21. Cash and cash equivalents have increased by €6.5 million or 43.3 per cent as at 31 December 2020 (remained constant in 2019 at €15.1 million). Further information is provided on the Statement of Cash Flow.

22. Accounts receivable decreased by €3.8 million or 25.1 per cent (increase of €2.4 million or 18.8 per cent as at 31 December 2019) mainly as a result of a decrease of €3.5 million (increase of €2.1 million as at 31 December 2019) in accounts receivable relating to agreements for training services held at the end of the year. There was also a decrease of €436 000 in the receivables pertaining to training services delivered, as a result of the on-going collection efforts, among others.

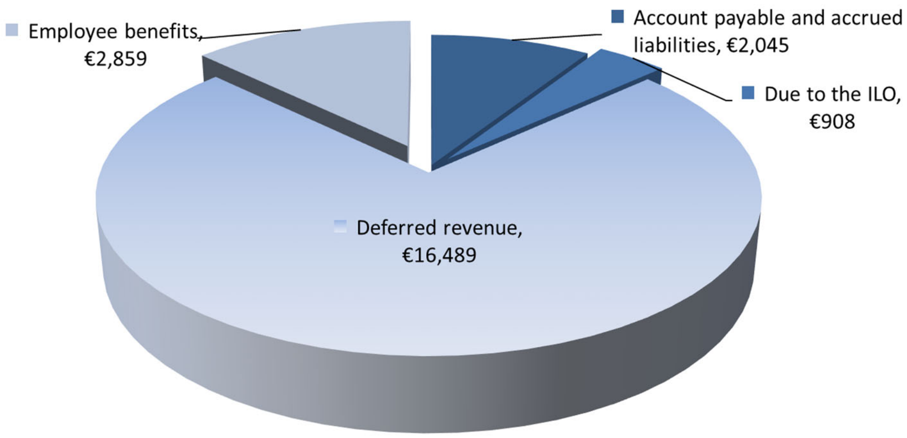
23. The receivable from the ILO decreased by €3.5 million or 134.4 per cent (increase of €1.2 million or 85.2 per cent as at 31 December 2019) and became a Due to the ILO liability in 2020. This is due to the cash advances made by the ILO during a significant portion of the year that were used to settle their invoices for completed services as well as the additional contribution to the Terminal Benefit Fund, which was recorded against the Due from the ILO, thus resulting in a balance owing to the ILO at the end of the year.

24. Property and equipment decreased by €681 000 or 10.3 per cent (decrease of €560 000 or 7.8 per cent as at 31 December 2019) mainly as a result of a full year of depreciation recorded in 2020 in the amount of €833 000 (2019 – €856 000) and the work initiated on the Africa 10 and 11 pavilions' renovation totalling €126 000. Some assets were also disposed of during the year which were mostly fully depreciated.

Liabilities

25. The Centre had liabilities totalling €22.3 million as at 31 December 2020 (€23.9 million as at 31 December 2019) which were as follows:

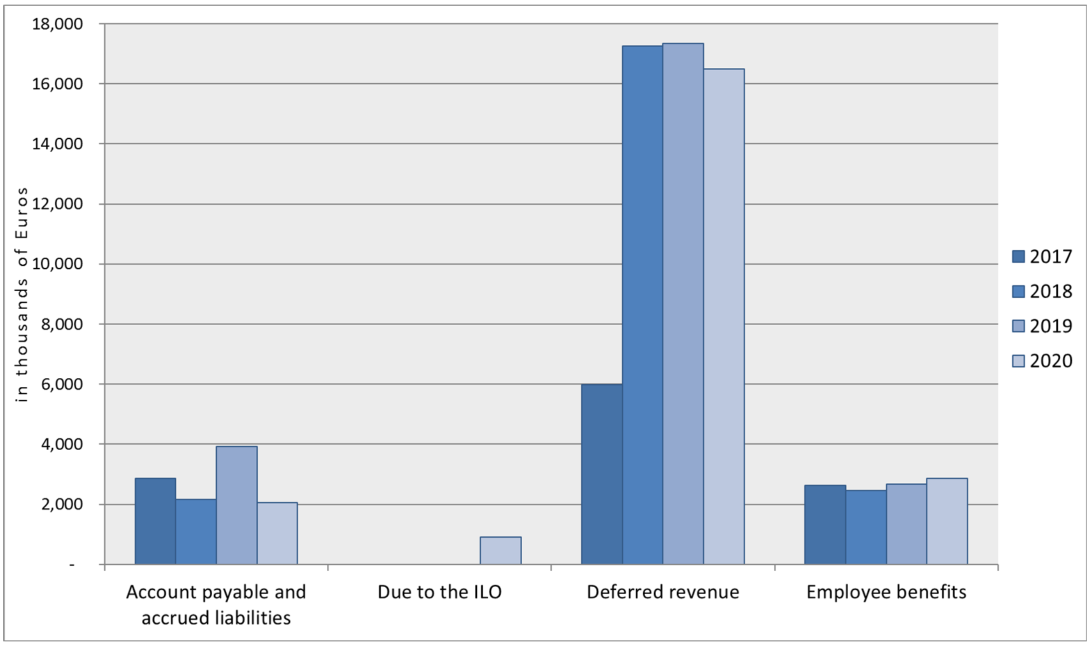
Liabilities by type, 2020 (in thousands of Euros)



26. The most significant liability totalling €16.5 million or 73.9 per cent (€17.3 million or 72.4 per cent as at 31 December 2019) relates to deferred revenue. This balance represents funds advanced by donors and sponsors for specific training projects and other purposes, including the renovation of pavilions Africa 10 and 11 (total of €6.1 million as at 31 December 2020 and €4.0 million as at 31 December 2019) and funds receivable based on signed agreements with sponsoring agencies and other donors with respect to future training activities and advisory services, subject to specific performance conditions (€10.4 million as at 31 December 2020 and €13.3 million as at 31 December 2019).

27. The employee benefit liability includes future employee benefits earned by staff members 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 expenditures. The liabilities for After Service Health Insurance (ASHI) and the End of Service Benefits as well as Repatriation Grants are recorded as liabilities in the ILO's financial statements and are only disclosed in the Centre's financial statements.

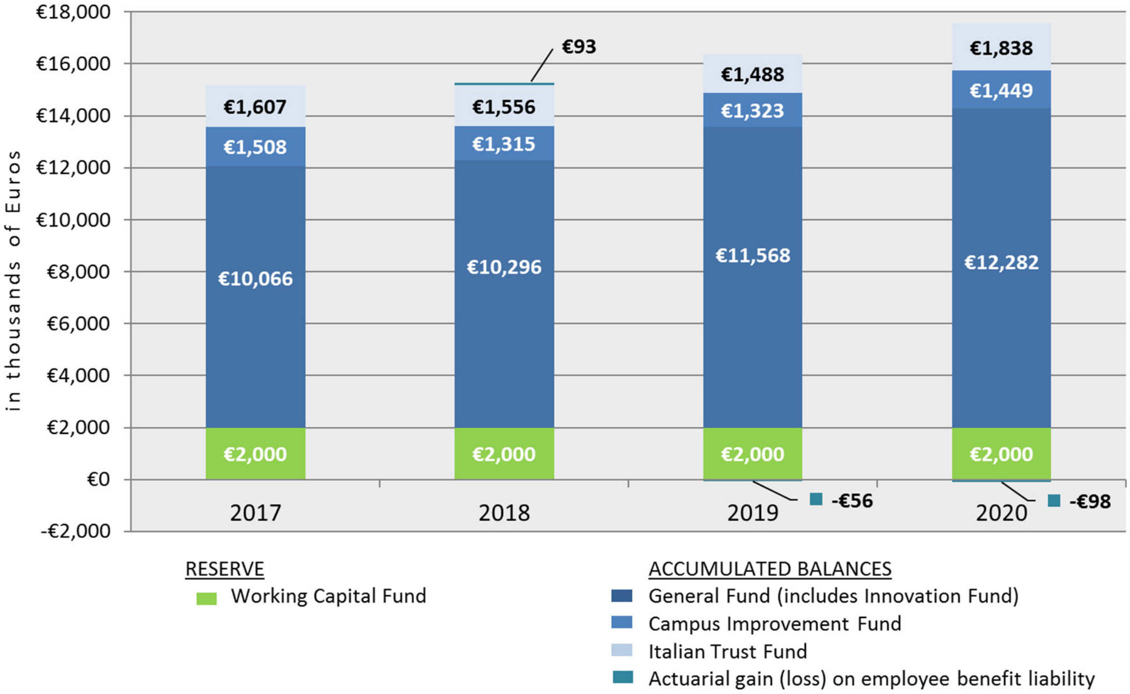
Liabilities, four-year comparison



28. Accounts payable and accrued liabilities decreased by €1.9 million or 48.0 per cent (increase of €1.8 million or 82.2 per cent as at 31 December 2019) as a result of decreased level of annual expenditure relating to both training activities and operations.

Net assets

Net assets, four-year comparison by Fund



29. The Centre's net assets include the Working Capital Fund which represents 11.4 per cent or €2 million (12.3 per cent or €2 million as at 31 December 2019) as set by the Financial Regulations.

30. In addition, it includes the General Fund totalling €12.3 million and 70.1 per cent of the overall net assets (€11.6 million and 70.1 per cent as at 31 December 2019), the Campus Improvement Fund with €1.5 million and 8.3 per cent of the total (€1.3 million and 8.1 per cent as at 31 December 2019) and the Italian Trust Fund with €1.8 million and 10.5 per cent of the total (€1.5 million and 9.1 per cent as at 31 December 2019). There is also the Actuarial loss on employee benefits liability of €98 000 (€56 000 loss as at 31 December 2019), recorded under the Net Assets, in compliance with IPSAS.

Regular Budget

31. 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.

32. The preliminary budgetary results for the 2020 financial year, the first year of the 2020-21 biennium, are summarized in Statement V, with the details of voluntary contributions received from donors shown in Note 11.

33. The 2020 actual revenue amounted to €33.235 million which was mainly made up of €32.919 million in voluntary contributions and external revenue as well as a use of past surpluses totalling €235 000 and realized foreign exchange gains of €81 000. The actual expenditure amounted to €31.148 million. The 2020 preliminary budget surplus is €2.087 million. This is after taking into account the provision for doubtful accounts.

Significant differences between the 2020 budget and actual amounts as presented on Statement V

(In thousands of Euros)

Line item in Statement V			Budget 2020[1]	Actual 2020	Variance Amount	Variance %
Chapter	Line					
I	10	International Labour Organization voluntary contribution	3 584	4 017	433	12.1
I	14	City of Turin voluntary contribution	–	180	180	100.0
II	20	Revenue from training activities and advisory services	26 804	19 078	(7 726)	(28.8)
II	21	Revenue from media production	800	526	(274)	(34.2)
III	30	Past surpluses to training activities	594	235	(359)	(60.4)
IV	40	Regular budget (RB) staff	16 127	16 786	659	4.0
IV	41	Consultants	523	276	(247)	(47.2)
IV	41	Facilities	1 999	1 798	(201)	(10.0)
IV	44	General operating costs	795	614	(181)	(181)
IV	45	Mission and representation	280	34	(246)	(87.9)
IV	46	Governance	351	82	(269)	(76.6)
IV	47	Information and technology costs	1 535	1 373	(162)	(10.6)
IV	48	Depreciation	590	502	(88)	(14.9)
V	50	Variable budget (VB) staff	2 500	2 405	(95)	(3.8%)
V	51–57	Total variable expenditure	15 028	6 576	(8 452)	(56.2)
V	58	Costs related to revenue from media production	400	157	(243)	(60.8)

Contributions – Chapter I

34. For the period of 2020-21, the Centre will receive 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 2020. The variance of €433 000 or 12.1 per cent is due to the increase observed of 311 000 US dollars as well as the favorable exchange rate.

35. The 2019 contribution from the City was received in 2020 and was used to cover some related maintenance costs incurred during the year.

[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.

Revenue – Chapters II and III

36. Revenue from training activities and advisory services as well as use of past surpluses for training activities totaled €19.313 million which are below the budget level originally set of €27.398 million. The training activities and advisory services revenue, the use of past surpluses and the variable expenditure need to be considered together in order to understand the budget results of the Centre. While training activities and advisory services revenue results are below the anticipated level by €8.085 million or 29.5%, the variable expenditure including the VB staff costs relating to these same services totaled €8.981 million, well below the anticipated budget level of €17.528 million or 48.8%. This year, the Centre delivered its activities mainly through distance learning with limited face-to-face training in January and February 2020 only. This new modality led to:

a. A lower unit price per participant for online courses as compared to the average prices for face-to-face training on campus and in the field;

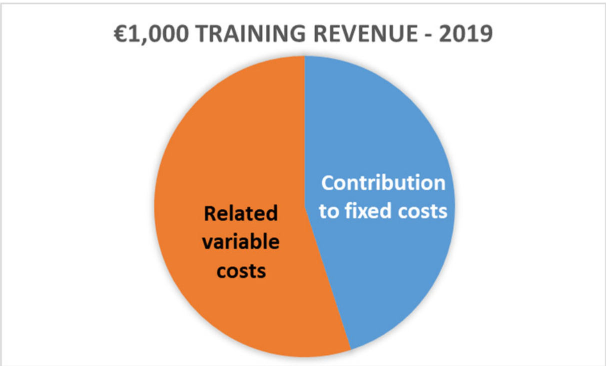
b. With the same levels of participants, total revenue earned is lower but variable expenditure are also lower;

c. A decrease in the ratio of variable expenditure to revenue normally earned;

d. Although the revenue and the variable expenditure are lower, the outreach in 2020 has more than doubled over the results of the previous biennium 2018-19;

e. An average increase in the Contribution to Fixed Cost (CFC) ratio of approximately 36% (from an average of 45% in the 2018-19 biennium to 65% in 2020).

37. To explain this, the following example is provided. The Centre earns €1 000 for a training activity. In 2019, on average, approximately 55% represented variable expenditure incurred to hold the activity, such as external collaborators, training facilities, travel, etc. The CFC resulting from this activity represented about 45% of the total revenue and this covered the fixed expenditure, such as the concerned staff costs. In 2020, as a result of the distance learning modality used during most of the year, for the same amount of revenue, the Centre incurred approximately 35% in variable expenditure and the CFC achieved was 65%.



38. Revenue from media production totaled €526 000, an increase of 32% from last year's revenue. This is due to the fast-growing demand for training-material development and media development assignments throughout the year. Although the results for 2020 are below budget, 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.

39. The use of past surpluses for training activities totaled €235 000 and this is below the budget of €594 000 by €359 000 or 60.4 per cent. In the activities undertaken in 2020, the Centre was able to allocate funds from other sources, where needed.

Fixed expenditure – Chapter IV

40. In March, as a result of the pandemic, the Centre froze all discretionary fixed expenditure. The total savings achieved in the fixed expenditure category totaled approximately €1.5 million over the course of 2020. These savings were derived from cancelling certain costs, such as travel, postponing work to 2021, or from the Centre having been successful in negotiating certain reduction on fixed contracts for the management of the campus. In addition, it also froze its vacancies as one of the cost containment measures which resulted in additional savings of approx. €669 000.

41. As a result of these overall savings, the ILO requested that the Centre make an exceptional contribution to the Terminal Benefit Fund (TBF) to ensure sufficient funding over the short-term in view of the on-going review of its business model. At the end of 2020, the Fund held approximately €2.3 million available for future disbursements currently estimated to be €10.4 million, thus showing a position of under-funding. With the additional contribution made to the ILO which is partially charged to Regular budget staff expenditure (€1.3 million), the final expenditure is €16.786 million, slightly over the budget of €16.127 million by €659 000 or 4.0 per cent.

42. Depreciation is lower than the budget by €88 000 or 14.9 per cent as the budgeted amount anticipated some months of depreciation for the renovation costs of the Africa 10 and 11 pavilions, which is delayed to 2022.

Variable expenditure – Chapter V

43. Variable budget staff expenditure totaled €2.405 million and is under the budget of €2.5 million by €95 000 or 3.80 per cent. This is due mostly to the frozen vacancies and the resulting savings balanced with a portion of the additional contribution of €1.6 million made to the TBF (see paragraph 41 above), of which €272 000 was related to the variable budget staff expenditure.

44. The balance of the total variable expenditure were below the budget and show a significant variance of €8.452 million or 56.2 per cent. As a result of having face-to-face training in the first two months of the year and distance learning in the rest of the year, the level of total variable expenditure is lower, as anticipated. Both types of training activities have very different costing structures and the expenditure to revenue ratios differ significantly. Refer to paragraph 37 for further explanations.

Ex–gratia payments

45. There were two ex-gratia payments made in 2020 for a total amount of €5 376.

Approval of the Financial Statements for the year ended 31 December 2020

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, Chief of Financial Services
1 March 2021

Yanguo Liu
Director
1 March 2021

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 2020, 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 2020, 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 2020, 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.

Michael G. Aguinaldo
Chairperson, Commission on Audit
Republic of the Philippines
External Auditor

Quezon City, Philippines
01 March 2021

COMMISSION ON AUDIT
OFFICE OF THE CHAIRPERSON
21-14203031200

Financial Statements
for the year ended 31 December 2020

International Training Centre of the ILO

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

	Notes	2020	2019
Assets			
Current assets			
Cash and cash equivalents	**4**	21 650	15 108
Accounts receivable	**5**	8 605	8 347
Contributions receivable	**6**	13	13
Due from the ILO		–	2 640
Prepayments		494	590
Other current assets		107	119
		30 869	**26 817**
Non-current assets			
Accounts receivable	**5**	2 972	6 811
Property and equipment	**8**	5 924	6 605
Intangible assets		7	32
		8 903	**13 448**
Total assets		**39 772**	**40 265**
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		2 045	3 931
Due to the ILO		908	–
Deferred revenue	**9**	13 747	10 671
Employee benefits	**10**	1 600	1 550
		18 300	**16 152**
Non-current liabilities			
Deferred revenue	**9**	2 742	6 672
Employee benefits	**10**	1 259	1 118
		4 001	**7 790**
Total liabilities		**22 301**	**23 942**
Net assets			
Reserve		2 000	2 000
Accumulated balances		15 471	14 323
Total net assets	**16**	**17 471**	**16 323**
Total liabilities and net assets		**39 772**	**40 265**

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 Euros)

	Notes	2020	2019
Revenue			
Training activities		17 828	27 446
Voluntary contributions	**11**	14 036	13 078
Other revenue	**13**	1 424	1 619
Exchange gain and revaluation, net		–	166
Investment revenue		107	155
Total revenue		**33 395**	**42 464**
Expenditures			
Staff costs		20 217	19 029
Sub–contracts		5 889	9 351
General operating expenditures		1 411	1 845
Travel		279	3 711
Other costs related to training activities		1 115	3 547
Buildings and ground maintenance		1 332	1 743
Supplies		408	1 059
Depreciation		833	917
Exchange loss and revaluation, net		687	–
Bank charges		34	50
Total expenditures		**32 205**	**41 252**
Net surplus		**1 190**	**1 212**

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 Euros)

	Reserve	Accumulated Balances					Net Assets
	Working Capital Fund	General Fund	Campus Improvement Fund	Italy Trust Fund	Actuarial gain (loss) on employee benefit liability	Total accumulated balances	
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**
Balance as at 1 January 2019	2 000	10 296	1 315	1 556	93	13 260	15 260
Net surplus (deficit) of 2019	–	1 272	8	(68)	–	1 212	1 212
Actuarial gain (loss) on employee benefit liabilities	–	–	–	–	(149)	(149)	(149)
Balance as at 31 December 2019	**2 000**	**11 568**	**1 323**	**1 488**	**(56)**	**14 323**	**16 323**

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 Euros)

	2020	2019
Cash flows from operating activities		
Net surplus for the period	1 190	1 212
Effect of exchange rates on cash and cash equivalents	(1 013)	245
Non-cash items:		
Depreciation	833	917
(Gain)/loss from disposal of property and equipment	-	(14)
(Increase)/decrease in accounts receivable	3 581	(2 402)
(Increase)/decrease in contributions receivable	-	(1)
(Increase)/decrease in due to / due from the ILO	3 548	(1 215)
(Increase)/decrease in prepayments	96	(158)
(Increase)/decrease in other current assets	12	15
Increase/(decrease) in accounts payable and accrued liabilities	(1 886)	1 774
Increase/(decrease) in deferred revenue	(854)	94
Increase/(decrease) in employee benefit liabilities	149	51
Net cash flows from operating activities [/1]	**5 656**	**518**
Cash flows from investing activities		
Acquisitions of property and equipment and intangible assets	(127)	(296)
Proceeds from disposals of property and equipment	–	14
Net cash flows from investing activities	**(127)**	**(282)**
Effect of exchange rates on cash and cash equivalents	**1 013**	**(245)**
Net increase in cash and cash equivalents	**6 542**	**(9)**
Cash and cash equivalents, beginning of period	15 108	15 117
Cash and cash equivalents, end of period	**21 650**	**15 108**

[/1] €119 in interest received is included under “Net surplus (deficit) for the period” in the net cash flows from operating activities (2019 – €174).

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 2020
(in thousands of Euros)

			2020 Original budget[/1]	2020 Final budget	2020 Actual	2020 Budget Variance[/2]
	Item	**PART A – REVENUE**				
I		**Voluntary contributions**				
	10	International Labour Organization	3 584	3 584	4 017	433
	11	Government of Italy *(ex-lege)*	7 850	7 850	7 850	–
	12	Piedmont Region (Italy)	–	–	13	13
	13	Government of Portugal	250	250	250	–
	14	City of Turin	–	–	180	180
		Total voluntary contributions	**11 684**	**11 684**	**12 310**	**626**
II		**External revenue**				
	20	Training activities and advisory services	26 804	26 804	19 078	(7,726)
	21	Media production	800	800	526	(274)
	22	Miscellaneous	1 050	1 050	1 005	(45)
		Other	-	-	81	81
		Total external revenue	**28 654**	**28 654**	**20 690**	**(7 964)**
III		**Other**				
	30	Past surpluses to training activities	**594**	**594**	**235**	**(359)**
		Total revenue	**40 932**	**40 932**	**33 235**	**(7 697)**
		PART B – EXPENDITURE				
IV		**Fixed expenditure**				
	40	Regular Budget (RB) staff	16 127	16 127	16 786	659
	41	Consultants	523	523	276	(247)
	42	Facilities	1 999	1 999	1 798	(201)
	43	Security	459	459	401	(58)
	44	General operating costs	795	795	614	(181)
	45	Missions and representation	280	280	34	(246)
	46	Governance	351	351	82	(269)
	47	Information and technology costs	1 535	1 535	1 373	(162)
	48	Depreciation of property and equipment	590	590	502	(88)
		Total fixed expenditure	**22 659**	**22 659**	**21 866**	**(793)**
V		**Variable expenditure**				
	50	Variable Budget (VB) staff	2 500	2 500	2 405	(95)
	51	Project Budget (PB) staff	667	667	998	331
	52	External collaborators	4 883	4 883	4 528	(355)
	53	Missions	675	675	86	(589)
	54	Participants' costs	6 893	6 893	654	(6 239)
	55	Books, training aids and materials	574	574	200	(374)
	56	Training facilities and services outside Turin	1 149	1 149	15	(1 134)
	57	Other	187	187	95	(92)
	58	Costs related to revenue from media production	400	400	157	(243)
	59	Costs related to miscellaneous revenue	105	105	144	39
		Total variable expenditure	**18 033**	**18 033**	**9 282**	**(8 751)**
VI	60	**Contingency**	**300**	**300**	**–**	**(300)**
		Total expenditure	**40 992**	**40 992**	**31 148**	**(9 844)**
		BUDGET SURPLUS (DEFICIT)[/3]	**(60)**	**(60)**	**2 087**	**2,147**

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 2020 (cont'd)
(in thousands of Euros)

/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 49.5% of the approved budget for training activities and advisory services revenue, total fixed expenditures 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.

/2 Budget variances are explained in the accompanying financial report on the 2020 accounts.

/3 As per Financial Regulations 7(4).

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

International Training Centre of the ILO

Notes to the Financial Statements
for the year ended 31 December 2020
(in thousands of Euros)

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 principally 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 2020.

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 equivalent 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 activities, and from the sale of publications. They are recognized when it is possible 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 consultancy 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 period 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 expenditures 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 which is payable on separation from service. The value of leave payable 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. Expenditure related to repatriation travel and transport of personal effects is calculated 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 staff costs. Actuarial gains or losses arising from the changes in actuarial assumptions or experience adjustments are recognized directly in net assets;
- end–of–service payments and repatriation grant: in accordance with Staff Regulations, staff in the General Services category is entitled to an end-of-service payment on separation or on promotion to the Professional category or above. The Centre makes a defined contribution of 7.5 per cent of the General Services salaries every month to the ILO. In accordance with Staff Regulations, non-locally recruited officials are entitled to a grant on separation from service if they have completed at least one year of service outside their home country. The Centre makes a defined contribution of 6.0 per cent of compensation paid to eligible employees during the financial period to the ILO.
  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 monthly 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 medical benefits: officials and their dependents are entitled to after-service medical benefits when they retire at the age of 55 or more and if they have 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. Monthly contributions towards this Fund are made by the officials, with matching contributions made by the participating organizations. In the case of the retirees from the Centre, the ILO makes the required monthly contribution to the Staff Health Insurance Fund. On that basis, the Centre does not have any liability with regards to the after-service medical benefits nor does it record any expenditure; and

– 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), which was established by the United Nations General Assembly to provide retirement, death, disability and related benefits to employees. The Pension Fund is a funded, multi-employer defined benefit plan. As specified 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 plan exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets, and costs to individual organizations participating in the plan. The Centre 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 staff cost expenditures in the Statement of Financial Performance.

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 comprises non-training activities such as revenue from social life activities, the use of residential facilities by non-participants attending training and revenue from the sale of publications. Revenue is recognized when the services are provided or the publications are shipped.
2. Interest revenue: interest revenue generated from short-term deposits 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 improvement 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 activities: agreements related to training 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 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 expenditures incurred to the estimated total expenditures of the training activity.
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 on 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 measured reliably, 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 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 at the management's best estimate of the expenditure required to settle the obligation at the reporting date.

Note 3 – New accounting standards

New accounting standards effective 1 January 2020

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

New accounting standards issued but not yet effective

In 2018, 2019 and 2020, 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	2020	2019
Current accounts and cash on hand	9 650	12 000	21 650	15 108
Total cash and cash equivalents	**9 650**	**12 000**	**21 650**	**15 108**

Of the total cash and cash equivalents held in 2019, €3 919 was in Euro and the balance was held in US dollars, €11 189 Euro equivalent.

The cash and cash equivalent balance includes an amount of €6 072 (2019 – €3 967) which must be used for training activities and other specific purposes.

Note 5 – Accounts receivable

	2020	2019
Current accounts receivable		
Accounts receivable from invoiced training services	1 599	2 035
Accounts receivable from training services agreements due in 2021	7 067	6 445
Other accounts receivable	16	29
Less: provision for doubtful accounts – training services	(77)	(162)
Total current net accounts receivable	**8 605**	**8 347**
Non-current accounts receivable		
Accounts receivable from training services agreements due after 31 December 2021	2 742	6 811
Advances to implementation agencies	230	–
Less: provision for doubtful accounts – training services	–	–
Total non-current net accounts receivable	**2 972**	**6 811**

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

	2020	2019
Movements in provision for doubtful accounts		
Balance 1 January	162	47
Amounts written off during the year as uncollectible	(61)	(17)
Impairment losses reversed	(92)	(18)
Increase in allowance for new impairments	68	150
Balance 31 December	**77**	**162**

Note 6 – Contributions receivable

	2020	2019
Piedmont Region	26	13
Less: provision for doubtful accounts	(13)	–
Total contributions receivable	**13**	**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 Register. In 2020, 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 2019.

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:

	2020 US Dollar	2020 € equivalent	2019 US Dollar	2019 € equivalent
Cash and cash equivalents	11 840	9 650	12 488	11 189
Accounts receivable	354	296	590	529
Due to the ILO	(3 172)	(2 585)	2 130	1 909
Accounts payables and accrued liabilities	(54)	(46)	(512)	(459)
Net exposure	**8 968**	**7 315**	**14 696**	**13 168**

Based on the net exposure as at 31 December 2020, 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 €365 (2019 – €658) or 5 per cent (2019 – 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 invests in deposits and is therefore subject to interest rate fluctuation. It manages its interest rate risk by investing in one-year term deposits with fixed interest rates for the period. 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 14 days (2019 – 6 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 (2019 – €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, investments and accounts receivable.

The Centre invests surplus funds to earn investment income 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:

2020	AAA	AA+–AA–	A+–A–	BBB+–BBB–	Total
Cash and Cash Equivalents	-	-	16 800	4 850	**21 650**
2019					
Cash and Cash Equivalents	–	–	10 293	4 815	**15 108**

Accounts receivable

The accounts receivable, due upon receipt of the invoice pertain to governments and supra-nationals with established credit ratings. 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:

2020	Less than 1 year	1–2 years	Over 2 years	Less provision for doubtful accounts	Total
Accounts receivable	8 546	127	9	(77)	8 605
Contributions receivable	13	13	–	(13)	13
Total receivable	**8 559**	**140**	**9**	**(90)**	**8 618**
2019					
Accounts receivable	8 307	135	67	(162)	8 347
Contributions receivable	13	–	–	–	13
Total receivable	**8 320**	**135**	**67**	**(162)**	**8 360**

Note 8 – Property and equipment

	Equipment	Leasehold improvements	Total 2020	Total 2019
Cost at 31 December	3 603	10 939	14 542	14 487
Accumulated depreciation at 31 December	2 879	5 739	8 618	7 882
Net book value at 31 December 2020	**724**	**5 200**	**5 924**	**6 605**
Net book value at 31 December 2019	**975**	**5 630**	**6 605**	

There were no contractual commitments for the acquisition of property and equipment at the end of 2020.

Equipment

	Vehicles	Office equipment	Other type of equipment	Furniture and fixtures	Total 2020	Total 2019
Cost at 1 January	5	2 106	1 403	160	3 674	3 636
Additions	-	1	-	-	1	220
Disposals	-	(26)	(46)	-	(72)	(182)
Cost at 31 December	**5**	**2 081**	**1 357**	**160**	**3 603**	**3 674**
Accumulated depreciation at 1 January	5	1 726	863	105	2 699	2 607
Depreciation	-	127	110	15	252	274
Disposals	-	(26)	(46)	-	(72)	(182)
Accumulated depreciation at 31 December	**5**	**1 827**	**927**	**120**	**2 879**	**2 699**
Net book value at 31 December	**-**	**254**	**430**	**40**	**724**	**975**

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:

	2020	2019
Cost at 1 January	10 813	10 737
Additions	126	76
Disposals	-	–
Cost at 31 December	**10 939**	**10 813**
Accumulated depreciation at 1 January	5 183	4 601
Depreciation	556	582
Disposals	-	–
Accumulated depreciation at 31 December	**5 739**	**5 183**
Net book value at 31 December	**5 200**	**5 630**

Note 9 – Deferred revenue

	2020	2019
Deferred revenue – Current		
Voluntary contributions received in advance relating to signed agreements	6 072	3 967
Voluntary contribution receivable relating to signed agreements	7 675	6 704
Total current deferred revenue	**13 747**	**10 671**

Deferred revenue – Non-current		
Voluntary contribution receivable relating to signed agreements	2 742	6 672
Total non-current deferred revenue	**2 742**	**6 672**
Total deferred revenue	**16 489**	**17 343**

	2020	2019
Movements in deferred revenue		
Balance 1 January	**17 343**	**17 249**
New agreements signed during the year	4 679	8 268
Recognition of deferred revenue to training revenue in the Statement of financial performance	(5 992)	(7 661)
Refund/reduction of training agreements to donors	(1 020)	(651)
Variation in other funds received in advance not linked to training agreements and amounts to be refunded	2 254	(103)
Discounting	(775)	241
Balance 31 December	**16 489**	**17 343**

Note 10 – Employee benefits

	2020	2019
Current liabilities		
Accrued salaries	21	30
Accumulated leave	1 502	1 483
Repatriation travel and removal expenditures	29	20
Home Leave	48	17
Total current liabilities	**1 600**	**1 550**

Non-current liabilities		
Accumulated leave	495	353
Repatriation travel and removal expenditures	764	765
Total non-current liabilities	**1 259**	**1 118**
Total employee benefits liabilities	**2 859**	**2 668**

Repatriation travel and removal expenditures

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 2020 valuation, the assumptions and methods used are as described below.

	2020 (%)	2019 (%)
Discount rate	0.33	0.60
Rate of future cost increases	1.40	1.80
Probability of benefit claim	98	98

The discount rate was determined by reference to the AA corporate bond yield curve of the Euro currency as at 31 December 2020 and 2019.

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

	2020	2019
Defined benefit obligation, beginning of the year	**785**	**669**
Interest costs	5	9
Net benefits paid	(39)	(42)
Actuarial (gain) loss due to experience	38	93
Actuarial (gain) loss due to assumption changes	4	56
Defined benefit obligation, end of year	**793**	**785**

Statement of financial position liability, beginning of year	**(785)**	**(669)**
Total (charge) credit for interest cost and current service cost	(5)	(9)
Net benefits paid	39	42
Total (charge) credit recognized in Statement of financial performance	44	33
Total (charge) credit recognized in net assets	(42)	(149)
Statement of financial position liability, end of year	**(793)**	**(785)**

Expenses related to interest costs and net benefits paid for 2020 have been recognized in the Statement of financial performance as staff costs. The Cumulative net actuarial loss of €42 (2019 – loss of €149) 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 2020 was €721 (2019 – €715).

The present value of the defined benefit obligation for end-of-service was estimated at €9 012 (2019 – €9 174). The present value of the defined benefit obligation for repatriation grant was €1 350 at the end of 2020 (2019 – €1 429). These liabilities are recognized by the ILO in its consolidated financial statements.

After-service medical benefits

The liability for after-service medical benefits was estimated at €118 353 at the end of 2020 (2019 – €106 580). This liability is recognized by the ILO in its consolidated financial statements.

United Nations Joint Staff Pension Fund

The Centre 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 a roll forward of the participation data as of 31 December 2019 to 31 December 2020 will be 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 144.2% (139.2% in the 2017 valuation). The funded ratio was 107.1% (102.7% in the 2017 valuation) when the current system of pension adjustments was taken into account.

After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as of 31 December 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 (2017, 2018 and 2019) amounted to USD 14 079, of which 0.67 per cent was contributed by the Centre.

During 2020, contributions paid to the Fund amounted to €4 436 (2019 – €4 322). Expected contributions due in 2021 are approximately €4 719.

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.

Note 11 – Revenue from voluntary contributions

	2020	**2019**
Government of Italy	9 576	9 161
International Labour Organization	4 017	3 654
Government of Portugal	250	250
City of Turin (Italy)	180	-
Piedmont Region (Italy)	13	13
Total voluntary contributions	**14 036**	**13 078**

The ILO contribution of €4 017 (US$4 483) represents one half of the approved 2020-21 biennial contribution of US$8 966.

The Italian Government's *ex-lege* contribution to the Centre in 2020 was €7 850 (2019 – €7 850) and was received in 2020. The Italian Government's contribution for training activities in 2020 was €1 600, of which no amount was recorded in deferred revenue (2019 – €300). 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 €126 is recorded as revenue from voluntary contributions, representing the work-in-progress carried out on the pavilions (2019 – €10). The unspent balance of €2 864 is recorded under deferred revenue (2019 – €351).

Note 12 – 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. 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 13 – Other revenue

	2020	2019
Non-exchange transactions		
Cost recoveries from other UN organizations	305	424
Use of facilities other than residential	268	141
Other miscellaneous revenue	225	431
Exchange transactions		
Use of residential facilities by non-participants attending training	91	126
Revenue from media production services	526	399
Social life activities	9	98
Total other revenue	**1 424**	**1 619**

Note 14 – 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 no pending legal cases before the ILO Administrative Tribunal. It has once pending case going through a mediation process. As the final outcome is not yet known, no provision has been recorded.

At 31 December 2020, the Centre had commitments of €1 737 (2019 – €2 927) for contracts related to future services such as hardware and software maintenance as well as outsourced services such as the maintenance of 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 €14 (2019 – €4) and €106 (2019 – €105) 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 totalled €305 (2019 – €424).

Note 15 – 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)	**2 087**	–	–	**2 087**
Timing differences	–	–	–	–
Basis differences	4 913	(127)	–	4 786
Entity differences	437	–	–	437
Net cash flow	**7 437**	**(127)**	**-**	**7 310**
Effect of exchange rates on cash and cash equivalent	(768)	–	–	(768)
Net increase (decrease) in cash and cash equivalent (Statement IV)	**6 669**	**(127)**	–	**6 542**

Reconciliation between Statement V and Statement II

Net budget surplus (Statement V)	**2 087**
Timing differences	–
Basis differences	(566)
Entity differences	(331)
Net surplus per Statement of financial performance (Statement II)	**1 190**

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
			Infrastruc -tures on campus	Business Process Review	HRS – IT applica-tions	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)**
Expenditure in 2018	–	–	–	–	–	–	–
Expenditure in 2019	–	–	–	–	–	–	–
Expenditure in 2020	–	–	–	–	–	–	–
Balance at 31 December 2020	**–**	**–**	**–**	**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)**
Expenditure in 2019	–	–	–	–	–	–	**–**
Expenditure in 2020	–	–	–	–	–	–	–
Balance at 31 December 2020	**–**	**–**	**822**	**–**	**29**	**851**	**851**
Allocations from 2014 surplus	286	–	100	–	–	**100**	**386**
Expenditure in 2016	–	–	–	–	–	–	–
Expenditure in 2017	(286)	–	–	–	–	–	**(286)**
Expenditure in 2018	–	–	–	–	–	–	–
Expenditure in 2019	–	–	–	–	–	–	–
Expenditure in 2020	–	–	–	–	–	–	–
Balance at 31 December 2020	**–**	**–**	**100**	**–**	**–**	**100**	**100**
Allocations from 2015 surplus	693	–	694	–	–	**694**	**1 387**
Expenditure in 2016	–	–	–	–	–	–	–
Expenditure in 2017	(355)	–	(575)	–	–	**(575)**	**(930)**
Expenditure in 2018	(338)	–	–	–	–	–	**(338)**
Expenditure in 2019	–	–	–	–	–	–	–
Expenditure in 2020	–	–	–	–	–	–	–
Balance at 31 December 2020	**–**	**–**	**119**	**–**	**–**	**119**	**119**

	Training activities	Innovation Fund	Campus Improvement Fund				Total
			Infrastruc-tures on campus	Business Process Review	HRS – IT applica-tions	Total	
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)**
Balance at 31 December 2020	**166**	**20**	**–**	**–**	**–**	–	**186**

Note 16 – 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;
   - *Innovation Fund*: established as a sub-fund of the General Fund to promote innovation in learning and knowledge-sharing tools, develop new training activities in response to emerging ILO policies, and embed best practices and excellence in the Centre's learning and training activities;
   - *Campus Improvement Fund*: established by the Director to receive funds specifically for the refurbishment of the campus; and
   - *Italy Trust Fund*: established to receive funds from the Italian government for training activities.
   - *Employee benefits*: represent the impact on changes in actuarial gains and losses.

Note 17 – Contingent assets

	2020	2019
ILO contribution	3 654	8 034
Government of Italy – Centre's operations	7 850	7 850
Government of Italy – Renovation of Africa 10/11 pavilions	–	2 639
Funding agreements related to activities	1 350	550
Total contingent assets	**12 854**	**19 073**

Note 18 – Related party transactions

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

	2020	2019
General operations	4 017	3 654
Training activities	13 224	11 376
ASHI contribution for former employees	804	835
End–of–service benefits	912	482
Staff costs of ILO staff members assigned to Centre	71	99
Internal audit, legal and HR services	220	296
Total related party transactions	**19 248**	**16 742**

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:

	2020		2019	
Category	Full-time equivalent	Total remuneration	Full-time equivalent	Total remuneration
Key Management	8.0	1 527	8.0	1 504

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 19 – 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 20 – 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 world-wide 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 2020

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 2020.

Our report as External Auditor of the Centre contains the results of our audit of the 2020 financial statements, and our review of training services delivery. 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 points during the 2021 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,

Michael G. Aguinaldo
Chairperson, Commission on Audit, Republic of the Philippines
External Auditor

Quezon City, Philippines
01 March 2021

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 2020

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 2020

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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 ending 31 December 2020 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.

4. Our audit resulted in the issuance of an unmodified audit opinion[1] on the Organization's financial statements for the financial year ended 31 December 2020. We concluded that the financial statements present fairly, in all material respects: (a) the financial position of the Centre as at 31 December 2020; (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 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 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 2020, we conducted a review of the training services delivery of the Centre with specific focus on the areas of its policy, strategy, and resources with the COVID-19 pandemic as a circumstantial backdrop. We concluded that the training services delivery policy of the Centre is generally adequate to support the strategies undertaken

[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

in order for the Centre to cope with the challenges brought by the current pandemic. The Centre had successfully managed its training services and had transformed the challenges into opportunities to achieve its objectives. We, however, noted improvement opportunities to further enhance the training services delivery of the Centre along the areas of pricing policy, collaboration, and coordination between and among Training Programmes, and on the financial and human resources supporting the training services delivery. We commend the Centre's Management for despite the pandemic, the core business of the Centre is continuously implemented and delivered.

Summary of recommendations

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

Financial accounting and reporting

a. 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;

Training services delivery

b. 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;

c. 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;

d. 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;

e. 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; and,

f. 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.

Implementation of External Auditor's recommendations in prior years

8. We appreciate the actions made by the Centre's Management in the implementation of prior years' external audit recommendations. We recommend that Management continue its efforts to endeavor the implementation of the audit recommendations made in financial year 2019 which covered the resource mobilization that includes the development of a resource mobilization strategy, enhancement of the procedural guidelines for competitive bidding as well as the corresponding risk management and pricing principle, among others.

9. We highlight and push forward the implementation of all other recommendations from prior years which remain outstanding. Annex A presents the Status of the Implementation of the External Audit recommendations.

A. MANDATE, SCOPE AND METHODOLOGY

Mandate

10. 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 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.

11. 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

12. 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.

13. 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 2020, the results of its financial performance, the changes in its net assets, 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 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 tested as part of the audit, comply in all significant respects with the Financial Regulations and legislative authority.

14. 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 2020, we reviewed the training services delivery of the Centre with the objective of assessing the plan and actions taken by the Centre amidst the COVID-19 pandemic in terms of the adequacy and efficiency

[2] GB 323/PFA/6

of policies, implementation strategy, and resources to ensure that the core business of the Centre are continuously implemented and delivered.

15. Overall, our audit was carried out in line with the Audit Plan presented to the Board in October 2020 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

16. We conducted our audit in accordance with the International Standards on Auditing (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.

17. 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.

18. 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 containing detailed observations and recommendations. This practice provides a continuing dialogue with Management.

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

Management responsibilities

20. 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

21. This section presents the results of the audit for the financial year 2020. 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

B.1.1 Opinion on the financial statements

22. 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.

23. We issued an unmodified opinion on the Centre's financial statements. We concluded that the financial statements present fairly, in all material respects, the financial position of the Centre as at 31 December 2020, the results of its financial performance, the changes in net assets, the cash flows, and the comparison of budget and actual amounts of its expenditures in accordance with IPSAS. We commend the Centre Management for consistently achieving unmodified audit opinion since the start of our mandate in 2016.

B.1.2 Financial accounting and reporting

24. As required by the Centre's Financial Regulations, we reviewed the application of its financial accounting regulations and rules, and we concluded that these were applied on a basis consistent with that of the preceding year. Further, we concluded 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 accordance with the Financial Regulations and legislative authority of the Centre.

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

a. there were instances in which the recognition of actual contributions was initiated before the setting-up of revenue. Specifically, in the process of recognition of voluntary contributions, there might be errors resulting from timing differences in the reversal of receivable if made earlier than the setting up of the same account, although there were no errors noted at year-end and all amounts were properly recorded in compliance with IPSAS;

b. there were inconsistencies in the use of account names in the chart of account, inter alia, usage was interchanged, lack of description and regular update, although the observation did not lead to the identification of account errors and the balances were fully in compliance with the Centre's accounting policies and with the IPSAS, its consistency will hasten financial review and reporting;

c. the balances of some bank reconciliation reports did not reconcile with the Trial Balance that necessitated further review. The review process is an integral component of report monitoring and it can be considered an essential control measure. It is through the review process that quality of reports is ensured since errors can be detected and corrective actions can be timely undertaken. At year-end, there were no errors noted. The year-end bank reconciliation reports were reconciled with the Trial Balance;

d. the expenses charged to corporate credit cards, and petty cash as well as expenses under the accounts Expendable Materials-ICTS and FIS, Stationary and Office Supplies, General Operating Expenses, Sub-Contracts, Travel, and Other Costs Related to Training Activities which are recorded in Oracle were, in some cases, not fully supported with the required documentation, as per the rules issued by the Treasurer, and did not include among others, Certification of Satisfactory Performance of external collaborators and service providers, purchase orders, invoices and receipts; and;

e. there were several official trips authorized only a few days before the scheduled departure of the traveling official and the related claims were submitted more than eight days after the official's return from travel, which is inconsistent with the existing travel policy of the Centre. While other travel transaction documents are without the stamped of FINSERV as to when it was submitted, thus, the difficulty to evaluate compliance with timely submission.

26. With the nascent interest that the Centre stakeholders are placing upon internal control, it is important to highlight that critical to the value of the financial statements is the Management's assurance that the financial accounting and reporting regulations and rules are consistently followed and functioning effectively and efficiently. These observed conditions if not appropriately given equal attention by the Management will impact negatively on the quality and integrity of the internal control in place at the Centre.

27. Following the intention of the Centre to provide assurance on the effective and efficient functioning of its policies, regulations, rules, processes, and procedures embedded in its internal control, there is thus a need for the Centre to ensure full compliance throughout the year of these requirements.

28. **We recommended that the 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.

Management response

29. Agreed. The Treasurer will issue additional reminders on the matter and has already planned an Information Session to be scheduled shortly. Unfortunately this year was challenging and as staff were teleworking, some documents may have been missed. The cases where issues were noted have been revised and any missing documents will be included in Oracle to ensure the transactions are supported by all required documentation.

B.2 Review of training services delivery

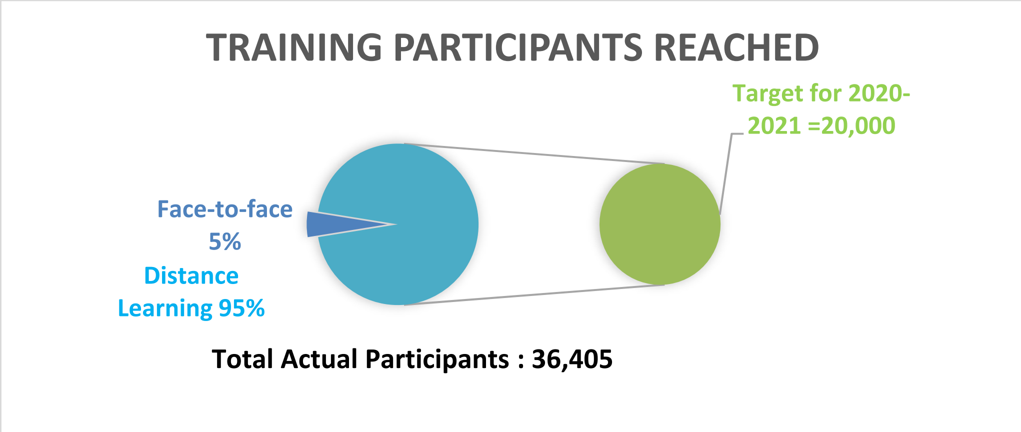
30. We reviewed the training services delivery of the Centre along the areas of policy, strategy, and resources, with the end view of assessing whether the core business of the Centre is continuously delivered in an efficient and effective manner despite the challenges brought by the COVID-19 pandemic. Such review is aligned with our mandate under Financial Regulation IX.25 of the Centre.

31. The result of our review showed that the work done by the Centre Management is highly commendable as we have noted the successful accomplishment of deliverables in its core mandate. Aligned with the objectives of the review, we concluded that the policies on training services delivery of the Centre are generally adequate to support the strategies undertaken in order for the Centre to cope with the challenges brought by the current pandemic. The Centre has successfully managed its training services and has transformed the challenges into opportunities to perform better. We noted, however, improvement opportunity with respect to the Pricing Policy. As to strategy, although we pointed out some enhancements with regard to coordination and collaboration among the Training Programmes, we concluded that the competitive strategy of the Training Department is sufficient for its continuous operations despite the current global health crisis. Although we noted some improvement opportunities with regards to the financial and human resource support, we concluded that the Centre has sufficient resources to continue its operations which in fact, resulted in savings during the year. The results of the review conducted are discussed in detail, as follows:

B.2.1 Policy

Assessment and revision of pricing policy

32. It is commendable that despite the pandemic, the Centre had successfully managed its training services and had transformed the challenges into opportunities and has achieved great results. Noteworthy to mention is the updated training statistics (as at 31 December 2020) wherein the data for the achievement of targets of its performance indicators are encouraging and some of the targets for the biennium were already exceeded, as shown below:



33. The number of participants reached through face-to-face training is 1,841 participants, while those reached through distance learning activities is 34,564 for a total of 36,405 participants reached during the period 01 January to 31 December 2020. For the distance learning activities, the data showed that the figure for the period already exceeded the target of 20,000 participants (cumulative number) for the 2020-21 biennium.

34. One essential policy in the Centre's training services delivery is the pricing policy. An annual pricing policy is established by Management which accordingly provides pricing parameters of training activities, development of training materials and advisory services. The main objective is to allow for a consistent and transparent pricing policy as well as application of the budgeting process for both traditional face-to-face in the field and on campus training activities. Notably, the pricing policy provides for three components: (a) training costs; (b) participants' subsistence and travel costs (in case the training activity has a face-to-face component); and (c) indirect costs.

35. Distinctive from the detailed components of the alternative training modalities in the policy, only the direct costs or the training costs in relation to delivery time for distance learning was considered – the number of working days to be charged for the Activity Manager and the Course Assistant were based on the actual number of distance-learning training days as well as preparation time. This is quite vague and can be subjected to differing interpretations. It is highlighted that distance-learning were conducted off-site and through the utilization of appropriate technologies. Thus, the term "training days" may have some misguided application when it comes to distance learning.

36. It can be understood that the COVID-19 pandemic created circumstances where the Centre was provided with the limited time to proactively react to such events; hence, there may have been circumstances that were overlooked in the 2020 Pricing Policy. Nevertheless, it should be pointed out that policy documents are living documents that evolve as circumstances change. Without certain flexibility, a policy document may create confusions, as differing interpretations may have certain repercussions. One of which is the lack of clarity and consistency in its application which will affect the achievement of objectives of the policy document. It was noted that the Centre's pricing policy for 2020 is tractable to permit revision if needed, thus the differences of face-to-face and distance learning modalities should be taken into consideration which warrant a policy revision.

37. **We recommended that 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.

Management response

38. The Centre's Management agreed to ensure that the 2021 pricing policy is fully reviewed as events occur during the continuing pandemic and once the Centre's new business model is approved by the Board of the Centre.

B.2.2 Strategy

Robust collaboration and coordination among programme managers

39. Prior to the pandemic, the Centre's training services were generally delivered through face-to-face modalities. Nonetheless, it was gathered during the review that the Centre was already providing training through distance learning prior to the pandemic; distance learning provided by the Centre mainly takes place via the Centre's learning content management system which is the e-Campus. The types of distance learning currently used at the Centre include tutor-based distance learning, self-guided distance learning, communities of practice, and webinars. Thus, it can be said that the Centre managed proactively the necessary conversion of its training activities required during the pandemic as evidenced by the current outreach level achieved by the Centre with regards to its training programme delivery.

40. We were informed, however, by Programme Managers that some training programmes had not been able to cope well with the challenges brought by the pandemic. They were adversely affected, thus, continually under-performing and did not achieve their target. For instance, one programme encountered difficulties due to the freeze on external collaborators on which it relies heavily. In some other programmes, contracts for replacement of vacancies provided assistance partially during the year while in others, short-term assistance was not possible as these were frozen in early March, and thus disrupted their training plans. As the training department is composed of different Programme units, support and collaboration among programme units is imperative. Without the needed coordination and collaboration to a certain extent, disparity of performance among the Training Programmes of the Centre will become evident and this would affect the overall Centre's performance considering that all the Training Programmes are related to the strategic social impact of the Centre. These Training Programmes are as follows:

a. Partnerships and Programme Development Services (PRODEV)
b. Workers' Activities (ACTRAV)
c. Employers' Activities (ACT/EMP)
d. Enterprise, Microfinance and Local Development (EMLD)
e. Employment Policy and Analysis (EPAP)
f. International Labour Standards, Rights at Work and Gender Equality (ILSGEN)
g. Jobs for Peace and Resilience (JPR)
h. Learning Innovation Programme (LIP)
i. Sustainable Development Programme (SDP)
j. Social Protection, Governance and Tripartism (SGPT)

41. A robust collaboration and coordination necessitates consideration with regards to the peculiarity of the Training Programmes' implementation and delivery of their respective training programmes. Technically, the key distinctive elements of each of the Training Programmes should be taken into account in terms of standards setting or establishment of Key Performance Indicators (KPIs) and in the provision of financial and human resource support. Hence, balancing these needs and level of standards could be a key factor to achieving the optimal potential of the Training Department as a whole. Specifically, the purpose is taking the necessary adjustments to direct the concerted efforts of the Programmes towards the achievement of the strategic objectives of the Centre which is the pursuit of learning and training to achieve Sustainable Development Goal 8: *"Promote inclusive and sustainable economic growth, employment, and decent work for all"* without leaving any Programme behind. Focusing mainly on the robust collaboration and coordination between and among the Training Programmes, especially amidst the current pandemic

42. **We recommended that the 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.**

Management response

43. The Centre's Management agrees that collaboration and coordination between all technical Programmes is critical to a successful delivery of its services. It also agrees that the Centre's human and financial resources should be allocated effectively to ensure proper support to all Programmes to achieve their targets. These resources should also be aligned to the Programme's target in the delivery of training and non-training services.

B.2.3 Resources

44. In the delivery of the Centre's training services, both financial and human resources management plays a vital role. Financial resources management is key to achieving the goals and objectives of the Centre. The situation in which the shortage of funds can compromise the training delivery should be avoided. Hence, we recognize the efforts of the Centre in the implementation of its cost containment strategy amidst the current pandemic by freezing some discretionary expenses allowing the Centre to minimize forecasted losses without long-term damage to its operations. The schedule on the *comparison of original and revised budgets for fixed expenditures* provided by Management showed expenditures affected by the cost containment strategy are summarized below:

Types of Fixed Expenditure	Original approved 2020 budget	Revised 2020 budget	Decrease	Percentage Decrease
Regular budget staff	15,985,490.00	14,972,585.00	1,012,905.00	6%
Consultants	484,870.00	239,466.00	245,404.00	51%
Facilities	2,006,532.00	1,915,300.00	91,232.00	5%
General operating expenses	947,119.00	768,698.00	178,421.00	19%
Missions and representation	271,843.00	183,157.00	88,686.00	33%

45. The cost containment measures involved freezing discretionary fixed expenditures in ORACLE. Accordingly, the freezing of allotments was done with the objective of permitting the Centre to continue its operations and retain as much treasury as possible to meet its current and future obligations. The allotments affected included: internships, external collaborators and service contracts, translation and interpretation, utilities, courier and freight, mission travels, publications and subscriptions, expendable material, stationary, public information and miscellaneous, and other staff-related costs.

46. One of the performance dimensions of Centre, as indicated in its Strategic Plan 2018-21 is financial performance, which was described as the *capacity of the organization to generate revenue streams that enable it to meet its costs, measured by performance criteria relating to revenue and costs.* It was further elaborated under the same financial performance dimension that the *Centre will provide a proactive and responsive service by introducing user-friendly reports, so as to enhance accountability and corporate decision-making processes across the organization.* In other words, the Centre, in formulating such cost containment measures under the financial performance dimension, recognizes the relationship between revenue and costs.

47. On the other hand, that human resource is one of the most valuable components of any business. This is why investment in human resources becomes a necessary step to ensure that the Centre prospers in the challenging business environment because of the current pandemic. We applaud the Centre's staff development initiative in transitioning staff to cope with "new normal" such as the staff retooling and reskilling training exercises. The "new normal" will certainly affect and should pay most attention to effective management of human resources, which, in terms of the current pandemic is an important prerequisite for a sustained and competitive business operations.

B.2.3.1 Cost containment measures

48. With the advent of the pandemic, some of the Training Programmes still managed to perform well and exceed their targets, while some of them were indeed severely affected. Those who managed to perform well related through actual interview that, with sufficient allocation of funds, they probably could have even doubled or tripled their performance and generate more income from training services. This was also shown in the *Contribution to Fixed Cost (CFC)* achievement rating document furnished the audit team. Those who were severely affected, on the other hand, informed that they could have leveraged on the financial resource in minimizing or even successfully coping with the effects of the current pandemic. During interviews with various Training Programmes, we were informed that the cost containment measures put in place by Management affected their delivery of training services and thus were unable through other means and actions, to execute their strategies and achieve their intended output. One of the Training Programmes that is heavily reliant on external collaborators (due to the technical nature of their activities and necessary capability and competency to undertake the required activities within that particular Programme) mentioned during an interview that the Unit was certainly affected by the reduction in the use of external collaborators, a variable category of expense, within the activity budgets.

49. It is understandable that cost containment measures for discretionary fixed expenditures is one of the courses of action in order to mitigate the adverse effects of the pandemic. When it comes to cost freezing measures, fixed-costs have some flexibilities as some are not necessarily all essential. For training implementation, however, both fixed and

variable cost are vital. In any organization, many variable costs are needed to generate revenue. Too conservative an approach on variable costs means opportunities for revenue are foregone, while too liberal would also mean so much risk to manage. Thus, to strike a balance amongst the revenue, variable and fixed costs, vital information should be gathered and carefully evaluated. The information can be secured from those who are directly involved, in this case the Training Programmes, that were considered to have the first-hand knowledge and actual experience as to the impact of the strategic plans developed by the Centre.

50. **We recommended that the Centre Management, in consultation with the Training Programmes:**

> **a. 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; and**
>
> **b. 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.**

Management response

51. Management's decision was made to contain fixed costs throughout the year, starting in early April 2020, as a result of the forecasted training revenue being significantly below the original target. The approved budget of 2021 has not been subjected to any cost containment measures. In addition, if external collaborators were required to deliver activities, the Programmes were free to submit to the Director of Training, a request to include such budget lines within their activity budget (variable category of expenses), which was possible throughout 2020. Each case were reviewed individually and in those cases where it was deemed critical, additional funds were granted.

B.2.3.2 Human resource optimization

52. Throughout the current pandemic, the Human Resource Service (HRS) played an essential role in coordinating the information and recommendations on the COVID-19 emergency measures. Among which is the provision of information and guidance on the new policies and measures to be complied with and also the regular implementation of human resource (HR) operations and functions. Upon inquiry with Programme Managers, we learned that one of the areas that needs improvement when it comes to the response of the Centre with the current pandemic is with regard to HR. We were informed that certain aspects of HR need to be revisited in order that the planned strategies for the training services delivery of the Centre is optimized. Some of them informed us that there were staff support challenges attributed to the absence of a replacement strategy of the HRS. This is exemplified, accordingly, when one of the staff has to take a leave of absence because of virus infection, but this may not be properly coordinated by the HRS and that a replacement staff or support staff was not provided. Further, we were informed that, as part of the cost containment measures taken by the Management, the internship program budget and recruitment process were also frozen.

53. Moreover, the freeze on hiring external collaborators had adversely affected a Training Programme unit because of the nature of the activities being implemented. This particular strategy has been, accordingly, different from those strategies undertaken by other UN Agency, such as the UN System Staff College, where instead of totally banning recruitment, they put up an aggressive recruitment of short-term staff with specialized e-learning profiles. Although different circumstances were recognized for each of the UN entities, nevertheless we are highlighting some practices which can be benchmarked and assist the Centre. Another aspect that had been raised to be of concern is on staff development. Although it was mentioned that the HRS had conducted several staff training activities and online learning courses, its sufficiency was somewhat questioned. Some Programme Managers expected a more aggressive staff training strategy because the current pandemic had created the need for a different skills set. Thus, the "new normal" necessitates robust retooling and reskilling exercise, to which the HRS should have put more emphasis for an effective functional mobility of staff.

54. Similar to financial resources, human resources are a critical aspect of any organizational operations. Policies and strategies, while proven to be effective and sufficient, necessitates adequate and well-equipped human resources to implement and achieve organizational goals as well as objectives.

55. **We recommended that 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.**

Management response

56. Management has reviewed for 2021 its cost containment measures relating to human resources. As part of the on-going review of the business model of the Centre, the existing staffing structure will be reviewed to ensure proper staffing resources with the right qualifications are allocated in an optimal manner to support the Centre's priorities and the achievement of its Programme and Budget as well as the individual Programme targets.

C. IMPLEMENTATION OF EXTERNAL AUDIT RECOMMENDATIONS

57. 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	Implemented	In Progress	Not Implemented
2019	8	3	5	**0**
2018	9	2	5	**2**
2017	1	1	0	**0**
2016	5	1	4	**0**
Total	**23**	**7**	**14**	**2**

58. We noted that Management actions are underway for five recommendations for 2019. These recommendations include: (a) the establishment of a more integrated and concrete

resource mobilization strategy; (b) the development of a clear and well defined skills development plan; (c) enhancement of resource mobilization effectiveness; (d) enhancement of procedural guidelines relative to the bidding for calls for tenders and proposals; and (e) incorporating risk management within the resource mobilization bid process.

59. Moreover, two recommendations in 2018 have yet to be implemented by the Management and these recommendations are: (a) the establishment of the Rewards and Recognition Policy within the Performance Evaluation System; and (b) the formalization of rebuttal process in performance management system.

60. Further, four recommendations in 2016 have been initiated but the final implementation was delayed due to the current pandemic. These recommendations are: (a) embedding of a clear definition of accountability in the accountability framework; (b) inclusion of a well-defined accountability roles and responsibilities as well as mechanisms and tools to facilitate the documentation and monitoring of accountability performance and achieve better transparency; (c) enhancement of asset management policy on lost asset, write off and asset disposal; and (d) a travel handbook containing and harmonizing all of 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.

61. **We recommended that the Centre Management prioritize the implementation of the audit recommendations to further improve operational efficiency.**

Management response

62. Management actively supports the implementation of all external audit recommendations. In some cases, the process to achieve full implementation can be long and necessitates multiple levels of consultations as well as the involvement of ICTS to develop automated tools. Due to the pandemic, and other priorities, certain recommendations were temporarily deferred to 2021. Many of the recommendations are in progress and Management monitors their advancement regularly.

D. DISCLOSURES BY MANAGEMENT

63. We were provided by Management with a Representation Letter which includes detailed information that is vital in our audit of the financial statements. We found the information contained therein as 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 Impact of the COVID-19 Pandemic

64. 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.

D.2 Contingent assets pertaining to voluntary contributions

65. Voluntary contributions from the ILO and the Italian Government are not presented as receivables in the financial statements but instead disclosed as contingent assets as required by IPSAS since control of these funds is not wholly upon the Centre at the end of the year.

D.3 Receivables

66. Receivables of EUR 11,577,000 (EUR 15,158,000 as at 31 December 2019) 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 2020. Receivables classified as current do not include any material amounts that are collectible after one year. A provision for doubtful accounts of EUR 90,000 (EUR 162,000 as at 31 December 2019) has been made to reflect the Centre's best estimate of accounts impaired.

D.4 Payables

67. Liabilities of the Centre totaling EUR 22,301,000 is composed primarily of EUR 16,489,000 pertaining to funds advanced by donors and sponsors for specific training activities/projects and funds receivable based on signed agreements with participants and their sponsoring agencies in respect of future training activities and other purposes, including the renovation of pavilion in the Centre that are subject to specific performance conditions.

D.5 Cases of fraud and presumptive fraud

68. Management reported that they are not aware of any cases of fraud and presumptive fraud in the financial year 2020 as well as any conflicts of interest involving the Centre where it has, directly or indirectly, entered into any purchase, sale or any other transaction with a member of the Board, a member of senior management, a manager, or with an organization in which one of these persons had a direct or indirect interest.

D.6 Ex-gratia payments

69. Management reported that there were two ex-gratia payments made in 2020 by the Centre for a total amount of EUR 5,376.

E. ACKNOWLEDGEMENT

70. 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 Training and Service Units as well as their staff during our audit.

Commission on Audit
Republic of the Philippines
External Auditor

01 March 2021
Quezon City, Philippines

Appendix

STATUS OF IMPLEMENTATION OF EXTERNAL AUDIT RECOMMENDATIONS FROM PRIOR YEARS

	Recommendation	External Auditor's Validation
2019		
1	**Conduct of physical inventory and update of Asset Register** Centre Management conduct a complete physical inventory of all capitalized assets and maintain an up to date Asset Register to ascertain the existence, condition and completeness of the recorded P&E and to further enhance accountability within the Centre.	**Implemented.** A full physical inventory was carried out in 2020 and the Asset Register was updated accordingly.
2	**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.	**On-going.** A PRODEV Operational Plan has been developed for 2020-21 and has been issued. The Centre will be developing a Resource Mobilization Strategy which will draw from the new business model of the Centre, when approved, and the forthcoming elaboration of 2022-25 Strategic Plan.
3	**RM skills development: develop of a clear and well defined skills development plan** Centre Management incorporate in the development of Resource Mobilization strategy a clear and well-defined skills development plan for all staff involved, to ensure effective delivery of the planned resource mobilization.	**On-going.** This is being developed based on the PRODEV Operation Plan for 2020-21.
4	**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.	**On-going.** Based on the just recently completed year 2020, PRODEV has started identifying the related costs and the benefits in order to complete this analysis.
5	**Bidding for calls for tenders and proposals: enhancement of procedural guidelines**	**On-going.**

	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.	PRODEV's Operational Plan launches an overall Business Process Review for Bidding that will include the definition of set of criteria to engage in bidding.
6	**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.	**On-going.** PRODEV's Operational Plan launches an overall Business Process Review for Bidding that will include risk management and mitigation measures.
7	**Bidding for calls for tenders and proposals: *Bidding Pricing strategy*** Centre Management consider communicating to Programme Managers on the pricing principles specifically applicable to competitive bidding for calls for tenders or proposals for them to understand the flexible parameters that could be applied to each type of contracts or funding opportunities on a case by case basis, to achieve a successful rate of winning contracts and ultimately the accountability over resource mobilization activities.	**Implemented.** The Centre Management has provided Programme Managers with the Pricing Policy for all 2020 activities and any exceptions are approved by the Director of Training and the Treasurer.
8	**Bidding for calls for tenders and proposals: *Lessons learned and feedback – establishment of feedback mechanism*** Centre Management consider enhancing its procedural guidelines for bidding and updating its Operational Plan to include the establishment of a feedback mechanism, if not foreseen otherwise, wherein the results of past activities will be assessed to improve the Centre's prospects for successful bids, which will then further promote sustainability of resource mobilization.	**Implemented.** PRODEV's Operational Plan incorporates the necessary information.
2018		
9	**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**	**On-going.** A draft Circular was prepared however due to the pandemic in 2020 as well as

<table>
<tr><td></td><td>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.</td><td>the revision of the Centre's business model, this is not yet completed.</td></tr>
<tr><td>10</td><td>Recruitment and Selection: The need to enhance the maintenance of Rosters and Pools of candidates

Centre Management conduct a cost-benefit analysis on the need for a software application on the maintenance of Rosters and Pools of candidates and if deemed feasible, the preparation of proposal to fund the project.</td><td>On-going.

A Roster was developed and tested. However due to the pandemic, the Centre had to delay the roll-out of the Roster for candidates but the completion is imminent.</td></tr>
<tr><td>11</td><td>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 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</td><td>On-going.

This has been delayed as the Performance Management System will need to be aligned to the new business model, once approved by the Board.</td></tr>
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12	**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.	**On-going.** This has been delayed as the Performance Management System will need to be aligned to the new business model, once approved by the Board.
13	**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.	**Not yet implemented.** This will be considered by Centre Management once the Performance Management System's recommendations above have been addressed.
14	**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.	**Not yet implemented.** This will be considered by Centre Management once the recommendations above have been addressed.
15	**Collective Bargaining Process: Need to adhere to the Staff Regulations on the composition of JNC Secretariat.** Centre Management agreed to formally remind the Parties of their right for a Secretary as provided under the Staff Regulations and the Recognition and Procedural Agreement to ensure appropriate representation in the JNC.	**Implemented.**
16	**Collective Bargaining Process: Need to appraise the Review Panel (RP) as an effective mechanism** Centre Management formally remind the Parties that any request to review the operation of the Recognition of Procedural Agreement, or parts of it such as the RP, should be done formally in writing to the JNC, in accordance with Art. 8 of the Agreement, especially in revisiting and	**On-going.** There were some delays due to the pandemic.

	reconsidering the procedure and making the essential changes, if warranted.	
17	**Collective Bargaining Process: Need for capacity building on staff-management relation issues for both the Management and Staff Union Representatives** Centre Management implement regular trainings on staff management relations issues for both the Management and Staff Union representatives that will further improve interpersonal relationship and provide better understanding of the substantive concerns of each party that would resolve differences constructively.	**Implemented.** Two discussions were held, on in late 2019 and one in 2020.
2017		
18	**Financial Management: Accounts receivable monitoring** Centre Management review the existing policy, rules and procedures on receivables to align them to its existing current practices.	**Implemented.** The Policy has been revised regarding accounts receivable monitoring and the revised process is already in place. The Policy is incorporated within a larger document which requires additional revisions due to the continued automation of the larger process.
2016		
19	**Financial Management: Development of formal IPSAS Manual, Finance Manual and formal Chart of Accounts** Prepare and develop a formal IPSAS and Finance Manuals integrating therein: (a) all standards adopted and the mechanism for review, updates and approval; (b) the financial policies and procedures; (c) the formal chart of accounts: and d) the process flowcharts and system descriptions to serve as a comprehensive guide in financial management and reporting that will ensure compliance with the requirements of IPSAS	**Implemented.** A formal IPSAS Manual has been completed jointly with the ILO. All processes are documented and procedures are drafted, and all kept in the Finserv area. The Centre is under a significant review for further automation and simplification of its processes which will last for several more years and Policy and Procedures continuously need updating. In addition, with the new business model being developed, this will further bring changes to the internal processes. Management does not support any further revisions to the chart of account at this time.
20	**Accountability Framework: Embedding of a clear definition of accountability in the accountability framework**	**On-going.** Due to the pandemic, the discussion of the revised draft Framework was

	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.	postponed as other priorities arose in 2020.
21	**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.	**On-going.** Due to the pandemic, the discussion of the revised draft Framework was postponed as other priorities arose in 2020.
22	**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 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.	**On-going.** The draft Circular is ready to be issued, however, this can only be done when the related IT tool is also ready. Due to the pandemic, other IT priorities were noted and this work was deferred.
23	**1. 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	**On-going.** Consultations have been completed with staff and a review is underway in order to propose changes to Management. However, due to the full travel restrictions in 2020 expected to last well into 2021 and possibly beyond, the development of the tool

	b. Document the classification and categorization of all circulars published to identify the level of authority and scope.	has been put on hold due to other priorities.