INTERNATIONAL TRAINING CENTRE OF THE ILO

Officers of the Board of the Centre

Meeting of Officers of the Board, Geneva, 17 May 2016

FOR DECISION

ITEM ON THE AGENDA

Financial Statements and External Auditor's Report for the year ended 31 December 2015

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Financial report on the 2015 accounts

Introduction

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 2015 financial statements, together with the Auditor's opinion, are also submitted to the Board of the Centre in accordance with article 27 of the Financial Regulations.

The 2015 financial statements have been prepared in accordance with International Public Sector Accounting Standards (IPSAS). Financial statements prepared under IPSAS recognize the general operations' voluntary contributions for which there are no stipulations in the year that they relate to. Contributions relating to training activities that have conditions are recognized as revenue when the services are delivered to the donor. 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) liability is recognized in the International Labour Organization's (ILO) consolidated financial statements.

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.

The ILO is the controlling entity of the Centre. 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 an ILO controlled entity, the Centre's 2015 financial statements are consolidated with those of the ILO.

Five funds are maintained at the Centre:

1) the General Fund is the main operating fund of the Centre for training activities;
2) the Working Capital Fund 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;
3) the Campus Improvement Fund was established by the Director to receive funds specifically for the refurbishment of the campus;
4) the Italian Trust Fund was established to receive funds from the Italian government for training activities; and
5) the Innovation Fund was established in 2011 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.

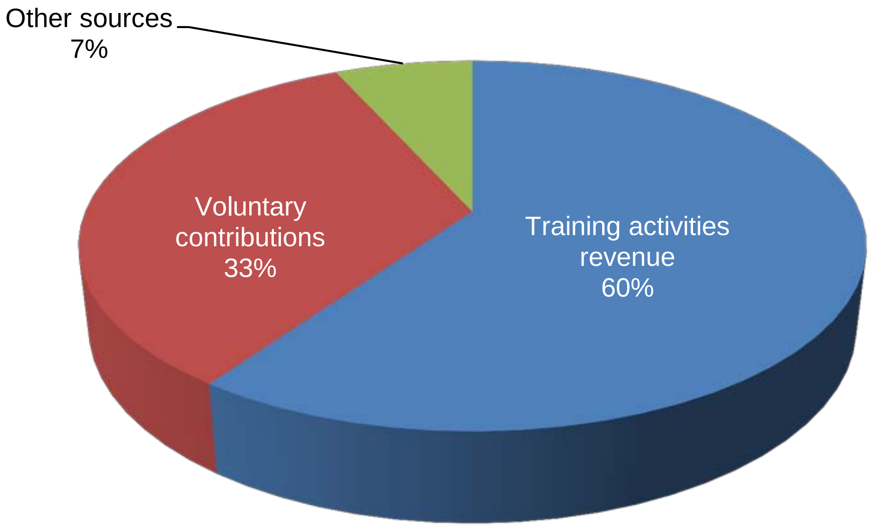
Financial results for 2015

The Centre had a positive year whereby its total revenue was higher by 9.8 per cent as compared to its 2014 results. This resulted in an IPSAS-based deficit of €10 000. The 2015 financial results are as follows:

Financial highlights (in thousands of Euros)

	2015	2014
Total revenue	39 791	36 242
Total expenditures	39 801	36 170
Net surplus (deficit)	(10)	72
Net assets	18 116	18 126

Total revenue by source

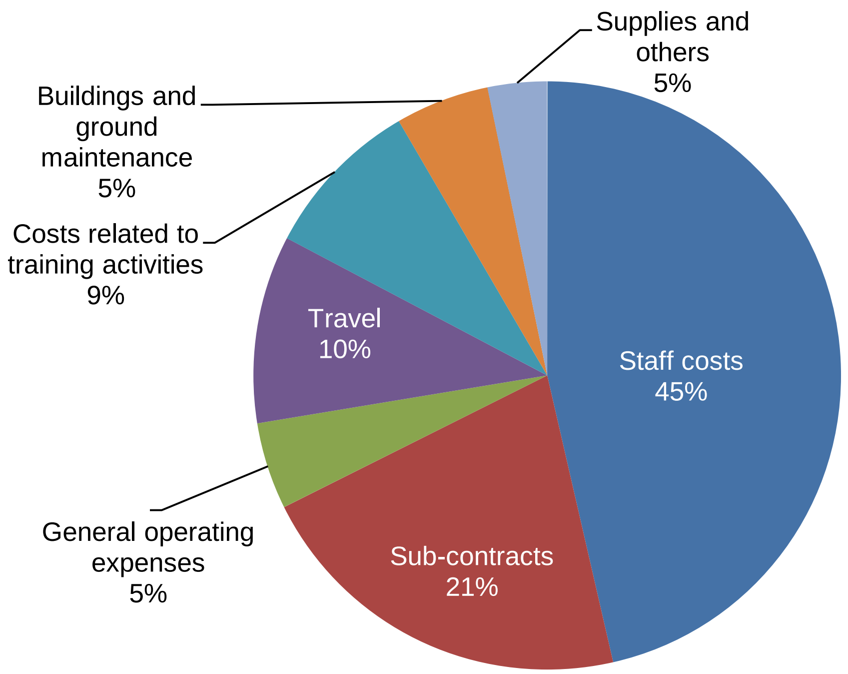


The two major sources of revenue, representing 93 per cent of total revenue (2014 - 95 per cent), are derived from voluntary contributions and training activities. Total revenue increased by 9.8 per cent as compared to 2014 as a result of:

- an increase of €4.5 million, or 104 per cent, in training revenue financed from the ILO's Regular Budget for technical cooperation. In 2015, this represented 37 per cent of the overall training revenue as compared to approximately 30 per cent in 2014. Overall, participants attending training in 2015 totaled 12 496 as compared to 10 921 in 2014. This represented an increase of 1 575 participants or 14.4 per cent;
- the distribution of the activities by type of training also had a significant impact on the total training revenues. In 2015, we saw a large increase of 10 per cent in the number of participant-days on campus (32 392 participant-days in 2015 as compared to 29 337 in 2014) as well as an increase of 5 per cent in the "Blended–C" (distance training plus face-to-face on campus) activities (25 650 in 2015 as compared to 24 464 in 2014);

- although there was only a small increase of 1.4 per cent in the number of participant-days in the field (21 262 in 2015 as compared to 20 964 in 2014) and 0.6 per cent in training activities called "Blended–F" (distance training plus face-to-face in the field) (4 011 participant-days in 2015 as compared to 3 987 in 2014), the Centre saw a significant increase of 83 per cent in the participant-days for training at a distance (18 749 participant-days in 2015 as compared to 10 226 in 2014);
- a decrease of €1.36 million in voluntary contributions, mainly due to the receipt in 2014 voluntary contributions of €1.7 million for the refurbishment of Pavilion Europe. To counterbalance this decrease, the ILO voluntary contribution generated €722 000 in additional funding as a result of the foreign currency gain realized on its conversion;
- an increase of nearly €1.0 million in other revenue mainly due to a large increase in publications revenue (€540 000) and other miscellaneous revenue from various sources (€402 000).

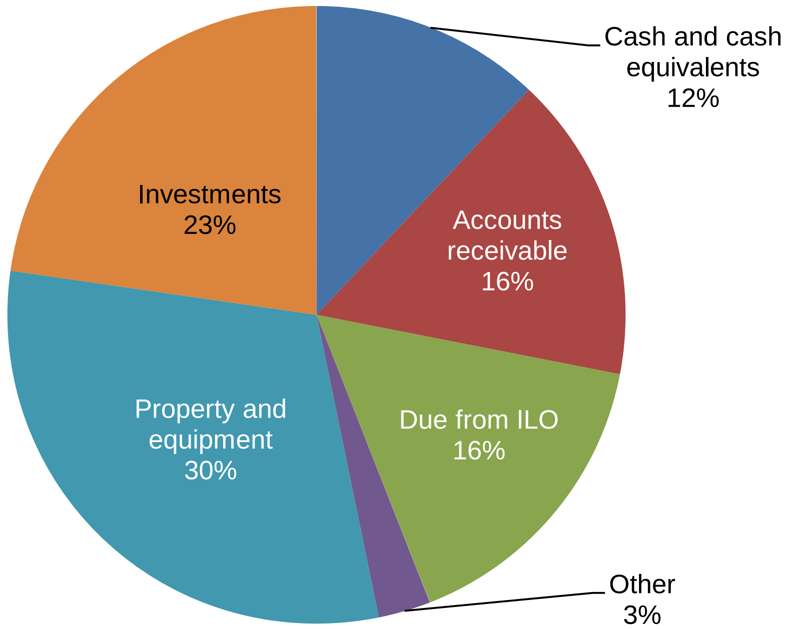
Total expenditures by source



The most significant expenditures relate to staff costs of €18.0 million, sub-contracts of €8.2 million, travel of €4.0 million and other costs related to training activities of €3.4 million. The increase in total expenditures was mainly due to increases relating to training activities for sub-contracts (€1.4 million), travel (€741 000) and other costs (€400 000). In addition, there was also an increase in staff costs of €528 000.

Operating result: the 2015 net deficit of revenue over expenditures, in accordance with IPSAS, was €10 000 as compared to a net surplus of €72 000 in 2014.

Assets: the Centre held assets of €30.0 million as of 31 December 2015 (€30.5 million as at 31 December 2014).



As at 31 December 2015, the Centre's most significant assets were cash and cash equivalents of €3.6 million, investments of €6.8 million, accounts receivable of €9.6 million, of which €4.8 million was receivable from the ILO, and property and equipment totalling €9.1 million. Overall, the Centre's assets decreased by €0.5 million as a result of:

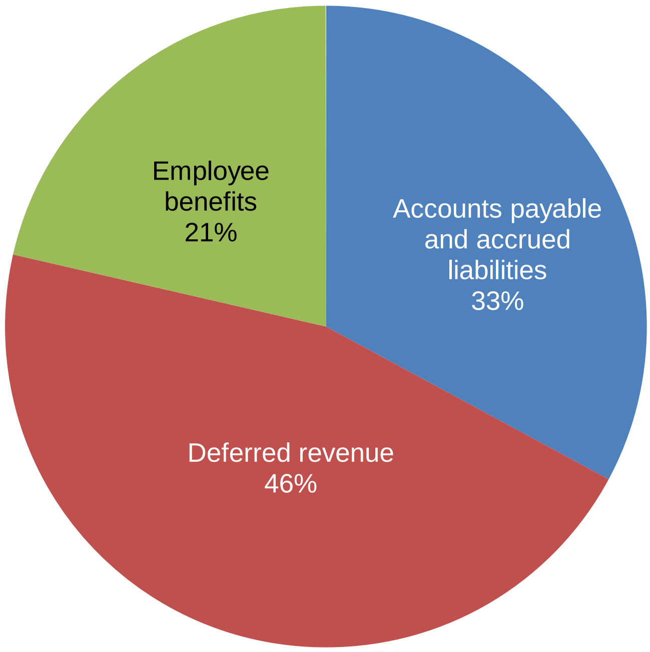
- a decrease in cash and cash equivalent as well as investments of €1.8 million as a result of the Centre's investment in equipment and intangible assets of €513 000 and a decrease of €1.3 million in cash held on behalf of donors for training activities;

- a decrease in contribution receivable of €425 000 as a result of the contribution from Compagnia di San Paolo of €375 000 received in 2014;

- an increase in the receivable from the ILO of €2.5 million as a significant amount was still owed at year-end as a result of increased ILO-funded training activities;

- a overall decrease in property and equipment as a result of a full year of depreciation recorded on the 2014 refurbishment costs of €3 165 million for Pavilion Europe.

Liabilities: the Centre had liabilities of €11.9 million as at 31 December 2015 (€12.3 million as at 31 December 2014).



Overall liabilities have decreased by €0.5 million as compared to last year. This is due to the following:

- the most significant liability totaling €5.4 million or 46 per cent of total liabilities is the liability called Deferred revenue. This represents funds advanced by various donors and sponsors for specific training projects (€2.8 million) and funds receivable based on signed agreements with participants and their sponsoring agencies in respect of future training activities and consulting services that are subject to specific performance conditions (€2.6 million). Although activities increased in 2015, advances received relating to signed agreements have decreased by €1.3 million;
- accounts payable and accrued liabilities increased by €857 000 in line with the increased training activities in 2015.

Net assets: at the end of 2015, net assets remained stable at the 2014 level. The following shows the movements within each fund during the year:

(In thousands of Euros)

	Working Capital Fund	General Fund	Campus Improvement Fund	Italy Trust Fund	Net Assets
Balance as at 1 January 2015	1 935	13 508	608	2 075	18 126
Net surplus/(Deficit) of 2015	–	201	(111)	(100)	(10)
Transfers to/(from)	65	(1 015)	950	–	–
Balance as at 31 December 2015	**2 000**	**12 694**	**1 447**	**1 975**	**18 116**

The transfers between the General Fund and the Campus Improvement Fund and the Working Capital Fund included the transfer of €950 000 and €65 000, respectively as per the 2015 approved budget. An amount of €75 000 had been approved to be transferred to the Working Capital Fund however the full balance was not required to bring the balance to its required level of €2.0 million.

Regular Budget

At its 77th Session (October 2014), the Board approved the 2015 budget consisting of expenditures of €39 051 million and revenue of €39 365 million.

The overall budgetary results for the 2015 financial year are summarized in **Statement V**, with the details of voluntary contributions received from donors shown in note 11. The 2015 actual revenue amounted to €40.6 million. The 2015 actual staff costs under Chapter III of the budget amounted to €18.0 million while actual fixed expenditures under Chapter IV totalled €6.5 million. Variable expenditures under Chapter V amounted to €14.5 million. The 2015 budget surplus amounted to €1.387 million after taking into account the provision for doubtful accounts and realised foreign exchange losses.

Significant differences between 2015 budget and actual amounts as presented on Statement V

(In thousands of Euros)

Line item in Statement V			Budget 2015	Actual 2015	Variance Amount	Variance %
Chapter	Line					
I	10	International Labour Organization	3 034	3 712	678	22.3
II	20	Revenue from training activities	24 200	25 387	1 187	4.9
II	21	Revenue from publications	1 500	1 311	(189)	(12.6)
II	22	Other revenue	1 200	1 339	139	11.6
II	23	Use of surplus	1 331	748	(583)	(43.8)
IV	41	Facilities	1 920	2 064	144	7.5
IV	43	General operating expenditures	920	690	(230)	(25.0)
IV	45	Governance	393	217	(176)	(44.8)
IV	46	Information technology	1 479	1 815	336	22.7
V	50–57	Total variable expenditures	14 850	14 458	(392)	(2.6)
	58	Change in provision for doubtful accounts	–	163	163	100.0
	61	Exchange loss and revaluation, net	–	175	175	100.0

Explanations of variances

The Centre achieved a positive result by earning higher than budgeted revenue from training activities, receiving a voluntary contribution from the Government of Portugal as well as realizing a significant exchange gain on its ILO voluntary contribution while managing its total operating expenditures which came in lower than the budget. Below are more detailed explanations on the variances of certain line items for the year:

- **ILO voluntary contribution**: the ILO US dollar contribution revenue was €678 000 over budget as a result of the differences in exchange rates applied to the budget (€0.736 to US$1) and the actual rate (€0.90 to US$1) applicable at the time the funds were converted into Euros;
- **revenue from training activities**: actual revenues for 2015 exceeded the approved budget by €1.187 million or 4.9 per cent. This can be explained by the significantly higher than anticipated training revenue from the ILO's Regular Budget for technical cooperation and extra-budgetary funds, and the overall increase of 14.7 per cent of participant-days in 2015 as compared to 2014;

- **revenue from publications**: the variance in 2015 is due to the lower than expected demand for publications during the year. The overall 2015 revenue earned from publications went from €771 000 in 2014 to €1.311 million in 2015. As the budgeted figure was based on past performance in a second year of an ILO biennium, the actual figures still came in under budget by 12.6 per cent;

- **other revenue**: the 2015 variance of €139 000, or 11.6 per cent, can be explained mainly by increases in social life activities revenue, the recovery of costs shared with other agencies on the campus as well as miscellaneous revenue due to an overall review of the Centre's suspense accounts in 2015;

- **use of surplus**: the budget anticipated that a significant amount of past surpluses would be spent in 2015. The variance of €583 000, or 43.8 per cent, is due to activities being funded from other source of funds. Note 15 of the financial statements provides additional information on balances available as at 31 December 2015;

- **facilities**: the actual costs for facilities is higher than the budget by €144 000, or 7.5 per cent as a result of additional maintenance work carried out in the course of the year using savings from other areas. Such projects included the refurbishment of the Valentino Bar, the installation of fire extinguishing systems in the data center as well as re-painting and upgrading of hotel accommodations and classrooms;

- **general operating expenditures**: the variance of €230 000, or 25 per cent, was generally attributable to lower than expected costs in freight and courier services, internal removals, internal reproduction and supplies as well as bank charges;

- **governance**: the variance of €176 000, or 44.8 per cent results from the ILO providing the Centre with free of charge internal audit and legal services during the year;

- **information technology**: the variance of €336 000, or 22.7 per cent, is a result of additional expenditures relating to the purchase of information technology equipment for both training activities and staff members;

- **total variable expenditures**: the variance of €392 000, or 2.6 per cent, is due in part to the changes in the distribution of the activities by type of training as compared to last year. With the increases in "Blended–C" and "Blended–F" activities as well as distance learning, the variable costs have decreased as a percentage of the total revenue from training activities.

Ex–gratia payments

There were three ex-gratia payments made in 2015 totalling €78 950.

Approval of the Financial Statements for the year ended 31 December 2015

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.

Yanguo Liu
Director
17 March 2016

Christine Boulanger
Treasurer, Chief of Financial Services
17 March 2016

Point for decision

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

Auditor General of Canada
Vérificateur général du Canada

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

I have audited the accompanying financial statements of the International Training Centre of the International Labour Organization, which comprise the statement of financial position as at 31 December 2015, 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 a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

.../2

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the International Training Centre of the International Labour Organization as at 31 December 2015, and its financial performance, its cash flows and the comparison of budget and actual amounts for the year then ended in accordance with International Public Sector Accounting Standards.

Report on Other Legal and Regulatory Requirements

As required by the *Financial Regulations* of the International Training Centre of the International Labour Organization, I report that, in my opinion, the accounting principles in International Public Sector Accounting Standards have been applied on a basis consistent with that of the preceding year.

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

In accordance with Article 27 of the *Financial Regulations* of the International Training Centre of the International Labour Organization, I have also issued a detailed report on my audit of the International Training Centre of the International Labour Organization's financial statements to the Board.

Michael Ferguson, CPA, CA
FCA (New Brunswick)
Auditor General of Canada

17 March 2016
Ottawa, Canada

Financial Statements
for the year ended 31 December 2015

International Training Centre of the ILO

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

	Note	2015	2014
Assets			
Current assets			
Cash and cash equivalents	**3**	3 604	12 225
Investments	**4**	6 811	–
Accounts receivable	**5**	4 345	4 465
Contributions receivable	**6**	100	525
Due from the ILO		4 781	2 321
Other current assets		536	542
		20 177	**20 078**
Non-current assets			
Accounts receivable	**5**	364	523
Property and equipment	**8**	9 142	9 637
Intangible assets		287	227
		9 793	**10 387**
Total assets		**29 970**	**30 465**
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		3 898	3 041
Deferred revenue	**9**	5 055	6 282
Employee benefits	**10**	226	231
		9 179	**9 554**
Non-current liabilities			
Deferred revenue	**9**	364	523
Employee benefits	**10**	2 311	2 262
		2 675	**2 785**
Total liabilities		**11 854**	**12 339**
Net assets			
Working Capital Fund		2 000	1 935
Total other accumulated fund balances		16 116	16 191
Total net assets	**16**	**18 116**	**18 126**
Total liabilities and net assets		**29 970**	**30 465**

The accompanying notes are an integral part of the Financial Statements.

International Training Centre of the ILO

Statement of financial performance for the year ended 31 December
(in thousands of Euros)

	Note	2015	2014
Revenue			
Training activities		23 787	19 643
Voluntary contributions	**11**	13 312	14 676
Other revenue	**13**	2 567	1 624
Exchange gain and revaluation, net		42	209
Interest		83	90
Total revenue		**39 791**	**36 242**
Expenditures			
Staff costs		17 988	17 460
Sub–contracts		8 226	6 828
General operating expenditures		1 850	1 866
Travel		4 002	3 261
Other costs related to training activities		3 443	2 982
Buildings and ground maintenance		1 996	1 920
Supplies		1 264	1 048
Depreciation		994	760
Bank charges		38	45
Total expenditures		**39 801**	**36 170**
Net surplus (deficit)		**(10)**	**72**

The accompanying notes are an integral part of the Financial Statements.

International Training Centre of the ILO

Statement of changes in net assets for the year ended 31 December
(in thousands of Euros)

	Working Capital Fund	General Fund	Campus Improvement Fund	Italy Trust Fund	Total other accumulated fund balances	Net Assets
Balance as at 1 January 2014	1 929	12 002	1 205	2 918	16 125	18 054
Net surplus/(deficit) of 2014	6	928	(19)	(843)	66	72
Transfers to/(from) [/1]	–	578	(578)	–	–	–
Balance as at 31 December 2014	**1 935**	**13 508**	**608**	**2 075**	**16 191**	**18 126**
Balance as at 1 January 2015	1 935	13 508	608	2 075	16 191	18 126
Net surplus/(deficit) of 2015	–	201	(111)	(100)	(10)	(10)
Transfers to/(from) [/2]	65	(1 015)	950	–	(65)	–
Balance as at 31 December 2015	**2 000**	**12 694**	**1 447**	**1 975**	**16 116**	**18 116**

/1 Transfer of €200 from General Fund to the Campus Improvement Fund as approved by the Board in 2014.

/2 Transfer of €950 from General Fund to the Campus Improvement Fund as approved by the Board in 2015. Transfer of €65 from the General Fund to the Working Capital Fund which is below the amount of €75 approved by the Board in 2015 to bring the total amount in the Fund to €2 million as required by the Financial Regulations.

The accompanying notes are an integral part of the Financial Statements.

International Training Centre of the ILO

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

	2015	2014
Cash flows from operating activities		
Net surplus (deficit) for the period	(10)	72
Effect of exchange rates on cash and cash equivalents	52	45
Non-cash items:		
Depreciation	994	760
Decrease in accounts receivable	279	876
Decrease in contributions receivable	425	144
(Increase)/decrease in due from the ILO	(2 460)	2 471
(Increase)/decrease in other current assets	6	(33)
Increase/(decrease) in accounts payable and accrued liabilities	811	(548)
Decrease in deferred revenue	(1 386)	(2 708)
Increase/(decrease) in employee benefit liabilities	44	(8)
Net cash flows from operating activities [/1]	**(1 245)**	**1 071**
Cash flows from investing activities		
Acquisitions of property and equipment and intangible assets	(513)	(3 165)
Acquisitions of short-term investments	(9 311)	–
Proceeds from disposal of short-term investments	2 500	–
Net cash flows from investing activities	**(7 324)**	**(3 165)**
Effect of exchange rates on cash and cash equivalents	(52)	(45)
Net decrease in cash and cash equivalents	**(8 621)**	**(2 139)**
Cash and cash equivalents, beginning of period	12 225	14 364
Cash and cash equivalents, end of period	**3 604**	**12 225**

/1 €20 in interest received is included under "Net surplus/(deficit) for the period" in the net cash flows from operating activities (2014 – €94).

The accompanying notes are an integral part of the Financial Statements.

International Training Centre of the ILO
Statement of comparison of budget and actual amounts for the year ended 31 December 2015 (in thousands of Euros)

Budget Chapter	Budget Item	Title	2015 Approved Budget	2015 Actual	Budget Variance[2]
		REVENUE			
I		**Voluntary contributions**			
	10	International Labour Organization	3 034	3 712	678
	11	Government of Italy	7 850	7 850	–
	13	Piedmont Region	–	–	–
	14	Government of Portugal	250	250	–
	–	City of Turin	–	–	–
		Total voluntary contributions (Chapter I)	**11 134**	**11 812**	**678**
II		**Earned revenue**			
	20	Revenue from training activities	24 200	25 387	1 187
	21	Revenue from publications	1 500	1 311	(189)
	22	Other revenue	1 200	1 339	139
		Total earned revenue	**26 900**	**28 037**	**1 137**
	23	Use of surplus	1 331	748	(583)
		Total Chapter II	**28 231**	**28 785**	**554**
		TOTAL BUDGET REVENUE	**39 365**	**40 597**	**1 232**
		EXPENDITURES			
III		**Staff Costs**			
	30	Regular–budget staff costs	15 291	15 360	69
	31	Project–based staff costs	2 550	2 602	52
		Total staff costs (Chapter III)	**17 841**	**17 962**	**121**
IV		**Non-staff Costs**			
		Fixed expenditures			
	40	Consultants	458	454	(4)
	41	Facilities	1 920	2 064	144
	42	Security	400	384	(16)
	43	General operating expenditures	920	690	(230)
	44	Missions and representation	250	217	(33)
	45	Governance	393	217	(176)
	46	Information technology	1 479	1 815	336
	47	Depreciation of property and equipment	540	611	71
		Total fixed expenditures (Chapter IV)	**6 360**	**6 452**	**92**
V		Variable expenditures			
	50	External collaborators	4 650	5 812	1 162
	51	Missions	650	753	103
	52	Participants costs	6 600	5 967	(633)
	53	Books, training aids and materials	550	482	(68)
	54	Training facilities and services outside Turin	1 100	428	(672)
	55	Other variable costs	150	190	40
	56	Costs related to income from publications	950	737	(213)
	57	Other costs related to other income	200	89	(111)
		Total variable expenditures (Chapter V)	**14 850**	**14 458**	**(392)**
		TOTAL OPERATING EXPENDITURES	**39 051**	**38 872**	**(179)**
		BUDGET SURPLUS [1]	**314**	**1 725**	**1 411**
		Other items			
	58	Change in provision for doubtful accounts	–	(163)	(163)
	61	Exchange loss and revaluation, net	–	(175)	(175)
		TOTAL OTHER ITEMS	**–**	**(338)**	**(338)**
		NET BUDGET SURPLUS [1]	**314**	**1 387**	**1 073**

[1] As per Financial Regulations 7(4).
[2] Budget variances are explained in the accompanying financial report on the 2015 accounts.

The accompanying notes are an integral part of the Financial Statements.

International Training Centre of the ILO

Notes to the Financial Statements for the year ended 31 December 2015

(in thousands of Euros)

Note 1 – Objectives and activities

The objective of the International Training Centre of the International Labour Organization (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. 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. 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. At its October meeting, the Centre adopts its 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 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.

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.

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 accounts of the Centre, which are produced on an annual basis, are audited by the External Auditor of the ILO. 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. With the ILO as the controlling entity of the Centre, the financial statements of the Centre are consolidated within the ILO's financial statements.

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 effective standards applicable as at 31 December 2015.

The Centre's financial period for budgetary purposes is the calendar year. The financial statements are prepared annually.

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.

Cash and cash equivalents

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

Investments

Investments are classified as current or non-current assets depending on the time horizon of the investment objectives. If the period is one year or less, they are classified as current assets, and for a longer period, they are classified as non-current assets. Investment revenue earned is recognized in interest revenue in the Statement of financial performance.

Accounts receivable

These result mainly from training activities, and from the sale of publications. The Centre establishes a provision for doubtful accounts based on its review of balances to determine if any amounts are impaired. When all collection efforts have been exhausted, the account is written-off and recognised in general operating expenditures on the Statement of financial performance.

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:

- 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 short-term employee benefits: other short-term 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.

- 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 estimating the nominal value of the cost attributable to each eligible staff member at 31 December 2015. The non-current portion of the liability is not discounted as the impact is not material;
  - 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 by 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, and hence the Centre has treated this plan as if it was a defined contribution plan. 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 liabilities that relate to goods and services that have been received.

Revenue from exchange transactions

- 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.
- 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

- Voluntary contributions:
  - voluntary contributions 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;
  - voluntary contributions are also received from the City of Turin to meet expenditures related to the extraordinary maintenance and landscaping costs of the property occupied by the Centre. These contributions are recognized as an asset with a corresponding liability (deferred revenue) when it is probable that the contribution will be received and the amount can be measured reliably. As the funds are utilized for extraordinary maintenance and landscaping costs, the liability (deferred revenue) is reduced and a corresponding amount is recognized as revenue.
- 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.
- 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.

- 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.

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
Investments	Financial assets	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 as well as investments is determined using quoted prices in active markets for identical assets (Level 1).

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 – Cash and cash equivalents

	US dollar (€ equivalent)	**Euro**	**2015**	**2014**
Current accounts and cash on hand	182	3 403	3 585	6 322
Short-term deposits	–	19	19	5 903
Total cash and cash equivalents	**182**	**3 422**	**3 604**	**12 225**

Of the total cash and cash equivalents held in 2014, €12 089 was in Euros and the balance was held in US dollars, €136 Euro equivalent.

The cash and cash equivalent balance includes an amount of €2 814 (2014 - €4 128) which must be used for training activities.

Note 4 – Investments

The Centre invests in one-year term deposits with or without notice with its current banking institutions. This is in line with the Centre's investment policy.

The fair value based on quoted prices and historical cost as at the reporting date is as follows:

	2015		2014	
	Fair value	**Cost**	**Fair value**	**Cost**
One-year term deposits	6 811	6 811	–	–

The movements of the investments during the reporting period are as follows:

	2015	2014
Fair value as at 1 January	–	–
New investments during the period	9 311	–
Disposal of investments during the period	(2 500)	–
Fair value as at 31 December	**6 811**	**–**

The investments include an amount of €2.0 million (2014 – nil) relating to the Working Capital Fund.

Note 5 – Accounts receivable

	2015	2014
Current accounts receivable		
Accounts receivable from invoiced training services	2 192	2 438
Accounts receivable from training services agreements due in 2016	2 051	2 040
Other accounts receivable	231	15
Less: provision for doubtful accounts – training services	(129)	(28)
Total current net accounts receivable	**4 345**	**4 465**
Non-current accounts receivable		
Accounts receivable from training services agreements due after 31 December 2016	364	523
Less: provision for doubtful accounts – training services	–	–
Total non-current net accounts receivable	**364**	**523**

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

	2015	2014
Movements in provision for doubtful accounts		
Balance 1 January	28	378
Amounts written off during the year as uncollectible	(13)	(348)
Impairment losses reversed	(5)	(20)
Increase in allowance for new impairments	119	18
Balance 31 December	**129**	**28**

Note 6 – Contributions receivable

	2015	2014
Compagnia di San Paolo	–	375
Chamber of Commerce	100	100
Piedmont Region	50	50
Less: provision for doubtful accounts	(50)	–
Total contributions receivable	**100**	**525**

	2015	2014
Movements in provision for doubtful accounts		
Balance 1 January	–	–
Amounts written off during the year as uncollectible	–	–
Impairment losses reversed	–	–
Increase in allowance for new impairments	50	–
Balance 31 December	**50**	–

Of the above, €100 (€475 in 2014) was subject to conditions requiring the use of funds for the renovation of Pavilion Europe. All of the above contributions receivable relate to non-exchange transactions.

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 2015, 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 2014.

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:

	2015 US Dollar	2015 € equivalent	2014 US Dollar	2014 € equivalent
Cash and cash equivalents	200	182	167	136
Accounts receivable	1 845	1 687	1 487	1 219
Due from the ILO	2 856	2 611	1 331	1 091
Payables and accrued liabilities	(256)	(234)	(28)	(23)
Net exposure	**4 645**	**4 246**	**2 957**	**2 423**

Based on the net exposure as at 31 December 2015, 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 €212 (€121 in 2014) or 5 per cent (5 per cent in 2014).

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 and accrued liabilities are mostly due within 30 days (30 days in 2014).

In accordance with its Financial Regulations, a Working Capital Fund is maintained which can be used to temporarily finance expenditures pending the receipt of voluntary contributions and other income and in exceptional circumstances, to provide advances to meet emergencies. At the reporting date, the Working Capital Fund balance was €2 million (€1 935 in 2014).

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 as well as investments 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 Centre did not hold more than the established limit of €10 000 in any one institution at the end of the reporting period. Investments are made only in term deposits, deposit certificates, bonds, sovereign treasury bills and notes, and floating rate notes.

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

2015	**AAA**	**AA+–AA–**	**A+–A–**	**BBB+–BBB–**	**Total**
Cash and Cash Equivalents	–	–	44	3 560	**3 604**
Investments	–	–	6 811	–	**6 811**

2014	**AAA**	**AA+–AA–**	**A+–A–**	**BBB+–BBB–**	**Total**
Cash and Cash Equivalents	–	–	7 833	4 392	**12 225**
Investments	–	–	–	–	–

<u>Accounts receivable</u>

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:

2015	Less than 1 year	1–2 years	Over 2 years	Less provision for doubtful accounts	Total
Accounts receivable	4 286	281	271	(129)	4 709
Contributions receivable	50	100	–	(50)	100
Total receivable	**4 336**	**381**	**271**	**(179)**	**4 809**

2014					
Accounts receivable	4 132	770	114	(28)	4 988
Contributions receivable	525	–	–	–	525
Total receivable	**4 657**	**770**	**114**	**(28)**	**5 513**

Note 8 – Property and equipment

	Equipment	Leasehold improvements	Total 2015	Total 2014
Cost at 31 December	4 237	10 257	14 494	14 075
Accumulated depreciation at 31 December	2 468	2 884	5 352	4 438
Net book value at 31 December 2015	**1 769**	**7 373**	**9 142**	**9 637**
Net book value at 31 December 2014	**1 767**	**7 870**	**9 637**	

There were no contractual commitments for the acquisition of property and equipment at the end of 2015.

Equipment

	Vehicles	Office equipment	Other type of equip-ment	Furniture and fixtures	Total 2015	Total 2014
Cost at 1 January	106	2 250	1 347	141	3 844	3 726
Additions	–	105	269	19	393	542
Disposals	–	–	–	–	–	(424)
Cost at 31 December	**106**	**2 355**	**1 616**	**160**	**4 237**	**3 844**
Accumulated depreciation at 1 January	77	1 543	429	28	2 077	2 171
Depreciation	9	235	131	16	391	330
Disposals	–	–	–	–	–	(424)
Accumulated depreciation at 31 December	**86**	**1 778**	**560**	**44**	**2 468**	**2 077**
Net book value at 31 December	**20**	**577**	**1 056**	**116**	**1 769**	**1 767**

The table has been modified by disaggregating the “Machine and equipment” class into “Office equipment” and “Other type of equipment” and comparative figures have been reclassified according to the new presentation.

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:

	Total 2015	Total 2014
Cost at 1 January	10 231	7 772
Additions	63	2 459
Disposals	(37)	–
Cost at 31 December	**10 257**	**10 231**
Accumulated depreciation at 1 January	2 361	1 950
Depreciation	550	411
Disposals	(27)	–
Accumulated depreciation at 31 December	**2 884**	**2 361**
Net book value at 31 December	**7 373**	**7 870**

Note 9 – Deferred revenue

	2015	2014
Deferred revenue – Current		
Voluntary contributions received in advance relating to signed agreements	2 814	4 128
Voluntary contribution receivable relating to signed agreements	2 241	2 154
Total current deferred revenue	**5 055**	**6 282**
Deferred revenue – Non-current		
Voluntary contribution receivable relating to signed agreements	364	523
Total non-current deferred revenue	**364**	**523**
Total deferred revenue	**5 419**	**6 805**

Note 10 – Employee benefits

	2015	2014
Current liabilities		
Accrued salaries	43	11
Accumulated leave	160	170
Repatriation travel and removal expenditures	13	17
Home Leave	10	33
Total current liabilities	**226**	**231**

	2015	2014
Non-current liabilities		
Accumulated leave	1 777	1 765
Repatriation travel and removal expenditures	534	497
Total non-current liabilities	**2 311**	**2 262**
Total employee benefits liabilities	**2 537**	**2 493**

End–of–service payments and repatriation grant

The total amount paid to the ILO, both for end of service payments and repatriation grant in 2015 was €702 (2014 – €654).

The present value of the defined benefit obligation for end-of-service was estimated at €9 166 (2014 – €7 935). The present value of the defined benefit obligation for repatriation grant was €1 314 at the end of 2015 (2014 – €1 279). 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 €65 122 at the end of 2015 (2014 – €58 967). This liability is recognized by the ILO in its consolidated financial statements.

United Nations Joint Staff Pension Fund

The Pension Fund's Regulations state that the Pension Board shall have an actuarial valuation made of the Fund at least once every three years by the Consulting Actuary. The practice of the Pension Board has been to carry out an actuarial valuation every two years using the Open Group Aggregate Method. The primary purpose of the actuarial valuation is to determine whether the current and estimated future assets of the Pension Fund will be sufficient to meet its liabilities.

The Centre’s financial obligation to the UNJSPF consists of its mandated contribution at the rate established by the United Nations General Assembly (currently at 7.9 per cent of pensionable remuneration for participants and 15.8 per cent 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 Pension 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 actuarial valuation performed as of 31 December 2013 revealed an actuarial deficit of 0.72 per cent (1.87 per cent in the 2011 valuation) of pensionable remuneration, implying that the theoretical contribution rate required to achieve balance as of 31 December 2013 was 24.42 per cent of pensionable remuneration, compared to the actual contribution rate of 23.7 per cent. The next actuarial valuation will be conducted as of 31 December 2015.

At 31 December 2013, the funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, was 127.5 per cent (130 per cent in the 2011 valuation). The funded ratio was 91.2 per cent (86.2 per cent in the 2011 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 2013, 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 Fund. 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.

In December 2012 and April 2013, the General Assembly authorized an increase to age 65 in the normal retirement age and in the mandatory age of separation respectively for new participants of the Fund, with effect not later than from 1 January 2014. The related change to the Pension Fund's Regulations was approved by the General Assembly in December 2013. The increase in the normal retirement age is reflected in the actuarial valuation of the Fund as of 31 December 2013.

During 2015, the Centre paid to UNJSPF a total amount of €3 905 (2014 – €3 572). Expected payments due in 2016 are €4 124.

The United Nations Board of Auditors carries out an annual audit of the UNJSPF and reports to the UNJSPF Pension Board on the audit every year. The UNJSPF publishes quarterly reports on its investments and these can be viewed by visiting the UNJSPF at www.unjspf.org.

Note 11 – Revenue from voluntary contributions

	2015	2014
Government of Italy	9 350	9 350
International Labour Organization	3 712	2 990
Compagnia di San Paolo	–	1 487
City of Turin	–	349
Government of Portugal	250	250
Turin Chamber of Commerce	–	200
Piedmont Region	–	50
Total voluntary contributions	**13 312**	**14 676**

The ILO contribution of €3 712 (US$4 120) represents one half of the approved 2014-2015 biennial contribution of US$8 240. The ILO's contribution toward the Masters' Programme in 2015 was €94 (2014 – €80).

The Italian Government's ex-lege contribution to the Centre in 2015 was €7 850 (2014 – €7 850). This amount was received in 2015. The Italian Government's contribution for training activities in 2015 was €1 600 which includes a contribution of €100 to a specific project and which is recorded in deferred revenue (2014 – €1 500).

Note 12 – Contributions–in–kind

There were no goods-in-kind received during the year. The Centre received services-in-kind from the ILO for legal and internal audit services in the amount of €173 (2014 – nil). 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

	2015	2014
Non-exchange transactions		
Operating leases with other UN organizations	409	385
Use of facilities other than residential	121	137
Other miscellaneous income	550	126
Exchange transactions		
Use of residential facilities by non-participants attending training	130	183
Revenue from the sale of publications	1 312	771
Social life activities	45	22
Total other revenue	**2 567**	**1 624**

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.

At 31 December 2015, the Centre has commitments of €2 423 (2014 – €3 296) for contracts related to future services such as hardware and software maintenance, printing services and outsourced services such as cleaning of campus premises and hotel rooms, hotel reception, post office, security, catering and transport.

Most leases entered into by the Centre as a lessee relate to equipment rental and use of software and are cancellable operating leases. Only leases relating to specialized computer and stamping equipment are non-cancellable. The minimum lease payments for these agreements are €11 for 2016. The existing agreement for specialized computer equipment is the only lease payment required for future years. Total expenditures for equipment rental were €11 (2014 – €28) and €80 (2014 – €26) for software licenses.

The Centre, acting as a lessor, has cancellable operating leases with United Nations Interregional Crime and Justice Research Institute (UNICRI) and the United Nations System Staff College (UNSSC). Revenue generated under these leases totalled €410 (2014 – €385).

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:

- the use of surplus from prior periods is presented as budgetary income in Statement V while it is not presented on Statement II;
- the basis of accounting for income related to the Italy Trust Fund and the ILO grants for the Masters Programmes are 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
- 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

Net budget surplus (Statement V)	**1 387**
Items not included in the Statement of comparison of budget and actual amounts (Statement V) but included in the Statement of cash flows (Statement IV)	
Basis Differences	
Acquisition of fixed assets	(559)
Changes in non-cash items	(1 241)
Depreciation of property and equipment for assets expensed prior to 2012	(384)
Unrealised exchange gains on revaluation not included in the budget	217
Investments in short-term investments	(6 811)
Entity Difference	
Net surplus/(deficit) from funds not included in the budget	(211)
Inter-fund expenditures	(271)
	(9 260)
Items included in Statement V but not included in Statement IV	
Basis Differences	
Use of surplus	(748)
	(748)
Net decrease in cash and cash equivalents (Statement IV)	**(8 621)**

Reconciliation between Statement V and Statement II

Net budget surplus (Statement V)	**1 387**
Items included in Statement V but not in the Statement of financial performance (Statement II)	
Basis Difference	
Use of prior year surplus	(748)
Entity Difference	
Inter-fund expenditures	(271)
	(1 019)
Items included in Statement II but not in Statement V	
Basis Difference	
Depreciation of property and equipment for assets expensed prior to 2012	(384)
Unrealised exchange gains on revaluation not included in the budget	217
Entity Difference	
Net surplus from funds not included in the budget	(211)
	(378)
Net deficit per Statement of financial performance (Statement II)	**(10)**

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.

The following table summarizes the allocations and remaining balances from the 2010, 2011, 2012, 2013 and 2014 surpluses. As surpluses are allocated at the end of the year following the completed financial period, expenditure of the surplus can only commence at the start of the year following the allocation presentation to the Board (e.g. allocations of the surplus from the financial year 2014 were part of the 2015 Programme and Budget Proposals in October 2015 thereby enabling expenditure of the 2014 surplus to commence in January 2016).

	Training activities	**Innovation Fund**	**Campus Improvement fund**	**Business Process Review**	**Total**
Allocations from 2010 surplus	500	300	650	350	**1 800**
Expenditures in 2012	(500)	(45)	–	(31)	**(576)**
Expenditures in 2013	–	(255)	–	(51)	**(306)**
Expenditures in 2014	–	–	(650)	–	**(650)**
Expenditures in 2015	–	–	–	(102)	**(102)**
Balance at 31 December 2015	**–**	**–**	**–**	**166**	**166**
Allocations from 2011 surplus	500	100	165	–	**765**
Expenditures in 2013	–	(44)	–	–	**(44)**
Expenditures in 2014	(500)	(6)	(128)	–	**(634)**
Expenditures in 2015	–	(50)	(37)	–	**(87)**
Balance at 31 December 2015	**–**	**–**	**–**	**–**	**–**
Allocations from 2012 surplus	675	100	200	–	**975**
Expenditures in 2014	(155)	–	–	–	**(155)**
Expenditures in 2015	(520)	(100)	(74)	–	**(694)**
Balance at 31 December 2015	–	–	**126**	**–**	**126**
Allocations from 2013 surplus	1 150	550	950	–	**2 650**
Expenditures in 2015	(228)	(123)	–	–	**(351)**
Balance at 31 December 2015	**922**	**427**	**950**	–	**2 299**
Allocations from 2014 surplus	**286**	**–**	**100**	**–**	**386**

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:

Working Capital Fund: this fund 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.

Total other accumulated fund balances include*:*

– General Fund: the main operating fund of the Centre for training activities;

– 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.

Note 17 – Contingent assets

	2015	2014
ILO contribution	7 531	3 304
Government of Italy – Centre’s operations	7 850	7 850
Total contingent assets	**15 381**	**11 154**

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:

	2015	2014
General operations	3 634	2 987
Training activities	11 426	6 744
ASHI contribution for former employees	704	607
Repatriation grants	144	112
End–of–service benefits	243	4
Staff costs of ILO staff members assigned to Centre	107	59
Internal audit and legal services	–	181
Total related party transactions	**16 258**	**10 694**

All other transactions between the ILO and the Centre occur within the normal supplier or 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:

	2015		2014	
Category	Full-time equivalent	Total remuneration (in thousands of Euros)	Full-time equivalent	Total remuneration (in thousands of Euros)
Key Management	8.3	1 612	9.1	1 737

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 – Reclassification of figures and new presentation

The Centre has reclassified comparative figures in Statement I and IV to conform to the current presentation. The due to donors which was previously presented as a separate line (€4 128 as current liabilities) is now grouped under deferred revenue. The regrouped balance of deferred revenue on the Statement of Financial Position is €5 055 (2014 – €6 282). In addition, the due to donors presented on the Statement of cash flow previously shown on a separate line (decrease in due to donors – €946) is now combined under the variation in deferred revenue of €1 386 (2014 – €2 708).

In 2015, the Centre presented in Note 18 the key management figures as full-time equivalent (FTE) as opposed to the number of individuals. As a result, the 2014 figure of 10 individuals is now shown as 9.1 FTE.

The reclassification and changed presentation were made to improve the financial statement presentation for readers.

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 2015

International Training Centre of the International Labour Organization

REPORT TO THE DELEGATED OFFICERS OF THE BOARD

ANNUAL AUDIT RESULTS

17 May 2016

FOR THE YEAR ENDED 31 December 2015

Auditor General of Canada
Vérificateur général du Canada

To the delegated officers of the Board of the International Training Centre of the International Labour Organization:

We have completed our audit of the 2015 financial statements of the Centre. This represents our eighth and last audit as external auditor. The following report contains all of the information required as indicated in our audit plan. Where appropriate, we also included other information required under the International Standards on Auditing. We have addressed all of the matters that came to our attention during the course of the audit that we believe the Board of the Centre should be aware of in reviewing the Centre's financial statements. We will be pleased to elaborate on any of these points, to the extent you desire, during the Board meeting in May 2016.

We would like to take this opportunity to express our appreciation to the Director of the Centre, the officers of the Centre, and the members of their staff for the cooperation and assistance received during our audit. We also wish to express our appreciation to the Board of the Centre and the Governing Body of the Organization for the support and interest shown in the work of our Office.

Yours sincerely,

MMcMahon

Marian McMahon, CPA, CA, CFA
Assistant Auditor General
for the Auditor General of Canada
External Auditor

Ottawa, Canada
17 March 2016

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Executive Summary

We have performed our audit in a manner consistent with the Report to the Board—Annual Audit Plan, which was presented to the Board of the International Training Centre of the International Labour Organization at its 78th meeting in October 2015.

We have expressed an unmodified audit opinion on the Centre's financial statements for the year ended 31 December 2015.

We concluded that the financial statements present fairly, in all material respects, the Centre's financial position as at 31 December 2015, its financial performance, its changes in net assets, its cash flow, and the comparison of budget with actual amounts for the period then ended in accordance with the International Public Sector Accounting Standards (IPSAS). We concluded that these accounting policies were applied on a basis consistent with that of the preceding period. We also concluded that the transactions of the Centre that have come to our notice have, in all significant respects, been in accordance with the Financial Regulations and the legislative authority of the Centre.

We completed our audit work in February 2016. As part of the audit, we followed-up on the recommendations included in prior years' reports and we offer some observations on other matters not previously identified in our audit plan. We are generally satisfied with the progress made by management in this regard.

Since this is our last year as external auditor of the Centre, we completed a retrospective of our mandate. The greatest challenge that the Centre faced throughout our mandate was the conversion of its accounting framework from the United Nations System Accounting Standards (UNSAS) to IPSAS and preparing the financial statements within 90 days of year end. The Centre made headway and became fully compliant with IPSAS by 2012. However, there are still some challenges ahead in this area. The Centre must actively monitor IPSAS updates and coordinate with the ILO and other United Nations entities to ensure expedient adoption and harmonization of standards across the United Nations system. In addition, over our mandate we have noted that the Centre has taken steps to enhance the reliability and stewardship of information presented in the financial statements. It has also developed more timely oversight of financial results by the Board while improving its risk assessment and succession planning procedures. Together, these improvements have helped to strengthen the overall control environment of the Centre.

2015 Annual Audit Overview

Our Mandate

1. The Office of the Auditor General of Canada is an independent audit office and a world leader in legislative and environmental auditing. As a Supreme Audit Institution, we promote good financial and environmental management and sustainable development.

2. The Office is widely involved in the activities of the Canadian, as well as the international, audit and accountancy profession. In Canada, the Office is involved in many professional organizations, notably the Chartered Professional Accountants of Canada (the CPA Canada) which sets accounting and assurance standards. Internationally, the Office has more than 50 years of experience collaborating with international partners in developing professional standards, building capacity, sharing knowledge, and conducting audits of international institutions.

3. The Auditor General of Canada was appointed as the external auditor of the International Training Centre for a period of four years beginning on 1 January 2008. In 2011, this period was extended by four year term to 31 December 2015. The Centre’s Financial Regulations, Chapter IX, elaborate on the terms of reference governing the external audit. The Regulations require that the external auditor report to the Board of the Centre on the audit of the financial statements and on other such matters that should be brought to the Board’s attention.

Scope and objectives of the audit

4. The scope of the audit was determined to be in compliance with Chapter IX of the Centre’s Financial Regulations.

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

6. As noted in the Report to the Board—Annual Audit Plan, the objectives of our audit were to provide an independent opinion on whether:

   - the financial statements have been fairly presented, in all material respects, in accordance with International Public Sector Accounting Standards (IPSAS);

   - the accounting policies set out in Note 2 to the financial statements have been applied on a basis consistent with that of the preceding period; and

- the transactions coming to our notice as part of our audit have, in all significant respects, been in accordance with the Financial Regulations and legislative authority of the Centre.

Our auditor's report addresses each of our audit objectives.

Financial statement highlights

7. Management has informed us that it will review the financial statements with the Board and outline the important differences between the approved budget and the results of the previous year. We will be available to answer any questions the Board may have.

Audit approach and auditor's responsibilities

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

9. When planning the audit, we acquired a sound understanding of the Centre; its business environment, the risks it faces, how it manages those risks and its overall control environment. This understanding is based primarily on interviews with management and our audit knowledge of the Centre and its environment, including its internal controls. We obtained such an understanding in order to plan our audit and also to determine the nature, timing, and extent of audit procedures to be performed.

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

11. A detailed report summarizing the identified business risks and other audit risks as well as our planned procedures to address each of these risks was prepared and discussed with the Centre's management. We identified the key risks that could prevent the fair presentation of the results of the Centre's operations. We also obtained an understanding of those risks that had implications for the financial statements. We focused on areas with a higher risk of a material error or non-compliance with significant authority instruments, based on our understanding of the Centre and its activities.

12. The audit plan was presented to the Centre's management and to the Board at its meeting in October 2015 in order to ensure that we had identified areas of significance and that our evaluation of the current operating environment of the Centre was complete.

Audit results

13. We issued an unmodified audit opinion on the Centre's 2015 financial statements. We concluded that the financial statements present fairly, in all material respects, the Centre's financial position as at 31 December 2015, its financial performance, its changes in net assets, its cash flow, and the comparison of budget and actual amounts for the year then ended in accordance with International Public Sector Accounting Standards.

14. As required by the Financial Regulations of the Centre, we concluded that the accounting policies were applied on a basis consistent with that of the preceding period.

15. We also concluded that the transactions of the Centre that came to our notice as part of our audit of the financial statements were, in all significant respects, in accordance with the Financial Regulations and legislative authority of the Centre.

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

17. We are required to report on fraud and illegal acts involving management, as well as fraud and illegal acts (whether by management or other employees) that cause a more-than-trivial misstatement of the financial statements. We emphasize that it is management's responsibility to establish a control environment and maintain policies and procedures to help ensure the orderly and efficient conduct of the Centre's business. Our audit procedures did not identify any matters related to fraud and/or error that should be brought to the attention of management or the Board.

Audit completion

18. This was the Office's eighth audit of the Centre's financial statements. In 2015, we updated our description of the Centre's financial reporting framework and its overall control environment. We acknowledge the investment of time afforded to us by the Centre and wish to express our appreciation to the officers of the Centre and members of their staff for the excellent cooperation we received throughout the audit.

Detailed Report on Audit Results

19. As required by the International Standards on Auditing and the Centre's Financial Regulations, we report to those charged with governance of the organization whose financial statements are being audited. In particular, we report on significant changes in accounting policies, accounting estimates and financial statement disclosures, and

other matters that in the auditor’s judgment are significant to the oversight of the financial reporting process. We have prepared a detailed report for the Director of the Centre. Significant issues identified during our audit and their resolutions are presented below.

20. We are responsible for discussing our views with the Board about the significant qualitative aspects of the Centre’s accounting practices, including the appropriateness of accounting policies, the reasonableness of key accounting estimates and judgments, and the adequacy of financial statement disclosures.

21. Our comments and views included in this report should be taken in the context only of the financial statements as a whole and are not meant to express an opinion on any individual item or accounting estimate. We are sharing our views with you to facilitate an open dialogue of these matters.

Accounting policies

22. The preparation of financial statements requires the selection of accounting policies and their consistent application from year to year. The selection of appropriate accounting policies to the particular situation of the Centre and to the needs of its financial statements’ users is an area that requires the exercise of professional judgement.

23. We reviewed the accounting policies and found that the Centre’s financial statements are in accordance with IPSAS in all material respects.

24. As in the past, we continue to urge the Centre to monitor the accounting for land and buildings from which the Centre conducts its operations and the accounting for the employee future benefits.

Land and Buildings

25. In 2013, we concluded that the accounting treatment of the land and buildings used by the Centre for its operations and provided at a nominal cost by the City of Turin, Italy was in accordance with IPSAS. However, IPSAS offers various options to better reflect the true cost of such a service. We encourage management to continue monitoring the discussions held in the United Nations System on recognizing the nominal cost of this service, as we believe the inclusion of such a cost in the Centre’s financial statements would make the financial information more transparent.

Accounting for employee future benefits

26. The Centre does not discount the non-current portion of the liability of future benefits related to accumulated leave as well as the repatriation grant and travel expenses as required by IPSAS 25. The Centre assessed the impact and concluded that it was not material. We encourage the Centre to continue to monitor the impact of not discounting

as it may become material in the future and the needed correction would then impact the Centre's surplus.

Financial statement disclosures

27. A significant amount of financial information can be found in the Centre's financial statements. The objectives of financial reporting by public sector entities are to provide information about the entity that is useful to users of the financial statements for accountability and decision-making purposes. To ensure that users understand this information and can identify what is significant, it is important for the Centre to stand back and assess whether it is providing information in a format that is clear and easy to understand.

28. As part of its assessment, the Centre prepared pro forma financial statements in the late summer of 2015. We reviewed the document and suggested ways to improve and simplify how information and disclosures are presented. We were pleased to see that in 2015, management implemented most of the suggestions made in 2014. We have reviewed the financial statements' disclosures and notes and we found them to be appropriate, complete and in accordance with IPSAS. We encourage the Centre to continue its review of the financial statements' presentation and consider a table that clearly documents the flow of deferred revenues from the statement of financial position to the statement of financial performance, since this represents a significant amount of the Centre's activities. Management has committed to implement this change in 2016.

Significant risk areas

29. In our Annual Audit Plan presented to the Board in October 2015, we identified three business risk areas that had significant audit implications: funding, management estimates, and transactions not being processed in the correct period.

Funding

30. In preparing our audit plan, we identified funding challenges as a risk due to the ongoing economic climate in many countries. These challenges could have resulted in non-compliance with the Financial Regulations of the Centre if the Centre was not able to carry out certain activities, to respect its budget, or to fully meet its objectives. We reviewed whether sufficient controls were in place to mitigate the risk of non-compliance, and we found that the transactions we tested were in compliance with the authorities of the Centre.

Management estimates

31. Preparing the financial statements requires the use of accounting estimates. Certain estimates are particularly sensitive due to their significance to the financial statements

and the possibility that future events may differ significantly from management's expectations. Our audit plan identified the provisions for doubtful accounts, contingent liabilities, and the useful lives of property and equipment as potentially the most significant estimates.

32. In determining the provision for doubtful accounts, management reviews the accounts receivable to determine the amounts that are expected to be recovered. The Finance Committee receives quarterly reports to monitor the status of overdue accounts receivable. Provisions for doubtful accounts are determined for each outstanding account receivable. We examined the reasonableness of the estimates through discussions with management and reviewed the key assumptions used to establish the provision for doubtful accounts. We also reviewed the accuracy and completeness of data used to make these assumptions. Based on our work, we concluded that the estimates for the provision for doubtful accounts are reasonable.

33. Contingent liabilities are recognized when the Centre determines that, because of past events, it has a present legal or constructive obligation that is likely to be settled in an amount that can be reliably estimated. If a contingent liability is uncertain but can be measured, or if there is a present obligation that cannot be reliably measured, it is disclosed in the notes to the financial statements. We examined the reasonableness of management's assumptions in determining the likelihood and amount of contingent liabilities. We also obtained the Centre's legal counsel's assessment of any future liabilities. Through these procedures as well as discussions with management we determined that management's assessment for contingent liabilities is reasonable.

34. For the useful lives of property and equipment, the condition of each asset is verified every two years by the Administration group and the custodian of each asset. We analyzed the estimates and related disclosure in the financial statements and concluded that the estimates used are reasonable.

35. We do not consider the risks of material misstatement in these estimates to be high, nor did we find indicators of possible management bias. The significant assumptions used are reasonable. There have been no significant changes to estimates or processes made by management to the critical accounting estimates in the year under audit.

Transactions not being processed in the correct period

36. In the past, we have noted issues related to the cut-off of transactions. Some revenue and expense accruals were not being accounted for in the appropriate financial period due to a misunderstanding of year-end instructions provided by Financial Services. We reviewed notes from the presentation given by the Treasurer on year-end processes and the related circular and examined the accrual calculations and we found no significant misstatements in the transactions we tested.

Developments in International Public Sector Accounting Standards (IPSAS) and in International Standards on Auditing (ISA)

Accounting and auditing standards

37. In the Appendix to this report, we provide a summary of completed and in-development projects on accounting standards that could potentially have an impact on the Centre in the upcoming years.

Auditing and other professional standards

38. In addition, as we reported last year, we would like to highlight the revised audit standards related to audit reporting issued by the International Auditing and Assurance Standards Board (IAASB) in 2015 that will be effective for the Centre's financial period ending on 31 December 2016.

39. The objectives of these new standards are:

- enhanced communication between auditors and those charged with governance;
- increased confidence in audit reports and financial statements; and
- increased transparency, audit quality, and enhanced information value.

40. The changes made to the independent auditor's report include:

- "Auditor Commentary"—additional information in the auditor's report to highlight matters that are, in the auditor's judgment, likely to be most important to users' understanding of the audited financial statements or the audit; and
- prominent placement of the auditor's opinion and other entity-specific information in the auditor's report.

Other Matters

41. In our audit plan, we indicated that we would review the processes and procedures used by the International Training Centre to manage the various types of leave available to staff. Our observations are presented below.

Leave management

42. The management of staff leave can be costly for any organization. Leave can also adversely affect colleagues as well as the quality of service provided by the Centre.

To effectively manage leave, policies need to be in place to cover all forms of absence and need to be consistently applied.

43. There are four main types of leave outlined in the Centre’s Staff Regulations. We examined and performed testing relating to each of sick leave (governed by Article 9.6 of the Staff Regulations), parental leave (Article 9.7 of the Staff Regulations), annual leave (Article 6.4 of the Staff Regulations), and compensatory leave (Article 6.2 of the Staff Regulations) for the period of 2013 to 2015.

All forms of leave are managed as per Staff Regulations and related circulars

44. Sick leave and parental leave are the most common and the most easily managed. Sick leave is available to all staff members of the Centre to utilize for illnesses or other medical issues. Parental leave entails maternity leave for new mothers and paternal leave for new fathers. We noted that for all of our samples, appropriate documentation and all necessary approvals were on file in accordance with the Staff Regulations and related circulars.

45. Annual leave refers to the allotment of paid days off work provided to each official of the Centre. Our tests found that all annual leave was properly approved by the responsible Chief or an authorized delegate.

46. Compensatory leave is provided as compensation for overtime performed. As outlined in the Staff Regulations, compensatory leave is intended for General Service (G) staff; however the Human Resources Services (HRS) has released circulars indicating the exceptional circumstances in which Professional (P) staff could be granted compensatory leave. Similar to sick and parental leave, all our samples had appropriate documentation and the necessary approvals on file in accordance with the Staff Regulations and related circulars.

Conclusion

47. The Centre has proper processes and documentation to support its leave benefits and to ensure they are in accordance with the Staff Regulations.

Progress made on last year’s recommendations

48. We reviewed the status of the recommendations that we made directly to management in last year’s Report to the Board and we are satisfied with the progress made by management in addressing our recommendations.

49. The following table presents the progress on each recommendation made.

Recommendations	Progress
50. The Centre should ensure that all recruitment documentation be kept on file with the same depth and breadth. This will ensure that there is full transparency of the process followed and the subsequent results.	●
51. The Centre should include in its service catalogue the contribution to IT-related and Centre's goals to ensure that services are always relevant to the Centre's wanted outcomes.	◒
52. As recommended to the International Labour Organisation (ILO) in 2013, we now recommend that the Centre adopts a similar best practice of issuing a statement of management responsibility signed by those charged with governance as part of its financial report. The Centre could take advantage of ILO's work on this matter. This statement will help to clarify the roles and responsibilities of management in the preparation and presentation of the financial statements and the accompanying notes.	●
53. The Centre should monitor and review the proposed developments in financial reporting for the public sector and assess whether additional financial or non-financial information would benefit the users of the financial statements in better understanding the Centre's financial results and help the Centre in fulfilling its oversight responsibilities.	●
Number of recommendations	**Recommendations fully implemented**
4	3

Legend of progress:

● Full implementation: Fully addressed with implementation of a plan or a new process and expected results achieved.

◒ Ongoing implementation: Formal plans created for organizational changes with appropriate resources and a reasonable timetable. Implementation had partially achieved the expected results.

○ No progress has been made.

Conclusion

54. We are pleased with the results of the 2015 financial statement audit and the growth and development in financial reporting at the International Training Centre throughout our mandate.

Retrospective of Our Mandate

55. We have been the external auditor of the International Training Centre since 2008. Over the past eight years, we have focused on several key areas, such as accounting standards conversion, financial governance, risk management, and succession planning. Throughout our mandate, the Centre's management and staff have worked diligently to improve the Centre in each of these areas.

Accounting standards conversion

56. The International Public Sector Accounting Standards (IPSAS) are a series of financial reporting and accounting standards issued by the International Public Sector Accounting Standards Board. In June 2006, the United Nations General Assembly approved the adoption of IPSAS as the new accounting standards for the United Nations (UN) system, replacing the United Nations System Accounting Standards (UNSAS).

Main differences between UNSAS and IPSAS

57. The key accounting implications of IPSAS are:

- transactions recorded on a "full accrual" basis when goods or services are received, rather than on a cash basis;
- recognition of expenses on the basis of goods and services received (the delivery principle);
- recognition and depreciation of all capital assets (property and equipment);
- recognition of liabilities related to employee benefits, such as accumulated leave and repatriation travel and removal expenses; and
- recognition of voluntary contributions receivable.

Challenges

58. The Centre began partially adopting IPSAS in 2010 and became fully compliant by 2012. The conversion was a fundamental shift in accounting frameworks and required the dedicated work of the Financial Services staff at the Centre to complete this time-

consuming and arduous task. With some aid from an external consultant, the Financial Services staff developed a plan for IPSAS adoption, completed training, and prepared position papers documenting the effects of IPSAS and how the standards would be reflected in the Centre's financial statements.

59. One financial reporting challenge brought on by IPSAS was the comparison of budget amounts to actual amounts. The Centre prepares its budget on a modified cash basis and IPSAS requires the Centre's financial statements to be prepared on an accrual basis. Therefore, to provide a meaningful comparison, the Centre needed to prepare a new note to the financial statements, explaining the differences and reconciling the budget to the financial statements.

Benefits

60. IPSAS enhanced transparency, comparability, and accountability of financial reporting in the UN system. IPSAS also improved disclosure in financial reporting, allowing for greater transparency and better, more complete information for financial statements readers (such as a clearer picture of remaining useful life of property and equipment, future staff liabilities, revenue from agreements, and operating expenses).

Moving forward

61. Over the years, we have had various discussions with management of the Centre on recognizing the Centre's land in the financial statements. The City of Turin, Italy, provides this land at a nominal cost. We continue to encourage the Centre to monitor discussions throughout the UN system on the treatment of this type of service-in-kind as the accounting treatment used throughout various UN organizations is inconsistent. We believe that including such a cost in the Centre's financial statements would increase the transparency of the financial information.

62. We also encourage the Centre to simplify the reconciliation between the budget and statement of financial performance, and related note disclosure. The Centre should also consider incorporating all aspects of operations, not just the activities under selected funds. This would allow readers to easily obtain a clear concise picture of how results on the statement of financial performance, prepared on an accrual basis of accounting, correspond to the budget, prepared on a modified-cash basis.

63. The conversion from UNSAS was time-consuming and required a dedication to learning and collaboration across all areas of the Centre. Now that the Centre has been IPSAS-compliant for four years, it must continue to demonstrate this dedication and commit to monitoring new standards and actively communicating with the International Labour Organization and other UN entities. This will ensure the expedient adoption and harmonization of standards across the UN system.

Financial governance

64. After examining the IPSAS conversion, our focus shifted to financial governance. Good financial governance provides financial statements users with added confidence regarding in the Centre's stewardship of financial resources.

Statement of management responsibility

65. A common best practice that highlights management's stewardship of the financial statements is the inclusion of a statement of management responsibility. This best practice normally indicates that the financial statements comply with IPSAS, as well as the Financial Regulations of the Centre. It also indicates that management has developed and maintained financial and management systems, controls, and practices to provide reasonable assurance that

- the financial information presented for a given year is reliable,
- the Centre's assets have been properly safeguarded and controlled, and
- the transactions have complied with applicable regulations.

66. For the 2015 year-end, the Centre added an additional disclosure in the spirit of a statement of management responsibility. We applaud this addition and urge the Centre to continue to enhance its disclosure to provide users of the financial statements additional assurance on items contained in the financial statements.

Timely review of financial statements by the Board

67. To provide valuable oversight of the Centre's finances, the Board needs to review the financial statements in a timely manner. In the past, the review of a financial year ending in December took place the following October. This did not provide timely oversight and relevant feedback on financial information since by the time one year's results were being approved, a second year's budget was being prepared.

68. When the results of the Centre began being consolidated with those of the ILO, the Centre's management moved up the preparation of the financial statements from July to February. Since then a more timely review by the Board was identified as a priority. For the 2013 financial statements, the Board's review and approval was requested in May during the Conference's meetings in Geneva. However, the delegated officers of the Board felt that they did not have enough time to review the statements since the approval took place at the same time as the Conference of the International Labour Organization.

69. For the 2014 financial statements, a revised approval process was adopted. The financial statements and the external auditor's reports were presented to delegated officers of the Board by video-conference in mid-May 2015. The statements were sent

to the officers four weeks before the video-conference so that consultations between members and among groups could take place, and officers could ask management questions.

70. This process has allowed for more detailed and timely examination of the financial statements, providing the Board with the opportunity to properly scrutinize and challenge management and to strengthen its oversight.

Moving forward

71. We encourage the Centre to consider taking steps toward the certification of internal controls as some UN organizations have done and more importantly align with the future plans of those of the International Labour Organization. This will support organizational learning, improve accountability, and strengthen the credibility of information used for making decisions and for managing the Centre.

Risk management

72. Many risks that could have an impact on the Centre's operations need to be mitigated. In 2010, we noted that the Centre lacked a formal and consistent process for managing risk and reporting on them to the Board. The Centre's strategic plan and objectives can be altered by unpredictable events. It is important for management to anticipate these risks and develop plans to mitigate them so that the Centre's strategies can be fulfilled.

73. The Centre has improved in this area over the years by considering areas of risk and placing related procedures in place. The Centre now has a Risk Management Committee which meets many times per year; a formal corporate risk register; and a business continuity plan to help mitigate uncertainties.

74. In particular, we noted in 2014 that Information and Communications Technology Services developed a formal IT business continuity plan. This plan is integrated into the Centre's overall business continuity and disaster recovery plan to ensure that critical functions properly respond to disruptive events.

Moving forward

75. We encourage the Centre to continue to monitor its risks so it can continue to adapt itself to a changing environment.

Succession planning

76. Continuity of management is critical to the smooth operations of the Centre. We noted that proper processes and procedures were put in place throughout our mandate to ensure that candidates for senior positions were recruited on a timely basis to mitigate

any service disruption that could put the Centre at risk. Management should continue this proactive approach to succession planning.

Conclusion

77. The Centre has made great progress over the years. While more challenges are to come, specifically more pressure on its funding base, we believe that the Centre is in a better place to overcome the challenges ahead.

78. We would like to thank the Centre's personnel, and in particular the staff in Financial Services, who were involved both directly and indirectly in the audit. Preparing and executing an audit takes a great deal of work and effort, and we appreciate the co-operation and assistance that was provided to us over the years.

Appendix—Developments in International Public Sector Accounting Standards and in International Standards on Auditing

Below, we provide a summary of completed or in-development projects on accounting standards that could potentially have an impact on the International Training Centre in upcoming years.

1. The IPSASB has completed a project on reporting service performance information in addition to their finances, including the achievement of performance indicators and the use of resources. RPG 3—Reporting service performance information was issued in 2015 but it is still not published in the 2015 IPSAS handbook.

2. The IPSASB completed its project related to financial statement discussion and analysis. The guidance RPG 2—Financial Statement Discussions and Analysis was issued in 2015. The guidance requires that financial statement discussion and analysis include an overview of the entity's environment and risks in which it operates, its objectives and strategies to enable users to understand the entity's priorities and how this affects the financial statements; an analysis of the entity's financial statements of the current period including a description of significant events, trends and conditions, and factors that affected the financial statements to enhance the users' understanding of the financial statements.

3. The IPSASB completed its project related to reporting on the long-term sustainability of public finances and issued the related Recommended Practice Guideline. The RPG 1—Reporting on Long-Term Sustainability of an Entity's Finances recommends that it is good practice to provide additional information with the financial statements, such as projections of inflows and outflows of resources over the longer term, together with narrative explanations of the main risks facing governments and other public sector entities. This information helps users in evaluating the extent to which the current policies are sustainable and complements the financial statements to achieve the objectives of financial reporting, which are accountability and decision-making.

4. IPSASB has three projects actively under development which will likely have an effect on the Centre.

   (a) The first project is an update to the accounting requirements for financial instruments. Issues that could affect the Centre include the classification of financial assets and updated hedge accounting requirements.

   (b) The second project is related to Employee Benefits which proposes to eliminate the different in presentation options for actuarial gains and losses, adding components of defined benefit cost, and clarifying presentation of certain items.

(c) The third project aims to develop new requirements and guidance on revenue. This will supersede the current standards on Revenue from Exchange Transactions and Revenue from Non-Exchange Transactions. The Centre should monitor future developments in these areas.