

Board of the Centre

88th Session, October 2024

CC 88/3

FOR INFORMATION

THIRD ITEM ON THE AGENDA

Report of the meeting of the Officers of the Board

(20th May 2024)

1. A meeting of the Officers of the Board of the International Training Centre of the ILO (the Centre) was held on 20th May 2024 to enable the timely consideration and adoption of the financial statements for the year ended 31 December 2023.
2. The report of this meeting is submitted to the 88th Session of the Board (October 2024).

Financial statements and External Auditor's report for the year ended 31 December 2023

3. *The Chairperson* welcomed the Officers of the Board to the meeting. He congratulated the Centre's management and staff for such positive results.
4. *The Chairperson* then gave the floor to the Centre's Director for his introductory remarks.
5. *The Director* thanked everyone involved in the preparation of the meeting and briefly highlighted a few aspects concerning the financial performance of the Centre. The 2022-2023 biennium had been a period of transition for the Centre and, as this was the case during the first year of the biennium, the Centre's 2023 budget also registered a net budget surplus.
6. 2023 was a positive year for the Centre and this could only have happened with the strong commitment of its management and its entire staff. The Centre was also able to make sound use of the voluntary contributions received during the year. He thanked the Centre's major stakeholders, most notably the ILO and the Government of Italy for their continued support.
7. In looking at the financial statements, in particular the Statement of Comparison of budget and actual amounts (Statement V), the Centre shows a budget surplus of €1.323 million euros. This result demonstrates a sound financial performance of the Centre during 2023. In that regard, he explained that a significant funding increase had been decided for the Fellowship Fund in 2023, encompassing the €1.2 million allocation originally included in the approved 2022-23 Programme and Budget as well as an additional funding allocation

of €1.2 million, for a total of €2.4 million, thus doubling the amount allocated in the biennium. He also pointed out that apart from the respective allocations provided for the Workers' and Employers' activities as well as for the activities related to international labour standards, an additional €100,000 was to be made available for joint activities planned by the Workers' and the Employers' Activities Programmes in the course of 2024. This new mechanism aimed at promoting joint activities by social partners had been introduced on a pilot basis and an evaluation would be made at the end of 2024.

8. He concluded by expressing his deepest gratitude to the Commission on Audit of the Republic of the Philippines for its impressive contribution as External Auditor of the Centre throughout the last eight years.
9. *The Chairperson* proceeded to the agenda item concerning the financial statements and the External Auditor's report for the 2023 financial year. The agenda was adopted, and he invited the Treasurer of the Centre to present the financial statements.
10. *The Treasurer* introduced the financial statements and highlighted a number of key areas. She first referred members to **Statement V – Statement of Comparison of Budget and Actual Amounts**, which showed the Centre's 2023 budget surplus of €1.323 million. This was derived from net contributions from the earned revenue and voluntary contributions totaling €34.3 million net of the total fixed expenditure of €29.4 million and the institutional investments of €3.6 million.
11. In 2023, the training and non-training activities had generated a net contribution of €17.6 million, which was €3.8 million over the budget. This was achieved through a continued growth in outreach that saw the distance learning enrolments increase by 7.2% but with a slight decrease in F2F enrolments when compared to 2022. Non-training services also continued to grow due to the increased demand for the Centre's communication and advocacy services.
12. Multimedia contributed €725 000 net in 2023, going over the expected budget by 29%. Continued growth in digital media and design services as well as communication and advocacy led to these results.
13. The net contribution from miscellaneous sources of revenues was again exceptional in 2023, as it was 161% over the approved budget. This was mainly due to a continued increase in other types of activities held on campus by external parties as well as a significant increase in the yearly investment revenue.
14. Voluntary contributions totaled €13.7 million, higher than the budget by more than €1.3 million and mainly due to the favorable exchange rate of the USD to Euro. The ILO approved a contribution to the Centre in the amount of USD 9.54 million for the biennium. The Centre received the second half in 2023. In addition, an equal contribution was made by the ILO to cover the expenditure relating to the After Service Health Insurance for Centre retirees, having no net impact on the final budget results. The Centre also received €7.85 million from the Government of Italy as well as €250,000 from the Government of Portugal, €12,000 from the Piedmont Region and a refund for extraordinary maintenance costs of €180,000 from the City of Turin.
15. The total fixed expenditure in 2023 totaled €29.4 million.

16. Staff costs totaled €21 million. In addition to the revisions made to the base salary scale and benefits approved by the UN General Assembly following recommendations made by the ICSC (International Civil Service Commission), total staff costs included agreed termination packages provided to some staff members totaling €285,000. The Centre again made a contribution of €1 million to the Terminal Benefit Fund to ensure its financial sustainability to cover anticipated repatriation grants owed to Professionals and end-of-service benefits owed to General Service staff. At the end of 2023, the Fund held approximately €6 million in funding for future disbursements. The current liability of the Centre for sums owed to staff members is currently estimated at €9.2 million, leaving a gap in funding of €3.2 million.
17. Other non-staff fixed expenditure were over the budget by nearly €1 million. Half is explained by the increase in funding of €517,000 provided under campus related costs. Work was carried out on additional maintenance and upgrades of the campus pavilions for approximately €250,000. This included refurbishment of hotel rooms, repairs to the Piemonte pavilion roof, repairs and upgrades to the Americas¹ pavilion including its reception area, and upgrades to the lighting systems in classrooms and common areas on campus. Again, in 2023, the Centre faced significant increases in its utility costs, as a result of the energy crisis that affected the entire Eurozone, caused by the post-pandemic inflation and the Ukraine crisis. This resulted in an additional €300,000 in costs for the Centre. General operating costs were also higher than the budget by €612,000 due mostly to movements from the consultant budget line of €240,000 as service providers had been retained, additional costs relating to the Centre's shuttle services, increased bank charges, and an overall increase in the various costs under this budget item.
18. In 2023, the Director decided to increase the allocations to the Centre's various Institutional Funds and thus an additional €2.4 million was recorded under the institutional investments. This was based on the Financial Regulations, Article 7(b) which provides the Director with the authority to increase expenditure when there is evidence in hand showing actual revenue will exceed the level approved in the budget.
19. The Treasurer then referred members to **Statement I – Statement of Financial Position**. This Statement presents the assets and liabilities of the Centre at year-end.
20. Its most significant asset was cash totaling €37.6 million. The Centre held advances from donors and partners for its activities and the future renovation of Americas² and Italy pavilions totaling €15.5 million. It also held €2 million in the Working Capital Fund, €1.8 million in the Campus Improvement Fund, €2.1 million in the Italy Trust Fund, €577,000 in the ICT Development Fund, €2.3 million in the Fellowship Fund and €974,000 in the Innovation Fund. Of this funding, approx. €14.2 million was held in USD.
21. The Centre's accounts receivable increased by some €1.4 million when compared to 2022. This amount included invoices issued for services having been delivered prior to year-end. Contributions receivable increased by some €543,000 and represent receivables relating to signed agreements relating to activities and the renovation of the campus infrastructure for which there is a matching liability called deferred revenue, and which represents future revenue that will be earned in 2023 and beyond.
22. The ILO receivable increased by €3.3 million when compared to 2022 mainly as a result of the year-end invoices issued for completed activity work. A partial settlement from the ILO was to be made in the beginning of 2024. Property and equipment decreased by €538,000

mainly as a result of the annual depreciation which included that of the completed Africa 10 and 11 pavilions.

23. Liabilities totaled €24.5 million at the end of 2023. These increased significantly by some €11.8 million mostly due to the increase in deferred revenue that is made up of advances made by donors and sponsors for future activities, signed agreements for future activities as well as the future renovation of the Americas² and Italy pavilions.
24. The Treasurer then presented **Statement II – Statement of Financial Performance**. This Statement provides the results of the Centre, under IPSAS standards. 2023 shows a net surplus of €3 million. IPSAS has different recognition accounting policies than those of the budget and in 2023, the main difference was due to the unrealized exchange loss, some different treatments for a few voluntary contributions relating to activities as well as the net surplus recorded in the other Funds, as the budget only shows the results of the General Fund.
25. *The Chairperson* invited the representative of the External Auditor to introduce the External Auditor's report for 2023.
26. *The representative of the External Auditor* presented the Report of the External Auditor for Financial Year 2023. He recognized the significant effort, hard work, and commitment of the Centre's Management in performing their mandate.
27. *The External Auditor* conducted the audit in conformity with the International Standards on Auditing, to support the enhancement of transparency and accountability within the Centre and to contribute to the achievement of its operating objectives, through our audits. Specifically, their responsibility was to provide the Board of the Centre and other stakeholders with an independent audit opinion on the fairness of the presentation of the financial statements in conformity with the International Public Sector Accounting Standards (IPSAS).
28. The Report highlights three main areas: first, the audit of the Centre's 2023 Financial Statements providing independent assurance and to express an opinion on the statements; second, the review of the management of Participant Support Services under the Centre's Financial Regulation IX.25 to assess the effectiveness of its financial procedures, accounting system, internal controls, and the overall administrative and management practices; and lastly the preparation of the Capstone Report which summarized the delivered value of the Philippine Commission on Audit, as External Auditor of the Centre throughout its mandate i.e., from 2016-2023.
29. As a result of our financial audit, the External Auditor concluded that the Centre's 2023 Financial Statements were presented fairly, in all material respects, and were in compliance with IPSAS. They also concluded that the accounting policies were applied on a basis consistent with that of the preceding year. As a result, an unmodified audit opinion on the fair presentation of the Centre's Financial Statements was issued. The External Auditor commended the Centre for receiving unmodified audit opinions throughout the mandate and for its strong reporting controls.
30. The Centre was informed of some opportunities to further improve its financial management and control including the area of Participant Support Services, and these were included in their report. The External Auditor also encouraged the Centre's management to consider past recommendations still outstanding.

31. The External Auditor concluded by stating that at the end of their eight-year mandate, the Capstone Report summarized the contribution of his Office to the Centre and concluded on the delivery of what was committed to in 2015, allowing for a better alignment to the Centre's needs to improve its governance and deliver the best value to the Centre and to the ILO.
32. He summarized the improvements made by the Centre's financial management and control as well as in its governance and accountability, its risk management practices, its operations and their management, and the overall strategies adopted for capacity development.
33. The External Auditor concluded by expressing his sincere gratitude to the members of the Board of the Centre, to the Officers, to the Director as well as to Ms. Christine Boulanger, the Treasurer and all the Centre's staff for their cooperation and appreciation of his Office's work.
34. *The Chairperson* then invited the Officers to comment on the financial statements and on the External Auditor's report for 2023.
35. *The Workers' Vice-Chairperson* thanked management and the External Auditor for his Office's outstanding contribution during the past 8 years.
36. The Group expressed their appreciation for the positive financial results of the Centre. They were willing to have further discussions and clarifications about the Fellowship Fund (FF) funding allocations made in 2023, comparing this to what was allocated by management in January 2024 to the Programmes. The Group stated that it would be important to also increase the FF allocations with regards to activities benefitting the ILO constituents.
37. As highlighted by the External Auditor, clarification would also be needed in the TORs of each Fund and in his view, Constituents should also have a role in this process. The Group also raised the matter of how Programmes would work jointly as this could be positive but was concerned on the objectives that should be agreed by both the Workers' and Employers' Programmes.
38. The Group adopted the financial statements and the Report of the External Auditor, and takes note of the Internal Control Declaration included.
39. *The Employers' Vice-Chairperson* thanked the External Auditor for their positive contribution, including several improvements included in their report.
40. The Group also had similar questions regarding the Fellowship Fund and would welcome an in-depth discussion on the matter. The Group also raised the matter of carrying out an evaluation of the use of the Fellowship Fund in the first quarter. Two questions were raised specifically: the first on the voluntary contributions and what were the Centre's plan to increase the number of institutional donors. He pointed out that some discussions had been held around the idea of organizing the work of the ITCILO in the regional hubs which could also share expenses. He questioned whether there were some updates on this matter. The second question concerned EU funds and the pre-feasibility study on the EU pillar assessment exercise.
41. To conclude, the Group accepted the point for decision and agreed to adopt the Financial Statements as submitted in accordance to the Financial Regulations.

42. *The Governments' Vice-Chairperson* thanked the ILO Director-General and the Centre's management as well as the External Auditor, for presenting his last report. The outcomes were admirable, with a surplus of €1.3 million and the total net contributions from the earned revenue and voluntary contributions of €34.3 million. He noted that the training and non-training activities generated a net contribution of €17.6 million which was commendable. He observed a slight decrease in the F2F enrolment compared to 2020-22 and the need to balance the distribution of participants in terms of gender spread.
43. He also raised the question on the training activities and fellowships for government officials from member States in need and if such officials also have access to the fellowships offered by the Fellowship Fund. Such scholarship would greatly benefit from such funding and training.
44. To conclude, the *Government Group* endorsed the adoption of the financial Statements as submitted in accordance with Article 17.2 of the Financial Regulations.
45. *The representative of the Government of Italy (Ms Apollonio)* re-affirmed the Government of Italy's commitment in sustaining the Centre's activities, infra-structures and facilities, in cooperation with the City of Turin and the Region of Piedmont in order to secure the solidity of the ITCILO.
46. The Government of Italy noted with satisfaction the sound financial performance of the Centre during the year 2023, as testified by its management and certified by the External Auditor. The new operational model put in place after the Covid-19 pandemic has proven its relevance, providing the Centre with the required financial sustainability, which has sometimes been difficult to achieve in the past.
47. The Government of Italy endorsed the adoption of the financial statements for the year 2023 as submitted and took note of the External Auditor's Report for 2023.
48. *The Chairperson* gave the floor to *the Director* and to *the Treasurer* to reply to the questions raised by the Workers', Employers' and Governments' Vice-Chairs.
49. *The Director* acknowledged that there had been recurrent discussions around the Fellowship Fund. He explained how the allocations work and recalled that funds first needed to be earned by the Centre before being able to feed the institutional funds. He then confirmed additional allocations to both the Workers' and Employers' programmes. Regarding the TORs of the Funds, he informed the Groups that an in-depth discussion had taken place at a Centre's Senior Management Team meeting.
50. Regarding the voluntary contributions, he assured the Officers that this was a priority of the Centre's partnership strategy and that dialogues with specific donors and groups of donors were taking place. He noted that it was somehow difficult for the Centre to obtain un-earmarked voluntary contributions separately from those allocated to the ILO. Another challenge was linked to the current geopolitical situation and shifting of the development priorities of governments.
51. As per the issue of the regional hubs raised by the Employers' Vice-Chairperson, he recalled that this matter had been discussed by the Board in the past. There were challenges in organizing Centre satellites around the world, including legal aspects such as the Statute of the Centre which does not provide any explicit provision for a field structure. This would require an amendment of the Statute by the Board. In addition,

agreements with the host countries of such regional hubs would be required in terms of liabilities. He also stressed that the Centre had a specific operational and financial business model, making it indispensable to generate income to contribute to fixed costs. This being said, the Centre was placing strategic importance in leveraging the collaboration with regional and national training centres in order to increase impact and outreach. This was one of the objectives of the Centre's Programme and Budget for 2024-25.

52. On the EU pillar assessment, he informed the Groups that the pre-feasibility study had already been completed and that the final report had been received and discussed at an ITCILO Senior Management Team meeting. There were still a number of implications to be carefully assessed and dealt with before taking any final decision in that regard.
53. *The Treasurer* explained in details the mechanisms in place to allocate funding to the four Institutional Funds of the Centre. This is done at the end of the year when results are known. The allocations made to each Programme at the beginning of the year is based on the available funding in the Fund and this is in cooperation with the Training Department Director and the forecasted needs and demands. There is always a possibility that if a Programme has a greater need during the year, such request should be raised to assess whether additional allocations are to be made. She confirmed that clear TORs would be developed for each Fund and would include set criteria to evaluate the proposals to use the funds, the requirement for monitoring and post-evaluation mechanisms to assess impact. In addition to the Funds, the Programmes also have various other funding sources available to them such as Italy MAE and ILO regular and extra-budgetary funds.
54. *The Chairperson* opened the floor for final comments.
55. *The Workers' Vice-Chairperson* raised the issue of the participation of the ACTRAV Programme in the drafting of the Funds' TORs and suggested that the regional programming be made with the participation of constituents.
56. *The Governments' Vice-Chairperson* thanked for the Director and the Treasurer for their additional explanations and wished that regional centres, especially on the African continent, continue being served by the Centre.

The Officers of the Board:

- 1) ***adopted the financial statements, and***
- 2) ***took note of the External Auditor's report for the year ended 31 December 2023.***

Concluding remarks

57. *The Chairperson* advised the Groups that the 88th Session of the Board of the Centre would be held on the 24th and 25th October 2024, just before the 352nd Session of the Governing Body of the ILO, taking place in Geneva from 28th October to 7th November 2024. The Officers agreed.
58. Finally, the Chairperson thanked the Officers, the secretariats of the various groups and the staff of the ILO and the Centre for their participation and declared the meeting closed.

This report would be submitted to the Board for information.

Attendance list
Liste des présences
Lista de presencias

Ms Adriana APOLLONIO	ITALY
Mr Aniefiok ESSAH	NIGERIA (Governments' Vice-Chairperson)
Mr Harry KYRIAZIS (Greece) Mr Amadou SAKO (IOE)	(Employers' Vice-Chairperson) (Employers' Secretariat)
Ms Toni MOORE (Barbados) Ms Maité LLANOS (ITUC)	(Workers' Vice-Chairperson) (Workers' Secretariat)

International Labour Organization

Mr Gilbert F. HOUNGBO	DG
Mr André BOGUI	CABINET
Ms Hitomi NAKAGOME	CABINET

External Auditor - Commission on Audit, Philippines

Mr Danilo CABUG

International Training Centre of the ILO

Mr Christophe PERRIN	Director
Ms Christine BOULANGER	Treasurer
Ms Nathalie MIRABILE	Note-taker

July 2024