INTERNATIONAL TRAINING CENTRE OF THE ILO

Officers of the Board of the Centre

Meeting of Officers of the Board, May 2024

FOR DECISION

Financial Report and audited financial statements for the year ended 31 December 2023

and Report of the External Auditor

CONTENTS

Financial report on the 2023 accounts

Introduction

1. These financial statements are prepared in accordance with Article 14 of the Financial Regulations of the International Training Centre of the International Labour Organization (the Centre) and they are submitted to the Board in accordance with Article 17. The External Auditor's report on the audit of the Centre's 2023 financial statements, in addition to the Independent Auditor's Report, is also submitted to the Board of the Centre in accordance with Article 27 of the Financial Regulations.

2. The 2023 financial statements have been prepared in accordance with the International Public Sector Accounting Standards (IPSAS). Financial statements prepared under IPSAS recognize the general operations' voluntary contributions for which there are no conditions when receipt is probable and the amount is known. Contributions relating to training and non-training services as well as for other specific purposes that have conditions are recognized as revenue when the services are delivered or when the related expenditure is incurred by the Centre. Expenditure is recognized when goods and services are received or delivered, rather than when they are paid. Employee benefits relating to accumulated leave, home leave, repatriation removal and travel are recognized in the financial statements as they are earned by the Centre's officials, rather than when they are paid.

3. The implementation of IPSAS has little impact on the preparation of the budget, which is still presented on a modified accrual basis. As the basis and scope of the budget and the financial statements differ, reconciliations between the IPSAS Statement of budget and actuals and the Statements of financial performance and cash flow are presented in Note 17 to the financial statements.

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

5. In July 2023, Christophe Perrin was appointed as the Centre's Director by the International Labour Organization's Director-General.

Financial Highlights of 2023

6. The results presented below are those of the financial year 2023, a year during which the Centre has again seen a similar number of enrolments as in 2022, approx. 6 900, in its face-to-face training activities delivered on campus and in the field. These include activities in blended-modalities as well. In addition, the Centre has also continued to hold activities using online modalities and for which the Centre has seen an increase of approx. 6 200 enrolments or 7.2 per cent when compared to 2022. Due to the continued efforts of the Centre, the non-training services to constituents has been successful with an increase of 55 activities in 2023, representing growth of 18.4 per cent.

7. The Centre continued its work in implementing the second year's programme, as approved in its 2022-23 Programme and Budget, and its Strategy for 2022-25. While the number of activities were slightly lower than in 2022, they had a higher total outreach as well as a very healthy overall Contribution to Fixed Costs (CFC) that ultimately resulted in very good results for the year, as shown below:

(In thousands of Euro)

	2023	2022	2021	2020
Revenue	46 099	49 738	44 604	33 395
Expenditure	43 098	41 047	37 463	32 205
Net IPSAS surplus	**3 001**	**8 691**	**7 141**	**1 190**
Assets	60 567	46 653	49 989	39 772
Liabilities	24 481	13 342	25 442	22 301
Net assets	**36 086**	**33 311**	**24 547**	**17 471**
Budget surplus	**1 323**	**3 833**	**3 325**	**2 087**

The IPSAS-based 2023 surplus amounts to €3.001 million and incorporates the total financial results of all Funds of the Centre whereas the budget surplus of €1.323 million includes only the results of the General Fund. The difference is explained by:

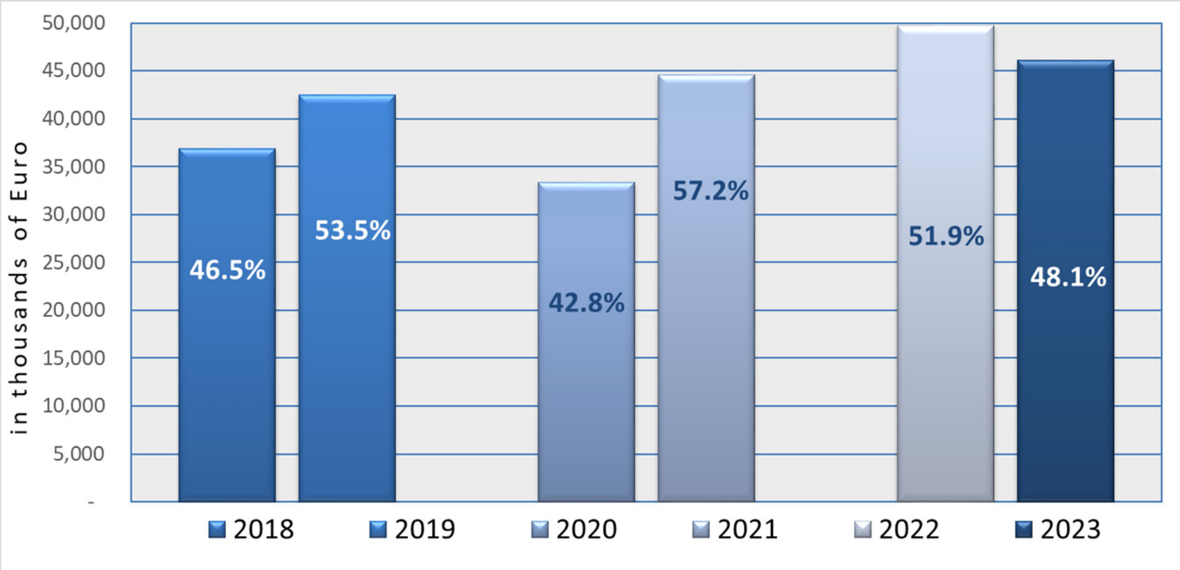
- the difference in the depreciation expenditure for assets expensed prior to 2012 as a result of the conversion to IPSAS of €234 000;
- the use of past surpluses of €52 000 recognized in the Statement of Budget and Actuals only;
- the unrealised foreign exchange loss of €503 000 recognized in the Statement of Financial Performance;
- the net surplus of funds in the Campus Improvement Fund, the Italian Trust Fund, the Innovation Fund, the Information and Communication Technology (ICT) Development Fund and the Fellowship Fund of €2.2 million;
- the receipt of a non-conditional voluntary contribution of €440 000 recognized in the Statement of Financial Performance only; and
- the use of voluntary contributions for activities of €175 000 recognized in the Statement of Financial Performance only.

8. The change in net assets from €33.311 million in 2022 to €36.086 million in 2023 is attributable to the net surplus in the Statement of Financial Performance and the actuarial loss on the employee benefit liability, as a result of the actuarial valuation of the liability on repatriation travel and removal.

9. As demonstrated on the graph below, the pattern in which the total revenue has been earned during this biennium is different from that observed in the previous biennium. Generally, total revenue were lower in the first year and higher in the second year. For the first time, the Centre has earned a larger proportion of its biennial total revenue in the first year. While revenue from training and non-training services was higher by €726 000 in 2023, the revaluation of various USD balances did not lead to a large exchange gain as was the case in 2022 but rather an exchange loss of €586 000. It is important to note that in 2022, out of

the total foreign exchange gain, €1.7 million was unrealized, whereas in 2023, an amount of €503 000 is an unrealized loss. Such gains and losses may or may not become realized, as this depends on the currency fluctuations and the actual operations of the Centre.

Total revenue, three biennium comparison

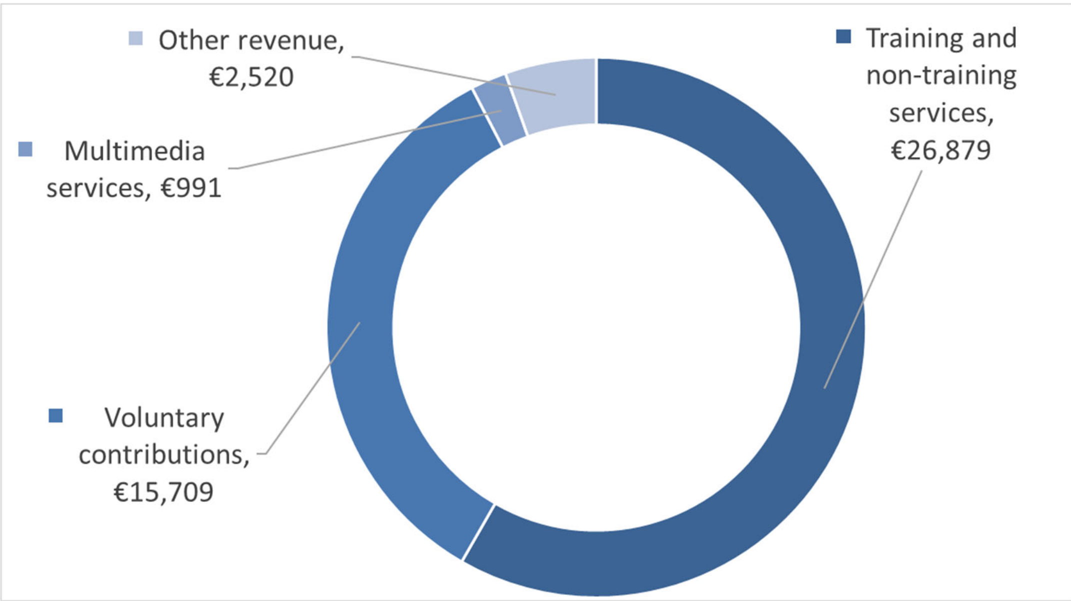


Financial performance

Revenue

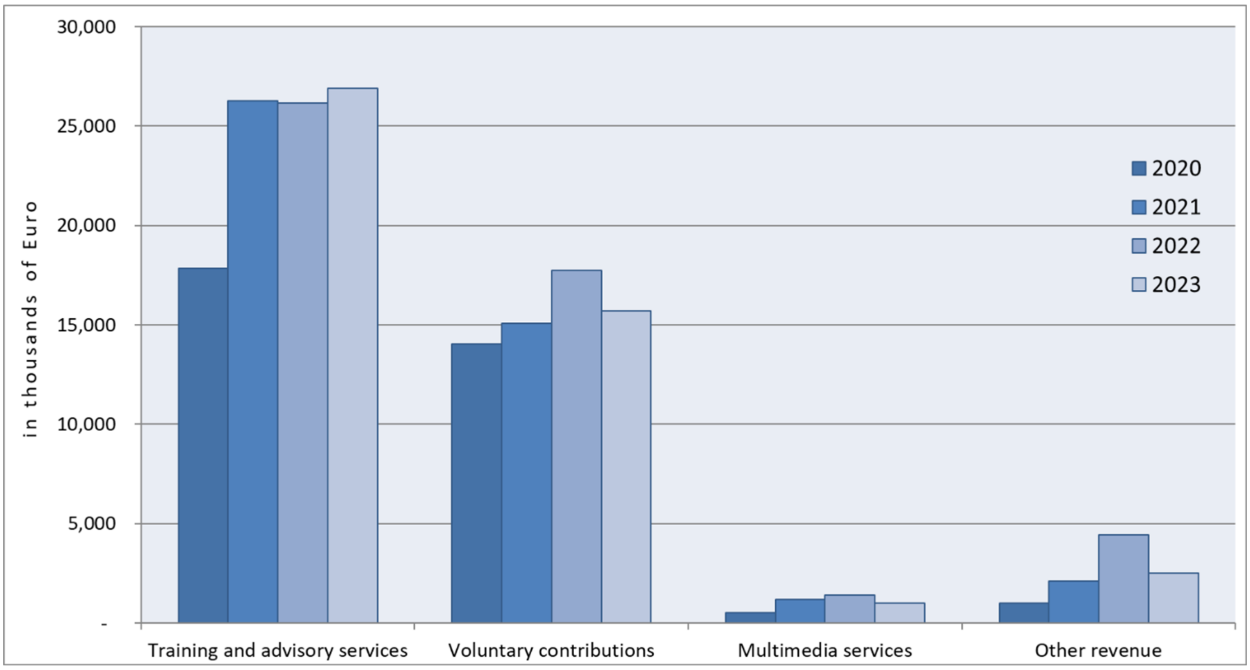
10. Revenue in 2023 totaled €46.1 million (€49.738 million in 2022) and was distributed as follows:

Revenue by source, 2023 (in thousands of Euro)



11. The two major sources of revenue, representing 92 per cent of total revenue (2022 – 88.3 per cent) are derived from training and non-training activity services well as voluntary contributions.

Revenue sources, four-year comparison



12. Revenue from training and non-training services totaled €26.88 million in 2023 as compared to €26.15 million in 2022 showing an increase of €726 000 or 2.8 of one per cent. In 2023, the number of training and non-training activities decreased slightly by 5.8 per cent. Outreach continued to grow and reached more than 98,000 enrolments in 2023, with total enrolments of more than 191,000 for the biennium, well over its target of 135,000 enrolments for all types of training activities.

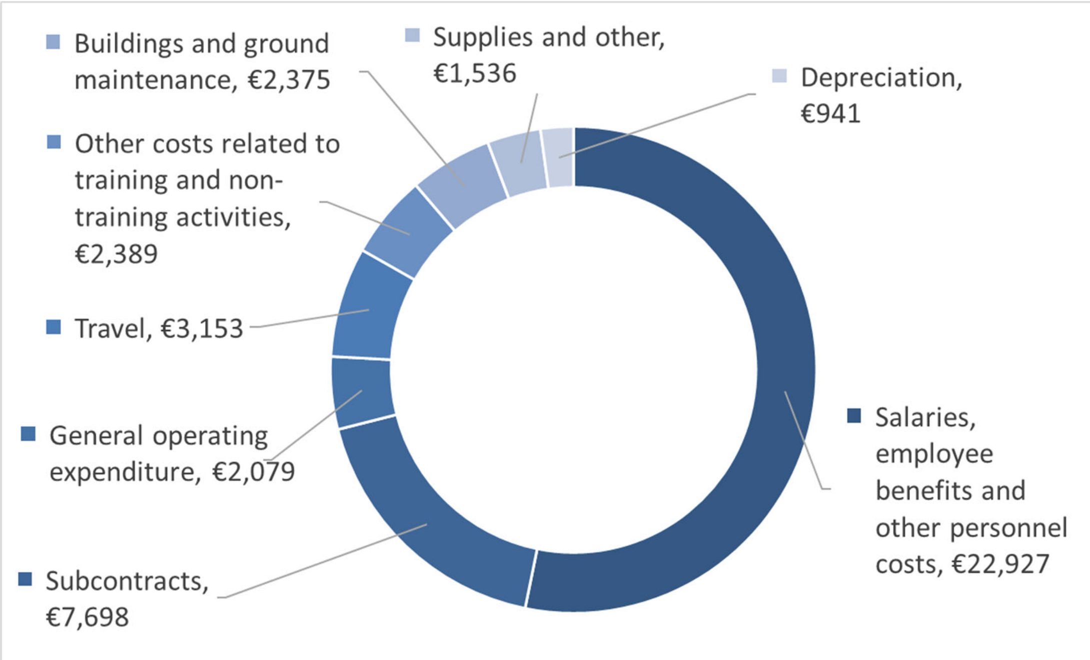
13. Voluntary contributions decreased by €2.04 million in 2023 as compared to 2022. The Italian Government's *ex-lege* contribution of €7.85 million as well as its contribution for training activities of €1.6 million remained constant. The ILO contribution for 2023 included the amount of 4.770 million US dollars (2022 – 4.770 million US dollars) for operational expenditure and an amount of approx. €946 000 (2022 – €916 000) to cover the costs of After Service Health Insurance for Centre retirees. The conversion resulted in a slightly higher revenue of approx. €273 000 when compared to the prior year.

14. Other revenue decreased by some €689 000 as compared to 2022. This is due to a decrease in non-core activities that complement the activities of the Centre. Generally, these provide for the use of the campus facilities to external parties and organizations hosted on campus, subject to availability. Multimedia revenue also decreased from €1.4 million in 2022 to €991 000 in 2023, mainly due to one large conference held last year that did not occur in 2023. The demand for communication and advocacy services has continued to grow in a steady pattern. These decreases are offset by a significant increase of €680 000 in interest revenue, due to increasing interest rates and currency contracts entered into during the year.

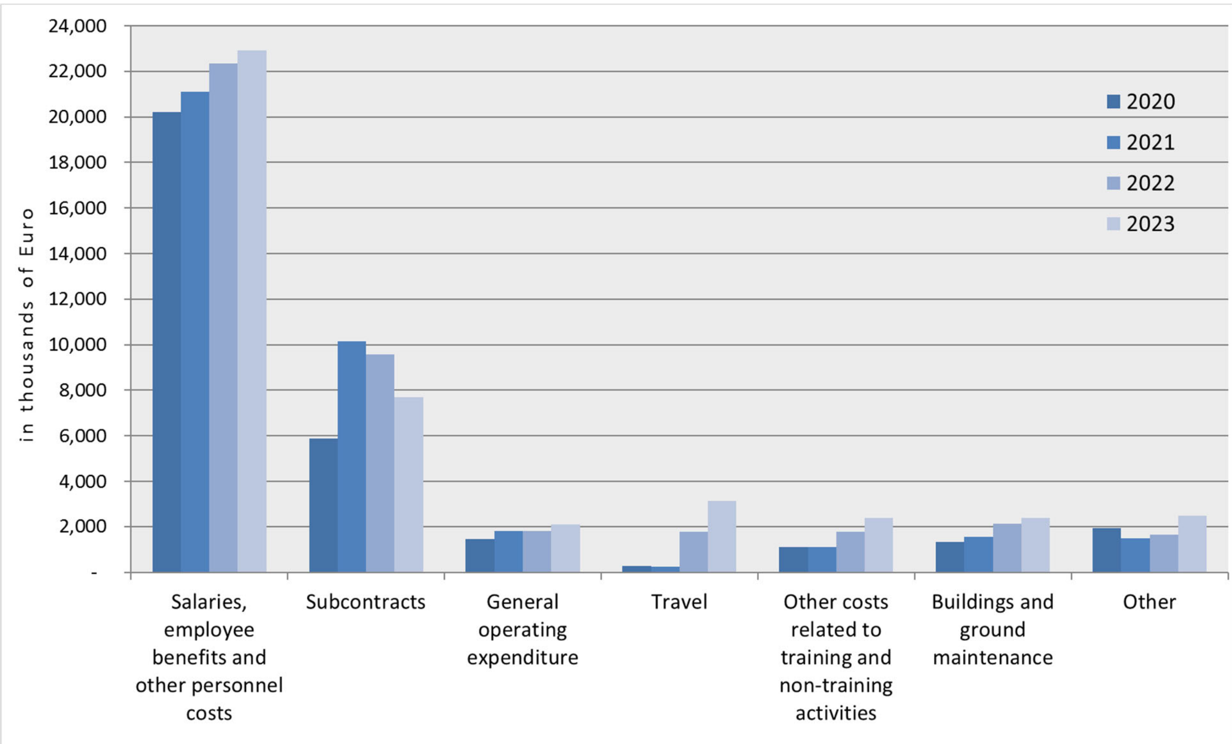
Expenditure

15. Expenditure in 2023 totaled €43.098 million (€41.047 million in 2022) and were distributed as follows:

Expenditure by source, 2023 (in thousands of Euro)



Expenditure, four-year comparison



16. Overall, expenditure increased in 2023 by some €2.0 million or 5 per cent (2022 - €3.6 million or 9.6 per cent).

17. In 2023, the Centre continued its recruitment to fill all vacant positions while temporarily retaining short-term and time-based staff until new candidates arrived to take up their functions. As part of the continued restructuring of the Centre to support the new business model, the Centre once again negotiated several agreed termination packages with interested staff during the year and a total of €285 000 were paid and recorded under Salaries, employee benefits and other personnel costs (2022 – €260 000). Various positions were re-profiled and a few promotions were made in 2023, resulting in additional costs based on the revised levels of remuneration. Recruitments as a result of vacancies and departures of temporary professional staff also resulted in additional expenditure related to installation, travel and removal costs of €273 000 that had not been budgeted and are also included in the Salaries, employee benefits and other personnel costs. In 2023, the Centre also adopted the recommendations made by the International Civil Service Commission (ICSC) that provided for increases in both the General Service and Professional categories, for various entitlements. Included in the Salaries, employee benefits and other personnel costs is the After Service Health Insurance expenditure for the Centre's retirees totaling €946 000 (2022 - €916 000) for which the Centre also receives a matching contribution from the ILO.

18. In order to continue funding the Terminal Benefit Fund, the Centre made an ad hoc contribution of €1 million in order to increase the available funding for future end-of-service benefits and repatriation grant payments to staff members. While the liability for these benefits stands at €9.18 million at the end of the year, it is funded to the level of €6.0 million.

19. In 2023, the overall costs associated with the Centre's training and non-training activity services increased by some 378 000 or 3.3 per cent, mainly due to the higher enrolments on campus and in the field as well as the higher inflation observed in the year in all categories of costs associated with such activities.

20. Travel expenditure increased in 2023 by approx. €1.39 million or some 78.4 per cent. This is due to overall higher costs in all travel-related costs for both participants and officials. There was a significant increase in costs for all expenditure items related to participants attending face-to-face activities on campus and in the field. Areas of increase included flight costs, daily subsistence allowances, stop over costs during travel, transfers to/from airports, among others. This also impacted the costs associated with staff members' official travel where the number of missions increased significantly due to the changing needs of the programmes and services units as well as their needs to meet with our stakeholders and donors.

21. Under the costs related to buildings and ground maintenance, the Centre has seen increased utility expenditure going from €885 000 in 2022 to €1.15 million in 2023, an increase of some 30 per cent. This is due to the energy cost crisis that affected the entire Eurozone in the period of 2021 to 2023 inclusively, caused by the post-pandemic inflation and Ukraine crisis. The Centre partially mitigated the impact of the crisis by signing fixed-price contracts in 2020 thus reducing the impact of this foreseen trend.

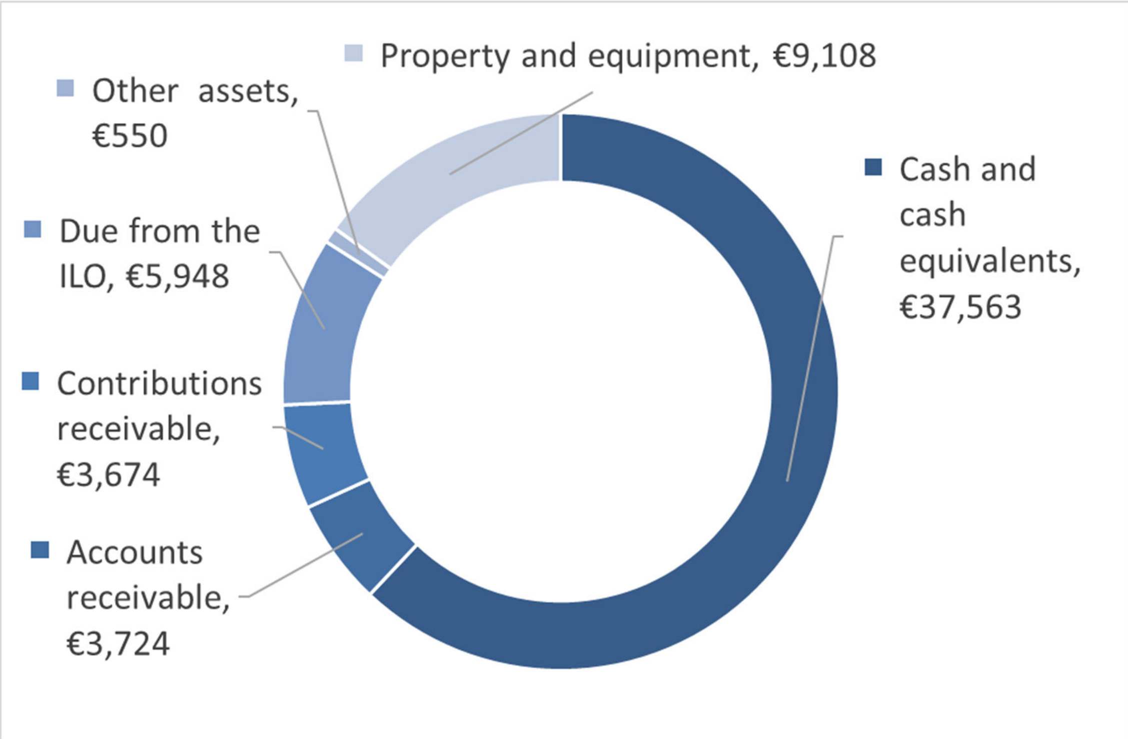
22. In 2023, the Centre incurred a net foreign exchange loss of €586 000 (2022 – gain of €2.31 million) made up of realized losses of €83 000 (2022 – €600 000 realized gains) and unrealized losses of €503 000 (2022 – €1.7 million in unrealized gains).

Financial position

Assets

23. The Centre held assets of €60.6 million as at 31 December 2023 (€46.7 million as at 31 December 2022) which were as follows:

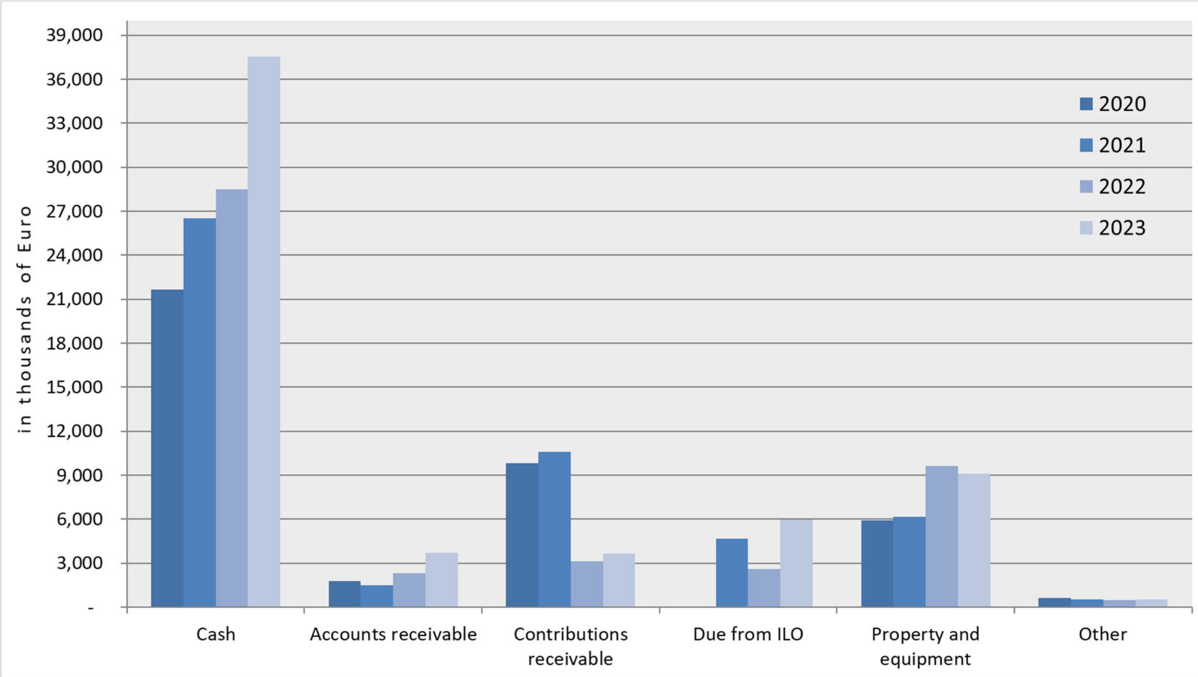
Assets by type, 2023 (in thousands of Euro)



24. As at 31 December 2023, the Centre's most significant asset was cash totaling €37.6 million (€28.5 million as at 31 December 2022) and representing 62.0 per cent of the total assets. Of this amount, €15.5 million or 41.0 per cent corresponds to funds held on behalf of donors (€5.7 million or 20 per cent as at 31 December 2022). Funds of €5.64 million (€6.8 million as at 31 December 2022) were held in the Campus Improvement Fund, the ICT Development Fund, the Innovation Fund and the Fellowship Fund and €2.1 million (€2.0 million as at 31 December 2022) were held in the Italy Trust Fund.

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

Assets, four-year comparison



26. The Centre's total assets increased by €13.91 million or 29.8 per cent (€3.3 million or 6.7 per cent decrease as at 31 December 2022).

27. Cash has increased by €9.09 million or 31.9 per cent as at 31 December 2023 (increased by €2.0 million or 7.4 per cent in 2022). Further information is provided on the Statement of Cash Flow.

28. Accounts receivable increased by some €1.43 million or 62 per cent (decrease of €6.6 million or 55.0 per cent as at 31 December 2022) mainly as a result of invoices issued for completed activities at year-end. In 2023, as required by IPSAS, the Centre adopted a new accounting standard regarding financial instruments. The impact of this adoption was limited to the application of the new impairment model whereby this standard introduces a forward-looking expected credit loss model in order to assess impairment of financial assets. As a result, an opening adjustment as of 1 January 2023 was made that reduced the carrying value of the receivables by €60 000.

29. Contributions receivable increased by €543 000 (decrease of €7.4 million as at 31 December 2022) and this is mainly explained by an amount of €1.45 million still receivable from the Italian Government and the United Nations System College regarding a signed agreement for the renovation of the Italy pavilion, while the amount receivable relating to signed agreements for future activities decreased.

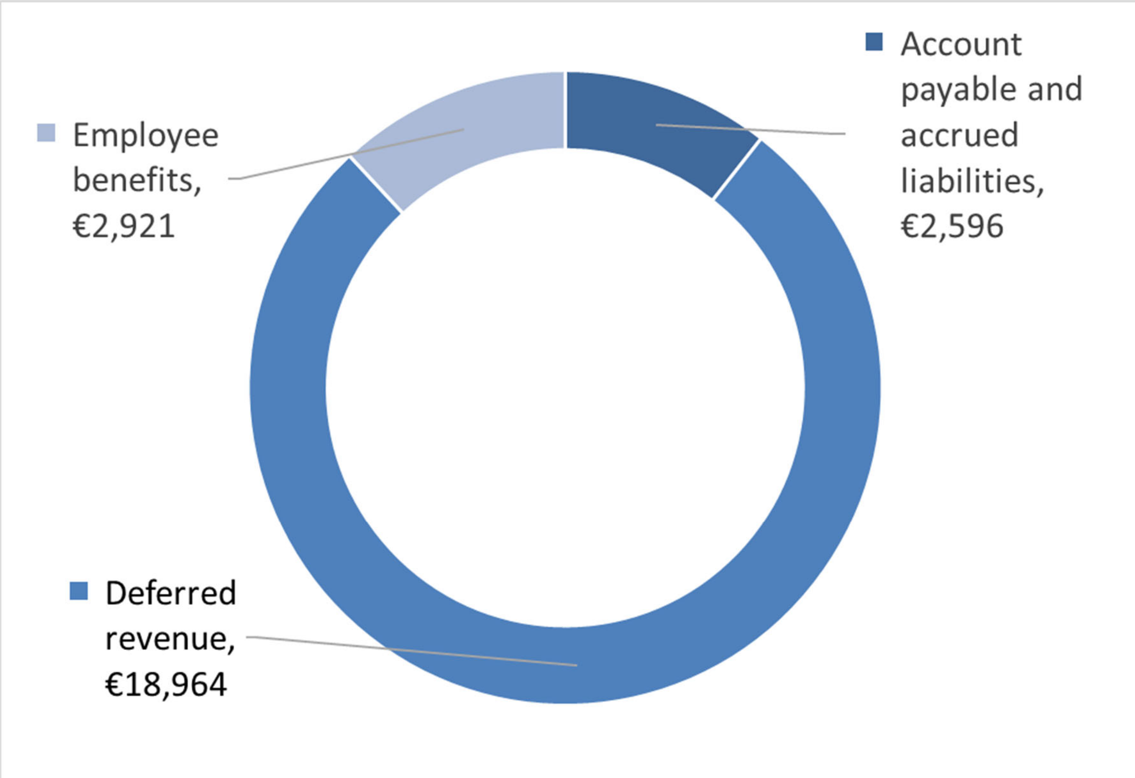
30. The amount receivable from the ILO increased by €3.33 million or 127.3 per cent (decrease of €2.1 million or 44.2 per cent as at 31 December 2022) as a result of the year-end invoices issued for completed activity work. A settlement by the ILO was expected in the beginning of the new year to partially settle the balance.

31. Property and equipment decreased by €538 000 or 5.6 per cent (increase of €3.5 million or 56.0 per cent as at 31 December 2022) mainly as a result of the recorded annual depreciation of €941 000 (€708 000 as at 31 December 2022) that also included the depreciation on the completed refurbishment project of the Africa 10 and 11 pavilions.

Liabilities

32. The Centre had liabilities totaling €24.5 million as at 31 December 2023 (€13.34 million as at 31 December 2022) which were as follows:

Liabilities by type, 2023 (in thousands of Euro)

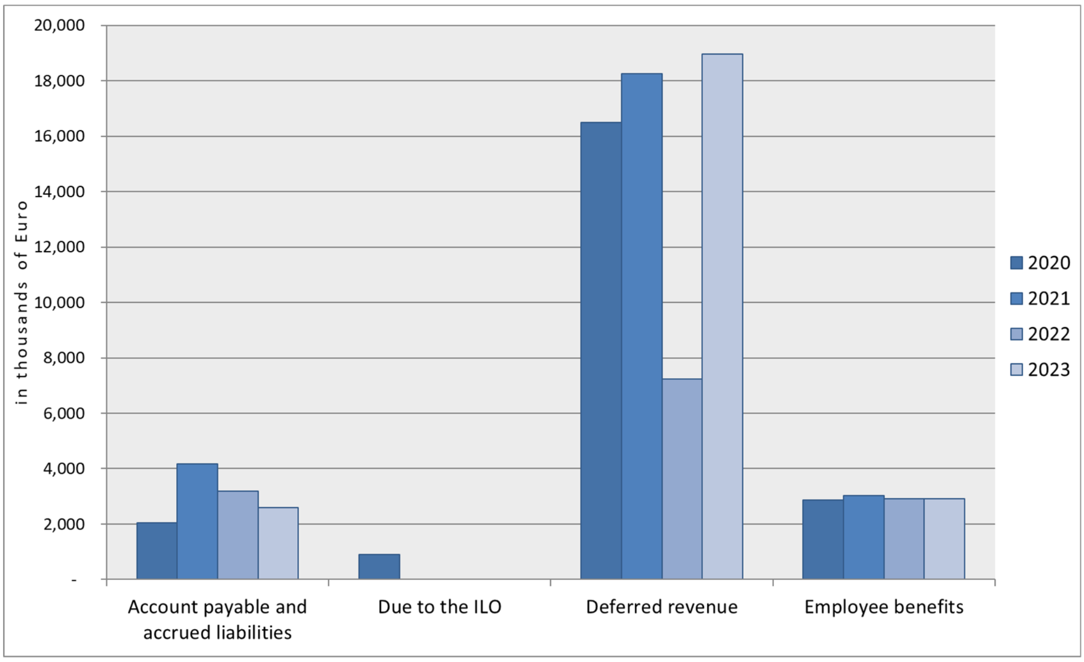


33. The most significant liability totaling nearly €19.0 million or 77.5 per cent (€7.242 million or 54.3 per cent as at 31 December 2021) relates to deferred revenue. This balance represents funds advanced mainly by donors and sponsors for specific activities as well as for other specific purposes. The funding includes funds already received from the Italian Government regarding the renovation of the Americas2 pavilion. Deferred revenue also includes funds receivable based on signed agreements with sponsoring agencies and other donors with respect to future training and non-training activities as well as other matters such as the renovation of the Italy pavilion, and subject to specific performance conditions.

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

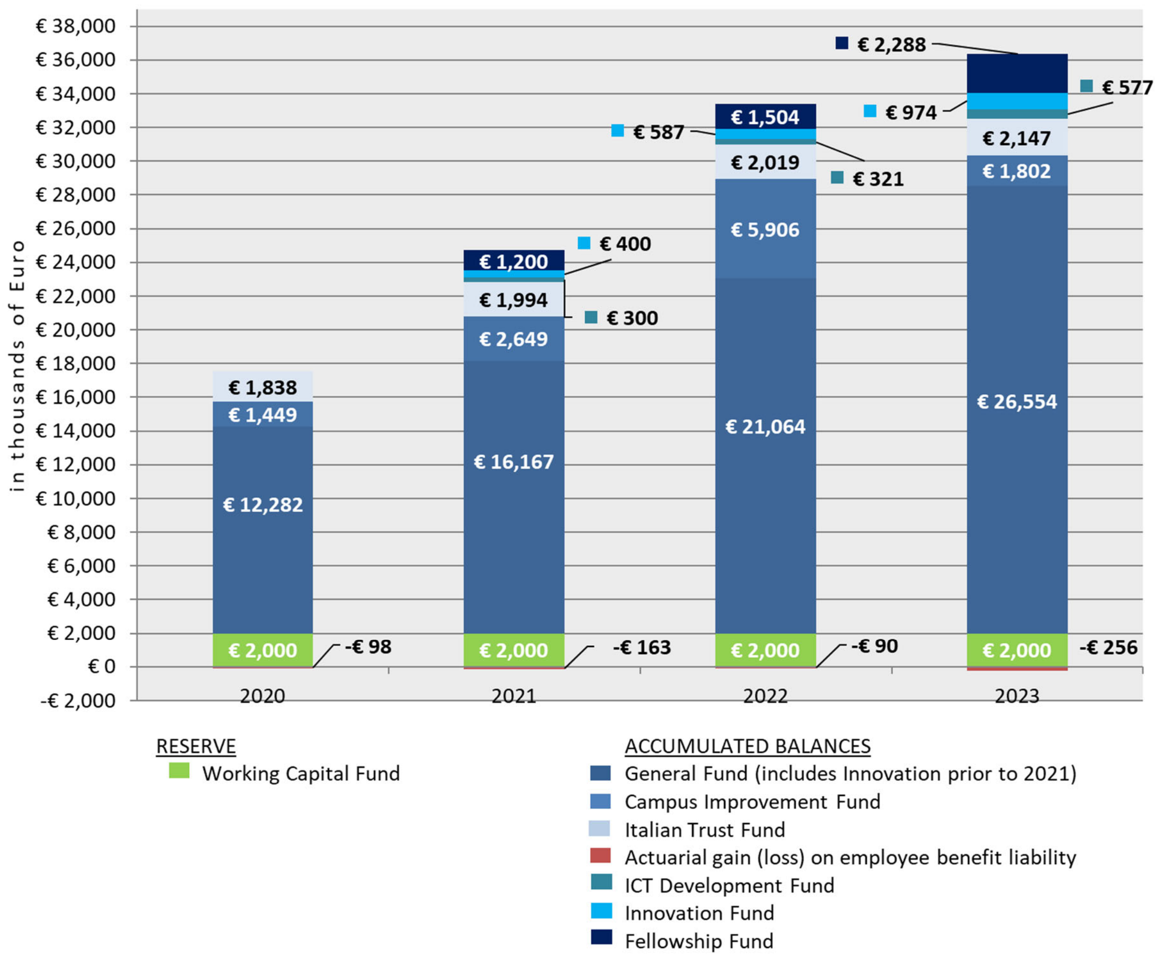
35. Accounts payable and accrued liabilities decreased by €599 000 or 18.7 per cent (decrease of €965 000 or 23.2 per cent as at 31 December 2022) as a result of a lower level of payables to suppliers, the Centre having settled many invoices prior to year-end.

Liabilities, four-year comparison



Net assets

Net assets, four-year comparison by Fund



36. The Centre’s net assets include the Working Capital Fund that represents 5.5 per cent of total net assets or €2 million (6.0 per cent or €2 million as at 31 December 2022) as set by the Financial Regulations.

37. Net Assets also include accumulated balances of various other funds totaling €34.1 million (€31.3 million as at 31 December 2022). This is comprised of:

- the General Fund totaling €26.6 million and 73.6 per cent of the overall net assets (€21.1 million and 63.2 per cent as at 31 December 2022);
- the Campus Improvement Fund with €1.8 million and 5.0 per cent of the total (€5.9 million and 17.7 per cent as at 31 December 2022);
- the Italian Trust Fund with €2.15 million and 5.9 per cent of the total (€2.0 million and 6.1 per cent as at 31 December 2022);
- the Information and Communication Technology Development Fund with €577 000 and 1.6 per cent (€321 000 and 1.0 per cent as at 31 December 2022);
- the Innovation Fund with €974 000 and 2.7 per cent (€587 000 and 1.8 per cent as at 31 December 2022); and
- the Fellowship Fund with €2.29 million and 6.3 per cent (€1.5 million and 4.5 per cent as at 31 December 2022).

38. Also included is the actuarial loss on employee benefits liability of €166 000 (€73 000 actuarial gain as at 31 December 2022), recorded in compliance with IPSAS and a balance of accumulated actuarial losses of €256 000 as at 31 December 2023 (€90 000 accumulated actuarial losses as at 31 December 2022).

Regular Budget

39. At its 85th Session (October 2021), the Board approved the 2022-23 Budget Proposals consisting of total expenditure of €76.849 million including a contingency of €600 000 and total revenue of €77.163 million resulting in a budgeted budget surplus of €314 000.

40. The budget results for the 2023 financial year, the second year of the biennium, are summarized in Statement V, with the details of voluntary contributions received from donors shown in Note 13.

41. The 2023 actual net contributions from the various sources of revenue amounted to €34.26 million which was made up of a net contribution from training and non-training services of €17.64 million, a net contribution from multimedia services of €725 000, a net contribution from miscellaneous sources of €2.23 million and voluntary contributions totaling €13.67 million. The total net contributions are intended to cover fixed expenditure, the contingency and institutional investments. Fixed expenditure totaled some €29.39 million and the expenditure related to the institutional investments totaled €3.6 million, representing half of the 2022-23 approved amount and an additional biennial contribution to each fund, approved by the Director in accordance with the Financial Regulations, Article 7(b) that provides for increased expenditure when there is evidence that actual revenue will exceed the level included in the approved budget. The 2023 budget surplus is €1.323 million.

42. The total results for the 2022-23 biennium as shown on Statement V reveal a total budget surplus of €5.156 million, that combines the 2022 budget results of €3.833 million and the 2023 budget results of €1.323 million.

Significant differences between the 2023 budget and actual amounts as presented on Statement V

(In thousands of Euro)

Line item in Statement V			Budget 2023[1]	Actual 2023	Variance Amount	Variance %
Chapter	Item					
I	10	Net contribution from training and non-training activity services	13 787	17 641	3 854	28.0
I	11	Net contribution from multimedia services	560	725	165	29.5
I	12	Net contribution from miscellaneous sources	855	2 228	1 373	160.6
II	13	Total voluntary contributions	12 299	13 669	1 370	11.1
III	14	Regular Budget (RB) staff	15 951	17 533	1 582	9.92
III	15	Variable Budget (VB) staff	2 629	3 427	798	30.3
III	16	ASHI contribution for retirees	750	946	196	26.1
III	17	Consultants	548	308	(240)	(43.8)
III	18	Campus related costs	2 385	2 902	517	21.7
III	20	General operating costs	332	944	612	184.3
V	26-29	Institutional investments	1 200	3 600	2 400	200.0

Earned revenue – Chapter I

Net contribution from training and non-training activities

43. The net contribution from training and non-training activity services totaled €17.64 million, higher by some €3.85 million over the estimated budget for 2023. One of the main contributor for this significant variance is the continued growth in outreach in 2023. The level of distance learning enrolments were approx. 92 000 the end of the 2023 year as compared to approx. 86 000 in 2022, thus showing growth of more than 7.2 per cent. Face to face enrolments including activities in blended modality decreased slightly by 1.6 per cent when compared to 2022. In addition, non-training activities have also continued to grow due to increased demand for the Centre's communication and advocacy services, as the number of activities grew by some 18.4 per cent.

Net contribution from multimedia services

44. The net contribution from multimedia services totaled €725 000, an increase of €165 000 or 29.5 per cent over the annual budget. This is due mainly to the fast-growing demand for digital media and design services, communication and advocacy assignments throughout the year. The demand for such services is expected to continue

[1] Budget represents 50% of the approved budget for voluntary contributions, multimedia services and their direct expenditure, miscellaneous sources of revenue and direct expenditure, regular budget (RB) and variable budget (VB) staff expenditure, as well as the contingency; approximately 50.5% of the approved budget for training and non-training activities revenue and the direct expenditure, total fixed expenditure excluding regular budget (RB) and variable budget (VB) staff expenditure and depreciation; and approximately 60% of the approved budget for depreciation.

growing in the future. The revenue under this line item only relates to work carried out for external parties and all revenue related to internal work carried out to support the Centre's activities is recognized under training and non-training activity services revenue.

Net contribution from miscellaneous sources

45. The net contribution from miscellaneous sources totaled €2.23 million, an increase of €1.38 million or 160.6 per cent over the annual budget. Two factors contributed to this significant increase: the increase in other types of activities held on campus for external parties in order to use our campus facilities and the significant increase in investment revenue due to the increasing interest rates and the continued efforts by the Centre at ensuring the maximum return on investment on its funds.

Total voluntary contributions – Chapter II

46. For the period of 2022-23, the Centre received a contribution of US$9.54 million as approved by the ILO in its 2022-23 Programme and Budget. The second half of this amount was received in 2023. The variance is due to an increase of some nearly 1.0 per cent in the level of contribution in this biennium as well as a favorable exchange rate when converting the contribution to Euro. In addition, the ILO provided a contribution to cover the After Service Health Insurance expenditure for Centre retirees of €946 000.

47. The 2022 contribution from the City of Turin was received in 2023. The funds were used to cover some related extraordinary maintenance costs incurred during the year. The Centre also received a small contribution from the Piedmont Region of €12 000.

Fixed expenditure – Chapter III

48. RB and VB staff expenditure was over the 2023 budget by €1.582 million and €798 000 respectively. The expenditure reflects the cost adjustments determined by the salary-related policies, as well as decisions on the base-salary scale and benefits approved by the UN General Assembly following recommendations made by the International Civil Service Commission (ICSC) for the general application throughout the UN Common System, and for which the Centre has an obligation to apply any such statutory increases. The variance with the budget is mainly due to an increase of 2.28 per cent for the Professionals and above category as of February 2023; the re-profiling of various positions to the professional category in 2023 and the impact from those positions that were re-profiled in 2022; personal promotions; job reclassifications as a result of the job-profiling and skills exercise; and fifteen vacant positions in the professional category filled in 2023 and for which installation, removal and travel costs of €273 000 were incurred during the year.

49. In 2022, the Centre adjusted its level of monthly contributions to the Terminal Benefit Fund (TBF) and this increased its overall staff expenditure by some €187 000 in 2023. It also made a contribution of €1 million to ensure that the Fund becomes financially sustainable to cover the anticipated repatriation grant payments to professional staff and the end-of-service benefit payments to general service staff. At the end of 2023, the Fund held approximately €6.0 million in funding which is available for future disbursements. The liability as at 31 December 2023 is estimated at €9.2 million, thus showing a position of under-funding of €3.2 million. A plan is in place to achieve full funding within the next 4 biennia and the progress made in 2023 will result in meeting this objective sooner. The additional contribution is partially charged to Regular budget staff expenditure (approx. €818 000) for a final expenditure of €17.533 million. The impact on the Variable budget staff expenditure was approximately €141 000 for a final expenditure of €3.427 million and a small impact on project-based staff expenditure within the direct expenditure of the training and non-training activity services under Chapter I.

50. Starting in 2021, the ILO now passes to the Centre the expenditure relating to the After Service Health Insurance for the former officials of the Centre. This is recorded under the Centre's expenditure with no impact on the budget results, as it balanced by the additional voluntary contribution for the same amount, recorded under a voluntary contribution from the ILO, in the Voluntary contributions section. In 2023, an amount of €946 000 was recorded, higher than the budget by €196 000. The main reason is related to the foreign exchange rate applicable at the time of conversion, which is different from the rate applied in the approved budget.

51. In 2023, expenditure regarding consultants was under budget by €240 000 or 43.8 per cent. This is due mainly to having retained service providers charged under General Operating Costs, instead of external collaborators, charged under the Consultant budget line.

52. In 2023, the expenditure for campus related costs was over budget by €517 000 or 21.7 per cent. The main reason relates to the maintenance carried out on the campus pavilions where the Centre undertook additional repairs and upgrades for approx. €250 000. These included, among others, the refurbishment of some 10 bedrooms in the Americas1 pavilion, repairs to the roof of the Piemonte pavilion, repairs and upgrading of the heating and cooling system in the Americas1 pavilion, upgrading of the lighting systems in classrooms and in common spaces on campus, as well as remodeling the reception area of the Americas1 pavilion. In addition, utilities increased significantly as a result of the energy crisis that affected the entire Eurozone during the period of 2021 to 2023, caused by the post-pandemic inflation and the Ukraine crisis. This resulted in additional annual expenditure of some €300 000 over the budget.

53. General operating costs were over budget by €612 000 or 184.3 per cent. The main reason relates to transfers of funds between the consultant budget line, where external collaborators are budgeted, and this budget line, where service providers are recorded. Additional expenditure was also incurred for freight and transportation, as a result of an increase in the number of shuttles required for officials between Turin and Geneva. Bank charges and other smaller expenditure were also over the original budget, due to the level of transactions linked to operations and in some cases, due to the foreign exchange rate. The adoption of IPSAS 41 on Financial Instruments resulted in an adjustment to the loss allowance, which was not foreseen in the related budget.

Institutional investments – Chapter V

54. Based on Financial Regulation, Article 7(b), the Director may incur expenditure in excess of the amount authorized in the budget, if he has evidence in hand showing that actual revenue will exceed the level approved in the budget. In 2023, as the level of revenue was well over the level foreseen in the approved budget, the Director decided to increase the amounts allocated to institutional investments by the equivalent of the biennial allocation to the Funds. This resulted in an increase of €2.4 million being recorded under institutional investments expenditure and their counterparts being allocated to each individual Fund, thus ensuring that sufficient funding is available in the future for campus improvements, information and communication technology development, innovations and fellowships to participants.

Ex–gratia payment

55. In 2023, there was one ex-gratia payment made totaling €3 860.

Statement of Internal Control for the year ended 31 December 2023

Scope of responsibility

As Director of the International Training Centre of the International Labour Organization (Centre), and in accordance with the responsibility assigned to me by the Statute of the Centre, the Board as its governing body, and the Financial Regulations, I am responsible and accountable for the proper financial management of the Organization. I have established mechanisms of internal oversight and internal control to ensure:

- the effective financial administration and the exercise of economy; and
- the effective custody of the physical assets of the Centre.

The purpose of the system of internal control

Internal control systems provide reasonable assurance regarding the achievement of objectives, compliance with regulations and policies, and reliable financial reporting. The Centre's Board, the Director, the Treasurer and Chief, Financial Services, senior management, and other significant personnel all play important parts in making this work effectively. The implementation of internal control is effected through policies, procedures and operational processes applied at all levels, designed to identify and manage – rather than eliminate – the risks to these objectives.

My present statement applies for the year ended 31 December 2023, half of which was under the leadership of my predecessor. It also considers any relevant events up to the date of the approval of the Centre's 2023 financial statements.

The Centre's operating environment

The Centre is based in Turin, Italy and operates in a global environment with a total of 176 staff members. The need for the Centre to earn a significant portion of its revenue to cover expenditure, the unique tripartite structure, the engagement with multiple funding and delivery partners, and the diverse workforce all present the Centre with opportunities and potential risks.

Following my nomination and taking up my functions as the Director of the Centre on 1 July 2023, I have worked closely with the Centre's senior management to finalise the Programme and Budget proposals for 2024-25 that was submitted and approved by the Board in October 2023. I carried out extensive consultations with a broad spectrum of interlocutors, including stakeholders and Centre officials. I am identifying and reviewing immediate and longer-term priority issues for the Centre with the intention of ensuring that the Centre continues to be sustainable and achieves its mission and objectives.

Against this background and within the overall operational framework of the organization, management is required to review and monitor on an ongoing basis the exposure to all risks relating to their functions and activities, including those at the global level such as post-pandemic recovery, geopolitical conflict, and the associated energy crisis, etc. They must continue to maintain a high level of internal control while adapting to the changes in working methods brought about by the new business model and ensuring efficient and effective delivery of the programme and project deliverables.

The Centre's risk management and internal control frameworks

The Centre's Enterprise Risk Management Framework, adopted in October 2018, contains the following features:

- the Director, providing leadership and direction to senior managers for embedding risk management in the Centre's ways of working, monitoring and reviewing on a regular basis the Risk Management Committee reports including the Corporate Risk Register and directing action, as required, to address issues;
- a dedicated Risk Management Committee, which oversees and recommends actions on the Centre's exposure to significant risks, as recorded in the Corporate Risk Register, as well as reporting to the Director periodically;
- mandatory risk assessments in the Centre's programme units, rolled up to a Training Department risk register, as well as all service units;
- well-defined risk escalation processes for both internal and external risks, including strategic and operational risks, allowing for a bottom-up/top down flow of risk information;
- a six-step approach, comprising (1) establishing the context; (2) identifying risk; (3) assessing risks for likelihood and impact; (4) responding to risk cost-effectively; (5) monitoring risks and risk practices; and (6) reporting to senior managers and external stakeholders information on key risk exposures and on the efficiency and effectiveness of the Centre's risk management processes; and
- the definition of the Centre's risk appetite and risk tolerance.

In January 2020, the Centre adopted its Internal Control Framework. The key elements of the Internal Control Framework include:

- mapping of the Centre's existing rules, policies and procedures, as well as compliance monitoring tools, against a set of principles based on acknowledged best practices;
- the "Three Line of Defence" for internal controls, in line with the reference model adopted by the UN High-level Committee on Management (HLCM), providing clarification on the roles and responsibilities in the implementation of internal controls; and
- the emphasis on continuous improvement, identifying the necessary mechanisms for ongoing assessment and regular reporting of the overall effectiveness of internal control to ensure an appropriate level of assurance.

Review of internal control effectiveness

As specified in the Centre's Internal Control Framework, my review of the effectiveness of the system of internal controls is mainly informed by:

- **Internal letters of representation**, completed and signed by members of the senior management team and other selected managers as designated by the Treasurer. These provide a self-assessment of the accomplishments of their responsibilities for maintaining effective internal control and risk management on a day-to-day basis. Taking into consideration the evolving operational environment in which the Centre operates, the answers included in these disclosures were reviewed prior to the annual reporting cycle for 2023.

- **Independent audit reports**, issued by the Chief Internal Auditor (including investigation reports), the External Auditor, the Ethics Officer (same as those of the International Labour Organization), and the external Evaluation Report on activities issued by an external consultant.

- **Board observations and guidance** on internal control matters, and as relevant, those contained in the reports of the ILO's Independent Oversight Advisory Committee (IOAC) that impact the Centre, if any.

Significant internal control matters arising during the year

In 2023, the Centre revised its internal letter of representation to obtain assurance on the effective implementation of the Centre's internal controls during 2023. Such letters were received from senior management and other relevant managers and provided significant assurance on the effective implementation of the Centre's internal controls during 2023. They were analysed and used as one of the key sources for providing assurance on the effective implementation of the Centre's internal controls during the year. There were no new control weaknesses identified by them requiring further improvements.

I have also considered the observations in the reports of the internal and external auditors, the annual activity evaluation report, and the annual report of the IOAC to the ILO's Governing Body pertaining to the year 2023. Some of these reports were issued to the interim Director, my predecessor, up to 30 June 2023. There were no major internal control weaknesses identified in 2023. However I noted a few areas where further improvements in internal control may be required and these include:

- **Management of participant support services.** In 2023, the external auditor highlighted the need to develop a comprehensive policy framework including related rules and standards for all the support services that the Centre offers its participants, whatever the leaning modality. Their report also included the need for the Centre to have a better integrated and coordinated evaluation process of its support services, including engaging all stakeholders in such evaluation, in order to accurately measure its achievement against expected results. To this end, the Centre will be developing such documents and evaluating the review process with the objective of ensuring a transparent and complete assessment in order to address any weaknesses in this area.

- **E-banking administration.** The internal auditor noted in his report on E-banking some improvements required on the user administrator role which had been set up several years ago. In order to improve the approval process of new users and their roles on one of its banking platform, the delegation of approval was further enhanced. This recommendation was immediately implemented after the issue of the report in order to ensure the highest control over the resources of the Centre.

- **Digital governance.** In his report, the internal auditor raised the need for the Centre to develop a prioritization methodology for its information technology projects, as well as communicating to the Centre's various units and programmes their priority as well as the need to communicate this information and the status of implementation to all concerned in order to ensure increased transparency. The methodology relating to the priority system was discussed and agreed by the Centre's senior management and the listing is now available to them in real-time.

Conclusion

No matter how well designed, internal controls have inherent limitations, including the possibility of pre-meditated circumvention and thus can provide only reasonable but not absolute assurance. The effectiveness of internal controls may vary over time due to changes in conditions beyond the Centre's control. However I am committed to the continuous development and improvement of the system of internal control to address control issues in a timely manner.

Based on the above, I conclude that to the best of my knowledge and information, the Centre has an effective system of internal control and there were no material weaknesses during the year ended 31 December 2023 and up to the date of approval of the 2023 financial statements.

(Signed) Christophe Perrin
Director
Turin, 15 March 2024

Approval of the Financial Statements for the year ended 31 December 2023

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.

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 that is provided in the following section.

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.

(Signed) Christine Boulanger
Treasurer and Chief of Financial Services
15 March 2024

(Signed) Christophe Perrin
Director
15 March 2024

Point for decision

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

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

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of the International Training Centre (ITC) of the International Labour Organization, which comprise the statement of financial position as at 31 December 2023, and the statement of financial performance, statement of changes in net assets, statement of cash flow, and statement of comparison of budget and actual amounts for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the ITC as at 31 December 2023, and its financial performance, changes in net assets, cash flow, and comparison of budget and actual amounts for the year then ended, in accordance with International Public Sector Accounting Standards (IPSAS).

Basis for Opinion

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the ITC financial statements and external auditor's report for the year ending 31 December 2023, but does not include the financial statements and our auditor's report thereon.

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

GAMALIEL A. CORDOBA
Chairperson, Commission on Audit
Republic of the Philippines
External Auditor

Quezon City, Philippines
15 March 2024

Financial Statements
for the year ended 31 December 2023

International Training Centre of the ILO

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

	Notes	2023	2022
Assets			
Current assets			
Cash	**5**	37 563	28 475
Receivables	**6**	3 724	2 250
Due from the ILO		5 948	2 617
Contributions receivable	**7**	2 490	2 330
Prepayments		468	407
Other current assets		82	80
		50 275	**36 159**
Non-current assets			
Receivables	**6**	–	47
Contributions receivable	**7**	1 184	801
Property and equipment	**9**	9 108	9 646
Intangible assets		–	–
		10 292	**10 494**
Total assets		**60 567**	**46 653**
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		2 596	3 195
Deferred revenue	**10**	6 114	6 439
Employee benefits	**11**	1 578	1 630
		10 288	**11 264**
Non-current liabilities			
Deferred revenue	**10**	12 850	803
Employee benefits	**11**	1 343	1 275
		14 193	**2 078**
Total liabilities		**24 481**	**13 342**
Net assets			
Reserve		2 000	2 000
Accumulated balances		34 086	31 311
Total net assets	**12**	**36 086**	**33 311**
Total liabilities and net assets		**60 567**	**46 653**

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

International Training Centre of the ILO

Statement of financial performance for the year ended 31 December

(in thousands of Euro)

	Notes	2023	2022
Revenue			
Training and non-training services		26 879	26 153
Voluntary contributions	13	15 709	17 745
Other revenue	14	2 659	3 348
Exchange gain and revaluation, net	15	–	2 319
Interest revenue		852	173
Total revenue		**46 099**	**49 738**
Expenditure			
Salaries, employee benefits and other personnel costs	15	22 927	22 358
Subcontracts	15	7 698	9 584
General operating expenditure	15	2 079	1 810
Travel	15	3 153	1 767
Other costs related to training and non-training activities	15	2 389	1 761
Buildings and ground maintenance	15	2 375	2 128
Supplies	15	887	875
Depreciation	15	941	708
Exchange gain and revaluation, net	15	586	–
Bank charges	15	63	56
Total expenditure		**43 098**	**41 047**
Net surplus		**3 001**	**8 691**

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

International Training Centre of the ILO

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

(in thousands of Euro)

	Reserve	Accumulated Balances								Net Assets
	Working Capital Fund	General Fund	Campus Impro-vement Fund	Italy Trust Fund	ICT Develop-ment Fund	Inno-vation Fund	Fellow-ship Fund	Actuarial gain (loss) on employee benefit liability	Total accu-mulated balances	Total
Balance as at 1 January 2023	**2 000**	**21 064**	**5 906**	**2 019**	**321**	**587**	**1 504**	**(90)**	**31 311**	**33 311**
Effect of adoption of new accounting standards (Note 3)	–	(60)	–	–	–	–	–	–	(60)	(60)
Revised balance as at 1 January 2023	2 000	21 004	5 906	2 019	321	587	1 504	(90)	31 251	33 251
Net surplus of 2023	–	2 047	(601)	128	256	387	784	–	3 001	3 001
Transfer of property and equipment between funds	–	3 503	(3 503)	–	–	–	–	–	–	–
Actuarial gain (loss) on employee benefit liabilities	–	–	–	–	–	–	–	(166)	(166)	(166)
Balance as at 31 December 2023	**2 000**	**26 554**	**1 802**	**2 147**	**577**	**974**	**2 288**	**(256)**	**34 086**	**36 086**
Balance as at 1 January 2022	**2 000**	**16 167**	**2 649**	**1 994**	**300**	**400**	**1 200**	**(163)**	**22 547**	**24 547**
Net surplus of 2022	–	4 897	3 257	25	21	187	304	–	8 691	8 691
Actuarial gain (loss) on employee benefit liabilities	–	–	–	–	–	–	–	73	73	73
Balance as at 31 December 2022	**2 000**	**21 064**	**5 906**	**2 019**	**321**	**587**	**1 504**	**(90)**	**31 311**	**33 311**

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

International Training Centre of the ILO

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

	2023	2022
Cash flows from operating activities		
Net surplus for the period	3 001	8 691
Effect of exchange rates on cash	(426)	1 543
Non-cash items:		
Depreciation	941	708
(Increase)/decrease in receivables	(1 487)	6 646
(Increase) in contributions receivable	(543)	–
(Increase)/decrease in due to / due from the ILO	(3 331)	2 071
(Increase)/decrease in prepayments	(61)	27
(Increase)/decrease in other current assets	(2)	16
(Decrease) in accounts payable and accrued liabilities	(599)	(965)
Increase/(decrease) in deferred revenue	11 722	(11 008)
(Decrease) in employee benefit liabilities	(150)	(54)
Net cash flows from operating activities [/1]	**9 065**	**7 675**
Cash flows from investing activities		
Acquisitions of property and equipment and intangible assets	(403)	(4 180)
Net cash flows from investing activities	**(403)**	**(4 180)**
Effect of exchange rates on cash	**426**	**(1 543)**
Net increase in cash	**9 088**	**1 952**
Cash, beginning of period	28 475	26 523
Cash, end of period	**37 563**	**28 475**

/1 €171 in interest received is included under "Net surplus for the period" in the net cash flows from operating activities (2022 – €108).

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

International Training Centre of the ILO

Statement of comparison of budget and actual amounts for the year ended 31 December 2023
(in thousands of Euro)

	Item		2023 Original Budget/1	2023 Final Budget	2022 Actual	2023 Actual	2023 Budget Variance/2	2022-23 Original and Final Budget	2022-23 Actual	2022-23 Budget Variance
I		**Earned revenue**								
		Training and non-training activity services								
		Total revenue	24 778	24 778	28 040	29 542	4 764	49 065	57 582	8 517
		Direct expenditure	10 991	10 991	11 523	11 901	910	21 765	23 424	1 659
	10	**Net contribution from training and non-training activity services**	**13 787**	**13 787**	**16 517**	**17 641**	**3 854**	**27 300**	**34 158**	**6 858**
		Multimedia services								
		Revenue	800	800	1 391	991	191	1 600	2 382	782
		Direct expenditure	240	240	483	266	26	480	749	269
	11	**Net contribution from multimedia services**	**560**	**560**	**908**	**725**	**165**	**1 120**	**1 633**	**513**
		Miscellaneous								
		Revenue	950	950	2 727	2 520	1 570	1 900	5 247	3 347
		Direct expenditure	95	95	603	292	197	190	895	705
	12	**Net contribution from miscellaneous sources**	**855**	**855**	**2 124**	**2 228**	**1 373**	**1 710**	**4 352**	**2 642**
II		**Voluntary contributions**								
		International Labour Organization	4 199	4 199	5 104	5 377	1 178	8 398	10 481	2 083
		Government of Italy (ex-lege)	7 850	7 850	7 850	7 850	–	15 700	15 700	–
		Piedmont Region (Italy)	–	–	13	12	12	–	25	25
		Government of Portugal	250	250	250	250	–	500	500	–
		City of Turin	–	–	180	180	180	–	360	360
	13	**Total voluntary contributions**	**12 299**	**12 299**	**13 397**	**13 669**	**1 370**	**24 598**	**27 066**	**2 468**
		Total net contribution available to cover fixed expenditure, contingency and institutional investments	**27 501**	**27 501**	**32 946**	**34 263**	**7 036**	**54 728**	**67 209**	**12 481**
III		**Fixed expenditure**								
	14	Regular Budget (RB) staff	15 951	15 951	17 086	17 533	1 582	31 902	34 619	2 717
	15	Variable Budget (VB) staff	2 629	2 629	3 084	3 427	798	5 257	6 511	1 254
	16	ASHI contribution for retirees	750	750	916	946	196	1 500	1 862	362
	17	Consultants	548	548	400	308	(240)	1 085	708	(377)
	18	Campus related costs	2 385	2 385	2 795	2 902	517	4 723	5 697	974
	19	Security	430	430	429	423	(7)	851	852	1
	20	General operating costs	332	332	639	944	612	657	1 583	926
	21	Missions and representation	236	236	161	246	10	468	407	(61)
	22	Governance	329	329	407	252	(77)	652	659	7
	23	Information and technology costs	1 617	1 617	1 585	1 704	87	3 201	3 289	88
	24	Depreciation of property and equipment	671	671	463	707	36	1 118	1 170	52
		Total fixed expenditure	**25 878**	**25 878**	**27 965**	**29 392**	**3 514**	**51 414**	**57 357**	**5 943**
IV	25	**Contingency**	**300**	**300**	**–**	**–**	**(300)**	**600**	**–**	**(600)**
V		**Institutional investments**								
	26	Innovation	200	200	200	600	400	400	800	400
	27	Information and Communication technology	150	150	150	450	300	300	600	300
	28	Fellowships	600	600	600	1 800	1 200	1 200	2 400	1 200
	29	Campus Improvements	250	250	250	750	500	500	1 000	500
		Total institutional investments	**1 200**	**1 200**	**1 200**	**3 600**	**2 400**	**2 400**	**4 800**	**2 400**
		Total fixed expenditure, contingency and institutional investments	**27 378**	**27 378**	**29 165**	**32 992**	**5 614**	**54 414**	**62 157**	**7 743**

			2023 Original Budget[/1]	2023 Final Budget	2022 Actual	2023 Actual	2023 Budget Variance[/2]	2022-23 Original and Final Budget	2022-23 Actual	2022-23 Budget Variance
		Excess prior to the use of past surpluses	**123**	**123**	**3 781**	**1 271**	**1 148**	**314**	**5 052**	**4 738**
VI	30	Use of past surpluses	–	–	52	52	52	–	104	104
		BUDGET SURPLUS[/3]	**123**	**123**	**3 833**	**1 323**	**1 200**	**314**	**5 156**	**4 842**

/1 The original budget represents 50% of approved budget for voluntary contributions, multimedia revenue and direct expenditure, miscellaneous revenue and direct expenditure, regular budget (RB) and variable budget (VB) staff expenditure, as well as the contingency; approximately 50.5% of the approved budget for training and non-training activity services revenue and direct expenditure, total fixed expenditure excluding regular budget (RB),variable budget (VB) staff expenditure and depreciation; and approximately 60% of the approved budget for depreciation.

/2 Budget variances are explained in the accompanying financial report on the 2023 accounts.

/3 As per Financial Regulations 7(4).

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

Notes to the Financial Statements for the year ended 31 December 2023

(in thousands of Euro)

Note 1 – Objectives, activities and other information

In 1964, the International Training Centre of the International Labour Organization (the Centre) was established by the Governing Body of the International Labour Organization (ILO) and the Government of Italy. The objective of the Centre, in keeping with the principles set forth in the Preamble of the Constitution of the ILO and in the Declaration of Philadelphia, is to provide people across the world of work directly and via ILO constituents with access to digitally enhanced capacity development services to promote social justice through decent work. Its activities are elaborated within the framework of the technical co-operation of the ILO, the United Nations System and other international organizations.

The ILO is the controlling entity of the Centre. Under the terms of the Statute of the Centre adopted by the ILO Governing Body, the Centre's funds and assets are accounted for separately from the assets of the ILO (Article VI, paragraph 6). The Centre is financed from voluntary contributions from the ILO's regular budget and from the Government of Italy as well as from revenue earned by providing its capacity development services. With the ILO as the controlling entity of the Centre, the Centre's financial statements are consolidated within those 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.

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 each year. The members of the Board do not receive any remuneration from the Centre for their services. Every second year, at its October meeting, the Board adopts its Programme and Budget in accordance with the Centre's Financial Regulations. 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's financial statements, produced on an annual basis, are audited by the External Auditor of the ILO.

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

Note 2 – Accounting policies

Basis of Preparation and Presentation

The financial statements of the Centre have been prepared on the accrual basis of accounting in accordance with International Public Sector Accounting Standards (IPSAS) and fully comply with all the applicable standards effective as at 31 December 2023.

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

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

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

Significant accounting policies

Foreign currency transactions

Transactions carried out during the financial year 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 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 from the settlement of these items and unrealized gains and losses from the revaluation of these assets and liabilities are recognized as exchange gain (loss) and revaluation, net, in the Statement of financial performance.

Financial instruments

Financial assets include cash, receivables and contributions receivable. Financial liabilities include the accounts payable and accrued liabilities.

Financial assets and financial liabilities are classified as follows:

Assets/Liabilities	Measurement Category
Cash	Amortized cost
Receivables	Amortized cost
Contributions receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost

Recognition and initial measurement

Financial assets and liabilities are initially recognized on the Statement of financial position at fair value and subsequently measured at amortized cost. The classification of financial assets is defined based on the Centre's management model for financial assets and the contractual cash flow characteristics of the financial assets.

De-recognition

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

Impairment

At initial recognition of the financial asset, an allowance for expected credit losses (ECL) is recognized based on the difference between the contractual cash flows and the cash flows that the Centre expects to receive. Impairment allowances are recognized under General Operating Expenditure on the Statement of Performance.

For financial assets deemed to be of low credit risk, the Centre applies a simplified approach that recognizes a loss allowance based on expected credit losses over the lifetime of the financial assets. The allowance is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Financial liabilities are subsequently measured at amortized cost.

<u>Cash</u>

This includes cash on hand and in its bank accounts, and the Centre does not hold any cash equivalents maturing within three months from the date of acquisition.

<u>Receivables</u>

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

<u>Contributions receivable</u>

Contributions receivable relate to voluntary contributions provided to finance activities undertaken by the Centre, and to fund various renovation work to its facilities. These represent funds receivable based on signed agreements in respect of future activities and renovation projects that are subject to specific performance conditions, and for which there is a matching liability. They are recognized when it is probable that they will be received and can be reliably measured.

<u>Due from/to the ILO</u>

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 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

Impairment

Non-cash generating assets including property and equipment and intangible assets are not held for future sale. Impairment reviews are undertaken for all non-financial assets at least annually to determine if there is any impairment in their value. Loss allowances are established to recognize impairment, if necessary.

Deferred revenue

Deferred revenue represents funds received or receivable based on signed agreements with donors and sponsors in respect of future capacity development activities or renovation works 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 twelve months or longer from the reporting date are recognized as non-current liabilities and are discounted using a discount rate based on high grade corporate bonds.

Employee benefits

The Centre recognizes the following categories of employee benefits:

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

    - accumulating leave: accumulating compensated absences, such as annual leave and compensatory time, are recognized as expenditure and liabilities as they are earned by employees. In accordance with Staff Regulations, officials earn annual leave of 30 working days per year. Officials may accumulate up to 60 working days that are payable on separation from service. The value of leave payable as at the reporting date is calculated by multiplying the actual number of days accumulated by each staff member by the staff member's base salary plus post adjustment for eligible professional staff and base salary and language allowance for general services staff. The non-current portion of the liability is not discounted as the impact is not material;
    - non-accumulating leave: non-accumulating compensated absences, such as sick leave and maternity leave, are recognized as an expenditure when the absence occurs;
    - home leave: in accordance with Staff Regulations, non-locally recruited officials are entitled to reimbursement for the costs of travel to their home country in the second calendar year following the year of 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; and

- other benefits: other employee benefits are expensed as part of payroll and a liability is recorded at year-end if an amount remains unpaid. They include non-resident allowance, family allowance, post adjustment allowance, education grant, and language allowance.

2. post–employment benefits:

- Repatriation travel and removal expenditure

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

- Repatriation grant and end-of-service payments

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

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

- After-service health insurance (ASHI)

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

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

- United Nations Joint Staff Pension Fund

  Through the ILO, the Centre is a member organization participating in the United Nations Joint Staff Pension Fund (UNJSPF), established by the United Nations General Assembly to provide retirement, death, disability and related benefits to employees. The Pension Fund is a funded, multi-employer defined benefit plan. As specified in Article 3(b) of the Regulations of the Fund, membership in the Fund shall be open to the specialized agencies and to any other international, intergovernmental organization that participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.

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

Payables and accruals

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

Revenue from exchange transactions

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

Revenue from non-exchange transactions

1. Voluntary contributions: these are provided to support the general operations of the Centre, for campus improvements and for capacity development activities. These contributions contain no stipulations in the nature of "conditions" that require specific performance and the return of funds not used for their intended purposes. They are recognized as an asset and revenue when it is probable that the contribution will be received and if the amount can be measured reliably.
2. Goods and services–in–kind: the Centre does not recognize services-in-kind in the financial statements. Contributions of goods-in-kind are recognized at fair value at the date of receipt.
3. Training and non-training activity services: agreements related to training and non-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 and non-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 (contributions receivable) and liabilities (deferred revenue) upon signature of a binding agreement. The liability is reduced and revenue is recognized based on the proportion of expenditure incurred to the estimated total expenditure of the activity.

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

Contingent assets

The Centre does not recognize a contingent asset, but discloses in the notes to the financial statements details of a possible asset whose existence is contingent upon the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Centre. Contingent assets are re-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 activities and that the asset's value can be reliably measured, the asset and the related revenue are recognized in the financial statements in the period in which the change occurs.

Contingent liabilities

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

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

Segment information

The Centre is a single purpose entity with the purpose of providing capacity development services 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 loss allowance. 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 that represents the period over which the asset is expected to be available for use by the Centre. This is reviewed annually.

The loss allowance is determined by estimating the lifetime expected credit losses of its cash and receivables. This is defined as the weighted average of credit losses within the respective risks of a default occurring. The estimate is based on all reasonable and supportable information that is available without undue cost or effort.

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

Note 3 – Changes in accounting policies

As of 1 January 2023, IPSAS 41 – Financial Instruments was adopted and requires retrospective application which can be applied to the opening balance of the year in which the standard is adopted. This new standard establishes the requirements for classifying, recognizing and measuring financial instruments to replace those in IPSAS 29, Financial Instruments: Recognition and Measurement. The standard introduces a forward-looking expected credit loss model to assess impairment of financial assets. The Centre's revised accounting policies in relation to financial instruments are provided in the significant accounting policies section above.

The impact on this adoption is limited to the application of the new impairment model and the information disclosed in the notes. Upon the adoption of IPSAS 41 and the application of the new impairment model, the Centre increased the allowance for doubtful accounts previously recognized on its receivables by €60, which resulted in a decrease to Net Assets – Accumulated Balances by the same amount as at 1 January 2023. The new standard has no other effect on the Centre's Net Assets.

The following table shows the prior classification and measurement under IPSAS 29 and the new classification/measurement under the newly adopted IPSAS 41:

Financial Assets/Liabilities	Prior IPSAS 29 Classification	Prior IPSAS 29 Measurement	New IPSAS 41 Classification/Measurement
Cash	Cash and cash equivalent	Fair value through surplus and deficit	Amortized cost
Receivables	Loans and receivable	Amortized cost	Amortized cost
Contributions receivable	Loans and receivable	Amortized cost	Amortized cost
Accounts payable and accrued liabilities	Financial liabilities	Amortized cost	Amortized cost

While the Cash was previously measured as fair value through surplus and deficit under IPSAS 29, it is now measured at amortized cost. Due to the short-term nature of this instrument, the fair value approximates its carrying amount. This has had no impact on the opening balance of Net Assets as at 1 January 2022, the carrying value of Cash and cash equivalent as at 31 December 2022 and the opening balance as at 1 January 2023. All other financial assets and financial liability continue to be carried using the same method of measurement.

The following additional standards became effective 1 January 2023 but have no impact on the financial statements of the Centre:

- IPSAS 19 – Provisions, Contingent Liabilities and Contingent Assets: this standard was amended to provide requirements for governments when committing to provide future collective and individual services to address the needs of society as a whole.
- IPSAS 36 – Investments in Associates and Joint Ventures: this standard was consequentially amended, through the issuance of IPSAS 41 – Financial Instruments.
- IPSAS 42 – Social Benefits: this standard defines social benefits as cash transfers to individuals to mitigate the effect of social risks and address the needs of society as a whole and provides guidance for their accounting.

Note 4 – New accounting standards

New accounting standards issued but not yet effective

- IPSAS 43 – Leases: This new standard replaces IPSAS 13 and introduces the right-of-use model for lessees, which distinguishes the right to use an underlying asset (which the lessee controls) and the underlying asset itself (which the lessee does not control). The effective date of application is for annual periods beginning on or after 1 January 2025, with earlier adoption encouraged for entities that apply IPSAS 41, Financial Instruments at or before the date of initial application of this Standard. This will be implemented as of 1 January 2025 and will have limited impact on the Centre's financial statements.
- IPSAS 44 – Non-current Assets Held for Sale and Discontinued Operations: This new standard provides the accounting for assets held for sale and the presentation and disclosure requirements of discontinued operations. The effective date of application is for annual periods beginning on or after 1 January 2025, with earlier adoption encouraged. This will be implemented on 1 January 2025 and will have no impact on the Centre's financial statements.
- IPSAS 45 – Property, plant and equipment: This new standard provides for the addition of the current operational value as a measurement basis in the updated current value model for assets, identifying the characteristics of heritage and infrastructure assets, and adding new guidance on how these important types of public sector assets should be recognized and measured. The effective date of application is for annual periods beginning on or after 1 January 2025, with earlier application permitted for entities that apply IPSAS 43 – Leases, IPSAS 45 – Non-Current Assets Held for Sale and Discontinued Operations, and IPSAS 46 – Measurement, at or before the date of initial application of this Standard. This will be implemented on 1 January 2025 and will have no impact on the Centre's financial statements.
- IPSAS 46 – Measurement: This new standard provides new guidance in a single standard addressing how commonly used measurement bases should be applied in practice, clarifying transaction costs to enhance consistency across IPSAS, and amending, where appropriate, the guidance across IPSAS related to measurement at recognition, subsequent measurement, and measurement-related disclosures. The effective date of application is for annual periods beginning on or after 1 January 2025, with earlier application permitted. This will be implemented on 1 January 2025 and will have very limited impact on the Centre's financial statements.
- IPSAS 47 – Revenue: This new standard is a single source for revenue accounting guidance in the public sector, which presents two accounting models based on the existence of a binding arrangement. The effective date of application is for annual periods beginning on or after 1 January 2026, with earlier application permitted. This will

be implemented on 1 January 2026 and will have a limited impact on the Statement of Financial Position of the Centre.

- IPSAS 48 – Transfer expenses: This new standard provides accounting guidance for transfer expenses, which account for a significant portion of expenditures for many public sector entities. The effective date of application is for annual periods beginning on or after 1 January 2026, with earlier application permitted for entities that apply IPSAS 47 – Revenue, at or before the date of initial application of this Standard. This will be implemented on 1 January 2026 and will have no impact on the Centre's financial statements.
- IPSAS 49 – Retirement Benefit Plans: This new standard establishes comprehensive accounting and reporting requirements for the financial statements of retirement benefit plans, with participants comprising current and former public sector employees and other eligible members. The effective date of application is for annual periods beginning on or after 1 January 2026, with earlier application permitted. This will be implemented on 1 January 2026 and will have no impact on the Centre's financial statements.

Note 5 – Cash

	US dollar (€ equivalent)	Euro	2023	2022
Current accounts and cash on hand	14 227	23 336	37 563	28 475
Total cash	**14 227**	**23 336**	**37 563**	**28 475**

Of the total cash held in 2022, €20 882 was in Euro and the balance was held in US dollars, €7 593 Euro equivalent.

The cash balance includes an amount of €15 539 (2022 – €5 731) which must be used for capacity development services as well as the renovation of two pavilions on campus, Americas2 and Italy, as per conditions applied by the donors. This also includes the cash relating to the Italy contribution for capacity development purposes.

Although cash is subject to the expected credit loss requirements of IPSAS 41, no loss allowance has been recognized, as the Centre has not identified any credit losses.

Note 6 – Receivables

	2023	2022
Current receivables		
Receivables from invoiced training and non-training services	3 067	2 189
Other receivables	778	85
Less: loss allowance	(121)	(24)
Total current net receivables	**3 724**	**2 250**
Non-current receivables		
Advances to implementation agencies	–	47
Total non-current net receivables	**–**	**47**

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

	2023	2022
Movements in allowance for credit losses		
Balance 1 January	24	7
Adjustment to opening balance (note 3)	60	–
Amounts written off during the year as non-collectible	8	–
Revision in loss allowance made during the year	29	17
Balance 31 December	**121**	**24**

Note 7 – Contributions receivable

	2023	2022
Current		
Voluntary contributions receivable from capacity development services and renovations of campus infrastructure agreements due in 2024	2 490	2 330
Total current net contributions receivable	**2 490**	**2 330**
Non-current		
Voluntary contributions receivable from capacity development service agreements due after 31 December 2024	1 184	801
Total non-current net contributions receivable	**1 184**	**801**

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

There is no loss allowance on these amounts as they are excluded under IPSAS 41, having a matching liability recorded under deferred revenue.

Note 8 – 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, the Financial Regulations and the Enterprise Risk Management Framework. In 2023, there were no changes related to the objective, policies and processes for managing these risks. There were also no significant changes in the risks and risk levels to those identified in 2022.

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 and 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 from various banking institutions.

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

	2023 US Dollar	2023 € equivalent	2022 US Dollar	2022 € equivalent
Cash	15 794	14 227	8 086	7 593
Receivables	106	98	449	431
Due from the ILO	2 003	1 805	(82)	(77)
Accounts payable and accrued liabilities	(111)	(100)	(154)	(144)
Net exposure	**17 792**	**16 030**	**8 299**	**7 803**

Based on the net exposure as at 31 December 2023, 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 €802 (2022 – €389) or 5 per cent (2022 – 5 per cent).

Interest rate risk

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

Other price risk

This is the risk relating 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.

The Centre does not hold any equity investments at the reporting date that would expose it to this risk.

Liquidity risk

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

Accounts payable are mostly due within 13 days (2022 – 15 days).

In accordance with its Financial Regulations, a Working Capital Fund is maintained that can be used to temporarily finance expenditure pending the receipt of voluntary contributions and other revenue and in exceptional circumstances, to provide advances to meet emergencies. At the reporting date, the Working Capital Fund balance was €2 million (2022 – €2 million).

Credit risk

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

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

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

The credit ratings for cash are as follows as at 31 December:

2023	AAA	AA+–AA–	A+–A–	BBB+–BBB–	Total
Cash	–	–	28 200	9 363	**37 563**
2022					
Cash	–	–	22 980	5 495	**28 475**

Receivables

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

The aging of receivables at 31 December is as follows:

2023	Less than 1 year	1–2 years	Over 2 years	Less Loss Allowance	Total
Receivables	3 693	144	9	(122)	**3 724**
2022					
Receivables	4 575	29	–	(24)	**4 580**

Note 9 – Property and equipment

	Equipment	Leasehold improvements	Total 2023	Total 2022
Cost at 31 December	4 408	15 534	19 942	19 646
Accumulated depreciation at 31 December	3 471	7 363	10 834	10 000
Net book value at 31 December 2023	**937**	**8 171**	**9 108**	**9 646**
Net book value at 31 December 2022	**911**	**8 735**	**9 646**	

The carrying value of fully depreciated property and equipment that is still in use is nil (2022 – nil).

There were no contractual commitments for the acquisition of property and equipment at the end of 2023 (2022 – €2).

Equipment

	Vehicle	Office equipment	Other equipment	Furniture and fixtures	Total 2023	Total 2022
Cost at 1 January	**5**	**2 655**	**1 363**	**160**	**4 183**	**3 752**
Additions	11	240	58	23	332	431
Disposals	(5)	(93)	(9)	–	(107)	–
Cost at 31 December	**11**	**2 802**	**1 412**	**183**	**4 408**	**4 183**
Accumulated depreciation at 1 January	**5**	**2 003**	**1 121**	**143**	**3 272**	**3 054**
Depreciation	2	197	96	11	306	218
Disposals	(5)	(93)	(9)	–	(107)	–
Accumulated depreciation at 31 December	**2**	**2 107**	**1 208**	**154**	**3 471**	**3 272**
Net book value at 31 December	9	**695**	**204**	**29**	**937**	**911**

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:

	2023	2022
Cost at 1 January	15 463	11 714
Leasehold improvements – Additions	71	236
Work-in-progress – Additions	–	3 513
Cost at 31 December	**15 534**	**15 463**
Accumulated depreciation at 1 January	6 728	6 239
Depreciation	635	489
Accumulated depreciation at 31 December	**7 363**	**6 728**
Net book value at 31 December	**8 171**	**8 735**

Note 10 – Deferred revenue

	2023	2022
Deferred revenue – Current		
Voluntary contributions received in advance for future activities and renovations of campus pavilions	4 768	3 712
Voluntary contribution receivable relating to signed agreements	1 346	2 727
Total current deferred revenue	**6 114**	**6 439**
Deferred revenue – Non-current		
Voluntary contributions receivable relating to signed agreements	12 850	803
Total non-current deferred revenue	**12 850**	**803**
Total deferred revenue	**18 964**	**7 242**

	2023	2022
Movements in deferred revenue		
Balance 1 January	**7 242**	**18 250**
New agreements signed during the year	19 485	6 990
Recognition of deferred revenue to training and non-training revenue in the Statement of financial performance	(7 087)	(10 158)
Refund/reduction of training and non-training agreements to donors	(405)	(5 050)
Variation in other funds received in advance not linked to training and non-training agreements and amounts to be refunded	(25)	(2 693)
Discounting	(246)	(97)
Balance 31 December	**18 964**	**7 242**

The Italian Government made a contribution of €8 000 towards the renovation of the Americas2 pavilion. It also made a contribution of €3 360 to the ILO towards the renovation of Italy pavilion, a project to be managed by the Centre, but to be occupied by the United Nations System Staff College (UNSSC) once completed. These funds were subsequently received by the Centre. UNSSC is also contributing funding of €595 000 towards the renovation. These amounts are recorded as deferred revenue in 2023.

Note 11 – Employee benefits

	Current	Non-current	Total 2023	Total 2022
Accrued salaries	(4)	–	(4)	4
Accumulating leave and home leave	1 553	497	2 050	2 015
Repatriation entitlements	29	846	875	729
Other	–	–	–	157
Total employee benefits liabilities	**1 578**	**1 343**	**2 921**	**2 905**

Post-employment benefits

Repatriation entitlements

In 2023, an actuarial valuation was carried out to estimate the Centre's liability for repatriation entitlements at the reporting date as described in the following paragraphs.

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

For the 2023 valuation, the assumptions and methods used are as described below.

	2023 (%)	2022 (%)
Discount rate	3.52	3.78
Rate of future cost increases	2.00	2.20
Probability of benefit claim	98	98

The discount rate is determined by reference to the AA corporate bond yield curve of the Euro currency as at 31 December 2023 and 2022.

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

	2023	2022
Defined benefit obligation, beginning of the year	**729**	**847**
Interest costs	23	7
Net benefits paid	(43)	(52)
Actuarial (gain) loss due to experience / demographic assumptions	162	103
Actuarial (gain) loss due to assumption changes	4	(176)
Defined benefit obligation, end of year	**875**	**729**

Statement of financial position liability, beginning of year	**(729)**	**(847)**
Total (charge) credit for interest cost and current service cost	(23)	(7)
Net benefits paid	43	52
Total (charge) credit recognized in Statement of financial performance	20	45
Total (charge) credit recognized in net assets	(166)	73
Statement of financial position liability, end of year	**(875)**	**(729)**

Expenditure related to interest costs and net benefits paid for 2023 have been recognized in the Statement of financial performance as salaries, employee benefits and other personnel related costs. The cumulative net actuarial loss of €166 (2022 – gain of €73) has been recognized in Net Assets.

End–of–service payments and repatriation grant

The total amount paid to the ILO, both for end of service payments and repatriation grant in 2023 was €1 940 (2022 – €1 944).

The present value of the defined benefit obligation for end-of-service was estimated at €8 019 (2022 – €7 292). The present value of the defined benefit obligation for repatriation grant was €1 158 at the end of 2023 (2022 – €1 313). These liabilities are recognized by the ILO in its consolidated financial statements.

The Centre has currently funded a portion of these liabilities to the level of €6.0 million as at 31 December 2023 (€5.3 million as at 31 December 2022).

United Nations Joint Staff Pension Fund

The Centre, through the ILO, is a member organization participating in the United Nations Joint Staff Pension Fund (the “Fund”), which was established by the United Nations General Assembly to provide retirement, death, disability and related benefits to employees. The Fund is a funded, multi-employer defined benefit plan. As specified in Article 3(b) of the Regulations of the Fund, membership in the Fund shall be open to the specialized agencies and to any other international, intergovernmental organization which participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.

The Fund exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual organizations participating in the Fund. The Centre and the Fund, in line with the other participating organizations in the Fund, are not in a position to identify the Centre's proportionate share of the defined benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence, the Centre has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 39: Employee Benefits. The Centre's contributions to the Fund during the financial year are recognized as expenditure in the Statement of Financial Performance.

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

The Centre's financial obligation to the Fund consists of its mandated contribution, at the rate established by the United Nations General Assembly (currently at 7.9% for participants and 15.8% for member organizations) together with any share of any actuarial deficiency payments under Article 26 of the Regulations of the Pension Fund. Such deficiency payments are only payable if and when the United Nations General Assembly has invoked the provision of Article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Fund as of the valuation date. Each member organization shall contribute to this deficiency an amount proportionate to the total contributions which each paid during the three years preceding the valuation date.

The latest actuarial valuation for the Fund was completed as of 31 December 2021, and the valuation as of 31 December 2023 is currently being performed. A roll forward of the participation data as of 31 December 2021 to 31 December 2022 was used by the Fund for its 2022 financial statements.

The actuarial valuation as of 31 December 2021 resulted in a funded ratio of actuarial assets to actuarial liabilities of 117.0%. The funded ratio was 158.2% when the current system of pension adjustments was not taken into account.

After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as of 31 December 2021, for deficiency payments under Article 26 of the Regulations of the Fund as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the plan. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as of the valuation date. At the time of this report, the General Assembly has not invoked the provision of Article 26.

Should Article 26 be invoked due to an actuarial deficiency, either during the ongoing operation or due to the termination of the Fund, deficiency payments required from each member organization would be based upon the proportion of that member organization's contributions to the total contributions paid to the Fund during the three years preceding the valuation date. Total contributions paid to the Fund during the preceding three years (2020, 2021 and 2022) amounted to USD 15 377, of which 67 per cent was contributed by the Centre.

During 2023, contributions paid to the Fund amounted to €5 005 (2022 – €4 900). Expected contributions due in 2024 are approximately €5 410.

Membership of the Fund may be terminated by decision of the United Nations General Assembly, upon the affirmative recommendation of the Pension Board. A proportionate share of the total assets of the Fund at the date of termination shall be paid to the former member organization for the exclusive benefit of its staff who were participants in the Fund at that date, pursuant to an arrangement mutually agreed between the organization and the Fund. The amount is determined by the United Nations Joint Staff Pension Board based on an actuarial valuation of the assets and liabilities of the Fund on the date of termination; no part of the assets which are in excess of the liabilities are included in the amount.

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

After-service health insurance plan (ASHI)

The liability for after-service medical benefits was estimated at €103 124 at the end of 2023 (2022 – €81 676). This liability is recognized by the ILO in its consolidated financial statements.

Note 12 – Net assets

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

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

- Fellowship Fund: established to provide for partial participation by constituents in the Centre's activities and enhance its tripartite character;
- Employee benefit liability: represent the impact on changes in actuarial gains and losses.

Note 13 – Revenue from voluntary contributions

	2023	2022
Government of Italy	9 450	11 712
International Labour Organization	5 377	5 104
Government of Portugal	250	250
City of Turin (Italy)	180	180
Piedmont Region (Italy)	12	13
Other voluntary contributions	440	486
Total voluntary contributions	**15 709**	**17 745**

The ILO contribution of €4 431 (US$4 770 million) represents half of the approved 2022-23 biennial contribution of US$9 540 million. The ILO also contributed €946 (US$1 024) to cover the costs of After Service Health Insurance for Centre retirees.

The Italian Government's ex-lege contribution to the Centre in 2023 was €7 850 (2022 – €7 850) and was received in 2023. The Italian Government's contribution for capacity development activities in 2023 was €1 600 (2022 – €1 600). In 2019, it also contributed a voluntary contribution of €3.0 million towards the renovation of the Africa 10 and 11 pavilions on campus. Of this total, an amount of €2.164 million is recorded as revenue from voluntary contributions, representing the work-in-progress carried out during the year on the pavilions (2022 – €700).

Note 14 – Other revenue

	2023	2022
Non-exchange transactions		
Cost recoveries from other UN organizations	495	394
Use of facilities other than residential	649	1 262
Other miscellaneous revenue	213	132
Exchange transactions		
Use of residential facilities	311	169
Revenue from multimedia services	991	1 391
Total other revenue	**2 659**	**3 348**

Note 15 – Expenditure

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

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

Note 16 – 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 that are not wholly within the control of the Centre. As the Centre is not currently in a position to reliably measure the amount of the financial liability that may result from this, no liability or expenditure is recognized in the financial statements.

The Centre has a few pending legal cases before the ILO Administrative Tribunal. As the final outcome is not yet known, a provision related mainly to the costs associated with the administration of the Tribunal has been recorded.

At 31 December 2023, the Centre had commitments of €3 012 (2022 – €1 906) for contracts related to future services such as hardware and software maintenance as well as outsourced services such as the cleaning of the campus.

All leases entered into by the Centre as a lessee relate to equipment rental and use of software and are cancellable operating leases. Total expenditures for equipment rental were €2 (2022 – €86) and €439 (2022 – €313) for software licenses.

The Centre, acting as a lessor, has cancellable cost recovery agreements with United Nations Interregional Crime and Justice Research Institute (UNICRI) and the United Nations System Staff College (UNSSC). Revenue generated under these agreements totaled €495 (2022 – €394).

Note 17 – Statement of comparison of budget and actual amounts

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

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

1. the basis of accounting for revenue related to the voluntary contributions received from the Italian Government as well as other sources, relating to capacity development activities, is not the same in Statement II and Statement V. In Statement V, revenue is only recognized when the Centre has earned these funds. In Statement II, they are recognized as voluntary contributions in the year in which the contributions were agreed with donors if it is probable that these contributions will be received and if the amounts can be measured reliably;
2. the institutional investments recorded as expenditure in Statement V are only recorded in the Statement II when the expenditure is incurred;
3. the unrealized exchange gains (losses) due to revaluation at year-end are not included in Statement V however they are recognized in Statement II;
4. the use of surplus from prior periods is presented as budgetary revenue in Statement V while it is not presented on Statement II.

The basis of accounting for depreciation for property and equipment is not the same in Statement II and Statement V. In Statement V, depreciation of property and equipment is not reflected for those assets previously expensed, and only capitalized as of 1 January 2012.

Reconciliation between Statement V and Statement IV

	Operating	Investing	Financing	Total
Net budget surplus (Statement V)	**1 323**	–	–	**1 323**
Timing differences	–	–	–	–
Basis differences	6 204	(404)	–	5 800
Entity differences	2 468	–	–	2 468
Net cash flow	**9 995**	**(404)**	–	**9 591**
Effect of exchange rates on cash	(503)	–	–	(503)
Net increase (decrease) in cash (Statement IV)	**9 492**	**(404)**	–	**9 088**

Reconciliation between Statement V and Statement II

Net budget surplus (Statement V)	1 323
Timing differences	–
Basis differences	(286)
Entity differences	1 964
Net surplus per Statement of financial performance (Statement II)	**3 001**

Use of surplus funds

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

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

	Capacity develop-ment activities	Innovation Fund	Campus Improvement Fund				Total
			Infrastruc-tures on campus	Business Process Review	HRS – IT applica-tions	Total	
Allocations from 2010 surplus	500	300	650	350	–	**1 000**	**1 800**
Expenditure in 2012	(500)	(45)	–	(31)	–	**(31)**	**(576)**
Expenditure in 2013	–	(255)	–	(51)	–	**(51)**	**(306)**
Expenditure in 2014	–	–	(650)	–	–	**(650)**	**(650)**
Expenditure in 2015	–	–	–	(102)	–	**(102)**	**(102)**
Expenditure in 2016	–	–	–	(77)	–	**(77)**	**(77)**
Expenditure in 2017	–	–	–	(37)	–	**(37)**	**(37)**
Expenditure in 2022	–	–	–	(8)	–	**(8)**	**(8)**
Expenditure in 2023	–	–	–	–	–	–	–
Balance at 31 December 2023	**–**	**–**	**–**	**44**	–	**44**	**44**
Allocations from 2013 surplus	1 150	550	950	–	150	**1 100**	**2 800**
Expenditure in 2015	(228)	(123)	–	–	(33)	**(33)**	**(384)**
Expenditure in 2016	(796)	(385)	–	–	(50)	**(50)**	**(1 231)**
Expenditure in 2017	(126)	(33)	(33)	–	(18)	**(51)**	**(210)**
Expenditure in 2018	–	(9)	(95)	–	(20)	**(115)**	**(124)**
Expenditure in 2022	–	–	(72)	–	(4)	**(76)**	**(76)**
Expenditure in 2023	–	–	(750)	–	(25)	**(25)**	**(775)**
Balance at 31 December 2023	**–**	**–**	**–**	**–**	**–**	**–**	**–**

	Capacity development activities	Innovation Fund	Campus Improvement Fund				Total
			Infrastructures on campus	Business Process Review	HRS – IT applications	Total	
Allocations from 2014 surplus	**286**	–	**100**	–	–	**100**	**386**
Expenditure in 2017	(286)	–	–	–	–	**–**	**(286)**
Expenditure in 2023	–	–	(100)	–	–	**(100)**	**(100)**
Balance at 31 December 2023	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Allocations from 2015 surplus	**693**	–	**694**	–	–	**694**	**1 387**
Expenditure in 2017	(355)	–	(575)	–	–	**(575)**	**(930)**
Expenditure in 2018	(338)	–	–	–	–	–	**(338)**
Expenditure in 2023	–	–	(119)	–	–	(119)	**(119)**
Balance at 31 December 2023	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Allocations from 2016-17 surplus	**1 200**	300	–	–	–	–	**1 500**
Expenditure in 2018	(201)	(91)	–	–	–	–	**(292)**
Expenditure in 2019	(598)	(150)	–	–	–	–	**(748)**
Expenditure in 2020	(235)	(39)	–	–	–	–	**(274)**
Expenditure in 2021	(92)	(8)	–	–	–	–	**(100)**
Expenditure in 2022	(52)	(12)	–	–	–	–	**(64)**
Expenditure in 2023	(22)	–	–	–	–	–	**(22)**
Balance at 31 December 2023	**–**	**–**	**–**	**–**	**–**	**–**	**–**

Note 18 – Contributions–in–kind

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

Note 19 – Contingent assets

	2023	2022
ILO contribution	8 595	4 479
Government of Italy – Centre's operations	7 850	7 850
Government of Italy – Refurbishment of campus infrastructure	–	8 000
Funding agreements related to activities	2 588	550
Total contingent assets	**19 033**	**20 879**

Note 20 – Related party transactions

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

	2023	2022
General operations	4 431	4 188
Capacity development activities	14 559	16 520
ASHI contribution for Centre former employees	946	916
End–of–service benefits	781	579
Staff costs of ILO staff members assigned to Centre	252	281
Internal audit, legal and HR services	208	353
Total related party transactions	**21 177**	**22 837**

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

Key management personnel of the Centre are the Director and the members of the Senior 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:

	2023		2022	
Category	Full-time equivalent	Total remuneration	Full-time equivalent	Total remuneration
Key Management	7.4	1 702	7.0	1 433

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

Note 21 – 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 that can extend over multiple financial periods with its funding from voluntary contributions and revenue earned from capacity development activities and other miscellaneous sources.

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 and forecasted expenditure against all approved budgets of the entity, such as the Centre's biennium budget and individual budgets approved and funded by donors.

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 2023

Commission on Audit
Republic of the Philippines

International Training Centre

Report of the External Auditor

For the year ended 31 December 2023

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

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

We have the honour to transmit the Report of the External Auditor on the Financial Operations of the International Training Centre of the International Labour Organization for the financial year 2023.

Our report as External Auditor of the Centre contains the results of our audit of the 2023 financial statements and our observations and recommendations on reviewing the Centre's Participant Support Services Management. Value-adding recommendations were communicated and discussed with Management to further enhance the efficient and effective management of the Centre. In addition, we provided a Capstone Report (Appendix B), which synthesizes the contribution of the Philippine Commission on Audit as External Auditor of the Centre for the periods 2016-2023.

Our audit followed the International Standards on Auditing (ISA) and the International Standards of Supreme Audit Institutions (ISSAI). We addressed the matters relative to the review of the Centre's financial statements that came to our attention during the audit that we believe the Board of the Centre should be aware of. We will be pleased to elaborate on any of these key matters during the Meeting of the Board in May 2024.

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

Yours sincerely,

GAMALIEL A. CORDOBA
Chairperson, Commission on Audit, Republic of the Philippines
External Auditor

Quezon City, Philippines
15 March 2024

REPORT OF THE EXTERNAL AUDITOR ON THE FINANCIAL OPERATIONS OF THE INTERNATIONAL TRAINING CENTRE OF THE INTERNATIONAL LABOUR ORGANIZATION FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

CONTENTS

LIST OF ACRONYMS

ACTEMP	-	Bureau for Employers’ Activities
ACTRAV	-	Bureau for Workers’ Activities
BCP	-	Business Continuity Plan
CFA	-	Contracts and Funding Agreements
COA	-	Commission on Audit
DEVINVEST	-	Development Investment
EPAP	-	Employment Policy and Analysis
EVAL	-	Evaluation Office
FINSERV	-	Financial Services
FIS	-	Facilities and Internal Services
GUESTREL	-	Guest Relations
HR	-	Human Resource
HRS	-	Human Resources Services
IAASB	-	International Auditing and Assurance Standards Board
ICF	-	Internal Control Framework
ICT	-	Information and Communications Technology
ICTS	-	Information and Communications Technology Services
ILO	-	International Labour Organization
ILSGEN	-	International Labour Standards and Gender Equality
IPSAS	-	International Public Sector Accounting Standards
IRIS	-	Integrated Resource Information System
ISA	-	International Standards on Auditing
ISSAI	-	International Standards of Supreme Audit Institutions
IT	-	Information Technology
ITC (or Centre)	-	International Training Centre
JIU	-	Joint Inspection Unit
JNC	-	Joint Negotiation Committee
KPI	-	Key Performance Indicator
MAP	-	Management of Activities and Participants
NPA	-	Notice of Personnel Action
OA	-	Oracle Application

ODPS	-	Organizational Development and Project Services
P&B	-	Programme and Budget
PATU	-	Participant's Admission and Travel Unit
PO	-	Purchase Order
SB	-	Sponsor Billing
SEE	-	Sustainable Enterprises and Economies
SMT	-	Senior Management Team
SPGT	-	Social Protection, Governance and Tripartism
TDIR	-	Office of the Director of Training
TSD	-	Turin School of Development
UN	-	United Nations
UNEG	-	United Nations Evaluation Group

Executive Summary

Introduction

1. This Report of the External Auditor on the audit of the financial operations of the International Training Centre (ITC), also referred hereto as the Centre, of the International Labour Organization (ILO), is issued pursuant to Chapter IX of the Financial Regulations of the Centre. It contains the audit results on the financial statements for the financial year ended 31 December 2023 and the observations concerning the administration and management of the Centre as required under Regulation IX.25.

2. The primary purpose of the audit is to express an independent and objective opinion on whether the financial statements represent the Centre's financial position and performance. This enhances transparency and accountability for the Centre's Members and stakeholders. The external audit process serves to support the Centre's overall objectives by providing a detailed examination of financial and governance matters, with any pertinent findings brought to the attention of the Board of the Centre.

Overall results of the audit

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

4. Our audit resulted in the issuance of an unmodified audit opinion[1] on the Centre's financial statements for the financial year ending 31 December 2023. We concluded that the financial statements present fairly, in all material respects: (a) the financial position of the Centre as at 31 December 2023; (b) its financial performance; (c) the changes in net assets; (d) its cash flows; and (e) the comparison of budget and actual amounts of its expenditures for the said year in compliance with International Public Sector Accounting Standards (IPSAS). We commend the Centre's Management for consistently achieving an unmodified audit opinion.

5. Our audit procedures confirmed that the Centre's accounting policies were applied consistently with those used in the prior year. Additionally, we found that the Centre's transactions complied with the relevant Financial Regulations and legislative mandates in all material respects.

6. Adhering to Financial Regulation IX.25, we offered management a series of recommendations intended to support the Centre's objectives, strengthen its accountability and transparency as well as the quality and value of its financial management and governance. For the financial year 2023, we comprehensively reviewed the Centre's participant (learner) support services. This review sought to provide assurance regarding the adequacy and functionality of frameworks, policies, strategies, internal controls, and resource allocation within the management of these services. Furthermore, the review assessed the existence and

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

efficacy of periodic evaluations, monitoring procedures, and reporting mechanisms for both in-person and e-learning participant support services. An additional objective was to evaluate the staffing structure dedicated to the administration and implementation of the corresponding strategy, including an examination of whether staff possess the requisite qualifications and can perform their duties effectively and efficiently.

7. Finally, as our audit mandate reaches its conclusion, we have prepared a Capstone Report (Appendix B). This report offers a synthesis of the Philippine Commission on Audit's work as the External Auditor of the Centre throughout the financial years 2016-2023.

Summary of recommendations

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

Financial Management and Control

Revenue stream

a. **to facilitate the efficiency of invoicing and collection, update the Circular on invoicing, particularly on having Financial Services (FINSERV) issue the invoices directly to the clients, thus requiring the concerned Programmes to obtain and input the correct information regarding the concerned person or organization at the time of enrolment in the Management of Activities and Participants System (MAP). Consequently, adjustments in Oracle should be made consistent with the billing information provided (par. 32);**

Review of institutional investment funds

b. **develop and implement a comprehensive policy on the process to request the use of the funds, including clear criteria to be applied in evaluating proposals, the requirements for monitoring and post-evaluation of each project and its impact, as well as the internal process to govern their use. On the Fellowship Fund, the existing Terms of Reference (TOR) should be reviewed to ensure that the funding is used for the specified purposes and to define the internal allocation, use, monitoring, and evaluation process, including impact (par. 38);**

Review of fellowship fund

c. **consider indicating in MAP the categories of (E) non-training activities, whether open or tailor-made, with tailor-made sub-categories of knowledge management solutions, training product development, etc., for easy reference; and moving forward, review the current Fellowship Fund TORs to ensure that these align fully to the purpose of the fund, as established in the 2022-23 and 2024-25 Programme and Budget (P&B) (par. 46);**

Leverage on technology - Human Resources Services (HRS) System [Integrated Resource Information System (IRIS) WIN]

d. **formalize a policy that the e-leave management system should apply to all short-term staff members to maximize the benefits of the system, minimize any future issues, and improve operational efficiency; and maintain a repository of electronic Notice of Personnel Action (NPAs) that is accessible to both HRS and FINSERV to eliminate the paper-based workflow currently used, in line with its strategy of controlling cost and reducing environment footprint (par. 53);**

Update the Centre's Business Continuity Plan (BCP)

e. **update its current BCP to ensure all changes resulting from the Centre's new business model and its current operating environment are considered, thus guaranteeing resilient and sustained operations during unforeseen disruptions (par. 58);**

Participant Support Services management

Development of written policy

f. **develop a comprehensive documented policy framework including rules and standards for all Centre support services offered to its learners, whether they are on-campus, in the field, and blended learning modalities (par. 71);**

Evaluation of participant support services

g. **implement a comprehensive and coordinated evaluation process encompassing all existing and available participant support services offered by the Centre, thus enabling a thorough review of all support services to accurately measure the achievement of expected results (par. 78);**

Streamlining of functions of Participant's Admission and Travel Unit (PATU) and Guest Relations (GUESTREL)

h. **assess the challenges facing PATU and GUESTREL in terms of their roles, functions, and human resource allocations to ensure that both areas meet their objectives and thus contribute to the overall objective of the Centre, specifically for the participant support service initiatives (par. 87);**

Implementation of external evaluation recommendations

i. **adopt proactive measures to enhance the visibility and accessibility of the availability of the Fellowship and Captive funds to tripartite learners and facilitate the establishment of the alumni network (par. 95); and**

Engagement of stakeholders

j. **improve the coordination and collaboration of participant support services across relevant Programmes through the Senior Management Team (SMT) and actively involve stakeholders to include participants, external and internal trainers in the evaluation process, as their insights and experiences provide a**

pivotal perspective that is invaluable for assessing the quality and impact of participant support services (par. 105).

Implementation of External Auditor's recommendations in prior years

9. We appreciate the actions taken by the Centre's Management in the implementation of the external audit recommendations from prior years. We highlight the status of implementing all outstanding recommendations of prior years in Appendix A - Status of the Implementation of the External Audit Recommendations.

A. Mandate, Scope, and Methodology

Mandate

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

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

Scope and objectives

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

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

a. financial statements present fairly, in all material respects, the financial position of the Centre as at 31 December 2023, the results of its financial performance, the changes in its net assets, the cash flows of the Organization, and the comparison of budget to actual amounts of expenditures for the year then ended in accordance with IPSAS;

[2] GB 323/PFA/6

b. financial statements have been prepared in accordance with the stated accounting policies;

c. accounting principles were applied on a basis consistent with that of the preceding financial year; and

d. transactions that have come to our notice during the audit of the financial statements have, in all significant respects, complied with the Centre's Financial Regulations and legislative authority.

14. Following Financial Regulation IX.25, the Centre's operations were reviewed to assess the effectiveness of its financial procedures, accounting system, internal controls, and overall administrative and management practices. The review's focus for the financial year 2023 was on the management of participant support services. This review aimed to provide assurance regarding the adequacy and functionality of frameworks, policies, strategies, internal controls, and resource allocation within participant support services. Additionally, the review evaluated the processes for ongoing evaluation, monitoring, and reporting of student support services, encompassing both on-campus, in the field and e-learning modalities. Furthermore, an assessment was made of the staffing structure dedicated to administering and implementing the relevant strategy, including an evaluation of whether staff possess the necessary qualifications and can effectively fulfill their assigned duties and responsibilities.

15. Overall, consistent with the External Audit Plan presented to the Board of the Centre on 26 October 2023, our audit was conducted to provide independent assurance to the Board Members. It aims to strengthen transparency and accountability within the Centre and support achieving its goals through the independent audit function.

Methodology and auditor's responsibilities

16. Our audit was conducted in accordance with ISA and ISSAI. These standards mandate comprehensive audit planning and execution to achieve reasonable assurance that the financial statements are free from material misstatements. The audit procedures encompass a systematic examination of evidence supporting the disclosed amounts and financial statement presentations. This examination is performed on a test basis, focusing on key areas. Additionally, the audit involves the evaluation of accounting principles employed, management's significant estimates, and the overall presentation, structure, and content of the financial statements. A risk-based approach was adopted throughout the audit. This approach necessitates a thorough risk assessment to identify potential material misstatements within the financial statements and related assertions. The risk assessment is informed by our understanding of the entity and the environment in which it operates.

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

18. We communicated with the Board of the Centre, who is charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during

the audit. We also reported the audit results to the Centre's Management through audit observation memoranda and management letters containing detailed observations and recommendations. This practice provides a continuing dialogue with Management.

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

Management responsibilities

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

B. Audit Results

21. This section details the audit results conducted for the financial year 2023. It identifies matters that we believe warrant the Board of the Centre's consideration. In accordance with balanced reporting principles, the Centre's Management was granted the opportunity to respond to observations concerning operational weaknesses noted during the audit, as documented in our memoranda. The recommendations provided to Management aim to align with the objectives outlined in the Centre's mandate, strengthen its accountability and transparency practices, and ultimately enhance the Centre's financial management and governance framework.

B.1 Financial Management and Control

22. We audited the following financial statements of the Centre, including the notes to the financial statements in accordance with ISA and ISSAI:

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

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

24. We conducted a comprehensive audit of the financial statements by performing substantive testing on the accounts covering January to December 2023. We performed minimal testing for non-significant accounts and standard or focused testing for significant

accounts based on the results of our risk assessment. Our general audit procedures included the review of the transactional processes, including the analysis of transaction flow, which leads to the account balances in the Centre's financial statements.

25. In conclusion, the financial statements present fairly, in all material respects, the financial position of the Centre as at 31 December 2023, the results of its financial performance, the changes in net assets, the cash flows, and the comparison of budget and actual amounts in accordance with IPSAS. Hence, we issued an unmodified opinion on the Centre's financial statements. We commend the Centre's Management for consistently achieving an unmodified audit opinion since the start of our mandate in 2016.

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

B.1.1 Revenue stream

27. Circular No. DIR 04/2007, dated 27 October 2007, outlines the internal procedures to be followed in the management of invoicing of training activities provided by the Centre as well as the process steps and accountabilities related to revenue collection to improve cash flow, reduce administrative costs, contribute to early identification of payment problems, and facilitate final revenue collection. It provides, among others, that *the Sponsor Billing (SB) Unit will issue the relevant invoice and will send it to the sponsor of the activity or to the self- paying course participant or, if requested, to the Programme Manager*.

28. Invoicing revenue of the Centre is generally initiated upon enrolment of the participants and processed automatically through the information encoded in the MAP System to the Oracle ERP System. In some cases, the invoice process is manually initiated in Oracle. Nonetheless, the invoice generated contains the Centre's logo and name, the invoice number, date due, customer name (either that of the participant or that of the sponsoring organization), customer address and contact information, activity code, description of the training course, total course fees, invoiced and payables in euros, amount paid and outstanding, the Centre's banking instructions, and email contact information for the FINSERV-Billing.

29. The PDF formats of invoices are issued automatically from the Centre's ERP System, Oracle. Instead of being sent directly to the participant and/or sponsors, these are initially emailed to the *course assistant.* With this practice, FINSERV-Billing cannot control when the invoices are actually sent to the participants and/or sponsors. FINSERV-Billing provided several examples of invoices that were never delivered or, if delivered, were delayed. Hence, the participant or sponsoring organization would only discover that an invoice had already been issued to them when a follow-up for outstanding payment was undertaken by FINSERV-Billing itself, which usually ranges from three to four months from the invoice date. Accordingly, this arrangement contributes to the delay in the collection and an increase in the Centre's past due accounts.

30. Currently, the Centre processes an average of 276 monthly invoices, excluding those issued to the ILO and subject to Guarantee Agreements. This number will likely increase over the next few years in light of its move to expand its service mix and outreach. Thus, it is

likewise probable that the number of past due receivables will increase considering the current set-up that the Centre has in place.

31. In addition, the manner of issuing invoices presently obliges course assistants to perform additional tasks to validate billing details, which should have been captured correctly in MAP upon enrollment, resulting in duplication of work. Enhancement on the dispatch of invoices would allow the affected staff to dedicate their time and efforts to discharging their primary responsibilities and optimize productivity. Accordingly, it would facilitate the efficiency of billing and cash collections.

32. **We recommended that the Centre should update the Circular on invoicing, particularly on having FINSERV issue the invoices directly to the clients, thus requiring the concerned Programmes to obtain and input the correct information regarding the concerned person or organization at the time of enrolment in the MAP System. Consequently, adjustments in Oracle should be made consistent with the billing information provided.**

Management response

33. Agreed. Management will work on ensuring that the necessary information is obtained from the participants and sponsoring organization in MAP for FINSERV to issue all invoices directly to the Centre's clients.

B.1.2 Review of institutional investment funds

34. The Centre's approved 2022-23 P&B included the creation of various institutional investments for specific purposes. These include systematic funding to two existing Funds – Campus Improvements Fund and Innovation Fund – and funding to two newly created Funds – Information and Communications Technology (ICT) Development Fund and the Fellowship Fund. The level of funding for 2022-23 is as follows:

Reserve	Purpose	2022-23 Budget Proposals (in EUR)
Campus Improvement Fund	To meet capital investment needs in campus and refurbishment not covered by ordinary maintenance budgets or host country complementary contributions.	500,000
Innovation Fund	To promote innovation in learning and knowledge-sharing tools, develop new training activities in response to emerging ILO policies, and invest in other innovative actions deemed beneficial to the Centre.	400,000
ICT Development Fund	To provide for periodic investments in Information and Communication Technology infrastructure and software renewal that are not part of the normal operating expenditure.	300,000
Fellowship Fund	To provide for partial participation by constituents in the Centre's activities and enhance its tripartite character.	1,200,000

35. The Centre does not maintain a documented policy outlining the criteria for evaluating the proposals submitted and the internal process to govern the use of the Funds, except for the Fellowship Fund with a TOR, issued on 28 February 2022.

36. Management explained that they will be drafting detailed TORs regarding the usage of the Innovation Fund and that at this time, the requests to use such fund must come to the Finance Committee for review and Director's approval (as of July 2023). On the other hand, using the Campus Improvement and ICT Development Funds is more straightforward as there are no criteria for allocation since it is to be used for campus infrastructure/renovations and IT hardware and software. The Finance Committee has also reviewed and approved requests to use the Campus Improvement and ICT Development Funds.

37. The absence of a policy document covering all aspects of the funds, including their purpose, process and procedures to request and release funds, the accounting mechanism as well as the monitoring and evaluation of funded projects and activities to ascertain impact, among others, exposes the Centre to the risks of misallocation of funds or possible financial inefficiencies and compliance issues.

38. **We recommended that the Centre should develop and implement a comprehensive policy on the process to request the use of the funds, including clear criteria to be applied in evaluating proposals, the requirements for monitoring and post-evaluation of each project and its impact, as well as the internal process to govern their use. On the Fellowship Fund, the existing Terms of Reference (TOR) should be reviewed to ensure that the funding is used for the specified purposes and to define the internal allocation, use, monitoring, and evaluation process, including impact.**

Management response

39. Agreed. TOR as well as internal processes, including the final evaluation for impact, will be elaborated for all Funds.

B.1.3 Review of fellowship fund

40. The Fellowship Fund was created in the 2022-23 P&B to provide for partial participation by constituents in the Centre's activities and enhance its tripartite character. At the same time, Section 2 of the Minute issued on the TORs for the Fellowship Fund dated 28 February 2022, states that among others:

- The Fellowship Fund allocations are earmarked for use only by the:
  - Bureau for Employers' Activities (ACTEMP);
  - Bureau for Workers' Activities (ACTRAV); and
  - International Labour Standards and Gender Equality Programme (ILSGEN).
- The allocations may be used to cover the costs of participants to open courses.
- The allocations may be used to finance tailor-made activity costs.

41. For the financial year 2023, the Fellowship Fund, amounting to EUR 1,016,249 was used in 65 activities. Of this amount, EUR 12,612 was utilized to finance open and master courses of programmes other than ACTRAV, ACTEMP and ILSGEN, namely: Development Investment Programme (DEVINVEST), the Employment Policy and Analysis Programme (EPAP), the Organizational Development and Project Services Programme (ODPS), the Sustainable Enterprises and Economies Programme (SEE), the Social Protection, Governance and Tripartism (SPGT) and the Turin School of Development (TSD). Moreover, a total of EUR 85,212 was used by ACTEMP in eight non-training activities categorized as knowledge

management solution, training management consultation, and training product development, which had no expected participants.

42. Management explained that ACTEMP, ACTRAV, and ILSGEN may autonomously use their allocated funding to finance the participation of their constituents (workers, employers, and government officials) when they enroll either in their own activities or those of other Technical Programmes. Thus, some expenses were identified for equal amounts and charged to the Fellowship Fund; however, it was charged under the other unit.

43. On the other hand, the eight non-training activities were tailor-made and thus fall under the third bullet, Section 2 of the TOR for the Fellowship Fund, that *the allocations may be used to finance tailor-made activity costs*. However, this could not be validated directly from MAP, the Information Technology (IT) system managing the Centre's portfolio of activities, since activities are categorized therein only as (A) Training or (E) Non-training, and that only (A) Training activities are further sub-categorized as open or tailor-made activities. At the same time, no sub-categories are provided for the (E) Non-training activities. With this, Management represented that (E) Non-training activities are tailor-made.

44. Additionally, for activities having no participants, Management commented that while it may appear that there are no participants, such activities ultimately benefit the stakeholders of ACTEMP in an indirect manner. The original purpose of the Fellowship Fund was *to finance fellowships for core constituents participating in A-type activities. However, in 2022, the Centre's core constituents, particularly the Employers' Group, proposed to broaden its outreach to also include the development of training material that would later be made available to employers and business membership organizations who would in turn provide training using this material to their own membership. This would result in the use of Fellowship Fund for E-type activities focused on training material development. The practice was found to be feasible by all stakeholders and has since been codified in the 2024-25 P&B of the Centre.*

45. The conditions outlined in the TORs should clearly provide autonomy to ACTEMP, ACTRAV, and ILSGEN, hence, allocated funds for participants enrolling in open courses provided by other units, and can be used for almost all activities – that is, training or non-training, open or tailor-made, with participants or without participants. Thus, the purpose of the fund, as intended by the Board and documented in the 2022-23 P&B, to provide for partial participation by constituents in the Centre's activities and enhance its tripartite character is not fully reflected in the TOR.

46. **We recommended that the Centre should: (a) consider indicating in MAP the categories of (E) non-training activities, whether open or tailor-made, with tailor-made sub-categories of knowledge management solutions, training product development, etc., for easy reference; and (b) moving forward, review the current Fellowship Fund TORs to ensure that these align fully to the purpose of the fund, as established in the 2022-23 and 2024-25 Programmes and Budgets (P&B).**

Management response

47. Management, through the Office of the Director of Training (TDIR), will include further sub-grouping of E activities. It will also review the current TORs established for the

Fellowship Fund to ensure that these are aligned with the purposes set out by the Board in the 2024-25 P&B.

B.1.4 Leverage on technology-HRS System (IRIS WIN)

48. Contained in the Human Resources Strategy for 2022-2025, Outcome 3 on innovation and further digitalization of the Human Resource (HR) function and services, *HRS has embarked on a large-scale digital transformation to improve its level of service while controlling costs and reducing its environment footprint*.

49. Further stated, *the Centre increased the use of digital HR services. More specifically: (a) an e-leave management system was put in place; (b) an e-recruitment system was launched; and (c) an online Staff Training and Development Platform was developed that was utilized for all staff training initiative by the end of 2020.*

50. The utilization and access to the e-leave management system when filing leave/teleworking requests were not consistently applied to all staff members, as the short-term staff were not provided access. The short-term staff obtains a manual approval from their supervisor for leave through an email sent by the leave clerk, who then compiles the Annual Leave Requests for formal endorsement, and is then responsible for input into the system. This process contributed to discrepancies in the information accumulated leave credits for 18 staff. While such discrepancies were reconciled and adjusted, this process was still practiced in 2023, leading to an inefficient process.

51. The paper-based NPA forms are still in use for effecting changes to the status of the staff members as well as their remuneration package, including at recruitment and termination. Such manual process results in multiple copies being made for distribution to concerned offices, despite being accessible via soft copy. This existing practice requires enhancement and should be fully automated in order to stay relevant and become more efficient.

52. Including short-term staff in using an e-leave management system offers opportunities for increased efficiency, sustainability, and inclusivity. Furthermore, the continued use of paper-based NPAs contradicts the digitalization and environmental objectives of the HR strategy. Both undermine the efficiency gains from digital transformation, and addressing these issues would benefit the Centre in achieving the intended outcomes of improved service delivery, cost control, and reduced environmental footprint.

53. **We recommended that the Centre should: (a) formalize a policy that the e-leave management system should apply to all short-term staff members to maximize the benefits of the system, minimize any future issues, and improve operational efficiency; and (b) maintain a repository of electronic NPAs that is accessible to both HRS and FINSERV to eliminate the paper-based workflow currently used, in line with its strategy of controlling cost and reducing environment footprint.**

Management response

54. Agreed. Management agrees that the use of a different process to request authorization of leave for short-term staff is not the most efficient solution and that all staff, whatever the form of their contract, should use e-leave as the official system for leave. It also agrees that the

current paper-based workflow for NPAs needs to be replaced with an automated information-sharing process.

B.1.5 Updating of the Centre's BCP

55. The Joint Inspection Unit's (JIU) report on Business Continuity Management in United Nations (UN) Systems Organizations (JIU/REP/2021/6) defines business continuity as *the capability of an organization to continue delivery of essential and time-critical services at acceptable predefined levels during and/or following a disruptive incident. Effective business continuity management is necessary to ensure the continuity of operations at all organizational levels as United Nations system organizations often operate in volatile environments and can be exposed to disruptions due to natural and human-made disasters.* Moreover, it states that *an organization operating without an effective business continuity management framework risks incoherent and uncoordinated responses to interruptions and disruptions, amplifying crises and degrading organizational resilience.*

56. The Centre's current BCP showed that it has not been updated since 2020, predating several significant changes within the Centre and its current business model and operating environment. An inquiry from Management disclosed that the document was not updated and finalized as it was waiting for the new business model to be fully implemented. Time constraints also needed to be considered due to the significant scaling up of the Centre's business, under this new business model. Management, however, assured that the necessary updates to the BCP are planned in the coming biennium.

57. Adhering to comprehensive business continuity planning standards ensures the organization's resilience against disruptions. Conversely, without an updated BCP, this could pose a significant risk to the Centre's ability to maintain critical operations in the event of unforeseen circumstances.

58. **We recommended that the Centre should update its current BCP to ensure all changes resulting from the Centre's new business model and its current operating environment are considered, thus guaranteeing resilient and sustained operations during unforeseen disruptions.**

Management response

59. Agreed. Management will ensure that the BCP is updated in the 2024-25 biennium and will consider its new business model and the changing environment in which the Centre operates, and that this plan is regularly updated in the future.

B.2 Operations audit – Participant Support Services Management

60. The Centre offers a wide range of learning and training courses and services to participants from governments, employers' and workers' organizations, and other stakeholders worldwide. These participants come from diverse backgrounds, cultures, and experiences. Therefore, participant support services play a pivotal role in ensuring the success of these learners during their training and maximizing the value they gain from their time at the Centre. These services provide the necessary tools and support required for their training journey. Effective management of participant support services is equally vital, as it directly impacts the overall effectiveness of the courses and training programmes offered by the Centre.

61. Participants' satisfaction levels increase when they access well-structured and consistent support services. This, in turn, positively impacts the Centre's reputation, leading to increased enrollments and the realization of the Centre's vision of a world-class learning campus.

62. The Accountability Framework of the Centre, as outlined in Circular No. DIR 02/2015, dated 02 February 2015, is vital in ensuring transparency, responsibility, and responsiveness in delivering participant support services. This framework was designed to address challenges and uphold the highest service delivery standards.

63. Following the Accountability Framework, the Centre defines and assigns a dedicated Key Performance Indicator (KPI) and performance metrics related to participant support services, enshrined in the P&B 2024-25, specifically Output 6.3, which aims at campus services and facilities' improvements and standardization. Moreover, the Centre actively fosters a culture of continuous improvement and innovation within its support services; thus, commitment to excellence is highlighted in delivering these services.

64. The review involves an assessment of the adequacy of a functioning framework, strategies, policies, effective controls, and sufficient resources in managing participant support services, as well as whether these services are periodically evaluated and monitored, and results subsequently reported to those charged with governance. Likewise, the review covers the assessment of the efficiency and effectiveness of the delivery of participant support services. The detailed results of the review are discussed as follows:

B.2.1 Development of written policy

65. The Centre emphasizes accountability as part of its operational procedures. The core principles provided in the Accountability Framework of the Centre informs all accountability policies, processes, and procedures and include clarity of responsibility and alignment of accountability with organizational-wide goals. Likewise, as a training arm of the ILO and supported by its operations, the Centre is committed to upholding its principles and objectives. Thus, the Centre is committed to having the existing mechanisms to ensure accountability.

66. The Centre emphasizes its support functions, including participant support services, as a critical aspect of its organizational performance. The performance of the participant support services is even measured against the Centre-wide result-based management framework under a specific KPI. Thus, it is crucial to have a documented policy that sets out the elements to guide informed decision-making to achieve rational outcomes relating to participant support services.

67. Our review revealed the lack of a formal documented operational policy for participant support services. While the TDIR maintains a Quality Management Manual, this manual exclusively focuses on learning services as a core service of the Centre. It does not address any of the participant support services.

68. Given the challenges wherein various Programmes and Units of the Centre supervise participants' support mainly delivered by Facilities and Internal Services (FIS), Information and Communications Technology Services (ICTS), and Human Resource Services (HRS), a

comprehensive approach to implementing various aspects of participants support services can be framed in a policy document.

69. In coordination with ICTS and HRS, FIS could not prioritize preparing a documented policy framework for participants' support functions provided by the Centre, as its primary focus was the efficient delivery of their core services. The Chief Operating Officer explained the lack of a unified policy, noting that a single policy does not govern non-academic participant support services as they are viewed from the participants' perspective. And the fact that some of these services are considered optional.

70. The absence of a formal documented policy framework for participant support services covering the defined roles and responsibilities, coordination among the relevant Programmes and Units, quality assurance, as well as management and delivery of such services may lead to inconsistencies in the implementation and delivery of the operational protocols and potential gaps in service quality.

71. **We recommended that the Centre, through FIS and in collaboration with all relevant Programmes and Units involved in the support functions, should develop a comprehensive documented policy framework including rules and standards for all Centre support services offered to its learners, whether they are on-campus, in the field, and blended learning modalities.**

Management response

72. Agreed. Management will ensure that such a policy framework is drafted to include all support services offered to learners.

B.2.2 Evaluation of participant support services

73. In its Norms and Standards for Evaluation, the 2016 United Nations Evaluation Group (UNEG) prescribed the standards for institutional evaluation framework, which includes activity, strategy, and operational area or institutional performance covering participant (learners) support services. Norm 3 of the 2016 UNEG Norms underlined credibility, which provides that evaluations must be credible. Credibility is grounded on independence, impartiality, and a rigorous methodology. Key elements of credibility include transparent evaluation processes, inclusive approaches involving relevant stakeholders, and robust quality assurance systems.

74. Various Programmes and Units manage the participant support services at the Centre, each overseeing their respective area of responsibility. This decentralized structure extends to the evaluation of services, as these Programmes and Units independently conduct separate evaluations.

75. A comprehensive evaluation encompassing the Centre's support services is fragmented across various Programmes and Units. TDIR conducts its evaluation surveys, focusing on learning support, while TSD has a separate evaluation process. Additionally, FIS manages evaluations for accommodation and hospitality services, excluding medical care, while ICTS is responsible for IT support evaluations.

76. The comprehensive evaluation of support functions requires significant emphasis, with the absence of dedicated KPIs in the 2022-23 P&B. Mainly because the previous biennium witnessed a substantial reduction in the number of participants on campus due to the COVID-19 pandemic, resulting in fewer demands for participant support functions. Furthermore, the absence of a comprehensive quality management framework for participant support services encompassing quality assurance measures has contributed to the deficiency in conducting comprehensive evaluations.

77. A comprehensive evaluation is an in-depth assessment process conducted to understand the service's strengths, challenges, and requirements to progress. The absence of an extensive review of support services at the Centre missed the opportunity to enhance service quality, optimize resource allocation, adapt to changing needs, establish accountability, and align support functions with strategic objectives.

78. **We recommended that the Centre should implement a comprehensive and coordinated evaluation process encompassing all existing and available participant support services offered by the Centre, thus enabling a thorough review of all support services to accurately measure the achievement of expected results.**

Management response

79. Agreed**.** Management will assess how a more integrated evaluation process can be implemented.

B.2.3 Streamlining of functions of PATU and GUESTREL

80. It is reiterated that the Accountability Framework of the Centre plays a crucial role in ensuring transparency, responsibility, and responsiveness in the delivery of participant support services. This framework has been designed to address *challenges* and uphold the highest service delivery standards.

81. Before the COVID-19 pandemic, the PATU played a central role in participants' accommodation, managing approximately 50,000 bed nights annually, as most participants stayed on campus. However, during the pandemic, PATU's focus shifted with participants enrolling for online learning, reducing its function, including travel arrangements.

82. Hence, it was revealed in our discussions with the Directors of Training and of the TSD that two PATU staff members divided their time supporting Master programmes. Additionally, the Deputy Director's Assistant partially supported the Masters alongside her primary duties. To address this issue, the Director of TSD, who is also the Deputy Director, suggested that one PATU staff member be permanently assigned to support two Master programmes. In contrast, the other staff members would remain in PATU, fully dedicating their time to PATU responsibilities. This clear division was to ensure an uncomplicated reporting structure at that time.

83. Post-pandemic, as face-to-face training resumes, PATU is registering around 22,000 participant bed nights yearly on campus and this continues to grow, proportionate to the support required for participants' accommodation and travel arrangements.

84. On the other hand, GUESTREL experienced a significant reduction and eventual halt in its operations during the COVID-19 pandemic due to the absence of participants on campus. The GUESTREL activities are funded on a cost-recovery basis from training activities fees. The GUESTREL-related expenditure remains primarily to cover the service provider's annual costs. The Centre anticipates an increasing 25,000 bed nights annually, although some relate to non-learner activities. Notably, there are seasonal fluctuations in the demand for guest relations services.

85. During discussions with the Directors of Training and TSD, it was revealed that the Centre is contemplating enhancing its client or customer service function due to the increasing number of in-campus learners, potentially leading to bottlenecks in GUESTREL operations. Drawing from the Centre's historical data, this function organizes social activities for on-campus participants during peak seasons. Given its importance, the Centre must explore avenues to bolster GUESTREL while carefully weighing cost-effectiveness considerations.

86. Given the challenges that the Centre could be facing through its PATU and GUESTREL functions with the lifting of the pandemic and increasing on-site learners, there may be a need to reevaluate the current situation of these two functions.

87. **We recommended that the Centre should assess the challenges facing PATU and GUESTREL in terms of their roles, functions, and human resource allocations to ensure that both areas meet their objectives and thus contribute to the overall objective of the Centre, specifically for the participant support service initiatives.**

Management response

88. Agreed. Management will assess the situation and review all options to ensure that the PATU unit provides its participants with the most efficient support services. Meanwhile, for GUESTREL, management will assess the needs for its services and ensure that the proper level of resources is in place to meet those needs.

B.2.4 Implementation of external evaluation recommendations

89. In the 2024-25 P&B, accountability is enforced by providing KPI and performance metrics. It includes a KPI relative to participant support services, particularly *Output 6.3 Campus services and facilities improved and standardized.* This output is consistent with the objective of the Centre, which is to offer a "world-class campus experience."

90. The Centre's monitoring and evaluation practices are integral to its quality assurance process. Evaluations are carried out using internally managed evaluation tools or by commissioning independent external assessments. Notably, the external evaluation results were comprehensive enough to include the review of the participants' support services in conjunction with the implementation of the training activities.

91. A review of the 2023 External Evaluation Report disclosed two recommendations of the external evaluator that we find relevant to the enhancement of the quality of the participant support services of the Centre. In particular, recommendations made on establishing opportunities for continued interaction between participants and the Centre, as well as an assessment of inclusion and diversity within any evaluations, would benefit the Centre.

92. The implementation of such external evaluation recommendations would contribute to the achievement of Output 6.3.

93. The Centre has existing funds for the purpose of financial assistance to participants. The Fellowship and Captive Funds provide financial assistance to the participants, subject to specific requirements. While the Fellowship and Captive Funds already exist, the external evaluator still found that the clear, transparent, and well-targeted policy of fee waiver and scholarship is one area that needs improvement. This can be attributed to the lack of information and visible access to the existing funds of the Centre to qualified recipients.

94. TDIR agreed that creating an alumni network among participants to better engage with former learners is of significance to the Centre. The proposed alumni network would be crucial in addressing this need, leveraging digital technologies such as artificial intelligence, social media, and digital networking. Its primary goal is to strengthen connections with past participants, potentially rekindling their interest in more learning opportunities.

95. **We recommended that the Centre, through TDIR, should adopt proactive measures to enhance the visibility and accessibility of the availability of the Fellowship and Captive funds to tripartite learners and facilitate the establishment of the alumni network.**

Management response

96. Agreed. Information will be included where appropriate to ensure increased transparency, visibility, and accessibility. TDIR will assign resources to systematically curate the alumni network and target segments like TSD graduates and diploma-level students with customized follow-up services. A particular focus of these networking activities will be laid out on social media.

B.2.5 Engagement of stakeholders

97. The Quality Management in the Training Department (2019) stated that the learning services' quality management system of the training department of the Centre is just one pillar in its overall quality management system. The training services, quality management processes, and tools constitute one building block – albeit important – of the Centre's broader quality management system.

98. Concerning the Centre's support services, the overall quality management system is complemented by the Centre's strategic plan to right-size its campus facilities and continue investing in the accommodation and training infrastructure to provide a world-class but affordable service experience.

99. Although we recognize that the Centre has various Units involved in participant support services, we observed that engagement with stakeholders, including internal and external trainers, participants, and other service units, is currently limited and, thus, should be strengthened.

100. The involvement of various stakeholders in the evaluation processes is not comprehensive enough to cover all significant aspects of participant support service

assessments. The trainers, whether internal or external, also have minimal involvement. Some of the stakeholders, even the participants themselves, were not even aware of the participant support services that the Centre offers and were not involved in the evaluation process of these services.

101. It is noted that all Units within the Centre operate in alignment with their assigned duties, collectively contributing to the effective delivery of support services. While inter-unit coordination is already in place to ensure the seamless execution of these services, there is a lack of apparent coordination and collaboration amongst and between the stakeholders, the Centre's Programmes, and the Units involved with participants' support services.

102. Senior Management is positioned at the top of the chain of command to handle the overall oversight for the Centre. They are also responsible for shaping the overarching strategy and ensuring its alignment with the P&B. Consequently, comprehensive oversight of support services provided by the Centre should also rest with the Senior Management.

103. The Centre's support services have not been given the same level of priority as the Centre's core services, partly because of the perception within the Centre, mainly that the participant support services are optional, especially when they entail additional costs that participants may find challenging to bear. This is specifically noticeable among trainers, who tend to view their role as lecturers as their primary responsibility, believing that participant support services fall under the purview of the service staff. Consequently, trainer engagement in support services remains limited, as the existing system does not mandate active involvement. However, it is crucial to underline that the Centre's core training and corporate services, including participant support services, are equally vital. To achieve the envisioned quality management and strategic goal of providing a world-class service experience, all stakeholders must fulfill their primary roles related to the Centre's core business while actively delivering the participant support services.

104. The limited participation by stakeholders in the Centre's participant support services hinders the organization from reaching its full potential in enhancing this aspect of its operations. Also, the lack of coordination at the higher level may open the Centre to risks of potential issues of participant dissatisfaction that would, in turn, result in the non-achievement of targeted performance and expected results.

105. **We recommended that the Centre should improve the coordination and collaboration of participant support services across relevant Programmes through the SMT and actively involve stakeholders to include participants, external and internal trainers in the evaluation process, as their insights and experiences provide a pivotal perspective that is invaluable for assessing the quality and impact of participant support services.**

Management response

106. Agreed. The Centre's management will consider the recommendations. Management will also assess the current evaluation process and consider how their involvement can be included to support such assessment.

C. Implementation of External Audit Recommendations

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

Audit Report	Number of	Fully Implemented	In Progress	Not Implemented
2022	11	7	4	**0**
2021	10	8	1	**1**
2020	6	6	0	**0**
2019	9	9	0	**0**
2018	11	11	0	**0**
2017	4	4	0	**0**
2016	9	7	2	**0**
Total	**60**	**52**	**7**	**1**

108. We commend the Centre's Management for implementing all the recommendations for 2017 to 2020. For recommendations provided in the financial year 2021, one recommendation is in progress pertaining to the preparation of a Centre-wide Procurement Manual with a target implementation date of December 2024. There was one 2021 recommendation, which was not implemented by Management, regarding expanding the responsibilities of the Contracts Committee. Two recommendations from 2016 are also in the implementation process, which the Management committed to implement in June 2024.

D. Disclosures by Management

109. Management provided a Representation Letter offering detailed information vital to our financial statement audit. We found the information contained therein factual and in order. We want to highlight the following disclosures which may be of interest to Members of the Board of the Centre:

D.1 Receivables

110. Receivables of EUR 7,398,000 (EUR 5,428,000 as at 31 December 2022), as shown on the statement of financial position, represent bona fide claims against debtors and donors for services rendered, funds receivable based on signed agreements in respect of future training and non-training activity services that are subject to conditions, or other charges arising on or before 31 December 2023. Receivables classified as current do not include any material amounts that are collectible after one year. A loss allowance of EUR 121,000 (EUR 24,000 as at 31 December 2022) has been recorded to reflect the Centre's best estimate of receivables impaired. This includes an adjustment of EUR 60,000 to the opening balance of 2023 made by adopting IPSAS 41 – Financial Instruments.

D.2 Due from the ILO

111. The balance Due from the ILO is EUR 5,948,000 in 2023 (EUR 2,617,000 as at 31 December 2022), as shown on the statement of financial position, represents the net balance of the current account with the ILO that is used to record transactions such as staff cost related

remittances, payments made by the ILO for the Centre's invoiced training and non-training activity services, and other types of transactions between the Centre and the ILO.

D.3 Payables

112. Payables and accrued liabilities, and deferred revenue for a total of EUR 21,560,000 (EUR 10,437,000 as at 31 December 2022) are included in the financial statements as at 31 December 2023 and represent the total obligations of the Centre as required to be recorded by IPSAS other than employee benefits.

D.4 Cases of fraud and presumptive fraud

113. Management reported that they are not aware of any fraud or suspected fraud affecting the Centre involving management, employees who have significant roles in internal control, or others where the fraud could have a material effect on the financial statements, as well as any allegations of fraud, or suspected fraud, affecting the Centre's financial statements, communicated by employees, former employees, or others.

D.5 Litigation and claims

114. Management reported that they are not currently in a position to determine whether a present obligation exists nor to measure the likely outflow of resources reliably. Therefore, no amount was recorded or disclosed in the financial statements with respect to a possible obligation related to the receipt of a letter dated 22 March 2012 claiming an amount of EUR 1,921,675 as a result of an investigation conducted by the European Office of the Prevention of Fraud.

D.6 Ex-gratia payments

115. In 2023, the Centre made one ex-gratia payment totaling EUR 3,860.

E. Acknowledgment

116. We express our appreciation for the cooperation and assistance extended to the External Auditor by the Director, the Treasurer, the Chiefs of Information and Communication Technology Services, Facilities and Internal Services, and Human Resources Services, as well as their staff during our audit.

Commission on Audit
Republic of the Philippines
External Auditor

15 March 2024
Quezon City, Philippines

International Training Centre

APPENDIX A

Status of Implementation of External Audit Recommendations from Prior Years

Appendix A. Status of Implementation of External Audit Recommendations from Prior Years

	Recommendations	External Auditor's Validation
2022		
1	**Audit of financial statements: Innovation and fellowship funds** Establish a mechanism to: (a) measure the impacts of projects financed by the Innovation Fund with consideration to the financial, technical, economic, social, and environmental implications, among others; and (b) monitor the utilization of Fellowship Fund, and corresponding circumstances that affect the utilization of funds. This will allow for a thorough analysis of the long-term results of the projects the financial delivery of the funds, as well as recommendations for future related initiatives.	**In process.** An evaluation of the 2022-23 Innovation projects was carried out in the first quarter 2024, and results are due to be reported in March (as the February SMT had to be cancelled). The elaboration of the evaluation grid for the fellowship funds had to be put on hold until the first Quarter of 2024 as both the line managers of the ACTRAV and the ACTEMP Programmes had been newly appointed at the end of 2023.
2	**Audit of financial statements: Petty cash, cash advance to the Cash Office, and review of funding agreements** Pursue the commitment to update and issue the necessary Circulars on process flows relating to petty cash, the administration of cash advances held by the Cash Office as well as the review, clearance, signature, and process flow of funding agreements for various Centre activities.	**Implemented.** The Circular on cash advances was issued in early 2023. The Circular on funding agreements and the new TOR for the Contracts and Funding Agreements (CFA) Committee were issued in February 2024.
3	**Audit of financial statements: Staffing contract** Devise mechanisms to ensure that the Centre continues to employ officials on short-term contracts for reasons that are temporary and short-spanned as provided in the HRS Circular; and ensure that recruitment for the regular staff positions is carried out through fair competition towards diversity at the same time giving equal opportunity, while, for professionals, the competition should be international.	**Implemented.** All positions are now being advertised and filled by competition. The use of 1.2b contracts is being discontinued on these fixed positions as recruited candidates are now filling those positions. Diversity and equality are clear objectives, and these were communicated by the new Director when he arrived on 1 July 2023. Short-term contracts, such as for transition periods, projects,

	Recommendations	External Auditor's Validation
		and activities, are only used when necessary.
4	**Audit of financial statements: Accruals and prior years' expenses** (a) Emphasize in the closure instructions that all receipts in the Oracle Application (OA) must represent the actual delivery of goods and services purchased, with proof of receipts to be attached in the OA, where practicable; and (b) vigilantly monitor the timely creation of Purchase Orders (POs) and submission of claims to minimize the risk of recording prior years' expenses and reflect the correct balances of expenses in the appropriate accounting period.	**Implemented.** (a) Reminders are sent out yearly as part of the closure instructions. Email reminders are also regularly sent out; (b) This is reviewed annually as part of the FINSERV closure procedures.
5	**Audit of financial statements: Accumulated leave of short-term staff** Reconcile the noted discrepancies; reconcile approved leave and availed leave as posted on the leave cards and, moving forward, require appropriate documentation for any modifications or cancellations by formalizing uniform procedures for the request, cancellation, and modification of annual leave to ensure compliance to a consistent process that facilitates the validation of the leave availed and posted in the IRIS - WIN upon termination of service.	**Implemented.** HRS followed up and confirmed that they had obtained all the necessary information missing to support the figures in the e-leave system. All were complied with.
6	**Review of evaluation of training activities: Evaluation policy and guidelines** Update the 2019 Quality Assurance Manual to incorporate the developments in the evaluation criteria, methodologies, tools, approaches, and other important areas of an evaluation process to promote consistency, enhance the validity of evaluations, enable comparison of evaluation results, and improve the overall quality of training activities, with the end view of ensuring that the evaluation of training activities is conducted in a systematic, robust, and effective manner.	**In process.** The review of the Quality Management Manual is underway.

	Recommendations	External Auditor's Validation
7	**Review of evaluation of training activities: Stakeholder engagement** Establish a consistent, structured, and mandatory evaluation mechanism for external trainers to be incorporated in the Quality Assurance Manual of the Centre as well as in the TOR of the evaluators.	**Implemented.** The TORs have been reviewed.
8	**Review of evaluation of training activities: Evaluation plan and resources** Develop and include in the Quality Assurance Manual the need to prepare an evaluation plan that includes all salient and vital features as a prerequisite to an evaluation activity.	**Implemented.** The Centre commissioned for 2023 separate external evaluations of its F2F and DL training activities.
9	**Review of evaluation of training activities: Reporting of impact and sustainability of training activities** Develop related Key Performance Indicators as a precursor to commissioning a regular impact and sustainability assessment to ensure that impact and sustainability are emphasized in the evaluation.	**In process.** The Centre has committed in its 2024-25 P&B under output 2.2. to explore, in partnership with the ILO Evaluation Office (EVAL), the possibility of evaluating impact across the biennia with a focus on ILO projects where the Centre has made a significant capacity development contribution.
10	**Review of evaluation of training activities: Monitoring and implementation of external evaluation recommendations** Include, in future implementation reports, a table summarizing the progress made in the implementation of past external evaluators' recommendations to permit ease of monitoring by the Board to harness the benefits of evaluations on its training programmes.	**In process.** Such information will be included as an Annex to the 2022-23 implementation report currently being drafted.
11	**Review of evaluation of training activities: Independence of the evaluation function** Strengthen the independence of the quality assurance function in the evaluation process.	**Implemented.** The Director signs evaluation contracts and reports of findings and discloses that the evaluations are externally done but are not

	Recommendations	External Auditor's Validation
		independent, as defined in the EVAL guidelines.
2021		
12	**Procurement - Procurement Manual** Prepare a Centre-wide Procurement Manual incorporating all the current and existing policies, guidelines, and procedures pertaining to procurement and embodying the principles of accountability by emphasizing clarity of roles and responsibilities, performance monitoring and reporting, and the highest standards of integrity and ethical conduct.	**In process.** The procurement manual is in the final stages – revisions were required due to a review by the procurement expert. In the meantime, several other documents are available to support the current workflow and rules.
2018		
13	**Performance Management System: The need to shift from measuring tasks/ quantities/ measurable/ assessable goals** Centre Management integrates into the Centre's performance management system predetermined standards and success indicators, which are to be cascaded down to the operational level while addressing the issue of performance rating and appraisal form, which is negotiated with the Staff Union in the Joint Negotiation Committee (JNC), as performance management affects the conditions of the employment of staff.	**Implemented.** Amendments to the Staff Regulations approved by the Board in October 2022 and implementation as of 1 January 2024.
14	**Performance Management System: The need to establish documentation of feedback mechanisms** Centre Management ensures that staff performance feedback is documented in the Centre's performance evaluation system and appropriately monitored for a more effective and concrete feedback protocol on staff performance and to better support future performance assessments.	**Implemented.** Amendments to the Staff Regulations approved by the Board in October 2022 and implementation as of 1 January 2024.
15	**Performance Management System: The need to establish the Rewards and Recognition Policy within the Performance Evaluation System** Centre Management initiates a proposal in consultation with the JNC to link the	**Implemented.** Amendments to the Staff Regulations approved by the Board in October 2022 and

	Recommendations	External Auditor's Validation
	Recognition and Awards Programme more closely to its performance management system.	implementation as of 1 January 2024.
16	**Performance Management System: The need to formalize the rebuttal process in performance management system** Centre Management facilitates the formalization of the procedures to be followed in addressing and escalating staff's disagreements on the results of their performance appraisals.	**Implemented.** Amendments to the Staff Regulations approved by the Board in October 2022 and implementation as of 1 January 2024.
2016		
17	**Accountability Framework: Embedding a clear definition of accountability in the accountability framework** Embed in the Accountability Framework is a clear, appropriate definition of accountability as it purports to highlight the meaning and limitations of accountability in the context of the Centre's operation.	**In process.** The circular was revised with all items recommended and submitted to the previous Director and the new and current Director. We await the ILO's reply on adopting the ILO Committee on Accountability, part of this revised circular.
18	**Accountability Framework: Inclusion of well-defined accountability roles and responsibilities as well as mechanisms and tools** Include in its Accountability Framework: a. Clear depiction of roles and responsibilities of all key stakeholders and key players in its accountability continuum to entrench the culture of accountability and related dependencies within the core of its operations. b. Include the accountability mechanism and tools to effectively facilitate the documentation and monitoring of accountability performance and achieve better transparency.	**In process.** Circular revised with all items recommended – submitted to previous Director and this new current Director – waiting for ILO's reply on the adoption of ILO Committee on Accountability, which is part of this revised Circular
19	**Travel Management: Institution of travel handbook**	**Implemented.**

	Recommendations	External Auditor's Validation
	a. Prepare a travel handbook containing and harmonizing all the Centre's travel circulars, policies, guidelines, and procedures for both staff and non-staff to support their information needs and further clarify travel process controls; and b. Document the classification and categorization of all circulars published to identify the level of authority and scope.	All travel rules are found on the Centre's intranet; documentation classification and categorization are redone with the new intranet.

International Training Centre

APPENDIX B

The Capstone Report

"Unveiling the impact: A look at the Centre's External Audit Capstone Report"

A. Executive Summary

1. This capstone report synthesizes the contributions of the Philippine Commission on Audit (COA) as the External Auditor of the Centre of the ILO for the financial years 2016 to 2023. The report aims to convey a comprehensive understanding of the impact of the external audit process and its contribution to realizing the Centre's mission through financial responsibility and transparency, as well as operational efficiency and effectiveness.

2. During our eight-year audit mandate, the Centre underwent 24 regular audit visits comprising of financial, compliance, and performance audits, which translated into 17 audit reports being delivered. Encompassing these deliverables, audit results and findings are divided into five key thematic areas in this report - the financial statements and internal control, governance and accountability, risk management practices, and key areas of management and operations, including training programme management. These audits followed the ISA and the ISSAI.

3. An unmodified audit opinion, maintained over our eight-year mandate, strengthened stakeholder confidence in the Centre's financial management practices. Our audits contributed significant improvements in the Centre's financial accounting, internal controls, and operations. The Centre confirmed its commitment to strong financial management by aligning with IPSAS, creating standardized accounting manuals, and refining processes such as expense recording and Purchase Order (PO) closure. We also promoted improvements in asset management, human resources management, risk management, and the strategic optimization of the Centre's training programmes. These changes collectively contribute to the Centre's efficiency, resilience, and a positive impact.

4. The Centre confirmed its commitment to continue the implementation of new IPSAS standards by issuing an IPSAS Manual (jointly with the ILO), which ensures clarity and alignment with best practices. We recommended structured reviews of IPSAS updates, to enhance compliance and allow for proactive adjustments. Documented financial processes and a focus on staying updated with evolving international accounting standards were implemented. Likewise, the formalized Internal Control Framework (ICF) ensures that controls are closely aligned with other governance practices, driving continuous improvement, transparency, and efficiency.

5. Also, the Centre's Accountability Framework, which is pending finalization clearly defines accountability, strengthening decision-making and credibility. The Centre also ensured an efficient and effective asset management by developing a comprehensive Procurement Manual, which is now in its final stages and clearly defines roles and responsibilities. The Centre also demonstrated its commitment to strong human resource management through streamlined recruitment processes, performance management aligned with objectives, enhanced feedback systems, and improved collective bargaining. The Centre's updated Risk Management Framework now includes standardized processes and better communication of identified risks within all units and at the level of the organization. We further emphasized that integrating risk management into competitive bidding procedures could enhance the procurement process.

6. In addition, the audits contributed to addressing challenges in revenue generation and recognition, exchange rate fluctuations, and new accounting standards. We encouraged proactive financial strategies, rigorous monitoring, and mitigation of currency fluctuation impacts, leading to a more resilient financial position. Additionally, operational efficiencies were achieved by addressing issues within the Oracle Application's procure-to-pay cycle and implementing recommendations to improve asset management.

7. The Centre strategically adopted new or revised training delivery models, strengthened participant support, and improved measurement of results. These changes enhance the Centre's ability to provide lasting impact through training, such as:

- Training Services: The Centre updated its 2020 Pricing Policy, reflecting nuances between face-to-face and online learning modalities. It developed a Human Resource Strategy for 2022-25, aligning human capital and optimizing training delivery. Its integrated resource mobilization strategy is a strong foundation for programme sustainability.

- Participant Support: Recognizing a gap, the Centre will develop a policy encapsulating support services offered to participants. A focus on addressing operational challenges in units that support participants ensures alignment with the Centre's broader goal of a positive learner experience.

- Quality & Accountability: The Quality Assurance Manual will be updated to reflect the latest evaluation methodologies and a structured mechanism for external trainer evaluation will be implemented. Including progress reports on implementing past external recommendations ensures transparency and underscores the Centre's commitment to continuous improvement.

8. The Centre faces a world of work that is undergoing rapid changes due to technology, global crises, and evolving employment models. To stay relevant, it must also focus on the following: (a) skills mismatch - the Centre must offer programmes that give workers the in-demand skills needed in a technologically evolving workplace; (b) changing employment - the Centre has a role to play in preparing workers for a world of less stable employment models, ensuring they remain adaptable and employable; and (c) global crises - the Centre must be ready to support rapid responses to economic and social disruptions caused by events like the COVID-19 pandemic or natural disasters. The Centre must also work to counteract challenges presented by a declining and volatile funding landscape. Proactive strategies must include

income source diversification, maximizing the impact of training programmes, and efficient resource utilization.

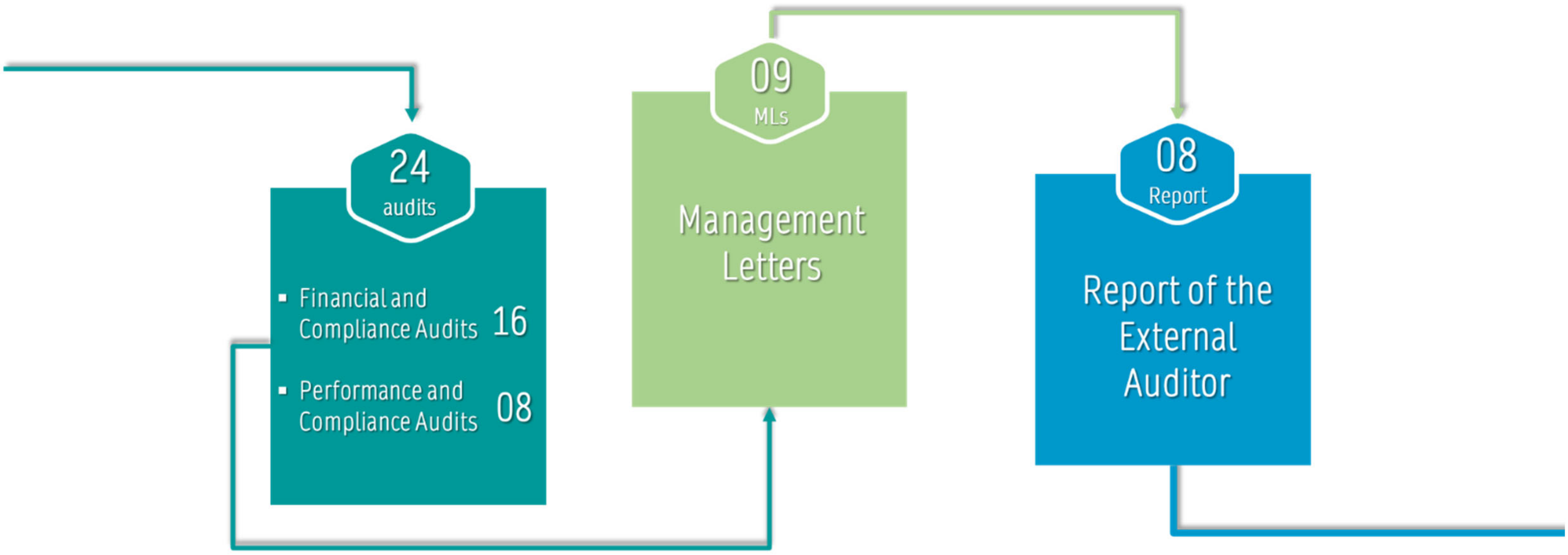
9. In conclusion, our audits have significantly contributed to positive and tangible improvements in the Centre's financial management, internal controls, risk management, and training programmes. The Centre should continue this course while strategically addressing emerging challenges for a resilient and sustainable future.

B. Background

10. During our eight-year mandate (2016-2023), the Commission on Audit's role included conducting audits of the Centre's financial statements, including the overall management of key operations and programmes, and reporting the results to the Board of the Centre. Beyond its core duties, the COA aims to partner in helping the Centre achieve its goals and improve its operations by providing insights into potential challenges and areas for improvement. This approach aimed to benefit the Centre's stakeholders, management, and the Board of the Centre.

11. The primary purpose of the audit is to provide independent assurance on the fairness of presentation of the Centre's financial statements in compliance with the adopted IPSAS. Beyond fairness of presentation, the audits also assess the overall efficiency of the Centre's financial procedures, accounting systems, governance, risk management, and internal controls. The three audit streams (financial, compliance, and performance) were performed in compliance with both the ISA and the ISSAI.

12. Our audit strategy for the Centre covered a comprehensive scope for the eight-year period (2016-2023) and employed a multi-faceted approach that included financial, compliance, and performance audits. This resulted in a significant number of audits (24) and reports (17), as illustrated below:



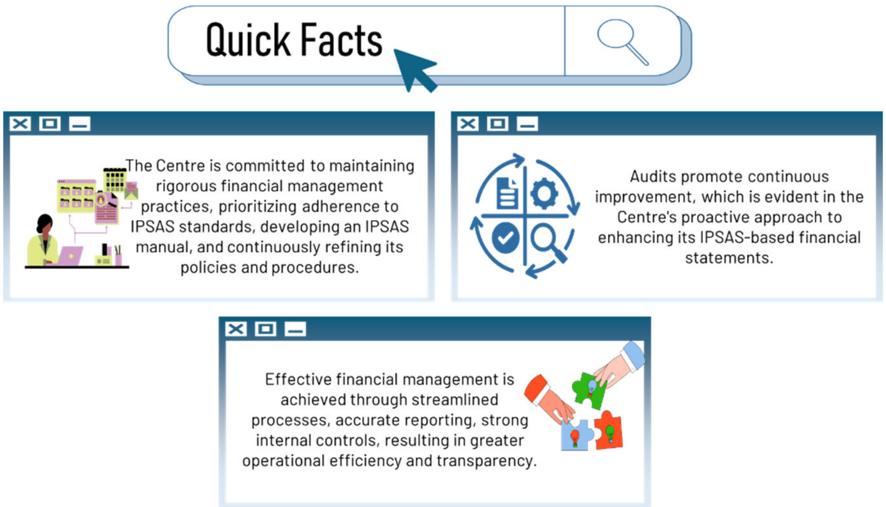
13. On the other hand, we employed a multi-faceted approach known as triangulation to produce a comprehensive and impactful capstone report. This strategy utilizes various data

collection methods and cross-verifies the information gathered across different datasets. This allows for a more complete understanding of the audit results and enhances data accuracy and reliability.

C. Key Contributions to the Centre

14. The external audit revealed significant improvements across the Centre's financial accounting, internal controls, and various operational areas. The Centre demonstrates its commitment to strong financial management by actively complying with the adopted IPSAS, creating standardized accounting manuals, and refining critical processes such as expenditure recording and PO closure. These enhancements streamlined operations, strengthened compliance, and bolstered accountability. Additionally, the audit has catalyzed improvements in asset management, human resource management, risk management, and the strategic optimization of the Centre's training programmes, further contributing to the Centre's overall efficiency, resilience, and positive impact.

Improved Financial Accounting and Internal Control



15. The Centre actively demonstrates its commitment to high financial management standards by complying with IPSAS and improving its accounting policies. The Centre has now formalized its IPSAS Manual and ICF with the ILO's support. The IPSAS Manual led to adopted standards being common between the two entities, their documentation, and made all accounting practices readily accessible. The Manual includes all current and new IPSAS and a process to review, update, and approve them, keeping the Centre's financial management aligned with best practices. Consulting the ILO further ensures consistency with international organizations' policies, promoting collaboration and best practices. In the meantime, the organization can achieve a more streamlined and strategic approach to managing its controls by implementing the ICF. This will ensure better alignment with other governance mechanisms, ultimately fostering continuous improvements, transparency, and efficiency.

16. We identified an opportunity to develop written procedures for reviewing IPSAS updates, ensuring timely integration into the Centre's financial statements. In response, the Centre implemented a structured approach to assess new IPSAS standards and determine their relevance and potential impact on current policies. This proactive change ensures adaptability, accurate financial reporting, and compliance with updated IPSAS. These improvements led to documented financial processes and a focus on staying updated with evolving international accounting standards.

17. The audit identified areas to streamline PO closure and expense recording processes. This enhanced efficiency and accuracy by ensuring adherence to year-end procedures and improving documentation practices. To address these, the audit recommends ensuring accurate receipt recording in Oracle to reflect actual deliveries, improving PO management, and enforcing stricter supplier invoice submission deadlines. These changes increased financial statement accuracy, correctly allocated expenses to financial periods, and strengthened ITC's financial reporting and internal controls.

18. Further, the audit revealed opportunities to enhance reporting accuracy for standard costs. This includes streamlining journal entry processes and ensuring negative balances are classified appropriately to provide greater transparency in financial activities. Management confirmed standard cost processes functioned correctly but stressed the need to categorize finances accurately and consistently review accounting practices for transparency.

19. Audits have prompted the implementation of new procedures to enhance management of leave for short-term staff, ensuring accurate payment and compliance. Management reconciled the issues and standardized leave modification paperwork to improve the accuracy and fairness of the process. The audit revealed opportunities to strengthen budget oversight within the Innovation Fund, ensuring expenses closely align with planned allocations. The Centre implemented more robust controls and accurate budget tracking to boost accountability. The audit identified areas to improve the alignment between capital acquisitions and the asset register. This presents an opportunity to enhance record-keeping practices for purchases and disposals. Management swiftly updated the asset register and aligned it with the general ledger for improved asset valuation and reporting.

20. An unmodified audit opinion issued over our eight-year mandate assures the Centre's Board, stakeholders, and management that the financial statements accurately reflect the Centre's financial position and performance. This instills confidence in the Centre's financial transparency, strengthens its credibility with clients, donors and partners, and promotes good governance by demonstrating responsible financial management. The audit recommendations and subsequent improvements have significantly enhanced the Centre's financial management practices, leading to increased transparency, accountability, compliance with IPSAS standards, and overall operational efficiency.

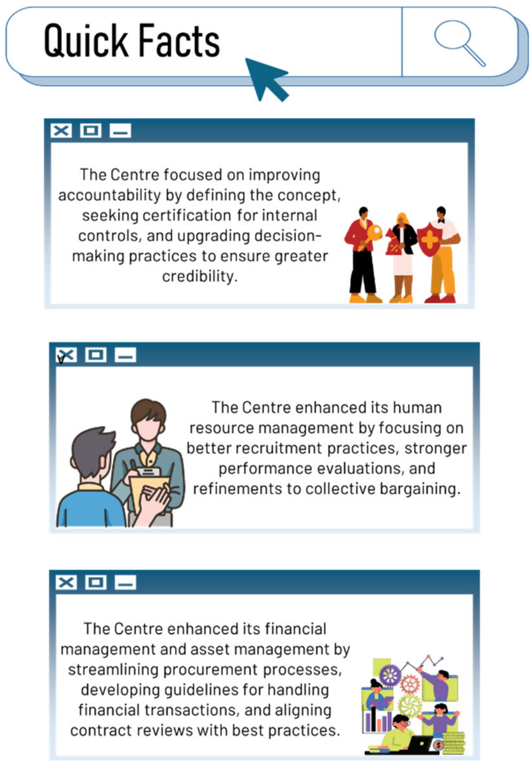
Strengthened Governance and Accountability

21. Enhancing the Centre's Accountability Framework to include a clear definition of accountability establishes a solid foundation for all operations and decisions. This strategic move, along with steps towards internal control certification, aligns the ITC with the ILO's plans, fosters organizational learning, and strengthens the credibility of information used for decision-making. These improvements contribute to a culture of accountability and transparency within the Centre, ultimately enhancing stakeholder trust and improving the overall governance framework.

22. The audit's emphasis on enhancing recruitment, selection, performance management, and collective bargaining processes successfully addressed critical aspects of human resource management. The Centre's streamlined recruitment process, including optimized vacancy-filling time and structured interview methods, promotes the attraction and retention of top-tier talent. By aligning performance management with measurable objectives, implementing feedback systems, and establishing rewards and recognition, employee engagement and

productivity are also expected to improve. Additionally, the focus on strengthening collective bargaining and staff-management relationships fosters a collaborative and positive work environment, which is essential to the Centre's continued achievements.

23. Similarly, the Centre successfully addressed several key areas to improve asset management and financial reporting. They ensured efficient and effective asset management by developing a comprehensive Procurement Manual, clearly defining roles and responsibilities, and refining policies for handling asset losses, write-offs, and disposal. This led to enhanced accuracy in financial reporting and ensured that the Centre's resources were safeguarded and used in an optimal Manner. Additionally, the Centre streamlined procurement processes and clarified capitalization requirements for leasehold improvements. These proactive measures directly contribute to fair financial presentation and greater operational efficiency.



24. The audit also identified opportunities to strengthen financial management. The Centre has significantly improved the management of the petty cash fund and cash advances, invoice processing, travel policies, investment management, and the review of funding agreements by the CFA Committee. This includes developing clear guidelines for the petty cash fund, updating the invoice process procedures, rationalizing the investment threshold, and creating a travel handbook to streamline financial operations and ensure timely and accurate transaction processing. Moreover, aligning the review and clearance process of the CFA Committee with current best practices has enhanced the Centre's overall contractual and financial integrity.

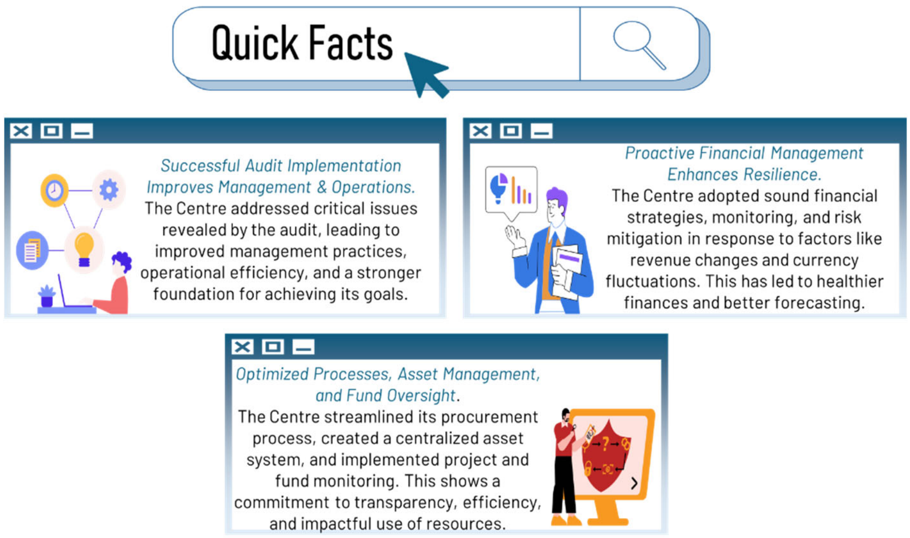
Enhanced Risk Management Practices

25. The audit for the Centre's Risk Management Framework constructively identified areas for improvement and provided invaluable recommendations. These changes, alongside the implementation of clear risk terminology, definitions, categorization, and a defined risk appetite and tolerance, offer the Centre a robust foundation for enhanced risk management. This optimized framework ensured that all stakeholders had a common understanding of risk parameters and thresholds, facilitating more effective risk communication and management across the Centre.

26. Further, the Centre implemented a standardized risk management process by addressing inconsistencies in risk identification. This included updating templates and registers and setting procedures for escalation, reporting, and evaluation. This systematic approach improved the Centre's ability to proactively monitor and manage risks, allowing for quicker decisions and the implementation of effective risk mitigation strategies.

27. On the other hand, the competitive bidding process analysis has revealed the potential for substantial improvements through a comprehensive risk management approach. Integrating risk assessment, review, and management strategies into each stage of the bidding process ensures that the Centre can proactively minimize potential disruptions to operations. This proactive approach simultaneously improves the identification of risks and streamlines mitigation efforts. Ultimately, this strategy will result in more successful and beneficial competitive bidding activities in the procurement of the Centre.

Optimized Key Areas of Management and Operations



28. The Centre's successful implementation of audit recommendations over time has led to a positive transformation of its management and operations. These improvements addressed pressing issues while also establishing a strong foundation for the Centre's long-term success and effectiveness.

29. The audit prompted the Centre to implement proactive financial strategies. These strategies address revenue, exchange rate fluctuations, and new accounting standards. The Centre undertook rigorous financial monitoring and risk mitigation strategies, particularly focusing on the impact of currency

fluctuation. This approach has enhanced the Centre's financial resilience by providing more accurate forecasting, budgeting, and financial planning capabilities, thereby ensuring a healthier financial position despite the challenges posed by exchange rate volatility.

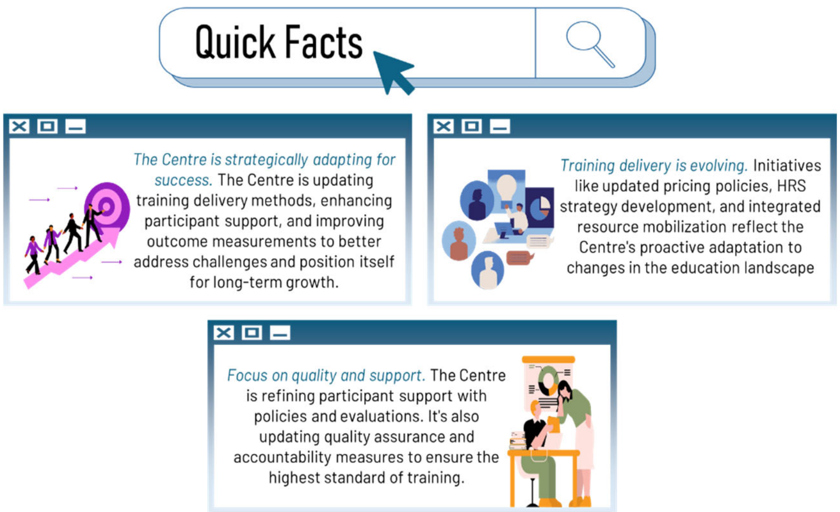
30. Likewise, by streamlining the procure-to-pay cycle within the Oracle ERP system, the Centre achieved significant operational efficiency. Automating this cycle not only reduced manual interventions but also strengthened control over procurement. The Centre's commitment to addressing issues like missing documents and unclear certification of satisfactory performance demonstrates its dedication to improving compliance and procurement integrity. These efforts resulted in more efficient process flows, reduced risks, and greater accountability in procurement.

31. Implementing recommendations like establishing a harmonized asset register, conducting full inventory, and designating custodians for capital assets significantly bolstered the Centre's asset management framework. These improvements facilitated better asset tracking, maintenance, and accountability, aligning with best practices and enhancing operational efficiency. The move towards an integrated asset management system is particularly noteworthy, as it ensures a unified approach to tracking assets, reduces administrative burdens and supports more informed decision-making regarding asset utilization and investment.

32. Further, employing mechanisms to assess the impact of projects financed by the Innovation Fund and monitor the Fellowship Fund's utilization showed the Centre's commitment to transparency and effective fund management. These measures ensure that funds contribute meaningfully to its objectives, thus enhancing the impact and sustainability of its programmes. By systematically evaluating the outcomes of funded projects, the Centre can refine its investment strategies to support innovation and tripartite participation more effectively.

33. On the other hand, supporting the Centre's long-term human resource needs, the audit encouraged the Centre and demonstrated its commitment to fairness, transparency, and strategic staffing by utilizing competitive processes to fill both regular and temporary positions. This ensures compliance with regulations while also attracting and retaining the best talents and having a diverse workforce.

Strategic Training Programme Management



34. The Centre's strategic response, by adapting its training delivery models, strengthening participant support mechanisms, and improving measurement of results, addresses current challenges and positions itself for future growth and success. These crucial initiatives allow the Centre

to make an even more significant long-term impact through education and training on a global scale.

35. *Enhanced Training Service Delivery*. The audit's insights into the Centre's training services during the pandemic showed the necessity of adapting pricing policies to better reflect the nuances between face-to-face and online learning modalities. The Centre's initiative to re-evaluate and update its 2020 Pricing Policy demonstrates a proactive adaptation to the technological advancements affecting education, ensuring that its pricing structures are equitable and reflective of the actual costs and value of different training modalities. Furthermore, the development of a Human Resource Services (HRS) Strategy for 2022-25 is a significant step towards aligning the Centre's human resources with its strategic objectives, optimizing the delivery of its training services in a manner that is both efficient and sustainable.

36. Establishing a more integrated resource mobilization strategy, incorporating pricing principles into the Centre's Operational Plan and the P&B for the biennium 2022-23, indicated a forward-looking approach to securing its programmes' financial and operational sustainability. This strategic alignment ensured that the Centre remains responsive to market dynamics and competitive pressures while adhering to its mandate of delivering high-quality training.

37. *Refined Participant Support Services*. The audit prompted the identification of a notable gap in the Centre's approach to participant support services, particularly the absence of a formalized policy document that encapsulates all support services offered. The Centre's commitment to developing a comprehensive policy framework for participant support services is a critical move towards enhancing the overall learner experience, ensuring participants have access to a cohesive and supportive learning environment.

38. Additionally, audit-driven initiatives aimed toward a comprehensive and coordinated evaluation of all participant support services showed an understanding of the importance of holistic support for the diverse participant base. Addressing the operational challenges faced by units like PATU and GUESTREL and ensuring their objectives align with the Centre's broader goals are essential for providing a supportive and enriching learning experience.

39. *Greater Training Quality and Accountability*. The efforts to address the need for an updated Quality Assurance Manual that reflects the latest developments in evaluation criteria and methodologies signified the Centre's dedication to maintaining the highest standards of quality in its training activities. Implementing a structured evaluation mechanism for external trainers, preparing comprehensive evaluation plans, and developing KPIs for impact and sustainability assessments indicate a systematic approach to enhancing the effectiveness and impact of the Centre's programmes.

40. The audit's recommendation to include the progress status of past external evaluators' recommendations in future Board reports emphasizes the importance of accountability and continuous improvement. This measure not only enhances transparency but also facilitates informed decision-making and strategic planning.

D. Emerging Trends and Challenges

41. The world of work is undergoing rapid and profound changes due to factors like accelerating technological advancement, global crises, and evolving employment models. These create a critical need for the Centre to address issues like skills mismatches, unstable employment, and the changing nature of work. To maintain its effectiveness, the Centre must prioritize strategic partnerships, targeted training programmes, and efficient use of resources while advocating for increased funding to ensure its ability to respond to the rapidly changing demands of the global workforce.

42. Evolving Funding Landscape. The Centre relies on several key sources of funding to support its operations. The Centre receives financial support from the ILO's regular budget through voluntary contributions. The ILO P&B for 2024-25 includes a voluntary contribution specifically allocated to the Centre. To maintain the real value of these contributions, adjustments are made to account for inflation. The Centre also benefits from funding provided by the Government of Italy, among others. This financial support plays a crucial role in sustaining Centre's activities. Further, the Centre generates income through its training and non-training services. These revenues contribute to the Centre's overall financial stability.

43. Nevertheless, the Centre still faces challenges related to funding due to currency exchange rate fluctuations and a general decline in funding over time. Post-COVID inflationary pressures and reduced fiscal capabilities compound these challenges. To overcome these hurdles, the Centre must continue diversifying its revenue sources by collaborating with various organizations, offering customized training programmes that maximize impact and efficiently use funds, and advocating for increased voluntary contributions while strategically leveraging partnerships and efficient management practices.

44. Rapid Technological Change and Skills Mismatch. Rapid technological change is creating a growing skills mismatch where workers' abilities no longer fully meet the demands of the evolving workplace. This mismatch has severe consequences if not addressed. The Centre has a crucial role in proactively developing training programmes that consistently provide workers with the in-demand, cutting-edge skills that employers need. Without this, economic growth, social equality, and the ability of the workforce to benefit from innovation will all be negatively impacted.

45. Changing Nature of Work and Employment: The world of work is fundamentally transforming. The traditional stable employment model is fading, replaced by more flexible but often precarious work arrangements like gig work and freelancing. This shift creates uncertainty for workers who lack the stable income, benefits, and growth opportunities associated with traditional jobs. To combat this, there is a crucial need for centralized programmes to equip workers with the skills to adapt to the changing labor market, keeping them employable and ensuring that they benefit from technological advancement rather than being displaced.

46. Global Crises and Their Impact: Global crises, spanning events like the COVID-19 pandemic, armed conflicts, and devastating natural disasters, introduce profound disruptions across all aspects of society. These disruptions ripple through multiple sectors, leading to economic hardship, job losses, and deep social instability that disproportionately affects the most vulnerable. In response, institutions like the Centre must possess the capacity and resources to swiftly support people in reconstructing their livelihoods and bolstering their resilience against future economic or social shocks. By empowering people with the right skills, these organizations can act as a vital stabilizing force in a chaotic landscape, paving the way toward economic recovery and restoring resilient communities.

E. Conclusion

47. The external audit highlights significant progress towards creating a more efficient, accountable, and impactful International Training Centre. The Centre has made substantial improvements in financial accounting, internal controls, and risk management, demonstrating a strong commitment to transparency and compliance with international standards. Additionally, enhancements in asset management, human resource management, procurement, and the training programme positioned the Centre for long-term success.

48. Despite these achievements, the Centre must navigate a rapidly changing landscape. The rise of new technologies, the evolving nature of work, and the impact of global crises present challenges that can lead to skills gaps and economic instability. To remain effective, the Centre needs to continue diversifying revenue streams, focusing on in-demand skills development, championing innovative training solutions, and fostering strategic partnerships.

F. Acknowledgment

49. We wish to express our appreciation for the cooperation and assistance extended to the External Auditor by the Centre's Director, the Treasurer and Chief of Financial Services, the Director of Training, the Chiefs of the Human Resources Service, the Facilities and Internal Services, the Information and Communications Technology Services, the Programme Managers, as well as their staff during our audit. We likewise thank the Board of the Centre for their support and interest in our work as External Auditor for the financial years 2016-2023.