

Board of the Centre

79th Session, Turin, 27-28 October 2016

CC 79/3/2

FOR INFORMATION

THIRD ITEM ON THE AGENDA

Report of the meeting of the Officers of the Board (17th May 2016)

1. A meeting of the Officers of the Board of the International Training Centre of the ILO (the Centre) was held, *via* videoconference, on 17th May 2016 to enable timely consideration and provisional adoption of the financial statements for the year ended 31 December 2015.
2. The meeting was chaired by the representative of the ILO Director-General, Mr Hougbo, Deputy Director-General.
3. The report of this meeting is submitted to the 79th Session of the Board (October 2016).

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

(Item on the agenda)

4. The *Chairperson and Representative of the Director-General* welcomed the Officers of the Board to the meeting. He pointed out that the meeting was held as per the Board request of October 2015, to enable the timely examination of the 2015 Financial Statements and External Auditor's Report.
5. This document was published on the webpage of the Centre on 17th April 2016 and all members of the Board were notified of this. This allowed for a period of one month for any questions and clarifications to be provided by the Treasurer, as well as for consultations by the Officers with the members of their respective groups.
6. The *Chairperson* invited Mr. Liu, new Director of the Centre, to take the floor for a few introductory remarks.
7. The *Director of the Centre* thanked everyone concerned and involved in the preparation of the meeting which was a sign of good cooperation between the ILO office and the Turin Centre. He explained that as the ILO's training facility, the Centre operates within the "One ILO" policy and institutional framework and that close alignment between the Centre and the ILO – both at headquarters and in the regions – has been and will

remain critical to the relevance, effectiveness and sustainability of the learning and training activities of the Centre.

8. He reminded all that the Centre faces many challenges in achieving its many objectives. While it receives voluntary contributions from the Government of Italy and the ILO, among others, it still needs to earn the majority of its revenues in order to be sustainable over the long term. In such an endeavour, the Centre is constantly developing and delivering training of high quality, which is relevant and effective to ILO constituents.
9. He also pointed out that every year the Centre must ensure that it earns sufficient revenue to cover its fixed and variable expenditures. In the past years, the Centre has been fortunate to secure a reasonable surplus which is invested in training activities and the maintenance of its infrastructures. When looking at the planning of activities, the Centre carries on a number of activities pre-scheduled in the year, in addition to those which are tailor-made and carried out both on campus and in the field.
10. He noted that the Centre continues to strive to improve its planning and requires the full support from the ILO Headquarters and its field offices in ensuring that activities and projects are planned well in advance to permit delivering high-quality training for the most economical price. In this regard, he explained that the Centre has undertaken a streamlining exercise to ensure that its internal processes are more efficient to allow us to react more quickly to the various demands.
11. The final point made by the Director was that the Centre will engage with the ILO's programme of work associated with the Centenary Initiatives and will promote knowledge-sharing around these initiatives, particularly around the Future of Work theme. To achieve this, the Centre will adapt its training and learning portfolio so that it can play a key role in the ILO's institutional capacity development efforts for the tripartite constituents. The Centre will need to actively invest in innovation to review its training programme of work and will need to identify new internal and external sources of funding as well as obtain further assistance from the ILO and its constituents in this exercise.
12. The *Chairperson* thanked the Director of the Centre and invited the Treasurer to introduce the 2015 financial statements.
13. The *Treasurer* introduced the financial statements and highlighted a number of key areas. She stated that in 2015, there were no new IPSAS standards which impacted the financial statements of the Centre. IPSAS has no impact on the preparation of the budget which is still presented on a modified accrual basis. She reported that this year, as part of the document presented (page 8), a new statement of management responsibilities on the financial statements. It highlights that the financial statements are the responsibility of management and that the accounting procedures and related systems of internal control have been developed by management. It also provides information on what has been implemented to address financial governance at the Centre.
14. In 2015, the Centre recognized €39.8 million in total revenue and €39.8 million in total expenditures resulting in a net deficit of €10,000. The details can be found in Statement II on page 12.
15. The two major sources of revenue, representing 93% of the total revenue, are derived from training activities and voluntary contributions. Total revenues increased by 9.8%

as compared to 2014 mainly as a result of an increase of €4.1 million in training revenues. This was mainly due to the increase in training revenue financed from the ILO's Regular Budget for technical cooperation and the increase in participants attending training in 2015 which totalled 12 496 as compared to 10 921 in 2014. This represented an increase of 14.4%. The distribution of the activities by type also had a significant impact as there was an increase of 10% in participant-days on campus and an increase of 5% in the blended distance training plus face-to-face on campus activities. However the highest increase was in the training at a distance which saw an increase of 83% in participant-days. Voluntary contributions decreased by €1.36 million as a result of the voluntary contributions received in 2014 for the refurbishment of the Pavilion Europe. To counterbalance this, the Centre realized a foreign currency gain on its ILO USD voluntary contribution. There was also an increase in publication revenues of €540,000 and miscellaneous income of €402,000.

- 16.** Total expenditures increased by €3.6 million or 10% as compared to 2014. Approximately €2.5 million was as a result of the increase in training activities during the year especially in the area of external lecturers and participant travel and accommodation. In addition, salary costs increased by €528,000 as a result of the mandatory salary increases for staff as approved by the International Civil Service Commission, the wide movements in the Euro to US dollar in which professional staff salaries are fixed and the various changes in the staff allowances due to changes in family status. The Centre managed to contain these increases to an overall 3% for the year. This was possible by combining certain technical units or services as officials were retiring while still meeting operational needs as well as incurring savings as a result of delays in filling certain positions, among others.
- 17.** She explained that Statement I shows that the Centre's total assets at the end of the year totalled nearly €30 million which is slightly lower than the €30.5 million held at the end of 2014. Cash and cash equivalent totalled €3.6 million at the end of 2015 and €6.8 million had been invested in short-term deposits for up to 12 months. Additional detailed information on the movement of the Centre's cash and cash equivalent position is shown in Statement IV on page 14. The Centre had accounts receivable of €9.6 million at the end of 2015, which were higher by €1.8 million as compared to 2014. This was due to a final Due from the ILO which was higher than in 2014 as a result of increased training activities during the year, funded by the ILO.
- 18.** She highlighted that liabilities totalled €11.8 million at the end of 2015 as compared to €12.3 million in 2014. There was a decrease in the voluntary contributions received in advance from donors and relating to signed agreements of €1.4 million and accounts payable and accrued liabilities increased by €800,000 mostly as a result of increased activities.
- 19.** At the end of 2015, the Centre had net assets of €18.1 million which were stable when compared to 2014. Further details can be found in Statement III on page 13.
- 20.** She further explained that the overall budgetary results for 2015 can be found in Statement V on page 15. The Centre achieved positive results with an overall budget surplus of €1.387 million. This was as a result of earning higher than budgeted training revenue, realizing an exchange gain on the ILO USD voluntary contribution, and earning higher than budgeted other revenue while managing its non-staff costs which came in lower than budgeted.
- 21.** In 2015, the Centre received contributions from donors totalling €13.3 million and further details can be found in Note 11 on page 31. The largest contribution was

received from the Government of Italy and totalled €9.4 million. The actual revenue for 2015 totalled €40.6 million. The ILO's contribution revenue was €678,000 higher than the budget as a result of the differences in the exchange rates applied at the time of the budget and the actual conversion rate. The Centre also received the voluntary contribution from the Government of Italy and a contribution of €250,000 from the Government of Portugal to be applied to the overall expenditures. Revenue from training activities was higher than budgeted by nearly €1.2 million. This was due to the higher than anticipated training revenue from the ILO's Regular Budget for technical cooperation as well as from other UN agencies and institutions and an increased number in/of participants.

22. The use of past surpluses was lower than budgeted as activities were funded from other sources. Note 15 which is found on page 33 provides additional detailed information on the use of the surplus funds during the year as well as their balances at the end of 2015.
23. She pointed out that the actual expenditures relating to facilities were higher than the budget by €144,000 as a result of maintenance work carried out as a result of savings identified in other areas. Such projects included the refurbishment of the Valentino Bar, the installation of fire extinguishing systems in the data center as well as re-painting and upgrading of hotel accommodations and classrooms. General operating expenditures were lower than expected by €230,000 as a result of lower costs in freight and courier services, internal removals, internal reproduction and supplies as well as bank charges. Governance expenditures were also lower than the budget by €176,000. This is as a result of the ILO providing the Centre with free of charge internal audit and legal services during the year. Information technology expenditures were higher than the budget by €336,000 as a result of additional expenditures incurred for the purchase of information technology equipment for both the training activities and staff members, again funded from savings in other types of expenditures. In addition, there was an increase in the technical assistance and internet costs. Total variable expenditures were lower than budgeted by €392,000 as a result of the changes in the distribution of types of activities. This year the Centre had increases in Blended-C distance and training face to face in the field, and Blended-F activities as well as distance learning which resulted in a lower variable expenditure ratio to training revenue.
24. She concluded by thanking the representatives of the Office of the Auditor General of Canada for their work and assistance to the Centre during the last eight years of audit work.
25. The *Chairperson* then invited the Officers to provide their comments on the 2015 financial statements.
26. The *Workers' Vice-Chairperson* thanked the auditors and noted with satisfaction that the financial statements were prepared in accordance with International Public Sector Accounting Standards (IPSAS) and that, according to the External Auditor they presented fairly the financial position of the Centre as at 31 December 2015. He thanked the Director for organizing this meeting of the Officers to enable timely consideration of the 2015 financial statements.
27. He took note of the 2015 positive result, which he hopes can become a permanent figure and guide the ILO allocation to the Centre, and thanked the Treasurer for all the financial explanations provided, as well as the explanations for the surplus. He congratulated the Centre staff for these good results in providing capacities to the constituents.

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28. He welcomed the increase in the number of participants, as well as the increase in the number of participant-days. He was glad that this also included a higher representation of workers. As the training arm of the ILO, the Centre shall keep on providing continuous financial support to the workers' and employers' groups.
 29. He stressed the importance of building greater synergies between the Centre and the ILO on capacity-building, particularly through greater involvement in the capacity-building components of ILO technical cooperation projects. It would be important to ensure that the Centre is fully integrated into the capacity-building work of the ILO. He further asked the Centre to promote more voluntary contributions and asked for the Director's plans for achieving this. He reiterated that the Centre should continue to support the Workers' and Employers' programmes independently from any surplus and expressed serious concern for the Actrav budget for the current year, which was suffering from a substantial financing gap, since its funding allocation represents only half of its 2015 funding allocation. He concluded by thanking the Government of Italy, Portugal, the Piedmont region and the City of Turin for their contributions.
 30. The *Workers' Group* was ready to approve the 2015 financial statements as presented together with the Report of the External Auditor.
 31. The *Employers' Vice-Chairperson* welcomed the financial statements and appreciated the additional clarifications provided by the Treasurer in her introductory statement. He requested information concerning the use of the surplus, pointing out that both the Workers Activities' Programme and the Employers Activities programme need to be supported outside the surplus, on a more regular basis.
 32. He congratulated the Centre for the good performance and great job of the Centre' staff. He also thanked the Government of Italy and the City of Turin.
 33. The *Employers' Group* was ready to approve the 2015 financial statements as presented together with the Report of the External Auditor.
 34. The *Governments' Vice-Chairperson* welcomed the opportunity to review the 2015 financial statements and expressed appreciation for the information provided which he considered to be clear and comprehensive. He had consulted with the government group members and the queries received and passed to the Centre were very well and comprehensively addressed. He also thanked the Government of Italy, the ILO and the other donors for their support to the Centre.
 35. He had a remark concerning the need of a feasibility study on the publication unit, which, even if it may be part of the reason for the increased revenue, it poses an issue on the sustainability of the Centre and may hinder its greening policy. He also pointed out that the surplus shall be used for the facilities maintenance. He concluded by stressing the need to implement the recommendations made by the External Auditor. He finally stated that he was ready to support the adoption of the 2015 financial statements as presented.
 36. The *representative of the Government of Italy* congratulated the Director for the good document which highlights the sound financial management of the Centre. He noted the increase in training revenue and outreach to ILO and constituents.
 37. He expressed an issue concerning the compensation package and the new ICSC rules for retirement, which can cause an additional financial burden to the Centre. Therefore, he invited the Director to pursue a more diversified income base, reaching out to non-

traditional donors, and multi and bi-lateral partners. He acknowledged the support of the Region of Piedmont and of the City of Turin. He finally stated that he was ready to support the adoption of the 2015 financial statements as presented.

38. Both the *Director of the Centre and the Treasurer* valued the concerns expressed and highlighted the close monitoring of the financial progress and results of the Centre throughout the year, as well as the IPSAS developments to address the recommendations made by the External Auditor.
39. The *Chairperson* invited the representative of the External Auditor to introduce the External Auditor's Report for 2015.
40. The *representative of the External Auditor* expressed her satisfaction for the progress made by the Centre. She stated that an unmodified opinion was being issued to the Centre on its 2015 financial statements which were fully IPSAS compliant and in accordance with the Financial Regulations of the Centre. She reported to have addressed key issues such as the review of doubtful accounts, and found that management's estimates were reasonable. She also concluded that the Centre has proper processes and documentation to support its leave management, as a result of the review undertaken this year.
41. The auditors conducted a retrospective of their mandate on IPSAS, risk management and succession planning and the improvements made by the Centre. The Centre should continue to monitor developments in IPSAS especially regarding the accounting treatment of the services in kind received by way of the Centre's land and buildings in the light of the on-going discussions at the level of the UN System. She also encouraged the Centre to continue monitoring the significance of not applying discounting to its long-term portion of the future employee benefits and to recognize this difference if it became material. She concluded by thanking the Director, the Treasurer, and the staff of the Centre for their cooperation during the audit mandate.
42. The *Chairperson* then invited the Officers to provide their comments on the External Auditor's Report for 2015. Both the Employers' and Workers' Vice-Chairpersons took note of the report.
43. The *Governments' Vice-Chairperson* noted that some innovative ideas could be applied to recognize the successful work of the Centre and reduce the frequency of the audits. He asked to have more information on the efficiency and suitability of the publication unit (MDP) and whether the management was looking into the issue.
44. The *Chairperson* requested the representative of the External Auditor and then the Treasurer to respond to the various points that had been raised during the discussion.
45. The *representative of the External Auditor* explained that audits are carried out on an annual basis, which is also the case for the ILO.
46. The *Treasurer* provided additional information on the issue of the services in kind stating that she continuously monitors the discussions held on the matter through the UN Task Force on IPSAS and the developments and accounting policies adopted by other UN organizations. Regarding the discounting of the long-term portion of the future employee benefits, as the amount is not material, this was not recognized. However this is estimated every year and will be recorded when it becomes material. She stated that the Centre will be working closely with the ILO regarding the certification of internal controls as both entities must be aligned on this work in order to implement it. She then

confirmed that improvements on risk management will continue to be done by the Centre and thanked the Officers for their positive feedback on this matter. She noted the suggestion to recruit interns to assist in the review of the Centre's processes.

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 2015.**
47. The *Chairperson* invited the Officers to consider the other point under consideration which is a discussion of the proposed allocation of the 2015 surplus for which there was no document prepared. He asked the Treasurer to present the proposal.
48. The *Treasurer* explained that the current process to submit to the Board the proposed allocations of the surplus is through the budget proposals in October of each year. The surplus is then available starting in the next financial year. However, this poses some issues for the Centre in its use of the 2015 surplus as the next formal budget submission is not until October 2017 and approval is required by the Centre in a more timely basis.
49. The 2016-2017 budget approved by the Board in October 2015 did not include any funds for renovations or upgrading of the campus facilities. As the periods during which this work can be carried out are limited to the summer and end-of-the-year holidays, and as per the Turin Centre' Strategic Plan 2016-2017 and Programme and Budget Proposals indicator 5.3, the Centre's management considers it necessary to engage in the works immediately and thus, your approval of the use of the 2015 surplus is required prior to October 2017.
50. She recalled that as per Article III, paragraph 5 of the Statute of the Centre, the Officers of the Board "shall be empowered, to take decisions in the name of the Board each time the officers consider that it is in the interest of good management of the Centre that a question referred to them between two sessions of the Board be settled without waiting for the next session of the Board, and that such question is not of sufficient importance to justify the convening of an extraordinary session of the Board. Every measure taken by virtue of this delegation is to be made the subject of a report for presentation to the Board on the occasion of its next session".
51. She pointed out that the results for the year 2015 show a surplus of € 1.387 million. Given the situation outlined, she informed that, within the next few weeks, the Director will submit a paper on this matter, for the Officers' consideration and approval.
52. She summarized that the Director would propose to the Officers of the Board that 50 % of the surplus be allocated to improving the quality of the training and security infrastructures and the other 50 % be allocated to support the training programme, subject to priorities as per past practice. She hoped that the Officers of the Board would support this proposal made by management.
53. The *Chairperson* thanked the Treasurer for the presentation and opened the discussion.

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54. Both the *Employers' and Workers' Vice-Chairpersons* considered that informal consultations were needed in order to reach an agreement on the modalities and purposes of the surplus allocation.
55. The *Governments' Vice-Chairperson* welcomed the explanations on the proposed use of the surplus and agreed with the procedure and modalities for the proposed allocation of the 2015 surplus, due to the urgency to use the funds.
56. The *Chairperson* suggested that a concrete proposal be issued by the Director of the Centre on the use of the allocation of the 2015 surplus in order to permit consultations with each group as well as possible consultations during the International Labour Conference.

The Director subsequently sent to the Officers of the Board the written proposal on the proposed allocation of the 2015 surplus and requested their approval of the proposal.

Concluding remarks

57. The *Chairperson* stated that a report of the meeting would be presented to the next Session of the Board to be held on 27-28 October, 2016 in Turin. The Officers of the Board agreed to delegate approval of the report of the meeting to the Chairperson and Secretary of the Board.
58. The *Chairperson* thanked the Officers for their participation as well as the secretariats of the groups, the staff of ILO and the Centre, and declared the meeting closed.

This report is submitted to the Board for information.

Turin, May 2016

Attendance list
Liste des présences
Lista de presencias

Mr Giulio MARINI	ITALY
Mr Abdulrahman AL MARZOOQI	UAE <i>(Governments' Vice-Chairperson)</i>
Mr Mthunzi MDWABA (South Africa)	<i>(Employers' Vice-Chairperson)</i> <i>by video-conference</i>
Mr Frederick MUIA (IOE)	<i>(Employers' Secretariat)</i>
Mr Bheki NTSHALINSHALI (South Africa)	<i>(Workers' Vice-Chairperson)</i> <i>by video-conference</i>
Ms Esther BUSSER (ITUC)	<i>(Workers' Secretariat)</i>

International Labour Organization

Mr Enrico CAIROLA	ACTRAV
Mr Gilbert HOUNGBO	DDG/FOP (Chair of the meeting)
Ms Riikka KOSKENMÄKI	JUR
Mr Georges POLITAKIS	JUR
Ms Sanchir TUGSCHIMEG	ACT/EMP

External Auditor

Ms Marian MC MAHON	<i>by video-conference</i>
Ms Carla NASH	<i>by video-conference</i>

International Training Centre of the ILO

Mr Yanguo LIU	Director
Mr Giuseppe CASALE	Deputy Director
Ms Christine BOULANGER	Treasurer
Ms Nathalie MIRABILE	Note-taker

