

Board of the Centre

87th Session, October 2023

CC 87/4

FOR INFORMATION

FOURTH ITEM ON THE AGENDA

Report of the meeting of the Officers of the Board

(1st June 2023)

1. A meeting of the Officers of the Board of the International Training Centre of the ILO (the Centre) was held in a hybrid modality on 1st June 2023 to enable the timely consideration and adoption of the financial statements for the year ended 31 December 2022.
2. The report of this meeting is submitted to the 87th Session of the Board (October 2023).

Financial statements and External Auditor's report for the year ended 31 December 2022

3. *The Chairperson* welcomed the Officers of the Board to the meeting. He congratulated the Centre's management and staff for such positive results.
4. *The Chairperson* then gave the floor to the Centre's Director a.i. for his introductory remarks.
5. The Director a.i. thanked everyone involved in the preparation of the meeting. He introduced the financial results of the Centre for the year ended 31 December 2022. He shared a few aspects concerning the financial performance of the Centre. The Centre's 2022 budget final results registered a positive net outcome. This is a sign of the Centre's good performance despite the difficulties initiated by the Covid 19 pandemic and its subsequent effects on the world of work. In the year 2022, the Centre was also able to make sound utilization of the voluntary contributions received during the year: He thanked the major stakeholders of the Centre, most notably the ILO and the Italian government.
6. In looking at the statements dealing with the financial position – statement V – the Centre shows a budget surplus of € 3.833 million. This shows the sound financial performance of the Centre during 2022.
7. All in all, he stated that 2022 had been a positive year for the Centre thanks to the strong commitment of its management and of its entire staff. The management of the Centre focused on the quality of training and capacity development services it provided during the biennium, and the return has been the good financial results presented today.

8. *The Chairperson* proceeded to the agenda items concerning the financial statements and the External Auditor's report for the 2022 financial year. The agenda was adopted, and he invited the Treasurer of the Centre to present the financial statements.
9. *The Treasurer* introduced the financial statements and highlighted a number of key areas. She first referred members to **Statement V – Statement of Comparison of Budget and Actual Amounts**. Statement V shows the Centre's 2022 budget surplus of €3.833 million. This is derived from the total net contributions from the earned revenue and voluntary contributions of €33 million less the total fixed expenditure of €28 million and institutional investments of €1.2 million.
10. In 2022, the training and non-training activities generated a net contribution of €16.5 million, which is €3 million over the budget. This was achieved through a continued growth in outreach that saw the distance learning enrolments increase by 34% and face to face enrolments increase by 14.5% as compared to the 2021 figures. Non-training services also continued to grow due to the increased demand for the Centre's communication and advocacy services.
11. Multimedia contributed nearly €910 000 net in 2022, going over the expected budget by 62%. Continued growth in digital media and design services as well as communication and advocacy has led to these results. These earnings relate only to direct work carried out for external parties as all earnings relating to work carried out to support the Centre's activities is recorded under training revenue.
12. The net contribution from miscellaneous sources was exceptional in 2022, as it was 148% over the approved budget. There were two reasons for this: an increase in other types of activities held on campus by external parties to maintain a certain level of work for the suppliers of the common services as well as a significant foreign exchange gain of €600 000 earned when converting several millions American dollars to Euro.
13. Voluntary contributions totaled €13.4 million, higher than the budget by more than €1 million and mainly due to the favorable exchange rate of the USD to Euro. The ILO approved a contribution to the Centre in the amount of USD 9.54 million for the biennium. The Centre received half in 2022. In addition, an equal contribution was made by the ILO to cover the expenditure relating to the After Service Health Insurance for Centre retirees, having no impact on the final budget results. The Centre also received €7.85 million from the Government of Italy as well as €250 000 from the Government of Portugal and a small contribution of €13 000 from the Piedmont Region.
14. The total fixed expenditure in 2022 totaled nearly €28 million.
15. Staff costs totaled €20 million. This included agreed termination packages provided to some staff members totaling €260 000. The Centre also increased its monthly contributions for the General Service category to the Terminal Benefit Fund. It also made a one-off contribution of €1 million to the Fund to ensure its financial sustainability to cover anticipated repatriation grants owed to Professionals and end-of-service benefits to General Service staff. At the end of 2022, the Fund held approximately €5.3 million in funding for future disbursements. The current liability of the Centre for sums owed to staff members is currently estimated at €8.6 million, leaving a gap in funding of €3.3 million.
16. The other fixed expenditure were aligned to the budget except for the campus related costs that included some additional extraordinary maintenance deferred from 2021 and

increases in utilities during the last few months of the year due to a very high inflation rate. General operating costs are also higher than the budget due to the movement of funds from the consultants budget line which is under budget by €137 000 as well as higher expenditure for ILO HRD-related services, an new outreach campaign launched in the year and some minor increases in bank charges and reproduction.

17. The Treasurer then referred members to **Statement I – Statement of Financial Position**. This Statement presents the assets and liabilities of the Centre at year-end. Its most significant asset was cash totalling €28.5 million. The Centre held advances from donors and partners for its activities totalling €5.7 million. It also held €2 million in the Working Capital Fund, €1.1 million in the Campus Improvement Fund, €2 million in the Italy Trust Fund, €321 000 in the ICT Development Fund, €1.5 million in the Fellowship Fund and €587 000 in the Innovation Fund. Of this funding, approx. €8 million was held in USD. You can find more details on the movements of the Centre's cash flow in Statement IV, on page 24.
18. The Centre's accounts receivable decreased by some €6.6 million when compared to 2021. This amount includes two main categories of receivables: invoices issued for services having been delivered prior to year-end and receivables relating to signed agreements relating to activities for which there is a matching liability called deferred revenue, which represents revenue that will be mostly earned in 2022. The decrease is mainly related to the decrease in receivables related to signed agreements.
19. The ILO receivable decreased by €2.1 million when compared to 2021 mainly as a result of a partial settlement prior to year-end.
20. Property and equipment increased by €3.5 million. This is the net of two items: the increase in work in progress on the Africa 10 and 11 pavilions' renovation amounting to €2.8 million, other campus work of €240 000, equipment purchased for the Lab and the campus for €430 000, and the annual depreciation expenditure recorded on the capital assets of some €700 000.
21. Accounts payable and accrued liabilities totalled €13.3 million at the end of 2022. These decreased significantly by €12 million mostly due to a decrease in deferred revenue that is made up of advances made by donors and sponsors as well as the matching liability to the receivables based on signed agreements in respect to future services and subject to specific performance conditions. Information on the net assets of the Centre is included in Statement III on page 23.
22. The Treasurer then presented **Statement II – Statement of Financial Performance**. This Statement provides the results of the Centre, under IPSAS standards. 2022 shows a net surplus of €8.7 million. IPSAS has different recognition accounting policies than those of the budget and in 2022, the main difference is due to the unrealized exchange gain, some different treatments for a few voluntary contributions relating to activities as well as the net surplus recorded in the other funds, as the budget only shows the results of the General Fund.
23. Finally, expenditure increased by €1.5 million in 2022 when compared to 2021. This is mainly attributable to the increased direct costs relating to the face to face activities, such as travel and accommodation, as well as additional extraordinary maintenance carried out on campus during the year that had been postponed in 2021.

24. *The Chairperson* invited the representative of the External Auditor to introduce the External Auditor's report for 2022.
25. *The representative of the External Auditor* presented the Report of the External Auditor for Financial Year 2022. He recognized the significant effort, hard work, and commitment of the Centre's Management in performing their mandate.
26. The External Auditors conducted their audit in conformity with the International Standards on Auditing, to support the enhancement of transparency and accountability within the Centre and contribute to the achievement of the Centre's operational objectives through our audits. Specifically, their responsibility is to provide the Board of the Centre and other stakeholders with an independent audit opinion on the fairness of the presentation of the financial statements in conformity with the International Public Sector Accounting Standards or IPSAS. The Report highlights two themes: (1) the audit of 2022 financial statements; and (2) the review of the evaluation of training activities.
27. The External Auditors comprehensively audited the Centre's 2022 financial statements and its financial transactions to provide independent assurance and express an opinion on these statements. They also reviewed the operations of the Centre in line with their mandate under Financial Regulations IX.25 to reinforce accountability and transparency, and to improve and add value to the Centre's financial management and governance.
28. For the financial audit, they provided enhancement opportunities on the Innovation and Fellowship funds. They recommended the establishment of a mechanism to measure the impact of projects financed by the Innovation Fund with consideration to the financial, technical, economic, social, and environmental implications and to monitor the utilization of Fellowship Fund, and the corresponding circumstances that affect the utilization of the fund. They also noted improvement opportunities in cash management, staffing contracts, and on the accumulated leave of short-term staff, accruals, and prior years' expenses.
29. Overall, the External Auditor concluded that the 2022 financial statements of the Centre are presented fairly, in all material respect, in accordance with IPSAS. They also concluded that the accounting policies were applied on a basis consistent with those of the preceding year. Hence, the External Auditor issued an unmodified audit opinion (this is an opinion expressed by the external auditor when the financial statements are prepared, in all material respect, in accordance with IPSAS). They commend the Centre's Management for consistently achieving an unmodified audit opinion since becoming the external auditor in 2016.
30. Regarding the review of the evaluation of the Centre's training activities, they highlighted the need for improvements in the evaluation framework, processes, reporting, and follow-up mechanisms of the training activities. Addressing these gaps promptly and implementing the value-adding recommendations and changes which they provided in the Report will enable the Centre to enhance its evaluation practices, improve the quality and impact of its training programmes, and foster a culture of continuous improvement.
31. These audit results are discussed in detail in the Report. The External Auditor provided 12 value-adding recommendations, six of these in financial audit and the other six in evaluation of training activities, to which the Centre's Management agreed and communicated their commitment in implementing them. The Auditors also encouraged the Centre's Management to implement the audit recommendations provided in previous years

as enumerated in Appendix I of the Report to further improve operational efficiency and effectiveness.

32. Finally, he expressed his appreciation for the cooperation and assistance extended to the External Auditor by the Director *a.i.* and his team which facilitated the successful conduct of the audit. They also commended the Centre's Management for their commitment to improving operational efficiency and effectiveness and appreciated their acknowledgement of the value of the audit recommendations. They also thanked the Board of the Centre for recognizing the value of their work as external auditor.
33. He then assured members that they would pursue their mandate for their final year as External Auditor for financial year 2023, and they would continue to support the objectives of the Centre by providing independent assurance and value-adding audit recommendations through their audit services.
34. *The Chairperson* then invited the Officers to comment on the financial statements and on the External Auditor's report for 2022.
35. *The Workers' Vice-Chairperson* thanked management and the auditors for the document presented. The Worker's group commended the Treasurer and the Director *a.i.* for the financial report, which provides a clear picture of the financial situation of the Centre and helps prepare and chart a plan for the way forward. She also appreciated the generous contributions made by the Governments of Italy and Portugal.
36. She asked for a clarification about Accounts Receivable as well as Accounts payable. She also raised her concerns regarding the Fellowship Fund available funding balance and the missed opportunity to provide training to additional people. She raised questions on the accessibility for constituents to this funding in order to attend activities.
37. *The Group* adopted the financial statements and report of the auditors.
38. *The Employers' Vice-Chairperson* extended the congratulations to M. Christophe Perrin for his recent appointment as Director.
39. Turning to the Financial Statements and the External Auditor's Report for the year ended 31 December 2022, he acknowledged the Centre's remarkable resilience amidst the challenging global environment due to the COVID-19 pandemic. The Centre's demonstrated agility stands as a testament to its resilience and adaptability.
40. The Centre's 34% increase in enrolment underscores the successful transition towards digital learning modalities, thus revealing an attuned understanding of its constituents' current needs. Even though there has been a minor decrease in the number of activities, this is viewed as a necessary recalibration in response to the complex circumstances at hand. The Group applauds the Centre's unwavering commitment to delivering quality education despite these hurdles.
41. The Centre has displayed commendable financial acumen, reflected in an IPSAS-based surplus of €8.691 million. This surplus, even though it overshadows the budget surplus, is a positive indicator of prudent financial management and the invaluable contribution of the dedicated staff. The Group applauds the notable increase in net assets from €24.5 million in 2021 to €33.3 million in 2022, which mirrors a successful financial management strategy, especially in light of the broader global economic backdrop.

42. The External Auditor's Report demonstrates meticulousness and transparency, fostering trust among stakeholders and enhancing the overall credibility of the Centre. The Group commends the Centre's adaptability in transitioning from a traditional two-year revenue cycle to a more dynamic model in response to the pandemic's challenges. The innovative efforts to diversify income sources are praiseworthy, and they encourage the Centre to pursue additional reliable revenue streams. While appreciating and supporting the Centre's strides in diversifying income through advisory services and similar activities, the Group would like to emphasize the importance of providing robust support to constituents' programmes. This support is crucial for maintaining relevance and responsiveness to the needs of EBMOs and Trade Unions. Furthermore, the slight decline in the contribution of training and advisory services and voluntary contributions to total revenue presents an opportunity for further diversification.
43. The consistency of unmodified opinions on the Centre's financial statements since the auditor's mandate began in 2016 is commendable. He noted that there are areas that would benefit from further refinement and enhancement, especially in financial accounting, reporting, and transparency, along with the monitoring of critical funds. These opportunities for improvement should be perceived not as criticisms but as pathways to further bolster the Centre's operations, leading to more impactful training initiatives and effective fund utilization. The auditor's recommendations concerning improvements in financial accounting, reporting, accountability, and transparency are well noted and the Centre should act upon them.
44. Regarding the observations on the Innovation Fund and the Fellowship Fund, the Group appreciates the Centre's efforts in financing innovative projects and supporting fellowships. However, there is a need for improved mechanisms to measure project impact and monitor Fellowship Fund utilization. Furthermore, concern are raised about the new restrictions imposed by management for utilizing the Fellowship Fund, which hinder the ability of the technical Programmes to spend it effectively and with more impact. It is crucial to address this issue with management and engage in future discussions for a resolution.
45. In the case of the Innovation Fund, a systematic mechanism to evaluate the impact of projects—considering financial, technical, economic, social, and environmental aspects—would significantly improve the fund's effectiveness. Such an approach would empower the Centre to conduct a holistic analysis of these projects' long-term results, bettering its strategic planning for future initiatives.
46. Similarly, for the Fellowship Fund, improved monitoring is imperative. Understanding the utilization rate of this fund is not only crucial for accountability but also provides a clear insight into the potential external and internal factors impacting its use. These factors may include political decisions of sponsors, strategic shifts within the Training Department, as well as internal restrictions and conditions imposed, all of which have implications for the fund's optimal, effective and impactful use.
47. He stated that Management should consider establishing a mechanism to gauge the impacts of projects financed by the Innovation Fund, taking into account not only their financial implications but also their technical, economic, social, and environmental repercussions. Additionally, the mechanism should aim to monitor the utilization of the Fellowship Fund and the corresponding circumstances affecting fund utilization. This approach will allow for a comprehensive analysis of long-term project outcomes, financial delivery of funds, and offer recommendations for future related initiatives.

48. He confirmed that the Employers Group is supportive and trusts the Centre's capabilities and vision.
49. To conclude, the Employers' Group accepted the point for decision and agreed to adopt the Financial Statements as submitted in accordance to the Financial Regulations.
50. *The Governments' Vice-Chairperson* warmly thanked the Chairperson, the Director-General of the ILO, Mr Gilbert Houngbo for convening the meeting of the Officers of the Board of the Centre and congratulated the newly appointed Director, Mr Christophe Perrin for the wealth of experience he is expected to add to the progress of the Centre.
51. The Group supports the Financial Statements and the External Auditor's Report and notes that the Financial Statements for the year ended 31st December 2022 were prepared in strict compliance with International Public Sector Accounting Standards (IPSAS) and are consolidated with those of the ILO. In its efforts to implement the new business model as approved by the Board for the 2022-23 P&B, the progress is well reflected in the growth of the level of enrolments of participants to training programmes despite lingering effects of the COVID-19 pandemic. This is also reflected in the total revenue and the surplus.
52. The Group welcomes this growth and surplus and the provision by the ILO to cover the After Service Health Insurance expenditure for the Centre retirees. However, they would appreciate the disclosure of the 2021 contribution from the City of Turin that was received in 2022 and the reason why no ex-gratia payments were made in 2022.
53. On the matter of training programmes, the Group is concerned about the statistics of the aggregate number of participants from regions and constituents. They advocate the provision of subsidized gender-balanced programmes for some member states, particularly those whose assessed capacity requires accelerated priority to place them on equal footing with their social partners' counterpart. Targeted or customized training programmes based on request and need assessment within available budgetary provision rather than general one-fits-all will be welcomed by some of our members.
54. To conclude, the Government group endorsed the adoption of the financial Statements as submitted in accordance with Article 17.2 of the Financial Regulations.
55. *The representative of the Government of Italy (Mr Mengoni)* praised the excellent results obtained by the Centre in the year 2022, as testified by the management and certified by the external auditor. It seems that the Centre has overcome the difficulties created by the pandemic and has resumed a path of growth, both in financial data and in the quality of education. All data for budget, assets, student attendance show excellent results, not only in comparison with the previous year but also with the 2019, the year before the pandemic struck.
56. He underlined the need for continuous attention and a proactive attitude by the management in order to shape the future and face possible new challenges. The Centre needs to continue working actively to consolidate its financial stability, enlarge its activities, while maintaining a balance between online and in presence courses. It is also very important to maintain a close relationship with the local authorities, the City of Turin and the Piedmont Region, as well as the Region's universities and private sector, in order to explore synergies, reciprocal cooperation and opportunities.

57. To conclude, he congratulated Mr. Christophe Perrin for his appointment as the new Director of the Centre and reiterated the commitment by the Italian Government to support the Centre and the new Director.
58. *The Chairperson* gave the floor to *the Director a.i.* and to *the Treasurer* to reply to the questions asked by the Workers', Employers' and Governments' Vice-Chairs. The Director a.i. thanked the Officers of the Board for their words and questions. He provided an overview of the process for the three concerned programmes to access the funds available in the Fellowship Fund. He also restated what said during the last Board in October 2022, notably that an informal meeting among the Officers will take place before the Board of 2023 with a view to discussing the use of the Fellowship Fund.
59. The Treasurer then took the floor to provide explanations on the questions raised by the Groups whereby Accounts Receivable of €2.2 million related to services completed by the Centre prior to year-end and that this amount was fully current in terms of collection. The contributions receivable included a short-term portion of €2.3 million and €800,000 was long-term. The short-term portion would flow to the 2023 revenue as the related activities were delivered in the new year. On the Accounts Payable side, the amount shown included amounts owed to suppliers for which invoices were received in late December and that were expected to be paid in January 2023, as per their payment terms. Regarding the implementation of the External Auditor's recommendations, Management was actively working on them. Unfortunately, some delays were unavoidable due to the changes in the business model and the related impact on the operations, as well as various recommendations requiring the implementation of IT tools. She confirmed that further efforts were being made in 2023 to complete as many as possible. The Treasurer expanded on the information provided by the Director a.i. on the current process for the three concerned programmes to access and use the Fellowship Fund. She highlighted the various sources of funding available to the Workers' programme and the priorities in their use. In ACTRAV, funds from the ILO-ACTRAV, past surpluses, Italy funding as well as the Fellowship Fund were available, and the priority was always to first use the external funding, as the Fellowship Fund is internal funding provided by the Centre.
60. The Groups thanked both for the explanations provided but insisted on having a more in-depth exchange and analysis on the issue of the access and use of the Fellowship Fund. The Employer's Group agreed to provide additional information on some of the challenges observed in accessing the Fund. The Workers' Group reiterated the need to access the Fellowship Fund to further train its stakeholders.
61. *The Chairperson* also acknowledged the need to address this issue further, in a different context. He suggested to find ways to permit further discussions.

The Officers of the Board:

- 1) ***adopted the financial statements, and***
- 2) ***took note of the External Auditor's report for the year ended 31 December 2022.***

Concluding remarks

62. The *Chairperson* advised that the date of the 87th Session of the Board of the Centre was not yet set and that it was agreed to hold it in the week prior to the GB, in Turin. The 349th

Session of the Governing Body of the ILO, is to take place in Geneva from 30 October to 9 November 2023. The Officers agreed on this point.

63. He further invited the nominated Director of the Centre, Mr Perrin to say a few words.
64. *The nominated Director of the Centre (Mr Perrin)* stated that he was pleased to have been invited to the meeting and that he was available for further exchanges with the Constituents. He declared that he was delighted to join the Centre which is a very inspirational institution, with dedicated and professional staff. He confirmed that he would be assuming his duties in July, after the Conference.
65. Finally, the *Chairperson* thanked the Officers, the secretariats of the various groups and the staff of the ILO and the Centre for their participation and declared the meeting closed.

This report will be submitted to the Board for information.

August 2023

Attendance list
Liste des présences
Lista de presencias

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

International Labour Organization

Mr Gilbert F. HOUNGBO	DG
Ms Raquel GONZALEZ	CABINET

External Auditor - Commission on Audit, Philippines

Mr Lito MARTIN
 Mr Dondon MARCOS
 Mr Hershey VISAYA

International Training Centre of the ILO

Mr Giuseppe CASALE	Director a.i.
Ms Christine BOULANGER	Treasurer
Ms Nathalie MIRABILE	Note-taker

Observer

Mr Christophe PERRIN	(Director nominated)
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