INTERNATIONAL TRAINING CENTRE OF THE ILO

Board of the Centre

87th Session, October 2023

CC 87/5/1

FOR INFORMATION

FIFTH ITEM ON THE AGENDA

Financial Statements and External Auditor's Report for the year ended 31 December 2022

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Financial report on the 2022 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 2022 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 2022 financial statements have been prepared in accordance with the International Public Sector Accounting Standards (IPSAS). Financial statements prepared under IPSAS recognize the general operations’ voluntary contributions for which there are no conditions when receipt is probable and the amount is known. Contributions relating to training and consultative services that have conditions are recognized as revenue when these services are delivered by the Centre. Expenditure are recognized when goods and services are received or delivered, rather than when they are paid. Employee benefits relating to accumulated leave, repatriation shipment and travel are recognized in the financial statements as they are earned by the Centre’s officials, rather than when they are paid.

3. The implementation of IPSAS has no impact on the preparation of the budget, which is still presented on a modified accrual basis. As the basis and scope of the budget and the financial statements differ, reconciliations between the IPSAS Statement of budget and actuals and the Statements of financial performance and cash flow are presented in Note 15 to the financial statements.

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

Financial Highlights of 2022

5. The results presented below are those of the financial year 2022, a year during which the Centre continued to face challenges as a result of the COVID-19 pandemic that started in early March 2020. The Centre continued to hold its training activities mostly using online modalities with some being delivered in a hybrid manner, with a face-to-face component, either on campus or in the field. The year 2022 has also seen the continued trend of significant growth in the level of enrolments of participants to its training activities and its efforts to further increase its non-training services to constituents which has been successful.

6. The Centre continues its work in the implementation of the new business model in line with its Board approved 2022-23 Programme and Budget and its Strategy for 2022-25. In 2022, the overall number of enrolments in its activities increased by more than 34%, exceeding its target. The number of activities, while being slightly lower than in 2021, had higher outreach

and a very healthy overall Contribution to Fixed Costs (CFC) that ultimately resulted in excellent results for the year, as shown below:

(In thousands of Euro)

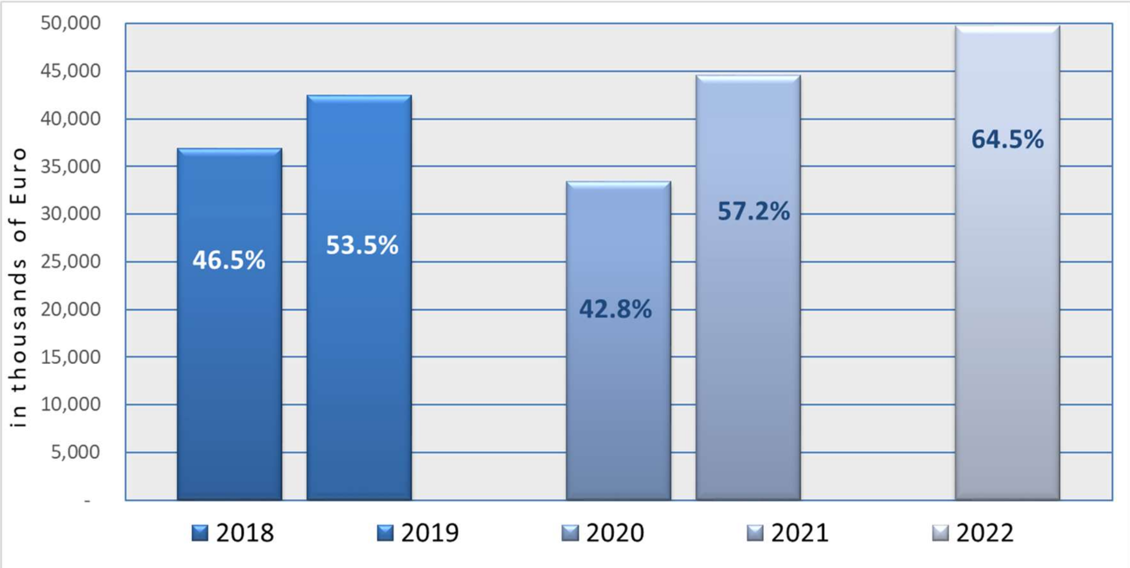
	2022	2021	2020	2019
Revenue	49 738	44 604	33 395	42 464
Expenditure	41 047	37 463	32 205	41 252
Net IPSAS surplus	**8 691**	**7 141**	**1 190**	**1 212**
Assets	46 653	49 989	39 772	40 265
Liabilities	13 342	25 442	22 301	23 942
Net assets	**33 311**	**24 547**	**17 471**	**16 323**
Budget surplus	**3 833**	**3 325**	**2 087**	**2 138**

The IPSAS-based 2022 surplus amounts to €8.691 million and incorporates the total financial results of all Funds of the Centre whereas the budget surplus of €3 833 million includes the results of the General Fund only. The difference is explained by:

- the difference in the depreciation expenditure for assets expensed prior to 2012 as a result of the conversion to IPSAS of €245 000;
- the use of past surpluses of €52 000 recognized in the Statement of Budget and Actuals only;
- the unrealised foreign exchange gain of €1 722 000 recognized in the Statement of Financial Performance;
- the net surplus of funds in the Campus Improvement Fund, the Italian Trust Fund, the Innovation Fund as well as the newly created Information and Communication Technology (ICT) Development Fund and Fellowship Fund of €2 781 000;
- the receipt of a non-conditional voluntary contribution of €486 000 recognized in the Statement of Financial Performance only; and
- the use of voluntary contributions for activities of €166 000 recognized in the Statement of Financial Performance only.

7. The change in net assets from €24.547 million in 2021 to €33.311 million in 2022 is attributable to the net surplus in the Statement of Financial Performance and the actuarial gain on the employee benefit liability, as a result of an actuarial valuation of the liability on repatriation travel and removal.

Total revenue, three biennium comparison



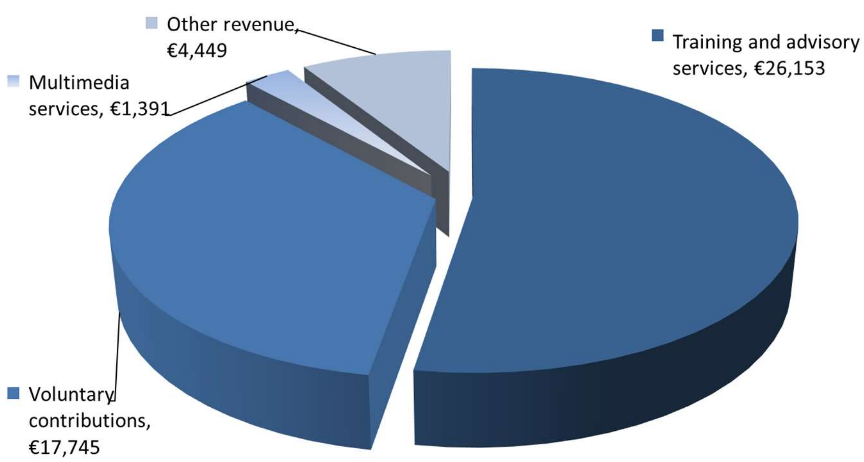
8. Prior to the 2020-21 biennium, the Centre's total revenue generally followed a pattern over a two-year cycle whereas the Centre's total revenue was higher in the second year. In 2020-21, the pattern increased further due to the start of the pandemic in March 2020, whereby the Centre's revenue were greatly affected while training modalities went from face-to-face to online learning. In 2022, the increase was mainly due to increased revenue generated from the use of the campus by external parties and partners, a non-conditional voluntary contribution from a new partner, favorable exchange rates as well as significant realized and non-realized foreign exchange gains.

Financial performance

Revenue

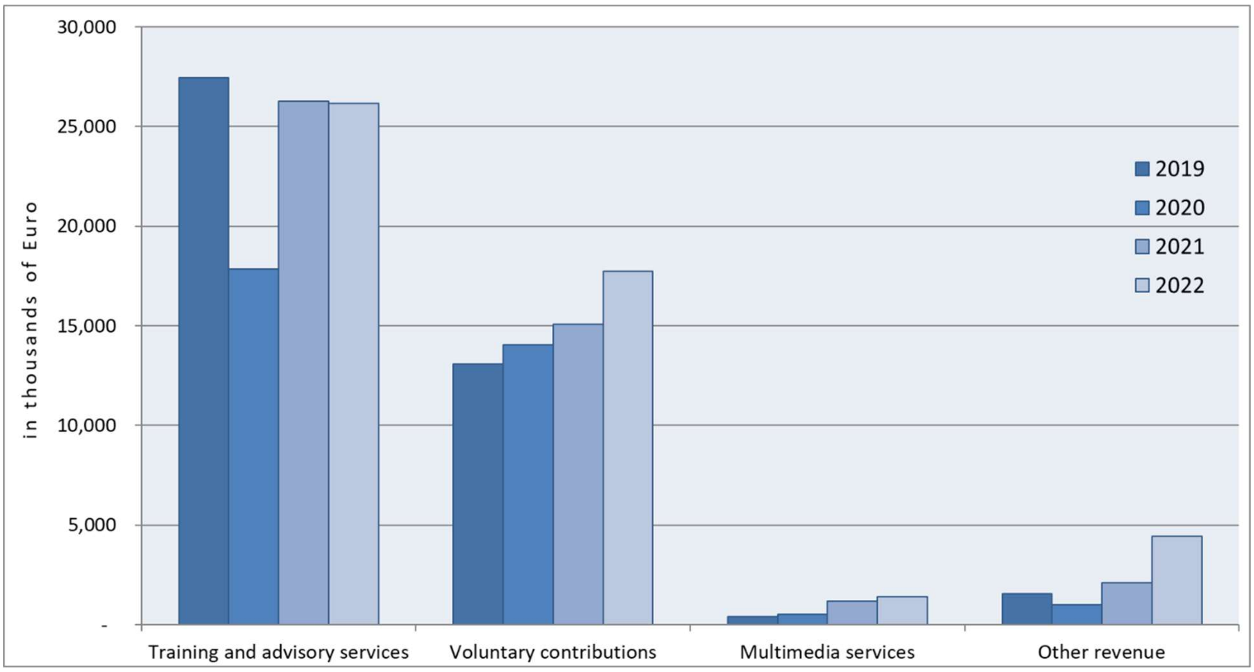
9. Revenue in 2022 totaled €49.738 million (€44.604 million in 2021) and was distributed as follows:

Revenue by source, 2022 (in thousands of Euro)



10. The two major sources of revenue, representing 88.3 per cent of total revenue (2021 – 92.6 per cent) are derived from training and advisory services well as voluntary contributions.

Revenue sources, four-year comparison



11. Training and non-training activity services revenue totaled €26.15 million in 2022 as compared to €26.25 million in 2021 showing a slight decrease of less than 100 000 or 0.3 of one per cent. In 2022, the number of training and non-training activity decreased by some 11 per cent however this was the outreach was significantly higher than in 2021, resulting in a similar level of revenue. While a significant number of activities were delivered through distance learning modalities as was the case in 2021, the Centre delivered several activities in a hybrid format whereby components were delivered either on campus or in the field. Multimedia revenue also increased from €1.2 million in 2021 to €1.4 million in 2022 as a result of continued demand for communication and advocacy services.

12. Voluntary contributions increased by €2.673 million in 2022 as compared to 2021. The Italian Government's *ex-lege* contribution of €7.85 million as well as its contribution for training activities of €1.6 million remained constant. The Centre also received from the Government of Italy an amount of €3 million for the renovation of the Africa 10 and 11 pavilions on Campus out of which €2.164 million was recorded as revenue (2021 – €700 000). The ILO contribution for 2022 was of 4.770 million US dollars (2021 – 4.483 million US dollars) and its conversion resulted in a higher revenue of approx. €450 000 when compared to the prior year.

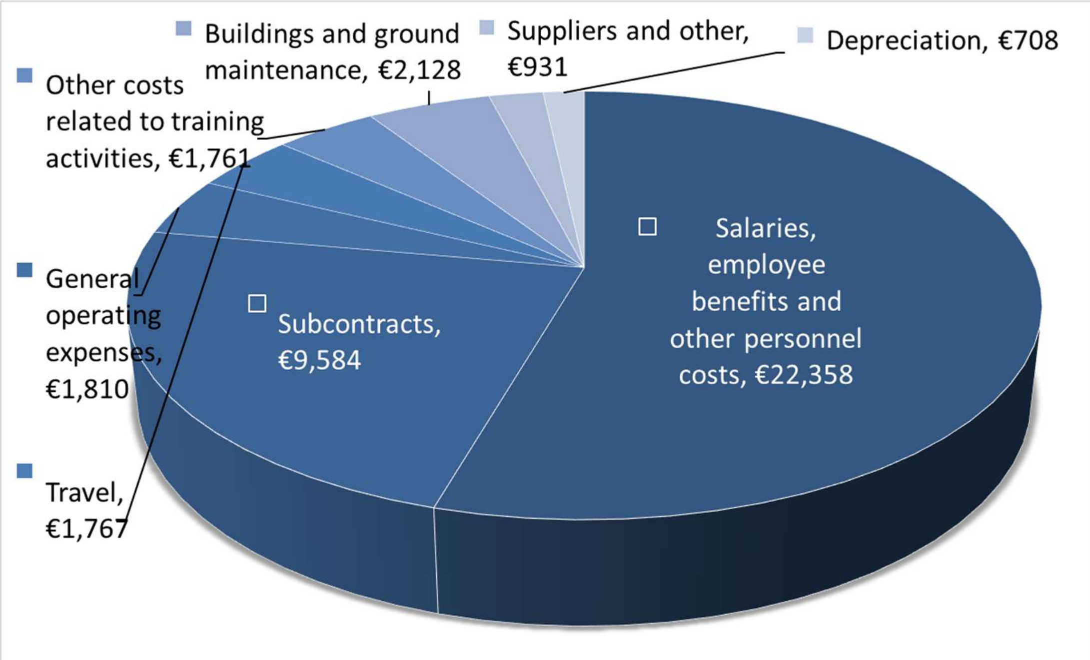
13. Other revenue increased by nearly €1.1 million as compared to 2021. This is mainly due to the increase in non-core activities that complement the activities of the Centre. Generally these provide for the use of the campus facilities to external parties and organizations on hosted on campus, subject to availability.

14. In 2022, the Centre incurred a net foreign exchange gain of €2.3 million (2021 – gain of €947 000) made up of realized gains of €600 000 (2021 – €19 000 realized gains) and unrealized gains of €1.7 million (2021 – €928 000 in unrealized gains).

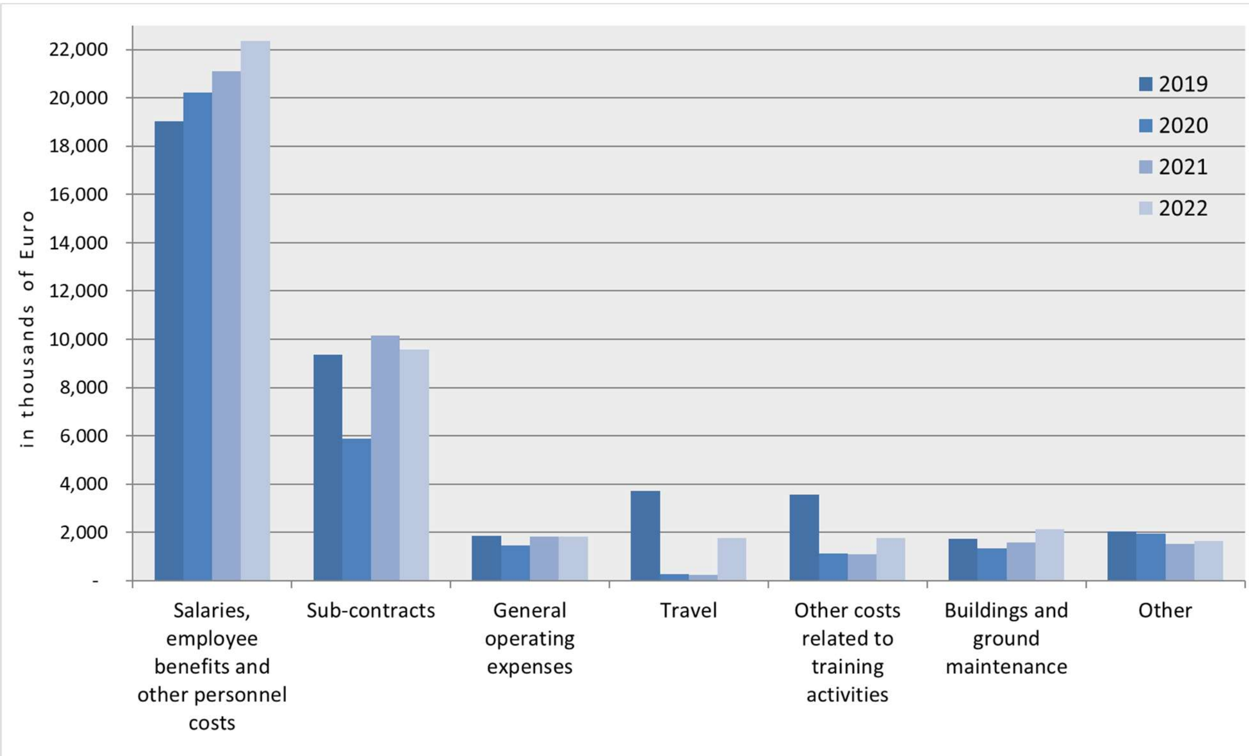
Expenditure

15. Expenditure in 2022 totaled €41.047 million (€37.46 million in 2021) and were distributed as follows:

Expenditure by source, 2022 (in thousands of Euro)



Expenditure, four-year comparison



16. Overall, expenditure increased in 2022, due to the continued implementation of the new business model and the restart of face to face activities on campus and in the field. The Centre saw in its first year of the biennium, a level of revenue nearly equal to that of the second year of the previous biennium. With increased revenue, direct expenditure related to these activities have also increased somewhat, as observed in the other costs related to training activities and travel. Included in the 2022 expenditure is the After Service Health Insurance expenditure for the Centre's retirees totaling €916 000 for which the Centre also receives a matching contribution from the ILO.

17. In 2022, the Centre restarted its recruitment of vacant positions while temporarily retaining short-term and time-based staff until new candidates came on board. As part of the restructuring of the Centre to support the new business model, the Centre negotiated agreed termination packages with interested staff and a total of some €260,000 were absorbed within the savings in 2022.

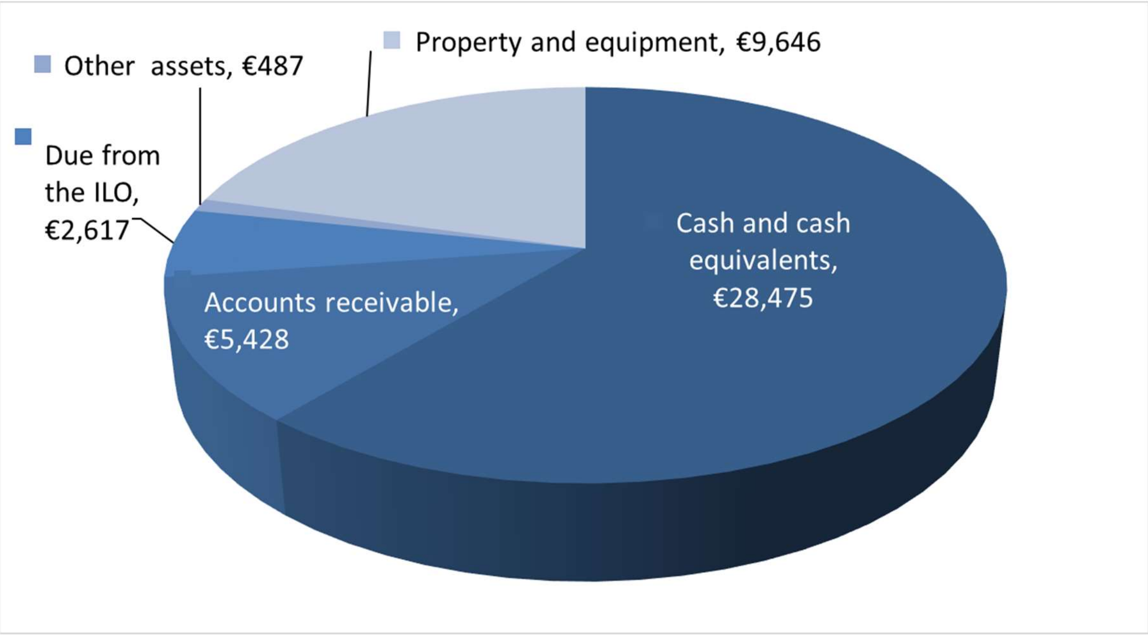
18. In order to continue funding the Terminal Benefit Fund, the Centre made an ad hoc contribution of €1 million in order to increase the available funding for future end-of-service benefits and repatriation grant payments to staff members. While the liability for these benefits stands at €8.6 million at the end of the year, it is funded to the level of €5.3 million. This additional contribution was funded from the overall expenditure savings from both staff and non-staff expenditure and is recorded under salaries, employee benefits and other personnel costs.

Financial position

Assets

19. The Centre held assets of €46.7 million as at 31 December 2022 (€50.0 million as at 31 December 2021) which were as follows:

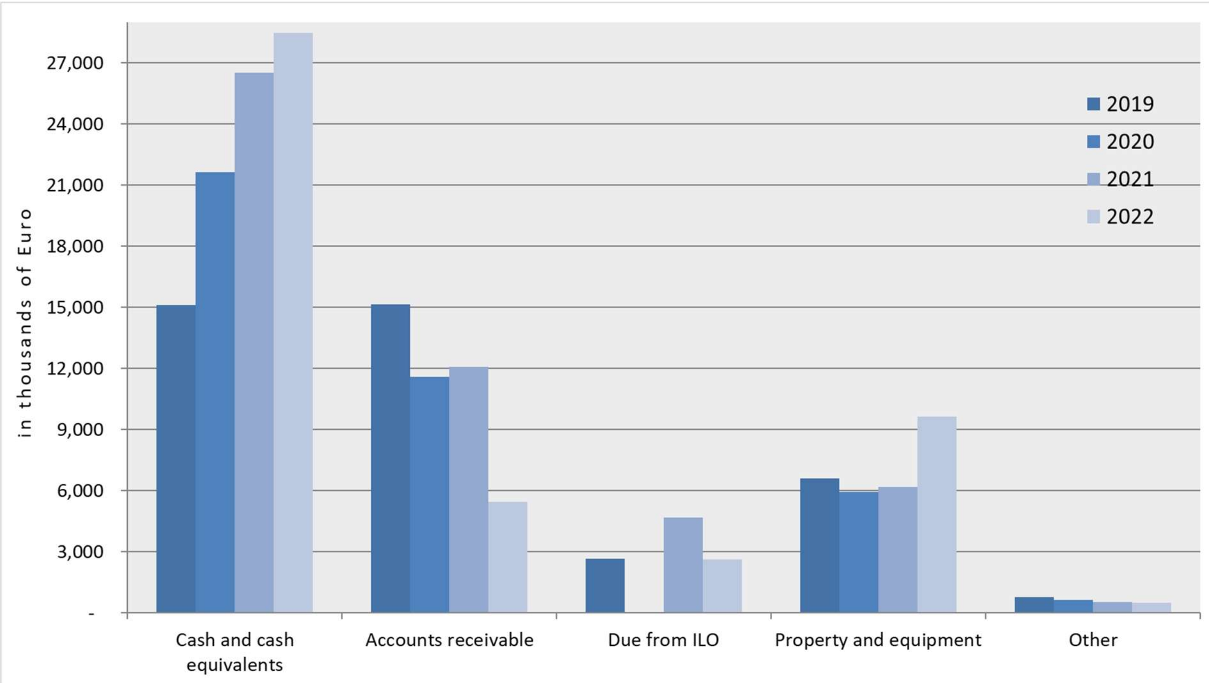
Assets by type, 2022 (in thousands of Euro)



20. As at 31 December 2022, the Centre's most significant asset was cash and cash equivalents totaling €28.5 million (€26.52 million as at 31 December 2021) and representing 61.0 per cent of the total assets. Of this amount, €5.7 million or 20 per cent corresponds to funds held on behalf of donors (€7.3 million or 28 per cent as at 31 December 2021). Funds of €6.8 million (€4.55 million as at 31 December 2021) were held in the Campus Improvement Fund, the ICT Development Fund, the Innovation Fund and the Fellowship Fund.

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

Assets, four-year comparison



22. The Centre's total assets decreased by €3.3 million or 6.7 per cent (€10.2 million or 25.7 per cent increase as at 31 December 2021).

23. Cash and cash equivalents have increased by €2.0 million or 7.4 per cent as at 31 December 2022 (increased by €4.873 million in 2021). Further information is provided on the Statement of Cash Flow.

24. Accounts receivable decreased by some €6.6 million or 55.0 per cent (increase of €1.9 million or 21.7 per cent as at 31 December 2021) mainly as a result of the decrease of €7.4 million (increase of €2.1 million as at 31 December 2021) in accounts receivable relating to agreements for training and advisory services held at the end of the year. There was also an increase of €917 000 in the receivables pertaining to training services delivered, as a result of the invoices issued at year-end for completed work.

25. The receivable from the ILO decreased by €2.1 million or 44.2 per cent (increase of €5.6 million or 616.3 per cent as at 31 December 2021) as a result of the year-end partial settlement by the ILO of the balance.

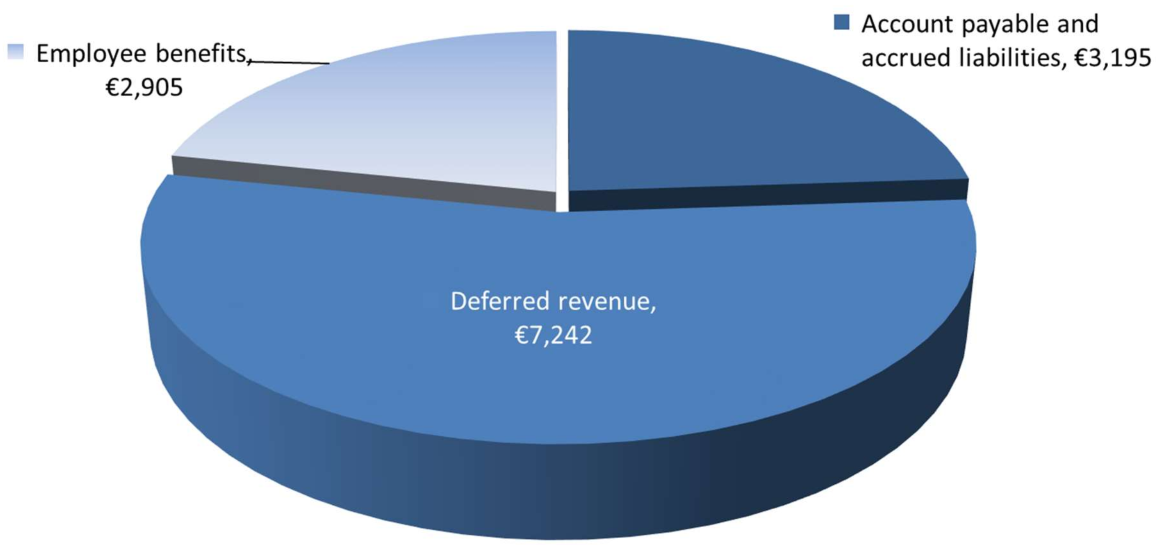
26. Property and equipment increased by €3.5 million or 56.0 per cent (increase of €249 000 or 4.2 per cent as at 31 December 2021) mainly as a result of the refurbishment work-in-

progress on the Africa 10 and 11 pavilions carried out during the year which amounted to a €2.8 million (€700 000 as at 31 December 2021) and some other smaller purchases. There was also a full year of depreciation recorded in the amount of €708 000 (€717 000 as at 31 December 2021).

Liabilities

27. The Centre had liabilities totaling €13.34 million as at 31 December 2022 (€25.4 million as at 31 December 2021) which were as follows:

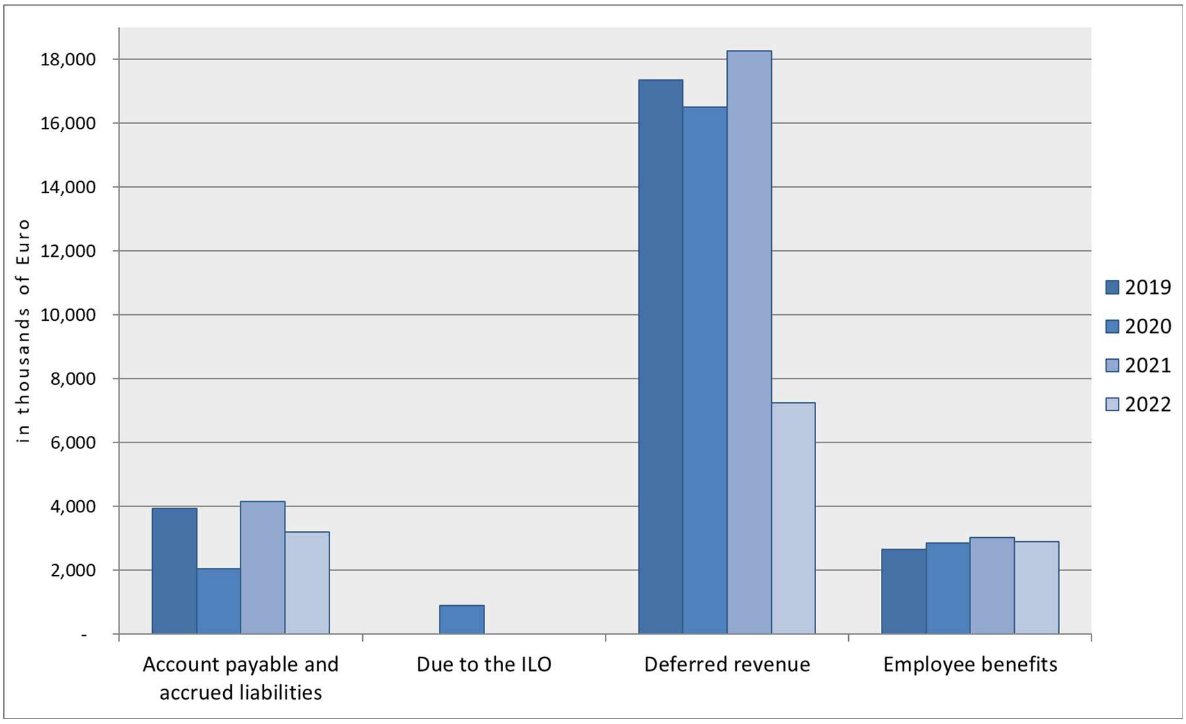
Liabilities by type, 2022 (in thousands of Euro)



28. The most significant liability totaling €7.242 million or 54.3 per cent (€18.2 million or 71.7 per cent as at 31 December 2021) relates to deferred revenue. This balance represents funds advanced by donors and sponsors for specific training and advisory services as well as other purposes for a total of €3.7 million (€7.3 million as at 31 December 2021). This liability also includes funds receivable based on signed agreements with sponsoring agencies and other donors with respect to future training and advisory services, subject to specific performance conditions which totaled €3.5 million (€10.9 million as at 31 December 2021).

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

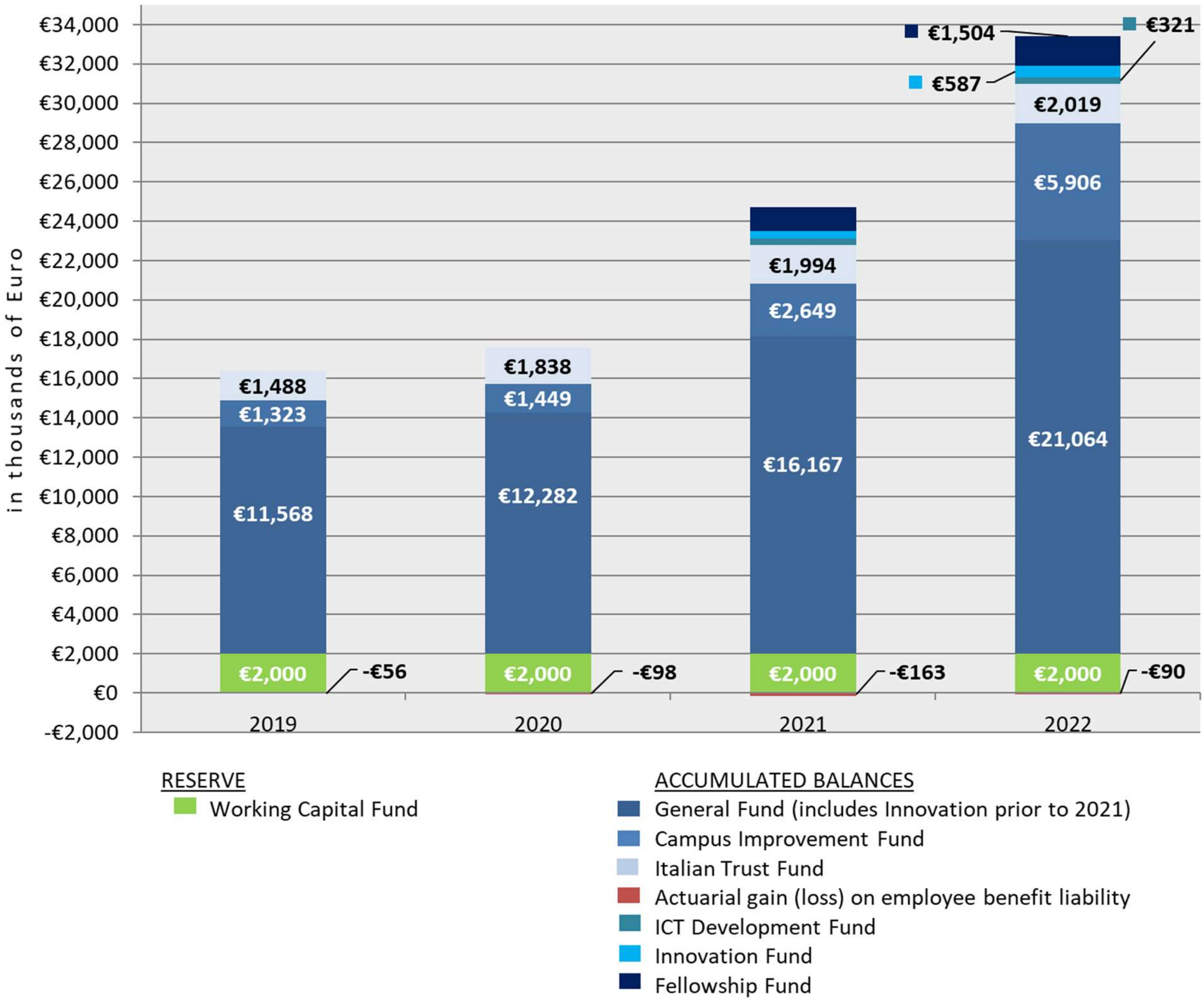
Liabilities, four-year comparison



30. Accounts payable and accrued liabilities decreased by €965 000 or 23.2 per cent (increase of €2.1 million or 103.4 per cent as at 31 December 2021) as a result of a lower level of amounts payable to suppliers, the Centre having settled many invoices prior to year-end.

Net assets

Net assets, four-year comparison by Fund



31. The Centre's net assets include the Working Capital Fund which represents 6.0 per cent of total net assets or €2 million (8.1 per cent or €2 million as at 31 December 2021) as set by the Financial Regulations.

32. Net Assets also include accumulated balances of various other funds totaling €31.3 million (€22.55 million as at 31 December 2021). This is comprised of: the General Fund totaling €21.1 million and 63.2 per cent of the overall net assets (€16.2 million and 65.9 per cent as at 31 December 2021), the Campus Improvement Fund with €5.9 million and 17.7 per cent of the total (€2.6 million and 10.8 per cent as at 31 December 2021), the Italian Trust Fund with €2.0 million and 6.1 per cent of the total (€2.0 million and 8.1 per cent as at 31 December 2021), the Information and Communication Technology Development Fund with €321 000 and 1.0 per cent (€300 000 as at 31 December 2021 and 1.2 per cent), the Innovation Fund with €587 000 and 1.8 per cent (€400 000 and 1.6 per cent as at 31 December 2021) and the Fellowship Fund with €1.5 million and 4.5 per cent (€1.2 million and 4.9 per cent as at 31 December 2021). Also included is the actuarial gain on employee benefits liability of €73 000 (€163 000 loss as at 31 December 2021), recorded in compliance with IPSAS.

Regular Budget

33. 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.

34. The preliminary budget results for the 2022 financial year, the first year of the biennium, are summarized in Statement V, with the details of voluntary contributions received from donors shown in Note 11.

35. The 2022 actual revenue amounted to €45.6 million which was made up of voluntary contributions of €13.4 million, external revenue of €31.6 million and a significant realized foreign exchange gain of €600 000. The actual direct expenditure amounted to €12.6 million thus generating total net contributions of some €33.0 million available to cover fixed expenditure, contingency and institutional investments. Fixed expenditure totaled some €28.0 million and the newly approved expenditure for institutional investments totaled €1.2 million, representing half of the 2022-23 approved amount. The 2022 budget surplus is €3.833 million.

Significant differences between the 2022 budget and actual amounts as presented on Statement V

(In thousands of Euro)

Line item in Statement V			Budget 2022[1]	Actual 2022	Variance Amount	Variance %
Chapter	Item					
I	10	Net contribution from training and non-training activities	13 513	16 517	3 004	22.2
I	11	Net contribution from multimedia activities	560	908	348	62.1
I	12	Net contribution from miscellaneous sources	855	2 124	1 269	148.4
II	13	Total voluntary contributions	12 299	13 397	1 098	8.9
III	14	Regular Budget (RB) staff	15 951	17 086	1 135	7.1
III	15	Variable Budget (VB) staff	2 628	3 084	456	17.3
III	16	ASHI contribution for retirees	750	916	166	22.1
III	17	Consultants	537	400	(137)	(25.5)
III	18	Campus related costs	2 338	2 795	457	19.5
III	20	General operating costs	325	639	314	96.6

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

Earned revenue – Chapter I

Net contribution from training and non-training activities

36. The net contribution from training and non-training activities totaled €16.517 million, higher by more than €3.0 million over the estimated budget for 2022. One of the main contributor for this significant variance is the continued growth in outreach in 2022. Distance learning enrolments was at 92 278 at the end of the 2022 year as compared to 67 859 in 2021, thus showing growth of more than 34 per cent. Face to face enrolments also increased by 14.5 per cent when compared to 2021, representing 879 more enrolments than the 6 050 enrolments of 2021. In addition, non-training activity services have also continued to grow due to increased demand for the Centre's communication and advocacy services.

Net contribution from multimedia services

37. The net contribution from multimedia services totaled €908 000, an increase of €348 000 or 62.1 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 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

38. The net contribution from miscellaneous sources totaled €2.124 million, an increase of €1.269 million or 148.4 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 realized exchange gain of some €600 000 on the Centre's decision to convert US Dollars at par with the Euro.

Total voluntary contributions – Chapter II

39. 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. Half of this was received in 2022. The variance is due to an increase of some 6 per cent in the level of contribution 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 €916 000.

40. The 2021 contribution from the City of Turin was received in 2022. The funds were used to cover some related extraordinary maintenance costs incurred during the year. In addition, the Centre received a contribution from an external source to cover non-conditional expenditure of various training activities.

Fixed expenditure – Chapter III

41. In 2022, as part of its regular and variable budgets staffing expenditure, the Centre adjusted its level of monthly contributions to the Terminal Benefit Fund (TBF) and this increased its overall staff expenditure by some €165 000. It also made an additional 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 2022, the Fund held approximately €5.3 million in funding which is available for future disbursements. The liability as at 31 December 2022 is estimated at €8.6 million, thus showing a position of under-funding of €3.3 million. A plan is in place to achieve full funding within the next 4 biennia and the progress made in 2022 will result in meeting this objective sooner. The additional contribution is partially charged to Regular budget staff expenditure (approx. €810 000) for a final expenditure of €17.086 million, over the budget of €15.951 million by €1.14 million or 7 per cent. The impact on the Variable budget staff expenditure was approximately €150 000 for a final expenditure of €3.1 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.

42. 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 now recorded under the Centre's expenditure with no impact on the budget surplus, as it balanced by the additional voluntary contribution of the same amount, recorded under Voluntary Contributions from the ILO in the revenue section. In 2022, the amount recorded was €916 000, higher than the budget by €166 000. The main reason is the foreign exchange rate applicable at the time.

43. In 2022, expenditure for consultants were at €400 000, lower by €137 000 than the annual budget. This is due to having retained one person temporarily under a short-term contract during the full year instead of under an external collaborator contract. The costs are included in staff expenditure instead. There were also various transfer of funds from this category of expenditure to General operating costs, as services providers were retained instead.

44. In 2022, campus related costs expenditure were over budget by €457 000 or 19.6 per cent. The main reason being that various extraordinary maintenance work scheduled to be carried out in 2021 were postponed to 2022. These included, among others, work on outside infrastructure, OSH-related work to bring certain areas up to code and the refurbishment of some 11 bedrooms in Americas1 pavilion, including furniture. In addition, utilities increased in early November as the Centre's contracts were expiring and the new rates available were much higher than in the past and an accrual had to be included for €70 000 at year-end.

45. General operating costs increased by €314 000 or 96.6 per cent. The main reason relates to the use of service providers during the year, when compared to the budget. This is due to transfers of funds from the external collaborators budget line that is underspent by €137 000. Additional funds were also provided to develop and launch an outreach campaign for the Centre during the year. Additional expenditure were also incurred in other areas such as the ILO human resource services for which the Centre is charged, due mostly to unfavorable rates in the conversion of the US amounts.

Increased expenditure in internal reproduction and bank changes were also incurred during the year.

Ex–gratia payment

46. There were no ex-gratia payments made in 2022.

Approval of the Financial Statements for the year ended 31 December 2022

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

Accounting procedures and related systems of internal control, developed by Management, provide reasonable assurance that assets are safeguarded, that the books and records properly reflect all transactions and that overall, policies and procedures are implemented with the appropriate segregation of duties.

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

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

Christine Boulanger
Treasurer and Chief of Financial Services
10 March 2023

Giuseppe Casale
Director a.i.
10 March 2023

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 2022, 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 2022, 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 2022, 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
10 March 2023

Commission on Audit
Office of the Chairperson
23-086202091219

Financial Statements
for the year ended 31 December 2022

International Training Centre of the ILO

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

	Notes	2022	2021
Assets			
Current assets			
Cash and cash equivalents	4	28 475	26 523
Accounts receivable	5	4 580	10 474
Due from the ILO		2 617	4 688
Prepayments		407	434
Other current assets		80	96
		36 159	**42 215**
Non-current assets			
Accounts receivable	5	848	1 600
Property and equipment	7	9 646	6 173
Intangible assets		–	1
		10 494	**7 774**
Total assets		**46 653**	**49 989**
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		3 195	4 160
Deferred revenue	8	6 439	16 877
Employee benefits	9	1 630	1 656
		11 264	**22 693**
Non-current liabilities			
Deferred revenue	8	803	1 373
Employee benefits	9	1 275	1 376
		2 078	**2 749**
Total liabilities		**13 342**	**25 442**
Net assets			
Reserve		2 000	2 000
Accumulated balances		31 311	22 547
Total net assets	10	**33 311**	**24 547**
Total liabilities and net assets		**46 653**	**49 989**

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	2022	2021
Revenue			
Training and advisory services		26 153	26 251
Voluntary contributions	11	17 745	15 072
Other revenue	12	3 348	2 278
Exchange gain and revaluation, net	13	2 319	947
Interest revenue		173	56
Total revenue		**49 738**	**44 604**
Expenditure			
Salaries, employee benefits and other personnel costs	13	22 358	21 105
Subcontracts	13	9 584	10 152
General operating expenditure	13	1 810	1 816
Travel	13	1 767	235
Other costs related to training activities	13	1 761	1 091
Buildings and ground maintenance	13	2 128	1 563
Supplies	13	875	738
Depreciation	13	708	717
Bank charges	13	56	46
Total expenditure		**41 047**	**37 463**
Net surplus		**8 691**	**7 141**

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 Develo-pment Fund	Inno-vation Fund	Fellow-ship Fund	Actuarial gain (loss) on employee benefit liability	Total accu-mulated balances	Total
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**
Balance as at 1 January 2021	**2 000**	**12 282**	**1 449**	**1 838**	–	–	–	**(98)**	**15 471**	**17 471**
Net surplus of 2021	–	3 885	1 200	156	300	400	1 200	–	7 141	7 141
Actuarial gain (loss) on employee benefit liabilities	–	–	–	–	–	–	–	(65)	(65)	(65)
Balance as at 31 December 2021	**2 000**	**16 167**	**2 649**	**1 994**	**300**	**400**	**1 200**	**(163)**	**22 547**	**24 547**

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)

	2022	2021
Cash flows from operating activities		
Net surplus for the period	8 691	7 141
Effect of exchange rates on cash and cash equivalents	1 543	1 005
Non-cash items:		
Depreciation	708	717
(Increase)/decrease in accounts receivable	6 646	(497)
Decrease in contributions receivable	–	13
(Increase)/decrease in due to / due from the ILO	2 071	(5 596)
Decrease in prepayments	27	60
Decrease in other current assets	16	11
Increase/(decrease) in accounts payable and accrued liabilities	(965)	2 115
Increase/(decrease) in deferred revenue	(11 008)	1 761
Increase/(decrease) in employee benefit liabilities	(54)	108
Net cash flows from operating activities [/1]	**7 675**	**6 838**
Cash flows from investing activities		
Acquisitions of property and equipment and intangible assets	(4 180)	(960)
Net cash flows from investing activities	**(4 180)**	**(960)**
Effect of exchange rates on cash and cash equivalents	**(1 543)**	**(1 005)**
Net increase in cash and cash equivalents	**1 952**	**4 873**
Cash and cash equivalents, beginning of period	26 523	21 650
Cash and cash equivalents, end of period	**28 475**	**26 523**

[/1] €108 in interest received is included under "Net surplus for the period" in the net cash flows from operating activities (2021 – €55).

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 2022

(in thousands of Euro)

Chapter	Item		2022 Original Budget[1]	2022 Final Budget	2022 Actual	2022 Budget Variance[2]
I		**Earned revenue**				
		Training and non-training activity services				
		Total revenue	24 287	24 287	28 040	3 753
		Direct expenditure	10 774	10 774	11 523	749
	10	**Net contribution from training and non-training activities**	**13 513**	**13 513**	**16 517**	**3 004**
		Multimedia services				
		Revenue	800	800	1 391	591
		Direct expenditure	240	240	483	243
	11	**Net contribution from multimedia services**	**560**	**560**	**908**	**348**
		Miscellaneous				
		Revenue	950	950	2 727	1 777
		Direct expenditure	95	95	603	508
	12	**Net contribution from miscellaneous sources**	**855**	**855**	**2 124**	**1 269**
II		**Voluntary contributions**				
		International Labour Organization	4 199	4 199	5 104	905
		Government of Italy (ex-lege)	7 850	7 850	7 850	-
		Piedmont Region (Italy)	-	-	13	13
		Government of Portugal	250	250	250	-
		City of Turin	-	-	180	180
	13	**Total voluntary contributions**	**12 299**	**12 299**	**13 397**	**1 098**
		Total net contribution available to cover fixed expenditure, contingency and institutional investments	**27 227**	**27 227**	**32 946**	**5 719**
III		**Fixed expenditure**				
	14	Regular Budget (RB) staff	15 951	15 951	17 086	1 135
	15	Variable Budget (VB) staff	2 628	2 628	3 084	456
	16	ASHI contribution for retirees	750	750	916	166
	17	Consultants	537	537	400	(137)
	18	Campus related costs	2 338	2 338	2 795	457
	19	Security	421	421	429	8
	20	General operating costs	325	325	639	314
	21	Missions and representation	232	232	161	(71)
	22	Governance	323	323	407	84
	23	Information and technology costs	1 584	1 584	1 585	1
	24	Depreciation of property and equipment	447	447	463	16
		Total fixed expenditure	**25 536**	**25 536**	**27 965**	**2 429**
IV	25	**Contingency**	300	300	–	(300)
V		**Institutional investments**				
	26	Innovation	200	200	200	-
	27	Information and Communication technology	150	150	150	-
	28	Fellowships	600	600	600	-
	29	Campus Improvements	250	250	250	-
		Total institutional investments	**1 200**	**1 200**	**1 200**	**-**
		Total fixed expenditure, contingency and institutional investments	**27 036**	**27 036**	**29 165**	**2 129**
		Excess prior to the use of past surpluses	**191**	**191**	**3 781**	**3 590**
VI	30	Used of past surpluses	-	-	52	52
		BUDGET SURPLUS[3]	**191**	**191**	**3 833**	**3 642**

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

[/2] Budget variances are explained in the accompanying financial report on the 2022 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 2022

(in thousands of Euro)

Note 1 – Objectives, activities and other information

The International Training Centre of the International Labour Organization (the “Centre”) was established by the Governing Body of the ILO and the Government of Italy in 1964. The objective of the Centre, in keeping with the principles set forth in the Preamble of the Constitution of the International Labour Organization (ILO) and in the Declaration of Philadelphia, is to provide training activities at the service of economic and social development in accordance with, and through the promotion of international labour standards. Its training activities are elaborated within the framework of the technical co-operation of the ILO, the United Nations System and other international organizations.

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

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

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

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

Note 2 – Accounting policies

Basis of Preparation and Presentation

The financial statements of the Centre have been prepared on the accrual basis of accounting in accordance with International Public Sector Accounting Standards (IPSAS) and fully comply with all the applicable standards effective as at 31 December 2022.

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

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

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

Significant accounting policies

Foreign currency transactions

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

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

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

Financial instruments

Financial assets and financial liabilities are categorized as follow:

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

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

Recognition and initial measurement

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

De-recognition

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

Impairment

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

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

Cash and cash equivalents

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

Accounts receivable

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

Contributions receivable

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

Due from/to the ILO

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

Property and equipment

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

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

Deferred revenue

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

Employee benefits

The Centre recognizes the following categories of employee benefits:

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

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

2. post–employment benefits:

- Repatriation travel and removal expenditures

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

- Repatriation grant and end-of-service payments

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

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

- After-service health insurance (ASHI)

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

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

- United Nations Joint Staff Pension Fund

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

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

Payables and accruals

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

Revenue from exchange transactions

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

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

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

Contingent assets

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

Contingent liabilities

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

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

Segment information

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

Significant judgements and sources of estimation uncertainty

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

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

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

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

Note 3 – New accounting standards

New accounting standards effective 1 January 2022

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

New accounting standards issued but not yet effective

For the period of 2018 to 2022 inclusively, the International Public Sector Accounting Standards Board (IPSASB) published the following new and amended standards:

- Improvements to IPSAS, 2019: This comprises minor improvements to IPSAS in order to address various issues raised by stakeholders. The effective date for the application is for annual periods beginning on or after 1 January 2023, with earlier adoption encouraged. This will have no impact on the Centre's financial statements.
- Improvements to IPSAS, 2021: This comprises general improvements and International Financial Reporting Standards (IFRS) alignment improvements to IPSAS. The effective date for the application is for annual periods beginning on or after 1 January 2023, except for the interest rate benchmark reform amendments to IPSAS 29 which is 1 January 2022, with earlier adoption encouraged. This will have no impact on the Centre's financial statements.
- Amendment to IPSAS 19 – Collective and Individual Services: This amends the requirements under this standard to include transactions for collective and individual services. The effective date for the application is for annual periods beginning on or after 1 January 2023, with earlier adoption encouraged and provided that IPSAS 42 – Social Benefits is adopted at the same time. This will have no impact on the Centre's financial statements.
- Amendment to IPSAS 36 – Long-term Interests in Associates and Joint Ventures: This amendment clarifies that the amendment to IPSAS 41 also applies to long-term interests in associates and joint ventures. The effective date for the application is for annual periods beginning on or after 1 January 2023, with earlier adoption permitted. This will have no impact on the Centre's financial statements.
- IPSAS 41 – Financial Instruments: This new standard establishes the requirements for classifying, recognizing and measuring financial instruments to replace those in IPSAS 29, Financial Instruments: Recognition and Measurement. The effective date for the application is for annual periods beginning on or after 1 January 2023, with earlier adoption permitted. This will have no significant impact on the Centre's financial statements.
- Amendment to IPSAS 41 – Financial Instruments, Prepayment Features with Negative Compensation: This amends the classification requirements for particular financial assets with prepayment features that may result in reasonable negative compensation for early termination of the contract and which may be eligible to be measured at

amortized cost or fair value through net assets. The effective date for the application is for annual periods beginning on or after 1 January 2023, with earlier adoption permitted. This will have no impact on the Centre's financial statements.

- IPSAS 42 – Social Benefits: This new standard defines social benefits and establishes when expenditure and liabilities for social benefits are to be recognized and how they should be measured. The effective date for the application is for annual periods beginning on or after 1 January 2023, with earlier adoption encouraged. This will have no impact on the Centre's financial statements.
- 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 have no 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 have no impact on the Centre's financial statements.

Note 4 – Cash and cash equivalents

	US dollar (€ equivalent)	Euro	2022	2021
Current accounts and cash on hand	7 593	20 882	28 475	26 523
Total cash and cash equivalents	**7 593**	**20 882**	**28 475**	**26 523**

Of the total cash and cash equivalents held in 2021, €10 648 was in Euro and the balance was held in US dollars, €15 875 Euro equivalent.

The cash and cash equivalent balance includes an amount of €5 731 (2021 – €9 341) which must be used for training and advisory services and other specific purposes. This includes the cash and cash equivalent relating to the Italy contribution for training purposes.

Note 5 – Accounts receivable

	2022	2021
Current accounts receivable		
Accounts receivable from invoiced training services	2 189	1 272
Accounts receivable from training services agreements due in 2023	2 330	9 192
Other accounts receivable	85	17
Less: provision for doubtful accounts – training services	(24)	(7)
Total current net accounts receivable	**4 580**	**10 474**

	2022	2021
Non-current accounts receivable		
Accounts receivable from training services agreements due after 31 December 2023	801	1 373
Advances to implementation agencies	47	227
Total non-current net accounts receivable	**848**	**1 600**

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

	2022	2021
Movements in provision for doubtful accounts		
Balance 1 January	7	90
Amounts written off during the year as uncollectible	–	(37)
Impairment losses reversed	(7)	(53)
Increase in allowance for new impairments	24	7
Balance 31 December	**24**	**7**

Note 6 – Financial instruments

Activities are exposed to the following financial risks: market risk, credit risk and liquidity risk. The Centre focuses on these risks and seeks to minimize potential effects on financial performance. Financial risk management is carried out in conjunction with the Investment Policy, Financial Regulations and Risk Management Policy. In 2022, there were no changes related to the objective, policies and processes for managing these risks. There were also no changes in the risks and risk levels to those identified in 2021.

Market risk

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

Currency risk

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

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

	2022 US Dollar	2022 € equivalent	2021 US Dollar	2021 € equivalent
Cash and cash equivalents	8 086	7 593	18 019	15 875
Accounts receivable	449	431	92	82
Due to the ILO	(87)	(81)	(938)	(827)
Accounts payables and accrued liabilities	(161)	(154)	(230)	(203)
Net exposure	**8 287**	**7 789**	**16 943**	**14 927**

Based on the net exposure as at 31 December 2022, 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 €389 (2021 – €794) or 5 per cent (2021 – 5 per cent).

Interest rate risk

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

Other price risk

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

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

Liquidity risk

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

Accounts payable are mostly due within 15 days (2021 – 13 days).

In accordance with its Financial Regulations, a Working Capital Fund is maintained which can be used to temporarily finance expenditure pending the receipt of voluntary contributions and other revenue and in exceptional circumstances, to provide advances to meet emergencies. At the reporting date, the Working Capital Fund balance was €2 million (2021 – €2 million).

Credit risk

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

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

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

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

2022	AAA	AA+–AA–	A+–A–	BBB+–BBB–	Total
Cash and Cash Equivalents	–	–	22 980	5 495	**28 475**
2021					
Cash and Cash Equivalents	–	–	20 473	6 050	**26 523**

Accounts receivable

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

The aging of receivables at 31 December is as follows:

2022	Less than 1 year	1–2 years	Over 2 years	Less provision for doubtful accounts	Total
Accounts receivable	4 575	29	–	(24)	**4 580**
2021					
Accounts receivable	10 430	51	–	(7)	**10 474**

Note 7 – Property and equipment

	Equipment	Leasehold improvements	Total 2022	Total 2021
Cost at 31 December	4 183	15 463	19 646	15 466
Accumulated depreciation at 31 December	3 272	6 728	10 000	9 293
Net book value at 31 December 2022	**911**	**8 735**	**9 646**	**6 173**
Net book value at 31 December 2021	**698**	**5 475**	**6 173**	

There were €2 in contractual commitments for the acquisition of property and equipment at the end of 2022 (2021 – €2 989 related to the refurbishment of the Africa 10/11 pavilions).

Equipment

	Vehicles	Office equipment	Other equipment	Furniture and fixtures	Total 2022	Total 2021
Cost at 1 January	5	2 230	1 357	160	3 752	3 603
Equipment - Additions	–	425	6	–	431	185
Disposals	–	–	–	–	–	(36)
Cost at 31 December	**5**	**2 655**	**1 363**	**160**	**4 183**	**3 752**
Accumulated depreciation at 1 January	5	1 893	1 024	132	3 054	2 879
Depreciation	–	110	97	11	218	211
Disposals	–	–	–	–	–	(36)
Accumulated depreciation at 31 December	**5**	**2 003**	**1 121**	**143**	**3 272**	**3 054**
Net book value at 31 December	**–**	**652**	**242**	**17**	**911**	**698**

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:

	2022	2021
Cost at 1 January	11 714	10 939
Leasehold improvements - Additions	236	75
Work in progress – Additions	3 513	700
Cost at 31 December	**15 463**	**11 714**
Accumulated depreciation at 1 January	6 239	5 739
Depreciation	489	500
Accumulated depreciation at 31 December	**6 728**	**6 239**
Net book value at 31 December	**8 735**	**5 475**

Note 8 – Deferred revenue

	2022	2021
Deferred revenue – Current		
Voluntary contributions received in advance relating to signed agreements	3 712	7 347
Voluntary contribution receivable relating to signed agreements	2 727	9 530
Total current deferred revenue	**6 439**	**16 877**
Deferred revenue – Non-current		
Voluntary contribution receivable relating to signed agreements	803	1 373
Total non-current deferred revenue	**803**	**1 373**
Total deferred revenue	**7 242**	**18 250**

	2022	2021
Movements in deferred revenue		
Balance 1 January	**18 250**	**16 489**
New agreements signed during the year	6 990	10 046
Recognition of deferred revenue to training revenue in the Statement of financial performance	(10 158)	(7 633)
Refund/reduction of training agreements to donors	(5 050)	(945)
Variation in other funds received in advance not linked to training agreements and amounts to be refunded	(2 693)	(467)
Discounting	(97)	760
Balance 31 December	**7 242**	**18 250**

Note 9 – Employee benefits

	Current	Non-current	Total 2022	Total 2021
Accrued salaries	4	–	4	15
Accumulated leave and home leave	1 438	577	2 015	2 014
Repatriation entitlements	31	698	729	847
Other	157	–	157	156
Total employee benefits liabilities	**1 630**	**1 275**	**2 905**	**3 032**

Post-employment benefits

Repatriation entitlements

In 2022, 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 expenditures is estimated based on an actuarial valuation. The Centre, jointly with the ILO, reviews and selects assumptions and methods that will be used by the actuary in the valuation to determine the expense and contribution requirements for the Centre's repatriation travel and removal expenditures.

For the 2022 valuation, the assumptions and methods used are as described below.

	2022 (%)	2021 (%)
Discount rate	3.78	0.88
Rate of future cost increases	2.20	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 2022 and 2021.

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

	2022	2021
Defined benefit obligation, beginning of the year	**847**	**793**
Interest costs	7	3
Net benefits paid	(52)	(14)
Actuarial (gain) loss due to experience / demographic assumptions	103	49
Actuarial (gain) loss due to assumption changes	(176)	16
Defined benefit obligation, end of year	**729**	**847**

	2022	2021
Statement of financial position liability, beginning of year	**(847)**	**(793)**
Total (charge) credit for interest cost and current service cost	(7)	(3)
Net benefits paid	52	14
Total (charge) credit recognized in Statement of financial performance	45	17
Total (charge) credit recognized in net assets	73	(65)
Statement of financial position liability, end of year	**(729)**	**(847)**

Expenses related to interest costs and net benefits paid for 2022 have been recognized in the Statement of financial performance as salaries, employee benefits and other personnel related costs. The Cumulative net actuarial gain of €73 (2021 – loss of €65) 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 2022 was €1 944 (2021 – €1 699).

The present value of the defined benefit obligation for end-of-service was estimated at €7 292 (2021 – €8 997). The present value of the defined benefit obligation for repatriation grant was €1 313 at the end of 2022 (2021 – €1 483). These liabilities are recognized by the ILO in its consolidated financial statements.

The Centre currently has funded a portion of these liabilities to the level of €5.3 million as at 31 December 2022 (€3.6 million as at 31 December 2021).

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 using the Open Group Aggregate Method. The primary purpose of the actuarial valuation is to determine whether the current and estimated future assets of the Fund will be sufficient to meet its liabilities.

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

The latest actuarial valuation for the Fund was completed as of 31 December 2021, and a roll forward of the participation data as of 31 December 2021 to 31 December 2022 will be 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% (107.1% in the 2019 valuation). The funded ratio was 158.2% (144.4% in the 2019 valuation) 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 (2019, 2020 and 2021) amounted to USD 8 505.27 million, of which 0.18 per cent was contributed by the Centre.

During 2022, contributions paid to the Fund amounted to €4 900 (2021 – €4 349). Expected contributions due in 2023 are approximately €5 124.

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 €81 676 at the end of 2022 (2021 – €114 965). This liability is recognized by the ILO in its consolidated financial statements.

Note 10 – Net assets

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

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

Note 11 – Revenue from voluntary contributions

	2022	2021
Government of Italy	11 712	10 150
International Labour Organization	5 104	4 492
Government of Portugal	250	250
City of Turin (Italy)	180	180
Piedmont Region (Italy)	13	–
Other voluntary contributions	486	–
Total voluntary contributions	**17 745**	**15 072**

The ILO contribution of €4 188 (US$4 770 million) represents one half of the approved 2022-23 biennial contribution of US$9 540 million. The ILO also contributed €916 (US$966) to cover the costs of After Service Health Insurance for Centre retirees.

The Italian Government's ex-lege contribution to the Centre in 2022 was €7 850 (2021 – €7 850) and was received in 2022. The Italian Government's contribution for training activities in 2022 was €1 698. The Italian Government also made a contribution of €3 000 for the renovation of the Africa 10 and 11 pavilions on Campus. Of the total contribution, an amount of €2 164 is recorded as revenue from voluntary contributions, representing the work-in-progress carried out during the year on the pavilions (2022 – €700).

Note 12 – Other revenue

	2022	2021
Non-exchange transactions		
Cost recoveries from other UN organizations	394	337
Use of facilities other than residential	1 262	635
Other miscellaneous revenue	132	29
Exchange transactions		
Use of residential facilities by non-participants attending training	169	88
Revenue from multimedia services	1 391	1 189
Total other revenue	**3 348**	**2 278**

Note 13 – Expenditure

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

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

Note 14 – Commitments, leases and contingent liabilities

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

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

At 31 December 2022, the Centre had commitments of €1 906 (2021 – €2 570) 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 €86 (2021 – €19) and €313 (2021 – €286) for software licenses.

The Centre, acting as a lessor, has cancellable cost recovery agreements with United Nations Interregional Crime and Justice Research Institute (UNICRI) and the United Nations System Staff College (UNSSC). Revenue generated under these leases totaled €394 (2021 – €337).

Note 15 – Statement of comparison of budget and actual amounts

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

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

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

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

Reconciliation between Statement V and Statement IV

	Operating	Investing	Financing	Total
Net budget surplus (Statement V)	**3 833**	–	–	**3 833**
Timing differences	–	–	–	
Basis differences	(2 856)	(4 180)	–	(7 036)
Entity differences	3 433	–	–	3 433
Net cash flow	**4 410**	**(4 180)**	–	**230**
Effect of exchange rates on cash and cash equivalent	1 722	–	–	1 722
Net increase (decrease) in cash and cash equivalent (Statement IV)	**6 132**	**(4 180)**	–	**1 952**

Reconciliation between Statement V and Statement II

Net budget surplus (Statement V)	3 833
Timing differences	–
Basis differences	(297)
Entity differences	5 155
Net surplus per Statement of financial performance (Statement II)	**8 691**

Use of surplus funds

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

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

	Training activities	Innovation Fund	Campus Improvement Fund				Total
			Infrastructures on campus	Business Process Review	HRS – IT applications	Total	
Allocations from 2010 surplus	500	300	650	350	–	**1 000**	**1 800**
Expenditure in 2012	(500)	(45)	–	(31)	–	**(31)**	**(576)**
Expenditure in 2013	–	(255)	–	(51)	–	**(51)**	**(306)**
Expenditure in 2014	–	–	(650)	–	–	**(650)**	**(650)**
Expenditure in 2015	–	–	–	(102)	–	**(102)**	**(102)**
Expenditure in 2016	–	–	–	(77)	–	**(77)**	**(77)**
Expenditure in 2017	–	–	–	(37)	–	**(37)**	**(37)**
Expenditure in 2022	–	–	–	(8)	–	**(8)**	**(8)**
Balance at 31 December 2022	**–**	**–**	**–**	**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)**
Balance at 31 December 2022	**–**	**–**	**750**	**–**	**25**	**775**	**775**
Allocations from 2014 surplus	**286**	–	**100**	–	–	**100**	**386**
Expenditure in 2017	(286)	–	–	–	–	**–**	**(286)**
Balance at 31 December 2022	**–**	**–**	**100**	**–**	**–**	**100**	**100**

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

Note 16 – 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 17 – Contingent assets

	2022	2021
ILO contribution	4 479	8 404
Government of Italy – Centre's operations	7 850	7 850
Government of Italy – Refurbishment of campus infrastructure	8 000	–
Funding agreements related to activities	550	1 100
Total contingent assets	**20 879**	**17 354**

Note 18 – Related party transactions

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

	2022	2021
General operations	5 104	4 492
Training activities	16 520	19 037
ASHI contribution for former employees	916	806
End–of–service benefits	579	537
Staff costs of ILO staff members assigned to Centre	281	125
Internal audit, legal and HR services	353	210
Total related party transactions	**23 753**	**25 207**

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

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

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

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

	2022		2021	
Category	Full-time equivalent	Total remuneration	Full-time equivalent	Total remuneration
Key Management	7.0	1 433	7.3	1 457

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

Note 19 – Capital management

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

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

Note 20 – Comparative information in note restated

The comparative 2021 figure for the total amount paid to the ILO regarding the end-of-service payments and repatriation grants in Note 9 – Employee Benefits was adjusted from €699 to €1 699, as a result of an omission in the text last year.

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 2022

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 2022.

Our report as External Auditor of the Centre contains the results of our audit of the 2022 financial statements, and our observations and recommendations on the review of the Centre's evaluation of training activities. Value-adding recommendations were communicated and discussed with Management to further enhance efficient and effective management of the Centre.

Our audit was conducted in accordance with the International Standards on Auditing and the International Standards of Supreme Audit Institutions. 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 2023 meeting of the Board.

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

Yours sincerely,

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

Quezon City, Philippines
10 March 2023

Commission on Audit
Office of the Chairperson
23-086202091219

Republic of the Philippines
COMMISSION ON AUDIT
Quezon City

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

For the Financial Year Ended 31 December 2022

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 2022

CONTENTS

LIST OF ACRONYMS

ACTEMP	Bureau for Employers’ Activities
ACTRAV	Bureau for Workers’ Activities
CFA	Contracts and Funding Agreements
EVAL	Evaluation Office
FINSERV	Financial Services
FIS	Facilities and Internal Services
HRS	Human Resources Services
IAASB	International Auditing and Assurance Standards Board
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
ISO	International Organization for Standardization
ITC	International Training Centre
JNC	Joint Negotiation Committee
KPI	Key Performance Indicator
LIP	Learning Innovation Programme
OA	Oracle Application
OECD	Organization for Economic Co-operation and Development
OSS	One Stop Shop
PCF	petty cash fund
PDCA	Plan-Do-Check-Act
PMS	Performance Management System
PO	Purchase Order
PRODEV	Partnership and Programme Development Service
RBM	Results-based Management
ROI	return on investment
SDG	Sustainable Development Goals
TDIR	Training Department
TOR	Terms of Reference
UN	United Nations
UNDP	United Nations Development Programme
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 results of the audit on the financial statements for the financial year ended 31 December 2022 and the observations with respect to the administration and management of the Centre as required under Regulations IX.25.

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

Overall results of the audit

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

4. Our audit resulted in the issuance of an unmodified audit opinion[1] on the Centre's financial statements for the financial year ended 31 December 2022. We concluded that the financial statements present fairly, in all material respects: (a) the financial position of the Centre as at 31 December 2022; (b) its financial performance; (c) the changes in net assets; (d) its cash flows; and (e) the comparison of budget and actual amounts of its expenditures for the said year in accordance with International Public Sector Accounting Standards (IPSAS). We commend the Centre's Management for consistently achieving an unmodified audit opinion.

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

6. In line with Financial Regulation IX.25, we provided Management with recommendations that are designed to support the objectives of the Centre's work, to reinforce its accountability and transparency, and to improve and add value to the Centre's financial management and governance. For the financial year 2022, we conducted a review of evaluation of training activities carried out by the Centre to provide assurance as to whether there were adequate and functioning framework, policies, strategies, and effective controls in the evaluation of the Centre's training activities, as well as whether there existed tools 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.

procedures in the implementation and delivery of the corresponding policies for the efficient and effective achievement of the intended goals of the training evaluation.

7. The review was conducted taking into account the 2016 United Nations Evaluation Group (UNEG) Norms and Standards for Evaluation, which prescribes the standards for institutional evaluation framework which includes programme and project evaluation that covers training. Based on our review, we concluded that the Centre has a comprehensive Quality Assurance Framework that includes Monitoring and Evaluation as integral components, as well as robust and well-developed evaluation tools and processes. We noted, however, some improvement opportunities such as the need for updating of the Quality Assurance Manual, specifically on monitoring and evaluation, as regards to changes in evaluation methodologies, training industry and technologies, stakeholder engagement, and provision of an evaluation plan, among others. As to the reporting of the results of evaluations, we pointed out some enhancements with regard to the reporting of the impact and sustainability of training programmes by developing related key performance indicators (KPIs), as a precursor to commissioning a regular impact and sustainability assessment. We also emphasized the importance of including, in future implementation reports, a table summarizing the progress made in the implementation of past external evaluators' recommendations to permit easy monitoring by the Board. Likewise, we pointed out the need to strengthen the independence of the quality assurance function in the evaluation process.

Summary of recommendations

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

Audit of financial statements

Innovation, and fellowship funds

a. **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 (Para. 34);**

Petty cash, cash advance to the Cash Office and review of funding agreements

b. **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 (Para. 50);**

Staffing contract

c. **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 Human Resources Services (HRS) Circular; and ensure that**

recruitment for the regular staff positions is carried out through fair competitions towards diversity at the same time giving equal opportunity, while, for professionals, the competition should be international (Para. 59);

Accruals and prior years' expenses

d. **emphasize in the closure instructions that all receipts in the Oracle Application (OA) must represent actual delivery of goods and services purchased, with proof of receipts to be attached in the OA, where practicable (Para. 66);**

e. **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 (Para. 67);**

Accumulated leave of short-term staff

f. **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 Integrated Resource Information System (IRIS) - WIN upon termination of service (Para. 73);**

Review of evaluation of training activities

Evaluation policy and guidelines

g. **update the 2019 Quality Assurance Manual to incorporate the developments in the evaluation criteria, methodologies, tools and approaches, and other important areas of an evaluation process, in order 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 (Para. 84);**

Stakeholder engagement

h. **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 Terms of Reference (TOR) of the evaluators (Para. 90);**

Evaluation plan and resources

i. **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 (Para. 95);**

Reporting of impact and sustainability of training activities

j. **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 (Para. 107);**

Monitoring and implementation of external evaluation recommendations

k. **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, with a view to harnessing the benefits of evaluations on its training programmes (Para. 113); and**

Independence of the evaluation function

l. **strengthen the independence of the quality assurance function in the evaluation process (Para. 120).**

Implementation of External Auditor's recommendations in prior years

9. We appreciate the actions taken by the Centre's Management in the implementation of prior years' external audit recommendations. We would like to point out, however, that there are still some older recommendations that remain outstanding, as they have not yet been addressed due to competing priorities. We recommend that Management consider allocating additional resources to complete the implementation of the audit recommendations made in previous financial years. This is to promote accountability over the financial and operational business processes of the Centre.

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

A. MANDATE, SCOPE, AND METHODOLOGY

Mandate

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

[2] GB 323/PFA/6

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

Scope and objectives

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

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

a. financial statements present fairly, in all material respects, the financial position of the Centre as at 31 December 2022, 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;

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.

15. We also conducted a review of the Centre's operations pursuant to Financial Regulation IX.25 in order to identify issues with respect to the efficiency of the financial procedures, the accounting system, the internal financial controls, and in general, the administration and management of its operations. For the financial year 2022, we reviewed the evaluation of training activities of the Centre to provide assurance as to whether there were adequate and functioning framework, policies, strategies, and effective controls in the evaluation of the Centre's training activities, as well as whether there are existing tools and procedures in the implementation and delivery of the corresponding policies for the efficient and effective achievement of the intended goals of the training evaluation.

16. Overall, our audit was carried out in line with the Audit Plan presented to the Board on 27 October 2022 and is intended to provide independent assurance to the Members of the Board, reinforce transparency and accountability in the Centre, and support the objectives of the Centre's work through the external audit process.

Methodology and auditor's responsibilities

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

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

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

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

Management responsibilities

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

B. AUDIT RESULTS

22. This section presents the results of the audit for the financial year 2022. It covers matters that in our opinion should be brought to the attention of the Board of the Centre. We afforded the Centre's Management the opportunity to comment on observed Centre's operation weaknesses in our audit observation memoranda to ensure balanced reporting. The recommendations provided to Management are designed to support the objectives of the Centre's mandate, to reinforce its accountability and transparency as well as to improve and add value to Centre's financial management and governance.

B.1 Audit of financial statements

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

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

25. We conducted a comprehensive audit on the financial statements by performing substantive testing and test of balances on the accounts covering the period January to December 2022. We performed minimum testing for non-significant accounts and standard or focused testing for significant accounts based on the results of our risk assessment. Our general audit procedures included the review of the transactional processes, including analysis of transaction flow, which leads to the account balances contained in the Centre's financial statements.

26. We appreciate the efforts taken by Management to address our recommendations issued during the interim and year-end audit of the Centre's 2022 financial statements to present fairly the balances of the affected accounts and improve further the presentation and disclosures in compliance with IPSAS.

27. We concluded that the financial statements present fairly, in all material respects, the financial position of the Centre as at 31 December 2022, the results of its financial performance, the changes in net assets, the cash flows, and the comparison of budget and actual amounts in accordance with IPSAS. Hence, we issued an unmodified opinion on the Centre's financial statements. We commend the Centre Management for consistently achieving an unmodified audit opinion since the start of our mandate in 2016.

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

B.1.1 Innovation, and fellowship funds

29. Assessment of the impact of a project is a critical component of project management because it provides valuable information that can be used to improve the effectiveness of future projects. The United Nations Development Programme (UNDP) Sustainable Development Goals (SDGs) Impact Standards Glossary defines "impact" as a long-term change in an

outcome (aspects of wellbeing) caused by an entity's actions or decisions either directly through its products, services or own operations; or indirectly through its supply and value chain(s). Impacts can be positive or negative, intended or unintended, primary or secondary. The glossary also defines "impact assessment" as the process of measuring and valuing relevant impacts (and the interrelated dependencies, i.e. the social and human and natural resources and relationships that entities need to create and sustain value), using appropriate methods.

B.1.1.1 Evaluation on the impact of fund utilization

30. The Innovation Fund, with a balance of EUR 587,116 as at 31 December 2022, was established to encourage innovation in learning and knowledge-sharing tools, develop new training activities in response to emerging ILO policies, and invest in other innovative initiatives deemed beneficial to the Centre. It is a Centre-wide financing mechanism used for innovation projects proposed by either the Technical Programmes facilitated by the Director of Training or the service units facilitated by the Deputy Director. Of the fund balance, EUR 150,000 was approved for use during the year, and expenditure of EUR 25,371 was made for the Learning Analytics and Masterclass Evaluation projects implemented by the Learning Innovation Programme (LIP). The projects were completed in 2022, however, their impact has not been evaluated.

31. Based on interviews, the Centre lacks the mechanism to measure the impact of projects financed by the Innovation Fund. As a result, the long-term relevance, effectiveness, sustainability, and other factors affecting the projects were not measured. Therefore, the Centre was unable to identify the positive and negative aspects of the project to enhance the benefits and avoid the unfavorable facets of initiating innovation. Considering that the purpose of the Innovation Fund is to promote innovation, develop new training activities, and invest in other innovative actions, it is essential to conduct impact assessments with consideration to financial, technical, economic, social, and environmental implications. This will provide an in-depth analysis of the long-term results of the project, as well as suggestions for future works.

B.1.1.2 Monitoring of the utilization of the Fellowship Fund

32. The Fellowship Fund was established by the Board to provide for partial participation by constituents in the Centre's activities and enhance its tripartite character. It is earmarked for use by the Employers' Programme (ACTEMP), the Workers' Programme (ACTRAV), and the International Labour Standards and Gender Equality Programme (ILSGEN) to cover the costs of participants in open courses, finance tailor-made activity direct costs, and temporarily open a tailor-made activity budget while waiting for advance payments or an ILO PO. As at 31 December 2022, the fund has a balance of EUR 1,504,390, of which EUR 600,000 was available for use in 2022, with a distribution of EUR 250,000 each for ACTEMP and ACTRAV, and EUR 100,000 for ILSGEN.

33. Regarding utilization in 2022, ACTRAV explained that allocated funds were promptly utilized because it was less than what was needed. Justification, however, is required for additional funding requests. Regarding ILSGEN and ACTEMP, its low utilization rate is due to its strategy in programme implementation coupled with the result of collaboration with the sponsors. The Director of Training also explained that the utilization of the fund is sometimes affected by political decisions of sponsors and also part of the strategies of the Training Department. While the various reasons are duly considered in audit, it was noted that enhanced

monitoring is necessary in order to determine whether the planned implementation strategy or workplan for the utilization of the fund is optimal, remains relevant and is aligned with the overall strategy of the Training Department (TDIR), as a whole. This would facilitate in future with the decision as to the amount to be allocated from the fund.

34. **We recommended that the Management 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, financial delivery of the funds, as well as recommendations for future related initiatives.**

Management response

35. Management agreed and elaborated that while in most cases this is done, it may not be sufficiently formalized. Management committed that it will implement a more formal impact analysis of the projects funded from this Fund and share the results with its Senior Management Team.

B.1.2 Petty cash, and cash advance to the Cash Office

36. We audited the petty cash and cash advance to the Cash Office accounts of the Centre which include Account 111261 (Petty Cash – FIS-Purcomtel and Medical Service) which was established at EUR 1,600 and Account 111111 (Cash Office – Cash Advance EUR and Cash Office – Cash Advance USD) which was established by the Treasurer at EUR 20,000. The audit aimed to determine whether transactions relating to the accounts are in accordance with policies, procedures and guidelines and in consideration of the elements of internal control.

B.1.2.1 Formal policy on petty cash management and procedural process flow on the administration of cash advances in the Cash Office.

37. Paragraph 9.10 of the Financial Rules provides that *"Officials who are to perform the function of cashier shall be designated by the Treasurer. The exact duties of each cashier shall be notified to him/her in writing."* Paragraph 9.20 of the same document states that: *"The person issuing an advance shall specify in writing the amount of the advance and the purposes for which it may be used."*

38. Review of the management of the petty cash fund (PCF) revealed that the rules and guidelines on PCF handled by the Facilities and Internal Services (FIS)-Purcomtel and Medical Service are contained in a document entitled *Cash Transactions Flow Chart* issued on 10 February 2021, where it is expressly stated that: "*There are no guidelines governing management of PCF.*"

39. Management commented that Circulars are issued when rules and procedures are to be communicated to colleagues outside the Financial Services (Finserv). Relatedly, the petty cash is currently held by FIS-Purcomtel and the Medical Service wherein both Services were well informed over the years with the proper handling of PCF. It was nevertheless committed by the Management to issue the necessary Circular.

40. Moreover, Financial Rule 9.10 states that: *"Officials who are to perform the function of cashier shall be designated by the Treasurer. The exact duties of each cashier shall be notified to him/her in writing. Advances to cashiers shall not be considered as operating cash advances for the purpose of these Rules."*

41. Review of transactions processed under Account 111111 (Cash Office – Cash Advance EUR and Cash Office – Cash Advance USD) revealed that the Cashier manages the cash advances, initially set at EUR 20,000, without any documented policy as to the range and basis of the amount that should be kept. The review confirmed the lack of policy formally set to govern the threshold on the amount of collection that would trigger deposit.

42. Management explained that the cash advance managed by the Cash Office within Finserv is a cash advance provided by the Treasurer in accordance with Financial Rule 9.10. As such, the amount was set verbally with the involved staff. However, it was committed that a formal policy and procedures would be established by the Treasurer.

43. We noted that the petty cash Cashiers in FIS-Purcomtel and the Medical Service, as well as the Cashier from Finserv manage petty cash and the cash advance, respectively, based on verbal instructions and the knowledge they have acquired through years of experience, and not on written rules and procedures formally issued by the Treasurer to ensure effectiveness and efficiency of operations.

44. Cash is the most liquid amongst the assets of an entity and it is susceptible to theft and misappropriation. Hence, to guard against the loss of cash through theft or fraud, adequate cash management mechanisms and controls must be in place. Formal and written policies and procedures do not only improve overall organizational performance by keeping process holders informed of the standards and encourage consistency in application of policies, but also serve as benchmarks for compliance, accountability, effectiveness of daily operations and streamlining of internal processes.

B.1.2.2 Alignment of current practice with the Circular on the review, clearance, signature and process flow of funding agreements for activities

45. To ensure that all funding agreements for activities entered into by the Centre with external institutions comply with the Centre's Financial Regulations and Rules as well as relevant procedural and administrative rules, all draft agreements should undergo a review and clearance process before finalization and approval by both parties (the Centre and the client-external institution). We reviewed the activities involved and procedures carried out prior to finalization and approval of the funding agreements for activities to ensure the effectiveness and efficiency of the process, as well as its compliance with the relevant policy or Circular.

46. The review, clearance, signature and process flow of funding agreements for activities are documented in Circular No. DIR-TRG 1/2013 dated 28 June 2013. Paragraph 5 thereof states that: "*The Contracts and Funding Agreements (CFA) Committee is responsible for the review and clearance of all agreements which fall within the scope of the Circular"*. The said Circular also specifies the members of the CFA Committee, the Outlook e-mail address where the requesting official should send the request for the review and clearance of agreement, other authorities to be consulted in the review, identifies the official who shall give final clearance on the finalized document before approval, among others.

47. We assessed the current and actual review process performed by the CFA Committee and noted that the Circular is no longer aligned with the current practice, inter alia, the current membership of the Committee, the platform where the requests for review and clearance should be sent, and the review procedure to be done by the CFA Committee.

48. Management commented that the current membership of the CFA Committee is still composed of the same staff since they already have the knowledge in the review of agreements. However, they transferred to a different Programme or Unit, and Partnership and Programme Development Service (PRODEV) no longer exists. It was further disclosed that Management is in the process of streamlining the submission, review, finalization, clearance and signature of agreements with a new workflow that will have a dedicated platform for the process. Likewise, we were informed that Management already has a draft of the revised TOR of the CFA Committee that will include the composition of the members, rules and procedures, risk assessment, review procedure by the CFA, and the categories of risks, criteria of assessment to categorize agreements and extent of review work to be performed by the CFA Committee.

49. We appreciate the plan of management to introduce the new workflow to streamline the process. However, such plan can only robustly materialize with a document that formalizes the authority, duties and responsibilities, timelines, procedures and other important components of the process. The document will not only be the foundation and basis of the actions that each member of the Committee will perform, but will also serve as a basis for requesting officials in initiating and monitoring the status of their requests for review and clearance of agreements for activities which would improve controls on the activity.

50. **We recommended that Management, through the Treasurer, pursue the commitment to update and issue the necessary Circulars and 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.**

Management response

51. Management agreed and the Treasurer has drafted the document and will issue the corresponding Circular to formalize the cash advance levels, the cash office process, rules and procedures. The Circular concerning the review, clearance, signature and process flow of funding agreements for various Centre activities will also be updated to reflect the process including reference to the new One Stop Shop tool. Management also committed to finalising and immediately issuing the revised Terms of Reference of the CFA Committee.

B.1.3 Staffing contract

52. We conducted an evaluation of the data supporting the payroll of the Centre including changes/movements in its staffing pattern, and reviewed the recruitment between 01 January and 31 August 2022, involving staff under short-term and fixed-term 1.2(b) contracts. The review was intended to determine whether the processes involved were in accordance with policies, rules and procedures. It was noted that there was consistent use of these types of employment contracts even for positions of regular staff members for reasons not among those provided in the HRS Circular No. 02/28 dated 12 December 2002 (ensuring the appropriate use of employment contracts for specific types of employment). It is highlighted that hired

officials for specialized and purely temporary vacancies shall be referred to as "fixed term 1.2(b)" in this report.

B.1.3.1 Filling of vacancies in the regular and variable budget positions by short term and fixed term 1.2b staff

53. HRS Circular No. 02/28 states that an inappropriate contract use will be considered to occur when a person is engaged under one or more temporary contracts and has accumulated more than 364 days under such contracts within a period of two years. In paragraph 4 of the same Circular, it states that: *"As it is the direct responsibility of managers to initiate the recruitment of short-term staff and to contract external collaborators, it is necessary to emphasize the importance of ensuring* ***that each specific use made of short-term or external collaboration contracts is temporary and of definite duration*** *and that the policies and rules which govern the use of such contracts are strictly adhered to."* It was further provided in paragraph 8 that such short-term appointments shall be made for **specific assignments of short duration or as temporary replacement of regular staff members for valid reasons.**

54. Information provided by the HRS showed that as at 31 August 2022, 15 out of 25 vacancies under regular/variable budget were currently occupied by short term and fixed term 1.2(b) staff in order not to impede the Centre's operations. These contracts are not required to undergo competition in consultation with a Selection Committee, but are issued by the direct selection of the Centre Director. Moreover, verification of the payroll disclosed that even in previous years before the pandemic, vacant staff member positions were being occupied by temporary staff, thus, their salaries were funded from the regular and variable positions.

55. Management recruits and renews temporary contracts for regular staff member positions that are vacant. Contracts with a duration of one month or more are renewed depending on the request of the concerned units up to a total of 364 days interrupted by a 6-month break before a new job offer can be made. In fact, based on HRS data, there are seven staff serving for a period ranging from 4 to 15 years under Professional and General Service Categories who have been hired and re-hired for a series of short term and fixed term 1.2(b) contracts of the Staff Regulations.

56. Inquiry with the Chief of HRS disclosed that re-opening of face-to-face activities and training courses caused the need for manpower support and major changes have been implemented by HRS with regard to the Centre's recruitment. It was then acknowledged that during this transition period from the pandemic to the new normal, short-term staff and fixed terms under 1.2(b) of the Staff Regulations are used for regular and variable budget positions until they are opened for vacancy. It was also conveyed that there is a need to streamline the recruitment process, and a restructured and well-defined timeline for each of the recruitment phases has now been adopted, which has enabled the HRS to hire and fill more quickly the vacancies.

57. Meanwhile, Management emphasized that recruitment of short-term and fixed-term 1.2b staff is a decision by the Senior Management while various positions in the Centre's staffing is being restructured to align with the new business model, as well as the changing priorities of the ILO which impact the Centre. Responsive to this is the transfer of some four positions from service units to the training units. This way, the Centre is able to adapt and be flexible with the thematic changes and still attain the expected level of delivery of training services.

58. The current practice of extending and employing more of these types of contracts for regular and variable budget positions may pose some disadvantages for the staff and the Centre such as the impact on the effective retention of expertise. On the other hand, once vacancies are opened for the position and the staff decides to apply, the knowledge and expertise of the staff can be seen as a critical strategic resource and may make the person the prime candidate to take the position. Short term and fixed term 1.2b staff are recruited based on requisitions and approved directly by the Centre Director. Thus, filling of vacancies for regular staff member positions through fair and wider competition as provided in Item 1.3 of the Staff Regulations rests with the Centre's Director

59. **We recommended that Management, through HRS, 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 competitions towards diversity at the same time giving equal opportunity, while, for professionals, the competition should be international.**

Management response

60. Management agreed and further stated that all vacancies continue to be advertised in accordance with the Centre's rules.

B.1.4 Accruals and prior years expenses

61. As a general principle of accounting under the accrual basis in compliance with the IPSAS, the effects of transactions and other events are recognized in the accounting records when they occur. Expenses are recorded in the period in which related goods and/or services are received, regardless of when the corresponding payments are made to the suppliers.

62. Year-end closure instructions from FINSERV call for the early submission of claims and receipt of purchases already delivered to the buyers. In Circular No. 06/2022, the deadline for receiving goods and services rendered as of year-end was set to the last day of the year, 31 December 2022. However, our audit disclosed that 12 POs totaling EUR 5,118.60 created in Oracle and closed in 2023 had no matching supplier invoices. The same is also observed in the 2021 year-end accruals, where seven accrued POs totaling EUR 8,428.68 were finally closed in 2022.

63. These accruals relate to cases of: (a) assumed delivery as expected from a supplier, which eventually closed its operations; (b) delayed delivery of goods or services for a project not organized but which were expected as of year-end; (c) erroneous creation of POs due to a double supplier name in Oracle and the wrong activity code; and (d) received POs with corresponding invoices matched to another PO, hence the need to finally close the POs.

64. The review further revealed that a total of EUR 56,891.80 in expenses recorded in 2022 were incurred in 2021, consisting of: (a) an EUR 11,446.99 in medical expenses, reimbursements of expenses incurred during home leave; and (b) an underestimated accrual amounting to EUR 45,444.81 for heating costs in December 2021. Despite the deadlines set by FINSERV, the late creation of POs and late submission of invoices to FINSERV resulted

in the delayed recording of these prior year expenses, thereby overstating the current year's expenses.

65. Recording expenses for services and goods ordered but not yet delivered may not cause a material misstatement of the expenses and liabilities recorded as of year-end 2022, but it demonstrates the receipt of POs in Oracle without acceptance of the goods and services being received, which therefore do not qualify for accrual and consequently overstates the current period expenses.

66. **We recommended that Management, through FINSERV, emphasize in the closure instructions that all receipts in Oracle must represent actual delivery of goods and services purchased, with proof of receipts to be attached in Oracle, where practicable.**

67. **We further recommended that Management, through the Accounts Unit under FINSERV, vigilantly monitor the timely creation of POs and submission of claims to minimize the risk of recording prior year expenses and reflect the correct balances of expenses in the appropriate accounting period.**

Management response

68. Management commented that every year, FINSERV issues detailed instructions to the staff regarding the function of receiving in Oracle, reminding them of the process and asking them to receive their POs for all goods and services received and expected to be received up to 31 December, as the Centre is closed generally between the 23rd and the 31st December. In the past, FINSERV held information sessions, however now, it included detailed information in a separate document to which it referred them to. FINSERV also carries out follow-ups on open POs with no receipt to ensure the proper actions are taken in Oracle. FINSERV will continue to emphasize this important step in the year-end closure to all concerned staff.

B.1.5 Accumulated leave of short-term staff

69. Rule 4.4(a) of the Rules Governing Conditions of Service of Short-Term Officials states that: "*A short-term official paid at a monthly rate shall be entitled to leave at the rate of two-and-a-half working days a month, to be taken when the exigencies of the service permit. An official who, for reasons of service, has not been able to take all the leave to which he/she is entitled, shall be granted a sum corresponding to his/her salary for the number of days of leave he/she has accumulated.*"

70. For 2022, a total of 39 short-term staff have ended their services and were paid the proportionate amount equivalent to the number of accumulated annual leave days based on their salaries. Audit revealed discrepancies in the quantity of accumulated leave paid to 18 short-term staff based on their leave cards compared to the computed unused leave in the audit. The variances indicate leave days taken as approved but not posted in the IRIS WIN causing an overage in the accumulated leave balance paid to the staff upon cessation of service. Although there were days of used leave posted in the leave card, these were not supported by approved requests.

71. Discrepancies on 10 staff were validated and disclosed as: (a) three staff had approved leave request forms; (b) three staff took approved leave via emails that were not filed with

HRS; and (c) four staff had approved annual leave days that were not reflected in the leave cards due to modifications to sick leave that were requested and approved via email. Despite the fact that the annual leave request form includes a section for indicating any changes to previous requests, such as modifications to the type of leave being taken, approved modifications were not properly documented or submitted to the HRS, resulting in the discrepancies noted in the audit. Inconsistency in the modifications by which leave was taken but not posted resulted in an overage in the accumulated leave paid to one staff who was rehired and thus must be recouped from a succeeding salary. Additional verification will be required by HRS for the discrepancies found among the remaining eight staff.

72. The accuracy of the accumulated leave balance is crucial as it directly affects the amount payable by the Centre. The discrepancies noted emphasize the importance of validating the leave taken per leave card, as approved by the concerned supervisors, to ensure the correctness of the balances reflected in the leave card, which a staff is entitled to claim upon cessation of service. The observation also highlights the need for the Centre to strengthen its internal controls by appropriately documenting information with regard to requesting, canceling, and modifying annual leave by short-term staff, thus ensuring compliance with a formal and standard procedure that would provide and facilitate the necessary information to HRS. This is particularly important in cases of cancellations or modifications to the type of leave availed to ensure the accuracy of the accumulated leave payable by the Centre.

73. **We recommended that Management, through the HRS, reconcile the noted discrepancies; reconcile approved leave and availed leave as posted on the leave cards and moving forward; and 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 IRIS-WIN upon termination of service.**

Management response

74. Management agreed to the recommendations.

B.2 Review of evaluation of training activities

75. Evaluation plays a critical role in capturing and analyzing historical experiences that serve as valuable guides for predicting future outcomes and driving organizational progress with focus on how activities were carried out and how they can inform future endeavors to achieve organizational goals and aspirations. In essence, evaluation is a key component of Results-based Management (RBM) as it facilitates learning from past experiences. However, whether an organization chooses to adopt such learning or simply relies on current practices to guide future activities is largely dependent on its culture. The latter approach, however, does not align with the principles of RBM and represents a less mature approach to organizational management. Considering that the conduct of trainings is the Centre's core activity and its primary source of funding, it is imperative to maintain the high quality of the courses and trainings it offers. Thus, the success of the training delivered should be measured through an effective and efficient evaluation process to ensure that the impact of the courses offered is duly aligned with Centre's overall objective. Furthermore, through such an evaluation process, areas for improvement would be timely and holistically identified to enhance service delivery, respect values and opinions, and uphold professionalism.

76. The 2016 UNEG Norms and Standards for Evaluation is applicable to all kinds of interventions, including training programmes. It defines evaluation as an assessment, as systematic and impartial as possible of an activity, project, programme, strategy, policy, topic, theme, sector, operational area, institutional performance, etc. It further provides that the purposes of evaluation are to promote accountability and learning. Evaluation aims to understand why – and to what extent – intended and unintended results were achieved and to analyse the implications of the results.

77. The review involves an assessment of the adequacy of a functioning framework, policies, strategies, and effective controls in the evaluation of the Centre's training activities, including existing tools and procedures in the implementation and delivery of the corresponding policies for the efficient and effective achievement of the intended goals of the training evaluation. Likewise, the review covers, among others, the evaluation processes, resources, stakeholders' engagement, use of evaluation results and lessons learned, and administration.

78. The Centre has a comprehensive Quality Assurance Framework Manual that includes Monitoring and Evaluation as integral components, as well as robust and well-developed evaluation tools and processes as reviewed. We noted, however, that there is a need for updating the said Manual, specifically on monitoring and evaluation, with regards to changes in evaluation methodologies, training industry and technologies, stakeholder engagement, and provision for an evaluation plan, among others. As to the reporting of the results of evaluations, we pointed out some enhancements to the reporting of the impact and sustainability of training programmes by developing related KPIs as a precursor to commissioning a regular impact and sustainability assessment. We also emphasized the importance of including, 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. Further, we pointed out strengthening the independence of the quality assurance function in the evaluation process. The opportunities for improvement are discussed in detail, as follows.

B.2.1 Evaluation policy and guidelines

79. The Norm 12 of the 2016 UNEG Norms and Standards for Evaluation provides that *organizations should establish an evaluation policy that is periodically reviewed and updated in order to support the evaluation function's increased adherence to the UNEG Norms and Standards for Evaluation.* Likewise, Standard 2.2 of the same UNEG Norms and Standards provides that *the head of evaluation is responsible for ensuring the provision of appropriate evaluation guidelines. Although guidelines may need to be prepared for different types of evaluations or for different types of users, it enumerated the guidelines that generally should be covered.*

80. The Centre's *evaluation policy* for its training activities was presummed to be covered by the Quality Assurance Framework issued in February 2023. The Centre developed an overarching Quality Assurance Framework aligned with International Organization for Standardization (ISO) principles, which integrates Monitoring and Evaluation as a set of tasks along the Plan-Do-Check-Act (PDCA) cycle, enabling feedback in quasi real time. This lean approach allows compliance with governance standards of an international public service institution without incurring high costs. We acknowledge the Centre in establishing a Quality Assurance Framework that includes Monitoring and Evaluation as integral components.

81. On the other hand, the Centre lacks the *evaluation guidelines* which were not in the Quality Assurance Framework and alluded to be covered by the Quality Management in the Centre's TDIR (Quality Assurance Manual) issued by the Office of the Director of Training in October 2019, which describes the Monitoring and Evaluation processes and tools used by the Centre for training services in the PDCA cycle.

82. However, a review of the Quality Assurance Manual revealed the necessity for its update to reflect the guidelines and changes in evaluation methodologies, training industry and technologies. Specifically, the manual lacks elaboration on evaluation criteria prescribed by the Organization for Economic Co-operation and Development (OECD) and guidelines to manage ad hoc requests for evaluations of training activities and capacity development services. Clear guidelines are needed to ensure the quality of evaluations.

83. The Centre provides training in various modalities, including online, face-to-face, blended, and hybrid, with a shift towards online training modality due to the pandemic. As the Office of the Director of Training focused on preparing the Centre for shifting most of its training programmes from face-to-face to online delivery, the updating of the Quality Assurance Manual was tentatively postponed. Consequently, the Quality Assurance Manual remained unchanged specifically on the necessary evaluation guidelines and criteria aspect of the training programmes.

84. It is imperative that the manual is updated with the latest developments. Correspondingly, evaluation processes and activities should be updated to ensure that the criteria, and guidelines which include methods, and procedures are current and appropriate as well as be consistent in the evaluation practices used by the Centre for learning services. Evaluation is an ongoing and systematic process that assesses the value of training programmes and informs decisions about their continuation, modification, or elimination.

85. **We recommended that Management update the 2019 Quality Assurance Manual to incorporate the developments in the evaluation criteria, methodologies, tools and approaches, and other important areas of an evaluation process, in order 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.**

Management response

86. Management agreed and further stated that the Manual will be updated by the end of 2023 to reflect the evolution of the Centre's Monitoring and Evaluation process, since 2020. In this context, it is important to remember that monitoring and evaluation does not equal quality assurance but is merely one of its functions, with focus on the 'Control' stage of the PDCA cycle. The Centre's monitoring and evaluation practices are aligned with those of the ILO (Evaluation Office (EVAL)), in turn aligned to those of UNEG.

B.2.2 Stakeholder engagement

87. Standard 4.6 of the 2016 UNEG Norms and Standards provides that *inclusive and diverse stakeholder engagement in the planning, design, conduct and follow-up of evaluations is critical to ensure ownership, relevance, credibility and the use of evaluation. Processes*

should be in place to secure the participation of individuals or parties who may be affected by the evaluation, are able to influence the implementation of recommendations or who would be affected in the long term.

88. It was observed that the engagement of the external trainers in the evaluation of the training activities of the Centre is not as extensive as that of the other stakeholders since some of the external trainers had never been given the opportunity to participate in the evaluation. There are instances where suggestions made by the participants were not discussed with external trainers, review and debrief among trainers were not held to share insights and develop lessons learned, while, post evaluation was not conducted after the training to be able to determime strengths and weaknesses. The solicitation of inputs from the external trainers is likewise discretionary and could be made in an informal manner by casually asking how the training activity went and what difficulties were encountered.

89. The limited extent of engagement of external trainers in the evaluation process of Centre could be attributed to inconsistent, unstructured and optional manner of their participation since their feedback may or may not be obtained, and the same is not a prerequisite for the full delivery of their services. The Terms of Reference (TOR) with the trainers/external collaborators likewise lacks provision with respect to their engagement in the training evaluation, particularly the requirement to provide their assessment to the training activities.

90. Being in a position of immediate connection with the learners and directly experiencing the training activities and the challenges as to their effectiveness, the external trainers' inputs or feedback would contribute to the responsiveness of the training design and activities in relation to the needs of the beneficiaries. Setting up a consistent and obligatory process of evaluation, participated in by various stakeholders, including the group of trainers, will provide a comprehensive perspective and complete the inputs on what could be done on the design and delivery of the succeeding training services.

91. **We recommended that Management 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.**

Management response

92. Management agreed and further stated that it will refine its TOR for external evaluations to ensure that external resource persons are systematically interviewed by the evaluators, where applicable.

B.2.3 Evaluation plan and resources

93. Standard 4.1 of the 2016 UNEG Norms and Standards for Evaluation requires that *the evaluation plan, scope and design should be determined with a view to generating the most relevant, useful and timely information that will meet the needs of intended users and will be relevant to decision-making processes.*

94. The Quality Assurance Manual (2019) which should cover the evaluation guidelines of the Centre lacks details in the preparation of a documented annual evaluation plan that gives emphasis on its necessity and importance as a prerequisite to an evaluation activity.

Notwithstanding the consistent and regular conduct of evaluation, the Centre was not able to prepare a documented evaluation plan that could be reviewed by all stakeholders, and approved by the Centre's responsible officers. The plan could also embody the general purpose and scope of the evaluation, its intended use, as well as the resources needed and the timelines of each evaluation activity.

95. The size of the Centre relative to other United Nations (UN) Organizations entails the adoption of less sophisticated evaluation system, thus it has carried out the evaluation process without a formal evaluation plan. An undocumented plan can limit the ability of the Centre to anticipate and maximize the needed resources, to manage time allotted for evaluation and foresee possible conflicts, to fully gather the right information, thoroughly assess the impact of its training activities, and identify areas for improvement.

96. **We recommended that Management 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.**

Management response

97. Management agreed and stated that as of 2023, the Centre will be commissioning two external evaluations per year (one for face-to-face activities and another for distance learning activities) and thus the proposal to elaborate an annual evaluation plan sequencing these two exercises is agreed and the Quality Management Manual will be updated accordingly.

B.2.4 Reporting of impact and sustainability of training activities

B.2.4.1 Reporting of impact of training activities

98. The impact criterion refers to the extent to which the intervention has generated or is expected to generate results, may it be significantly positive or negative, intended or unintended, higher-level effects. It addresses the ultimate significance and potentially transformative effects of the intervention. It seeks to identify the social, environmental and economic effects of the intervention that are *longer term or broader in scope than those already captured under the effectiveness criterion.* Beyond the immediate results, this criterion seeks to capture the indirect, secondary and potential consequences of the intervention. It does so by examining the holistic and enduring changes in systems or norms, and potential effects on people's wellbeing, human rights, gender equality, and the environment (OECD (2021), Applying Evaluation Criteria Thoughtfully, OECD Publishing, Paris).

99. The review disclosed that reporting on the impact of training programmes is insufficient and lacks a comprehensive analysis. The 2020-21 Implementation Report shows that the evaluation only focuses on the immediate outcomes and knowledge application of the participants, while the long-term effects need to be identified. Both ACTRAV and ILSGEN emphasized the importance of evaluating the programme's total impact on the organization, not just the participants' feedback. The institutional framework must also be included in the real impact review.

100. The limited reporting of the impact of the training can be attributed to the difficulty of setting up a reasonable output indicator and the hesitancy of the management. According to the Quality Assurance Office, the training impact is not measured separately because it pertains

to the effect on decent work and social justice. The Centre does not have an indicator for measuring decent work and social justice. Therefore, the last quantitatively measurable step is the application of knowledge. However, the Centre is open to the possibility of reporting the impact if it could be done qualitatively in a way that could be translated into indicators and answer stakeholders' questions.

101. To measure the impact of training programmes in the Centre, it is important to define impactful metrics and KPIs. The New World/Kirkpatrick Model is a useful benchmark for evaluating learning services and has four levels of evaluation that help evaluators articulate value to stakeholders. Effective metrics require an understanding of how management defines the objectives and delivers the training. KPIs can be set up depending on the goals and objectives of the training programme, such as measuring organizational change or return on investment (ROI). Organizational change can be measured by looking at whether the training programme has had an impact on broader sustainability practices or establishment if not enhancement of policies, while ROI can be measured through increased productivity or cost savings resulting from the training programme. More so, the Centre can explore training requests, to derive valuable KPIs to track and understand the scope of learning programmes and identify training demands. A well-designed training request form can gather valuable information of learning needs related to decent work and social justice, which can inform the development and promotion of corresponding learning programmes. Repeated requests for the same training programme or subject can serve as evidence of its demand and impact.

102. KPIs are important for identifying areas for improvement and strengths, but as the business environment changes, it is necessary to reconsider how KPIs are formulated and adapted to changing circumstances. It is crucial to value the linkages between indicators and be prepared to adapt to changing training and learning circumstances. While the Centre has an annual independent external evaluation, the lack of corresponding KPIs and limited reporting of programme impact may prevent the identification of areas for improvement or adjustment of programmes to better meet participant and partner needs.

B.2.4.2 The requirement to report and provide emphasis on the sustainability criterion in the evaluation of the Centre's training activities

103. The sustainability criterion refers to the extent to which the net benefits of the intervention continue or are likely to continue. It includes an examination of the financial, economic, social, environmental and institutional capacities of the systems needed to sustain net benefits over time. It involves analysis of resilience, risks and potential trade-offs. Depending on the timing of the evaluation, this may involve analysis of the actual flow of net benefits or estimating the likelihood of net benefits continuing over the medium and long-term (OECD (2021), Applying Evaluation Criteria Thoughtfully, OECD Publishing, Paris). Assessing sustainability allows evaluators to determine if an intervention's benefits will last financially, economically, socially and environmentally. While the underlying concept of continuing benefits remains, the criterion is both more concise and broader in scope than the earlier definition of this criterion (OECD (2002), Evaluation and Aid Effectiveness No. 6 - Glossary of Key Terms in Evaluation and Results Based Management (in English, French and Spanish), OECD Publishing, Paris).

104. It was gathered in the review that the Centre's reporting on sustainability from its training activities was limited and did not emphasize clearly the generic terminology included in the TOR. The evaluation criteria in the TOR should include sustainability as a separate

criterion, as suggested by the Quality Assurance Office and ACTRAV. Currently, the Centre does not have a way to measure sustainability criteria for training under the OECD. It is recommended and accepted that sustainability criteria should be included in the TOR for successful evaluations.

105. The Centre may not prioritize the sustainability criterion in the evaluation of its training activities and may have initial difficulties in evaluating sustainability. The lifespan of the training activities may occur at a point where sustainability is not yet evident. This is aggravated by the unavailability of tools used by the Office of the Director of Training to measure sustainability in the evaluation of its training activities.

106. It is crucial that the Centre report on the sustainability criterion considering that the Centre has a mission to promote social justice and decent work, which includes a commitment to sustainable development. By including sustainability criteria in the evaluation of training activities, the organization can ensure that its training programmes are consistent with its overall mission. Likewise, including sustainability criteria in the evaluation of training activities can help ensure that the impact of the training is long-lasting and contribute to positive environmental or social impacts. Moreover, evaluation of training activities with due consideration to sustainability criteria can help identify opportunities for improvement such as incorporating more sustainable practices into the training programme, reducing the negative environmental impact of training activities, or increasing the social benefits of the training.

107. Hence, programme managers and their teams should develop and agree on KPIs in measuring the results of the evaluation and reporting the impact and sustainability through these KPIs to assist the programme in identifying strengths and weaknesses and making data-driven decisions to improve the learning programmes' effectiveness.

108. **We recommended that Management develop related KPIs as a precursor to commissioning a regular impact and sustainability assessment to ensure that impact and sustainability are emphasized in the evaluation.**

Management response

109. Management agreed with the planned action, subject to approval by the Board, and as a pragmatic step forward that aligns to the Centre's mandate. Management committed that it will consider expanding the use of tracer studies to further substantiate the narrative of positive changes.

B.2.5 Monitoring and implementation of external evaluation recommendations

110. Norm 2 of the 2016 UNEG Norms and Standards of Evaluation pertains to utility, which provides that *in commissioning and conducting evaluation, there should be a clear intention to use the resulting analysis, conclusions or recommendations to inform decisions and actions. The utility of evaluation is manifest through its use in making relevant and timely contributions to organizational learning, informed decision-making processes and accountability for results. Evaluations could also be used to contribute beyond the organization by generating knowledge and empowering stakeholders.*

111. The audit revealed that recommendations of external evaluations could not be referenced to the annual implementation reports whereby the Centre could achieve the

optimum benefits of evaluation recommendations to improve its training programmes. The Office of the Director of Training publishes external evaluation findings and management responses on the Centre's website. The management responses are discussed in a dedicated session during the annual Board meetings and follow-up actions are implemented based on Board approval, coordinated by TDIR and in consultation with concerned units. Results of these actions are reported in annual implementation reports also published on the website.

112. Nevertheless, the status of external evaluation recommendations at the Centre is rather vague due to the lack of progress reports and a tracking template for its delivery and implementation. The Centre does not maintain an actual status or follow-up report to ensure that the recommendations are implemented, as evidenced by some 2021 recommendations reiterated in 2022. There is a need for the Centre to prepare and report on the progress of the implementation of evaluation recommendations, specifically those recommendations provided by the external evaluations for the years 2021 and 2022. A separate progress report on the implementation of evaluation recommendations should be prepared to add value, especially for stakeholders who require updates on the status of implementation.

113. External evaluations provide important information for the Centre to optimize its evaluation activity cost and benefit. Information on the results of evaluation is a valuable resource that needs to be utilized to avoid wasted resources and unreceived benefits. Progress reports on evaluation recommendations should be maintained to monitor status and capitalize on lessons learned. These reports are essential for promoting accountability and transparency, allowing stakeholders to track progress and assess the impact of evaluation on the organization's practices and outcomes. Such reports can also help build trust and credibility with stakeholders, which is critical for maintaining support and funding for the organization's activities.

114. **We recommended that Management 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, with a view to harnessing the benefits of evaluations on its training programmes.**

Management response

115. Management agreed and commits to adding a table in the annexes of future implementation reports to provide the progress made on the implementation of each recommendation.

B.2.6 Independence of the evaluation function

116. Norm 6 of UNEG Norms and Standards provides that *independence of evaluation is necessary for credibility, influences the ways in which an evaluation is used and allows evaluators to be impartial and free from undue pressure throughout the evaluation process.*

117. To be able to exhibit organizational independence, the evaluation function must be positioned independently from management functions. Nonetheless, we noted that among the units in the Centre, no separate Office is dedicated to the evaluation activity of the Centre due to the limited size and resources of the Centre, as compared to the capacities of other UN organizations. In order to compensate for this deficiency, the Centre has commissioned

external and independent evaluators to carry out the evaluation process of its training services and have employed evaluation tools managed internally.

118. The Office of the Director of Training is involved in the selection of the independent external evaluator. In accordance with the Quality Management in the Centre's TDIR (2019), the Director of Training is one who identifies the shortlisted evaluators and likewise evaluates the proposals and selects the evaluator based on the proposal, background, availability, and absence of conflict of interests. Concerning the evaluation tools managed internally, its management remains with the Office of the Director of Training, together with the interpretation and analysis of the results at the aggregate and unit level, and the facilitation of their presentation and publication.

119. Furthermore, the incorporation of the quality assurance function performing the evaluation activity of the Centre, within the Office of the Director for Training and the reporting line from the former to the latter mired the independence of the evaluation. The report of the Quality Assurance Officer relative to evaluation is subject to the influence of the person who is at the same time in charge of the functions under scrutiny, thereby discounting the reliability of the results of the evaluation.

120. The independence of the evaluation process must not be disregarded as this could result in reduced credibility for the evaluation judgments and results and diminished organizational effectiveness. It could also jeopardize the integrity of the evaluation and result in biased perspectives on the activities being evaluated.

121. **We recommend that Management strengthen the independence of the quality assurance function in the evaluation process.**

Management response

122. Management agreed and it will consider the various options available to strengthen the independence of the quality assurance function. One such option could be to have the Office of the Director lead the procurement process. In addition, the Centre will and could consider disclosing to the public that the external evaluations do not meet the criterion of independence as defined in the EVAL guidelines of the ILO.

C. IMPLEMENTATION OF EXTERNAL AUDIT RECOMMENDATIONS

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

Audit Report	Number of Recommendations	Fully Implemented	In Progress	Not Implemented
2021	10	8	1	1
2020	6	6	0	0
2019	9	9	0	0
2018	11	7	4	0
2017	4	4	0	0
2016	9	6	3	0

Total	**49**	**40**	**8**	**1**

124. We commend the Centre's Management for implementing all the recommendations for 2017, 2019, and 2020. For recommendations provided in the FY 2021, one recommendation is in progress pertaining to the preparation of a Centre-wide Procurement Manual with commitment from Management to be prioritized in 2023. However, there was one 2021 recommendation which was not implemented by Management, regarding the expansion of the responsibilities of the Contracts Committee. Accordingly, the Contracts Committee is responsible for ensuring compliance with procurement rules and reviewing the outcome of tender evaluations. They cannot carry out technical and financial evaluations due to a conflict of interests, as it would compromise their oversight responsibilities. Given this scenario, we suggest that Management address the issue of separation of duties in procurement function by assigning key staff to review the bids which is currently being performed by the office who requested for the purchase.

125. We also noted that, for 2018, four recommendations are still in progress of implementation pertaining to the human resource management of the Centre. The full implementation requires amendments to its Staff Regulations, subject to the approval of the Board of the Centre, and the rollout of an automated system. There are three recommendations from 2016 that are also in the process of implementation, which the Management committed to fully implement during the biennium 2022-23.

126. The post-pandemic circumstances have presented the Centre with new and unprecedented challenges that demand immediate attention and careful management. Despite these obstacles, the Centre can benefit from the recommendations outlined in audits to help navigate the current environment.

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

Management response

128. Management has reaffirmed its commitment to implement the audit recommendations and recognizes the significant value that such improvements can bring to its operations. However, given the ongoing impact of the pandemic, there are pressing matters that require immediate attention and prioritization. Despite these challenges, Management remains fully committed to addressing the audit recommendations in a timely manner.

D. DISCLOSURES BY MANAGEMENT

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

D.1 Receivables

130. Receivables of EUR 5,428,000 (EUR 12,074,000 as at 31 December 2021) as shown on the statement of financial position, represent bona fide claims against debtors and donors for services rendered, funds receivable based on signed agreements in respect of future training activities and consultancy services that are subject to conditions, or other charges arising on or before 31 December 2022. Receivables classified as current do not include any material amounts that are collectible after one year. A provision for doubtful accounts of EUR 24,000 (EUR 7,000 as at 31 December 2021) has been recorded to reflect the Centre's best estimate of accounts impaired.

D.2 Due from the ILO

131. The balance Due from the ILO is EUR 2,617,000 in 2022 (EUR 4,688,000 as at 31 December 2021) as shown on the statement of financial position represents the net balance of the current account with the ILO that is used to record transactions such as staff cost related remittances, payments made by the ILO for the Centre's invoiced training and consultancy services, and other types of transactions between the Centre and the ILO.

D.3 Payables

132. Payables and accrued liabilities, and deferred revenue for a total of EUR 10,437,000 (EUR 22,410,000 as at 31 December 2021) are included in the financial statements as at 31 December 2022 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

133. 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

134. Management reported that they are not currently in a position to determine whether a present obligation exists nor to reliably measure the likely outflow of resources and therefore no amount was recorded or disclosed in the financial statements, 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.5 Ex-gratia payments

135. There were no ex-gratia payments made in 2022.

E. ACKNOWLEDGEMENT

136. We wish to express our appreciation for the cooperation and assistance extended to the External Auditor by the Director a.i, the Treasurer, the Director of Training as well as their staff during our audit.

Commission on Audit
Republic of the Philippines
External Auditor

10 March 2023
Quezon City, Philippines

Appendix I.

STATUS OF IMPLEMENTATION OF EXTERNAL AUDIT RECOMMENDATIONS FROM PRIOR YEARS

	Recommendations	External Auditor's Validation
2021		
1	**Cash and equivalents – observance of the cash and investment threshold** Ensure compliance with the maximum limit per deposits and investments set per financial institution to harmonize its actual practice with the established policy and to continue properly managing the risks (i.e., concentration risk and market risk) involved in its investment management. In the alternative, when the current environment should require, revisit its policy on the fund limits and make the necessary adjustments, to consider the needs of the Centre in consonance with the present time.	**Implemented.** The Investment Circular was amended in April 2022 (DIR 07/2022) and includes a section on cash and investment thresholds.
2	**Missions – information in the travel authorization form and delayed submission of travel claims** Ensure compliance with the policy on the accomplishment of travel authorization forms by properly specifying the actual purpose or objectives of the travel including the required codes to facilitate proper charging of travel expenditure and to enhance review and monitoring activities, all to ensure further strengthening of the internal control measures and accountability over the Centre's financial transactions on missions.	**Implemented.** Each traveler is requested to provide this information.
3	**Missions – information in the travel authorization form and delayed submission of travel claims** Consider reminding the concerned staff to comply with the submission of travel claims to further lessen the incurrence of delays that may impact the timely reporting of the related expenditures in the financial statements.	**Implemented.** In the past, various reminders have been issued. Finserv also carries out follow-ups to receive the documentation on a timely basis however there are instances when submitting such documents may be subject to some delays.
4	**Subcontracts – compliance with the signing and dating of contracts** Improve compliance on the processing of contracts by ensuring that all are: (a) signed by both parties	**Implemented.** All signatories to such contracts are reminded from time to time to

	Recommendations	External Auditor's Validation
	before the contract start date or the start of the specified work; and (b) include with the signature, the date on which the parties signed the agreement, in order not to expose the Centre to the risk of External Collaborator taking legal action for higher amounts for work done in case the contract is not properly signed and dated.	ensure proper signatures and dates are on the contracts.
5	**Review of asset management - Asset management policy** Facilitate the roll out of the planned revised policy on asset management, not only to align the Centre's processes to the challenges and requirements of the present time but also to provide a more robust asset management process.	**Implemented.** The new Circular on the Management of Property and Equipment at the Centre was issued on September 2022 (FINSERV 01/2022 Rev 1).
6	**Review of asset management - Asset management policy** Consider in the revised policy on asset management including the responsibilities and accountabilities of the staff assigned with particular groups of assets to further promote accountability over its assets.	**Implemented.** This is included in the new Circular.
7	**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 progress.** Priority will be given to this in 2023.
8	**Procurement - Procurement Planning** Institutionalize the procurement planning process as part of the Centre's policies and procedures in order to promote the principles of best value for money, economy and efficiency; as well as achieve quality and cost effectiveness in its procurement process.	**Implemented.** The units carrying out the greatest number of procurement (FIS and Information and Communications Technology Services (ICTS)) already have annual procurement plans, which are also shared with the Contracts Committee in order to facilitate planning for all steps involved.
9	**Procurement - Contracts Committee** Consider expanding the current responsibilities of the Contracts Committee to include in its scope the conduct of technical and financial evaluations, instead of delegating this to the requisitioning units,	**Not Implemented.** The current condition of delegating the conduct of technical and financial evaluations to the requisitioning unit posed risks

	Recommendations	External Auditor's Validation
	in order to ensure proper segregation of duties, an essential element of control and accountability. *Management response:* The objectives and roles of the Contracts Committee are related to a compliance and advisory committee whereby it has in its mandate the responsibility to ensure that the procurement process was carried out in compliance with the Centre's Rules as well as reviewing the final outcome of the tender evaluation and recommending to the Director, via the Treasurer, the final selection. Having them carry out the technical and financial evaluations would no longer permit them to carry out their oversight responsibilities in an independent manner due to conflicts of interest and thus, the Centre did not agree with this recommendation.	regarding controls on the segregation of duties, which is not aligned with the principles of Internal Control. Thus, the function of conducting technical and financial evaluation should be detached from the requisitioning unit. When the Management deemed impractical to lodge such function to the Contracts Committee, the important consideration is to have either another unit or other qualified key staff other than the requisitioning unit to do the evaluations.
10	**Procurement - Safeguarding and maintenance of assets** Pursue its plan to establish a harmonized and integrated asset register, which will support the needs of each unit involved in asset management, streamlining the overall process to achieve economy, efficiency, and consistency in asset management.	**Implemented.** The Centre already has an integrated asset register in Excel. However, in the future, this may be further automated.
2019		
11	**Establishment of a more integrated and concrete Resource mobilization strategy** Centre Management consider establishing a more integrated and concrete Resource Mobilization strategy, with specific focus on defining the functions, roles, responsibilities and activities of those involved, to ensure an effective and relevant governance structure on Resource Mobilization.	**Implemented.**
12	**Financial resource allocation: enhance resource mobilization effectiveness** Centre Management review its strategic approach to resource mobilization to ensure that the efforts commensurate with the level of resources required by the Centre, and consider providing ways to identify and monitor resource allocation needs to enhance resource mobilization effectiveness in the context of a review of the resource mobilization strategy to ensure that the core principle of cost-benefit is achieved.	**Implemented.** Different channels are in place such as a specific output indicator in the 2022-23 Programme and Budget; development of segment-specific outreach plans; and measurement of results of outreach and impact in specific outcomes in the P&B.

	Recommendations	External Auditor's Validation
13	**Bidding for calls for tenders and proposals: enhancement of procedural guidelines** Centre Management enhance its procedural guidelines for competitive bidding and include in the overall Resource Mobilization Strategy to be developed or in the PRODEV Operational Plan, a defined set of criteria applicable to calls for tenders and proposals which will be used in the evaluation of bidding opportunities, to ensure that the principles of good internal control are fully entrenched in Centre's resource mobilization structure.	**Implemented.** A Quality Management Manual for project cycle has been issued. This defines all requirements of each step of the project cycle including acquisition, design, risk assessment, appraisal and evaluation.
14	**Bidding for calls for tenders and proposals: Risk management in competitive bidding** Centre Management ensure that risk management covers the whole bidding process by identifying the risks involved and by providing mitigation measures to address the identified risks.	**Implemented.** This element is included throughout the project cycle within the Quality Management Manual.
2018		
15	**Recruitment and Selection: (a) The need to enhance and update the written procedures on the recruitment process; (b) The need to evaluate the cause of delays in pre-recruitment activities; (c) The need for an optimum time to fill vacancies; and (d) The need to formalize interview and assessment mechanism** Centre Management re-evaluate the present pre-recruitment procedures with the end view of addressing, to the extent feasible, the root causes of delays in recruitment. It is further recommended that the Selection Committee, after consultation with the Joint Negotiation Committee (JNC), facilitate review, approval and issuance of the corresponding amendatory Circular which should include, among others: a. Prompt posting of vacancy announcement for regular recruitment and enhance the written procedures on the recruitment process; b. Optimum number of days required for the entire recruitment process and ensure that the agreed time periods are enforced, to the extent feasible, to avoid delays; and c. Guidelines on conducting interview and assessment of candidates.	**Implemented.** The Selection Committee rules have been amended in Circular 04/2022 on 12 Jan 2022. Guidelines on conducting interviews are also in place.

	Recommendations	External Auditor's Validation
16	**Performance Management System: The need to shift from measuring tasks/ quantities/ measurable/ assessable goals** Centre Management integrate into the Centre's performance management system, predetermined standards and success indicators which are to be cascaded down to the operational level while addressing the issue of performance rating and appraisal form which is negotiated with the Staff Union in the JNC, as performance management affects the conditions of the employment of staff.	**In progress.** In October 2022, the Staff Regulations amendments were approved by the Board. The implementation is scheduled for 1 January 2024, once all internal administrative work is completed.
17	**Performance Management System: The need to establish documentation of feedback mechanisms** Centre Management ensure that staff performance feedbacks are documented in the Centre's performance evaluation system and appropriately monitored for more effective and concrete feedback protocol on staff performance and to better support future performance assessments.	**In progress.** In October 2022, the Staff Regulations amendments were approved by the Board. The aim is to implement the Performance Management System (PMS) currently in force at the ILO, as of 1 January 2024.
18	**Performance Management System: The need to establish the Rewards and Recognition Policy within the Performance Evaluation System** Centre Management initiate a proposal in consultation with the JNC, to link more closely the Recognition and Awards Programme to its performance management system.	**In progress.** In October 2022, the Staff Regulations amendments were approved by the Board with the purposes of implementing the new PMS as of 1 January 2024.
19	**Performance Management System: The need to formalize rebuttal process in performance management system** Centre Management facilitate the formalization of the procedures to be followed in addressing and escalating staff's disagreements on the results of their performance appraisals.	**In progress.** In October 2022, the Staff Regulations amendments were approved by the Board. The PMS is scheduled to be implemented as of 1 January 2024.
2016		
20	**Accountability Framework: Embedding of a clear definition of accountability in the accountability framework** Embed in the Accountability Framework a clear, and appropriate definition of accountability as it purports in the framework to highlight the meaning and limitations of accountability in the context of the Centre's operation.	**In progress.** The Circular was drafted to include this additional information and shared with HRS in September. Amendments to the Staff Regulations have now been approved and additional information on accountability in the context of the Performance

	Recommendations	External Auditor's Validation
		Management System is now required. The Circular should be issued in the first part of 2023.
21	**Accountability Framework: Inclusion of well-defined accountability roles and responsibilities as well as mechanisms and tools** Include in its Accountability Framework: a. Clear depiction of roles and responsibilities of all key stakeholders and key players in its accountability continuum to entrench better the culture of accountability and related dependencies within the core of its operations. b. Include the accountability mechanism and tools to effectively facilitate the documentation and monitoring of accountability performance and achieve better transparency.	**In progress.** The Circular was drafted to include this additional information and shared with HRS in September. Amendments to the Staff Regulations have now been approved and additional information on accountability in the context of the Performance Management System is now required. The Circular should be issued in the first part of 2023.
22	**Travel Management: Institution of travel handbook** a. Prepare a travel handbook containing and harmonizing all the Centre's travel circulars, policies, guidelines and procedures for both staff and non-staff to support their information needs and further clarify travel process controls; and b. Document the classification and categorization of all circulars published to identify the level of authority and scope.	**In progress**. This is still underway as it was deferred due to other priorities and due to the lower level of travel during 2020, 2021 and 2022.