International Agency for Research on Cancer

World Health Organization

**Governing Council**
**Fifty-fifth Session**

**GC/55/6**
02/04/2013

*Lyon, 16–17 May 2013*
*Auditorium*

# ANNUAL FINANCIAL REPORT, REPORT OF THE EXTERNAL AUDITOR, AND AUDITED FINANCIAL STATEMENTS

For the year ended 31 December 2012

**2013**

Annual Financial Report
for the year ended 31 December 2012

## Table of Contents

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# SECTION I: DIRECTOR'S FINANCIAL REPORT

Annual Financial Report
for the year ended 31 December 2012

## INTRODUCTION

1. The annual financial statements of the Agency for the year ended 31 December 2012 are submitted in accordance with Article VI, Paragraph 6.1 of the IARC Financial Regulations. For the first year, the financial statements and notes to the financial statements have been prepared in full compliance with International Public Sector Accounting Standards (IPSAS). These are presented in section III of this Report.

2. The Report of the External Auditor, together with his unqualified (clean) opinion on the financial statements, is submitted in section II in accordance with Article VI, Paragraph 6.2 of the IARC Financial Regulations.

3. This section of the financial report highlights the financial health of the Agency and the impact of the first time adoption of IPSAS to the net financial position.

## IMPLEMENTATION OF IPSAS

4. Effective 1 January 2012, IARC has fully implemented the full accrual basis of accounting in compliance with IPSAS. This is a significant achievement that brings greater transparency, consistency, comparability and reliability of financial information, and higher standards of financial reporting.

5. The first time adoption of IPSAS has resulted in changes to the assets, liabilities and net assets/equity in the Statement of Financial Position. Accordingly, the last audited Statement of Financial Position as at 31 December 2011 has been restated, showing a decrease in net assets/equity of €21.070 million. This decrease is a result of adjustments on designated voluntary contributions and recognition of employee benefit liabilities as illustrated in Figure 1 below.

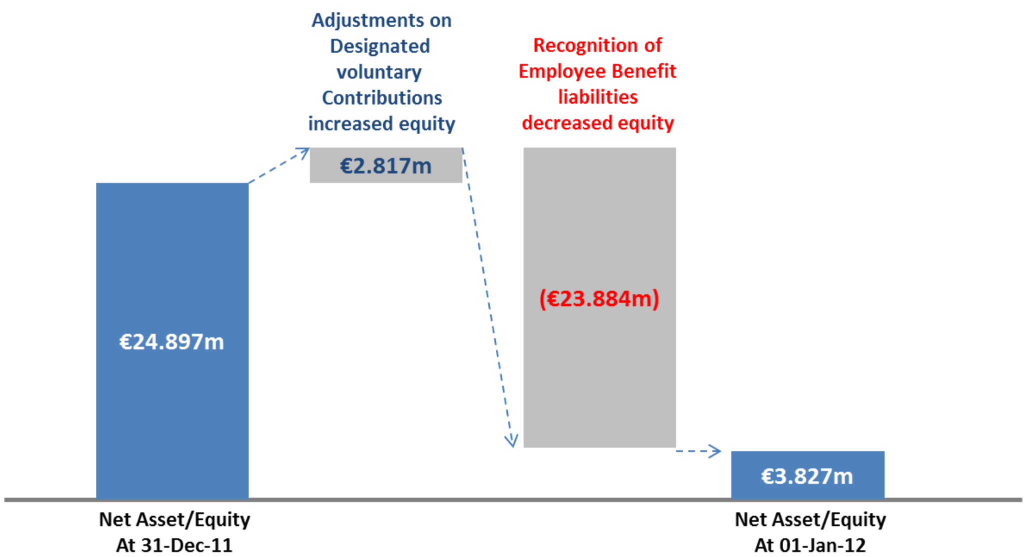


Figure 1 – Change in Net Assets/Equity brought by the adoption of IPSAS

6. The adjustments on designated voluntary contributions were necessary due to the change in accounting policy whereby the revenue is recorded when the agreement is signed and not when cash was received.

7. The recognition of employee benefit liabilities according to IPSAS 25 includes short-term employee benefits (e.g. accrued annual leave, accrued staff salaries), long-term employee benefits, and post-employment benefit liabilities, which are recognized in IARC accounts for the first time. The impact to the net assets/equity shown in Figure 1 represents the unfunded liabilities, of which 99% is the unfunded balance of post employee benefit liabilities on after service health insurance (ASHI).

8. At 31 December 2012 the total unfunded liabilities related to employee benefits increased to €24.065 million, of which €23.868 million is related to ASHI. This unfunded balance is reflected as a separate line in the Statement of Financial Position under net assets/equity. In line with the plan set by the World Health Organization (WHO), the Agency will use a progressive approach in closing this gap through increased contributions to SHI fund. Based on actuarial projections, this goal will be achieved by 2042.

9. The implementation of IPSAS has no impact on the preparation of the budget which is still presented on a cash basis. As this basis differs from the actual basis applied to the financial statements, comparisons between budget and actual have been provided in Statement V in accordance to IPSAS.

## FINANCIAL HIGHLIGHTS

### a) Regular Budget

10. For the year ended 31 December 2012, total expenses and capital expenditure charged against the regular budget amounted to €17.075 million. The budget utilization rate including encumbrances is 89.3% with the balance held to fund planned activities to be carried out in 2013. The breakdown of this expenditure and encumbrances by appropriation section is presented in Statement V.

11. The collection of 2012 assessed contributions is at 96.07% as per the details shown in Schedule 3.

12. The exchange rate applied by the Governing Council when approving the 2012–2013 budget was 0.675 Euro to the US dollar. The average United Nations/WHO rate of exchange for the year 2012 was 0.778 Euro to a US dollar. As the Agency's programme budget is prepared in euros, the exchange rate risk exposure of the Agency is limited to approximately 10% of its anticipated expenditure that were made in US dollars. To cover these unforeseen budget costs due to currency realignments, the Agency used €0.077 million in 2012, in accordance with Governing Council Resolution GC/53/R7, paragraph 6.

13. A total budget of €0.189 million was allocated under the Director's Development Provision during 2012 to finance new initiatives and existing studies which required additional resources to ensure their successful implementation. The Provision was used in the following scientific programme areas:

| | | |
|---|---|---|
| IARC Monographs | (Area 2) | 34 000 |
| Cancer Etiology | (Area 3) | 42 000 |
| Mechanisms of Carcinogenesis | (Area 4) | 65 000 |
| Methodology and Research Tools | (Area 7) | 15 000 |
| Scientific Support | (Area 8) | 15 200 |
| Research Leadership and Management | (Area 9) | 17 500 |
| | | €188 700 |

## b) Working Capital Fund (WCF)

14. The authorized level of the Working Capital Fund as of 1 January 2012 is €4.822 million. This is inclusive of the €1.6 million fund transfer at the end of 2011 from the Governing Council Special Fund to temporarily increase its fund level as per Resolution GC/53/R15.

15. As at 31 December 2012, €1.598 million were used to finance a delay in the receipt of budgeted assessed contributions and €0.754 million was reimbursed to the Governing Council Special Fund. As a result, the balance of the WCF amounts to €2.470 million.

16. Following the 2012 closure of financial accounts, the additional €0.846 million was reimbursed to the Governing Council Special Fund upon receipt of payment from Spain in March 2013. Therefore, the fund transferred from the Governing Council Special Fund as per Resolution GC/53/R15 total €1.6 million has now been fully returned.

## c) Governing Council Special Fund (GCSF)

17. The fund balance as at 31 December 2012 is €7.343 million. This includes the fund reservations i.e. expenses authorized by the Governing Council but not yet incurred such as financing to the 2013 programme budget of €0.500 million (Resolution GC/53/R7, paragraph 3), balance of reserve for protection against exchange rate fluctuations during 2012/2013 of €0.923 million (Resolution GC/53/R7, paragraph 6), Hiatus Funding Facility for 2013 of €0.346 million (Resolution GC/47/R7), and balance of reserve for publication programme of €0.486 million (Resolution GC/54/R13). It also includes the fund balance of unbudgeted assessment account of €2.457 million.

18. During the year 2012, the notable fund inflows to the GCSF were as follow:

- €0.754 million – reimbursement from the WCF as per Resolution GC/53/R15
- €0.677 million – the 6$^{th}$ instalment from the Russian Federation as per Resolution GC/48/R3
- €0.606 million – income from the sale of publications
- €0.371 million – 2012 unbudgeted assessed contribution from Turkey.

19. Further details on the status of the Fund are included in the Notes to the Statements and in an information document provided for the Governing Council meeting in May 2013, showing the detailed uncommitted balance of the Fund and projection until the end of the next biennial budget.

### d) Voluntary Contributions Account

20. The Voluntary Contributions Account includes designated and undesignated contributions. Designated contributions are specifically earmarked by the donor for financing special projects while undesignated contributions do not have these conditions attached.

21. During the year 2012, total income of the Voluntary Contributions Account amounted to €10.982 million, of which €10.955 million is from the designated contributions.

22. Total expenses in the Voluntary Contributions Account amounted to €11.968 million, of which €11.592 million is from the designated contributions.

23. The fund balance as at 31 December 2012 is €11.630 million, of which €11.095 million is from designated contributions. This fund balance includes receivables (i.e. income that has been recognized and pending receipt of cash) of €6.115 million.

24. In addition, income expected to be received in the future years are shown as deferred revenue amounting to €7.640 million and all are related to designated voluntary contributions.

### e) Special Account for Programme Support Costs

25. As at 1 January 2012, fund balance is restated to €1.378 million from €2.353 million. The difference is attributed to the provision for doubtful designated voluntary contribution receivable (€0.961 million) and adjustment of prior period income (€0.015 million).

26. During 2012, income earned under this account amount to €1.309 million and expenditure of €1.012 million was incurred, resulting in the fund balance of €1.675 million at the end of the year.

### f) Participating States – Others

27. This account presents the unfunded liabilities related to employee benefits as a result of IPSAS 25 implementation.

28. As described under Note 3.4.3 of the financial statements, accrued staff benefits as at 31 December 2012, total €26.171 million, include the unfunded portion of €24.065 million. As indicated in paragraph 8, the plan is in place to close this gap.

## g) Capitalized Assets

29. Since 1 January 2010, as part of the implementation of IPSAS, IARC has capitalized and depreciated all assets with a purchase value equal to or more than €3000. The total capitalization of new assets purchased in 2012 amount to €1.055 million, and the details of these assets by Fund can been seen in Schedules 1 and 2. Total depreciation expenses in 2012 of €0.525 million are shown in the Statement of Financial Performance (Statement I).

30. The depreciated value of the assets is disclosed in the Statement of Financial Position (Statement II) with the net book value of €3.334 million at 31 December 2012.

## SECTION II: REPORT OF THE EXTERNAL AUDITOR

Republic of the Philippines
**COMMISSION ON AUDIT**
Commonwealth Avenue, Quezon City, Philippines

*Maria Gracia M. Pulido Tan*
Chairperson

## LETTER OF TRANSMITTAL

**12 April 2013**

**Dear Sir/Madam,**

I have the honour to present to the Governing Council, the External Auditor's report and opinion on the financial statements of International Agency for Research on Cancer (IARC) for the financial year ended 31 December 2012.

I record my appreciation to the World Health Assembly for the honor and privilege to serve as external auditor of WHO and its non-consolidated entities.

**Yours sincerely,**

**Maria Gracia M. Pulido Tan**
**Chairperson, Commission on Audit**
**Republic of the Philippines**
**External Auditor**

**The Chairperson**
**Governing Council**
**International Agency for Research on Cancer**
**150 Cours Albert Thomas**
**69372 Lyon**
**France**

Republic of the Philippines
**COMMISSION ON AUDIT**
Commonwealth Avenue, Quezon City, Philippines

**12 April 2013**

**Dear Dr. Wild,**

**REPORT OF THE EXTERNAL AUDITOR TO THE GOVERNING COUNCIL ON THE FINANCIAL OPERATIONS OF THE INTERNATIONAL AGENCY FOR RESEARCH ON CANCER (IARC) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012**

I have the honour to present to you the above report which may kindly be transmitted to the Governing Council, IARC. All matters contained in the report have been communicated to the appropriate staff and management of the IARC.

I express my appreciation for the co-operation and assistance that I have received in the performance of my audit mandate.

**Yours sincerely,**

**Maria Gracia M. Pulido Tan**
**Chairperson, Commission on Audit**
**Republic of the Philippines**
**External Auditor**

**Dr Christopher P. Wild**
**Director**
**International Agency for Research on Cancer**
**150 Cours Albert Thomas**
**69372 Lyon**
**France**

Republic of the Philippines
**COMMISSION ON AUDIT**
Commonwealth Avenue, Quezon City, Philippines

# INDEPENDENT AUDITOR'S REPORT

**To The Governing Council**
**International Agency for Research on Cancer (IARC)**

## Report on the financial statements

We have audited the accompanying financial statements of the IARC, which comprise the Statement of Financial Position as at 31 December 2012, and the Statement of Financial Performance, Statement of Changes in Net Assets/Equity, Statement of Cash Flow, Comparison of Budget and Actual Amounts for the year then ended and the Notes to the Financial Statements.

## Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Public Sector Accounting Standards (IPSAS). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing issued by the International Auditing and Assurance Standards Board. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, these financial statements present fairly, in all material respects, the financial position of the IARC as at 31 December 2012, and its financial performance, changes in net assets/equity, cash flow, and the comparison of budget and actual amounts, in accordance with IPSAS.

**Report on other legal and regulatory requirements**

Further, in our opinion, the transactions of the IARC 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 WHO Financial Regulations.

In accordance with Regulation XIV of the Financial Regulations, we have also issued a Long-form Report on our audit of the IARC.

**Maria Gracia M. Pulido Tan**
**Chairperson, Commission on Audit**
**Republic of the Philippines**
**External Auditor**

**Quezon City, Philippines**
**27 March 2013**

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# SECTION III: FINANCIAL STATEMENTS 2012

International Agency for Research on Cancer

World Health Organization

## CERTIFICATION OF ANNUAL FINANCIAL STATEMENTS

**For the period ended 31 December 2012**

The appended financial statements, numbered I to V, relevant notes to the statements and schedule 1 to 4 are approved.

Mr David Allen
Director, Administration and Finance

Dr Christopher P. Wild, Ph.D.
Director, IARC

# 1 Financial Statements and Supplement Schedules

## 1.1 STATEMENT I – Statement of Financial Performance

**International Agency for Research on Cancer**
**Statement of financial performance**
**For the year ended 31 December 2012**
(amount in Euros)

| | Notes | for the year ended **31 December 2012** |
|---|---|---|
| **OPERATING REVENUE** | 3.1 | |
| Assessed contributions from Participating States | 3.1.1 | 19 016 960 |
| Assessed contribution from new Participating State | 3.1.2 | 370 772 |
| Voluntary contributions | 3.1.3 | 10 982 411 |
| Revenue-producing activities | 3.1.4 | 605 830 |
| Other operating revenue | 3.1.5 | 26 515 |
| Trust Funds | 3.1.6 | 14 400 |
| **Total operating revenue** | | **31 016 888** |
| | | |
| **OPERATING EXPENSES** | 3.2 | |
| Staff cost | 3.2.1 | 16 524 928 |
| Temporary assistants, advisors and participants | 3.2.2 | 1 696 608 |
| Fellows | 3.2.3 | 2 016 355 |
| Duty travel (staff, fellows) | 3.2.4 | 603 151 |
| Research and other agreements | 3.2.5 | 5 685 118 |
| Procurement and various operating expenses | 3.2.6 | 4 266 614 |
| Depreciation | 3.2.8 | 525 085 |
| **Total operating expenses** | | **31 317 859** |
| **Deficit from operations** | | **( 300 971)** |
| **Doubtful expenses, net** | 3.2.9 | 1 143 082 |
| **Financial revenue, net** | 3.2.10 | 170 355 |
| | | |
| **Net surplus for the year ended** | | **1 012 466** |

## 1.2 STATEMENT II – Statement of Financial Position

### International Agency for Research on Cancer
**Statement of financial position**
**As at 31 December 2012**
(amount in Euros)

| | Notes | As at **31 December 2012** | restated **Opening Balance 1 January 2012** |
|---|---|---|---|
| **ASSETS** | 3.3 | | |
| **Current assets** | | | |
| Cash and cash equivalents | 3.3.1 | 22 292 237 | 20 561 919 |
| Account receivables, net | 3.3.2 | 8 850 285 | 11 378 848 |
| Staff receivables | 3.3.3 | 127 068 | 154 216 |
| Prepayments | 3.3.4 | 339 262 | 415 463 |
| Interest receivables | 3.3.5 | 382 476 | 251 792 |
| **Total current assets** | | 31 991 328 | 32 762 238 |
| | | | 0 |
| **Non-current assets** | | | 0 |
| Account receivables, net | 3.3.2 | 4 799 437 | 3 147 900 |
| Property, plant and equipment - net | 3.3.6 | 3 334 350 | 2 804 425 |
| **Total non-current assets** | | 8 133 787 | 5 952 325 |
| **TOTAL ASSETS** | | **40 125 115** | **38 714 563** |
| **LIABILITIES** | 3.4 | | |
| **Current liabilities** | | | |
| Assessed contributions received in advance | | | 741 543 |
| Account payable | 3.4.1 | 1 474 521 | 1 560 698 |
| Accrued staff benefits | 3.4.3 | 1 109 771 | 1 044 598 |
| Deferred revenue | 3.4.2 | 2 841 048 | 3 795 817 |
| **Total current liabilities** | | 5 425 340 | 7 142 656 |
| **Non-current liabilities** | | | |
| Accrued staff benefits | 3.4.3 | 25 061 349 | 24 597 484 |
| Deferred revenue | 3.4.2 | 4 799 437 | 3 147 900 |
| **Total non-current liabilities** | | 29 860 786 | 27 745 384 |
| **TOTAL LIABILITIES** | | **35 286 126** | **34 888 040** |
| **NET ASSETS/EQUITY** | 3.5 | | |
| **Fund** | | | |
| Regular Budget | 3.5.1 | 2 442 159 | 1 092 591 |
| Voluntary Contributions | 3.5.2 | 11 630 214 | 12 616 142 |
| Working Capital Fund | 3.5.3 | 2 469 671 | 2 565 006 |
| Other IARC funds | | | |
| Governing Council Special Funds | 3.5.4 | 7 343 040 | 7 250 069 |
| Special Account for Programme Support Costs | 3.5.5 | 1 675 255 | 1 377 737 |
| Participating States - Others | 3.5.6 | (24 065 001) | (23 883 765) |
| Trust Fund | 3.5.7 | 9 301 | 4 318 |
| **Total fund balance** | | 1 504 639 | 1 022 098 |
| **Equity in capital assets** | 3.5.8 | 3 334 350 | 2 804 425 |
| **TOTAL NET ASSETS/EQUITY BALANCES** | | 4 838 989 | 3 826 523 |
| **TOTAL LIABILITIES AND NET ASSETS/EQUITY BALANCES** | | **40 125 115** | **38 714 563** |

## 1.3 STATEMENT III – Statement of Changes in Net Assets/Equity

**International Agency for Research on Cancer**
**Statement of changes in net assets/equity**
**For the year ended 31 December 2012**
(amount in Euros)

| | Notes | **balance as at 31 December 2011** | **Changes in account Policies due to IPSAS Impl.** | restated **Opening balance 1 January 2012** | **Changes in 2012** | **balance as at 31 December 2012** |
|---|---|---|---|---|---|---|
| **Fund** | | | | | | |
| Non-restricted (Participating States) | | | | | | |
| Regular Budget | 3.5.1 | 1 092 591 | | 1 092 591 | 1 349 568 | 2 442 159 |
| Working Capital Fund | 3.5.3 | 2 565 006 | | 2 565 006 | ( 95 335) | 2 469 671 |
| Other IARC Funds | 3.5.4 & 3.5.5 | 9 602 935 | (24 858 894) | (15 255 959) | 209 253 | (15 046 706) |
| Total non-restricted (Participating States) | | 13 260 532 | (24 858 894) | (11 598 362) | 1 463 486 | (10 134 876) |
| Restricted | | | | | | |
| Voluntary Contributions | 3.5.2 | 8 827 406 | 3 788 736 | 12 616 142 | ( 985 928) | 11 630 214 |
| Trust Fund | 3.5.7 | 4 318 | | 4 318 | 4 983 | 9 301 |
| Total restricted | | 8 831 724 | 3 788 736 | 12 620 460 | ( 980 945) | 11 639 515 |
| **Total fund balance** | | **22 092 256** | **(21 070 158)** | **1 022 098** | **482 541** | **1 504 639** |
| **Equity in capital assets** | 3.5.8 | 2 804 425 | | 2 804 425 | 529 925 | 3 334 350 |
| **Total net assets/equity for the year ended 31 December 2012** | | **24 896 681** | **(21 070 158)** | **3 826 523** | **1 012 466** | **4 838 989** |

## 1.4 STATEMENT IV – Statement of Cash Flow

**International Agency for Research on Cancer**
**Statement of cash flows**
**For the year ended 31 December 2012**
(amount in Euros)

| | Notes | As at 31 December 2012 |
|---|---|---|
| **Cash flow from operating activities** | | |
| Net surplus for the year | | **1 012 466** |
| Depreciation | 3.2.8 | **525 085** |
| Decrease in accounts receivables | | **2 528 563** |
| Decrease in staff receivables | | **27 148** |
| Decrease in prepayments | | **76 201** |
| Increase in interest receivables | | **( 130 684)** |
| Increase in non-current receivables | | **(1 651 537)** |
| Decrease in assessed contributions received in advance | | **( 741 543)** |
| Decrease in accounts payable | | **( 86 177)** |
| Increase in accured staff benefit, current liabilities | | **65 173** |
| Decrease in deferred revenue, current liabilities | | **( 954 769)** |
| Increase in non-current liabilities | | **2 115 402** |
| **Net increase in cash flows from operating activities** | | **2 785 328** |
| **Cash flows from investing activities** | | |
| Increase in property, plant and equipment | | **(1 055 010)** |
| **Net increase in cash and cash equivalents** | | **1 730 318** |
| **Cash and cash equivalents at beginning of the year** | | **20 561 919** |
| **Cash and cash equivalents at end of the year** | 3.3.1 | **22 292 237** |

## 1.5 STATEMENT V – Statement of Comparison of Budget and Actual Amounts

**International Agency for Research on Cancer**
**Statement of Comparison of Budget and Actual Amounts (Regular Budget Appropriation for 2012)**
**For the year ended 31 December 2012**
(amount in Euros)

| Purpose of appropriation | Programme Budget Appropriations: Approved by Governing Council | Programme Budget Appropriations: Transfers (IARC Financial Regulations 3.3) | Programme Budget Appropriations: Effective appropriations | Budget Utilization: Expenses | Budget Utilization: Encumbrance[1/] | Total Utilization | Balance | *% utilization* |
|---|---|---|---|---|---|---|---|---|
| 1. Policy organs | 79 192 | | 79 192 | 72 900 | 1 435 | 74 335 | 4,857 | *0.4%* |
| 2. Scientific programme | 14 101 595 | | 14 101 595 | 12 002 614 | 313 247 | 12 315 861 | 1,785,734 | *63.1%* |
| 3. General services and support | 5 336 173 | | 5 336 173 | 4 999 287 | 32 356 | 5 031 643 | 304,530 | *25.8%* |
| **TOTAL** | **19 516 960** | | **19 516 960** | **17 074 801** | **347 038** | **17 421 839** | 2,095,121 | *89.3%* |

**RECONCILIATION** (see note 3.6)

| | | |
|---|---|---|
| TOTAL EXPENSES AS PER STATEMENT V | | 17 074 801 |
| **a) Time differences:** | | |
| Regular Budget expenditure in other periods | | 1 035 810 |
| **b) Basis differences:** | | |
| Capital Assets | (1 055 010) | |
| Depreciation | 525 085 | |
| Allowance for doubtful receivables | (1 143 082) | |
| Other non-Regular Budget utilisation | 13 566 818 | 11 893 811 |
| **TOTAL EXPENSES AS PER STATEMENT I** | | **€ 30 004 422** |

**STATEMENT I**

| | |
|---|---|
| Total operating expenses | 31,317,859 |
| Allowance for doubtful receivables | (1 143 082) |
| Financial revenue and expenses, net | ( 170 355) |
| **TOTAL EXPENSES** | **€ 30 004 422** |

## 1.6 SCHEDULE 1 – Statement of Financial Performance by Major Funds and Capital Assets

**International Agency for Research on Cancer**
**Statement of financial performance by major funds and capital assets**
**For the year ended 31 December 2012**
(amount in Euros)

| | Notes | Regular Budget | Regular Budget 2012 | Regular Budget 2010-2011 | Working Capital Fund | Other funds | Voluntary Contributions Account | Trust funds | Sub-totals | Capital Assets | Eliminations | **Total as at 31 December 2012** | **restated** 2010-2011 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **OPERATING REVENUE** | 3.1 | | | | | | | | | | | | |
| Assessed contributions from Participating States | 3.1.1 | 19 016 960 | 19 016 960 | | | | | | 19 016 960 | | | **19 016 960** | 37 911 000 |
| Arrears in assessed contributions | | | | | | | | | | | | | |
| Assessed contribution from new Participating State | 3.1.2 | | | | | 370 772 | | | 370 772 | | | **370 772** | 159 592 |
| Total contributions from Participating States | | 19 016 960 | 19 016 960 | | | 370 772 | | | 19 387 732 | | | **19 387 732** | 38 070 592 |
| Voluntary contributions | 3.1.3 | | | | | | 10 982 411 | | 10 982 411 | | | **10 982 411** | 18 728 864 |
| Revenue-producing activities | 3.1.4 | | | | | 605 830 | | | 605 830 | | | **605 830** | 1 160 671 |
| Other operating revenue | 3.1.5 | | | | | 26 515 | | | 26 515 | | | **26 515** | 224 616 |
| Trust Fund | 3.1.6 | | | | | | | 14 400 | 14 400 | | | **14 400** | 15 800 |
| Income from services rendered | 3.1.7 | | | | | 1 309 022 | | | 1 309 022 | | (1 309 022) | | |
| Total income | | 19 016 960 | 19 016 960 | | | 2 312 139 | 10 982 411 | 14 400 | 32 325 910 | | **(1 309 022)** | **31 016 888** | 58 200 543 |
| **Operating Expenses** | 3.2 | | | | | | | | | | | | |
| Staff cost | 3.2.1 | 12 781 814 | 12 785 099 | ( 3 285) | | 636 889 | 3 106 225 | | 16 524 928 | | | **16 524 928** | 53 825 989 |
| Temporary assistants, advisors and participants | 3.2.2 | 571 676 | 545 874 | 25 802 | | 281 600 | 843 332 | | 1 696 608 | | | **1 696 608** | 2 556 813 |
| Fellows | 3.2.3 | 758 180 | 344 940 | 413 240 | | 115 159 | 1 143 016 | | 2 016 355 | | | **2 016 355** | 3 338 295 |
| Duty travel (staff, fellows) | 3.2.4 | 414 883 | 422 021 | ( 7 138) | | 31 301 | 156 967 | | 603 151 | | | **603 151** | 1 069 076 |
| Research and other agreements | 3.2.5 | 882 417 | 482 874 | 399 543 | | 418 777 | 4 383 924 | | 5 685 118 | | | **5 685 118** | 6 167 583 |
| Procurement and various operating expenses | 3.2.6 | 2 585 808 | 2 384 232 | 201 576 | | 677 266 | 994 123 | 9 417 | 4 266 614 | | | **4 266 614** | 8 140 061 |
| Programme support cost | 3.2.7 | | | | | | 1 309 022 | | 1 309 022 | | (1 309 022) | | |
| Depreciation | 3.2.8 | | | | | | | | | 525 085 | | **525 085** | 393 625 |
| Total expenditure | | 17 994 778 | 16 965 040 | 1 029 738 | | 2 160 992 | 11 936 609 | 9 417 | 32 101 796 | 525 085 | (1 309 022) | **31 317 859** | 75 491 442 |
| **Surplus (deficit) from operation** | | 1 022 182 | 2 051 920 | (1 029 738) | | 151 147 | ( 954 198) | 4 983 | 224 114 | ( 525 085) | | **( 300 971)** | (17 290 899) |
| Capital Expenditure | | ( 92 283) | ( 86 061) | ( 6 222) | | ( 931 040) | ( 31 687) | | (1 055 010) | 1 055 010 | | | |
| Doubtful expenses, net | 3.2.9 | | | | 659 199 | 483 883 | | | 1 143 082 | | | **1 143 082** | 543 925 |
| Financial revenue, net | 3.2.10 | ( 23 550) | ( 23 700) | 150 | | 193 948 | ( 43) | | 170 355 | | | **170 355** | 1 129 029 |
| Transfer between funds | 3.2.11 | 443 219 | 500 000 | ( 56 781) | ( 754 534) | 311 315 | | | | | | | |
| **TOTAL CHANGES IN FUND BALANCES** | | 1 349 568 | 2 442 159 | (1 092 591) | ( 95 335) | 209 253 | ( 985 928) | 4 983 | 482 541 | 529 925 | | **1 012 466** | (15 617 945) |
| **FUND BALANCES - 1 JANUARY 2012** (restated) | | 1 092 591 | | 1 092 591 | 2 565 006 | (15 255 959) | 12 616 142 | 4 318 | 1 022 098 | 2 804 425 | | **3 826 523** | 19 444 468 |
| **FUND BALANCES - 31 DECEMBER 2012** | | 2 442 159 | 2 442 159 | | 2 469 671 | (15 046 706) | 11 630 214 | 9 301 | 1 504 639 | 3 334 350 | | **4 838 989** | **3 826 523** |

## 1.7 SCHEDULE 2 – Statement of Financial Performance by Other Funds

**International Agency for Research on Cancer**
**Statement of financial performance by other funds**
**For the year ended 31 December 2012**
(amount in Euros)

| | Notes | Governing Council Special Fund | Special Account for Programme Support Costs | Participating States - Others | **Total as at 31 December 2012** |
|---|---|---|---|---|---|
| **OPERATING REVENUE** | 3.1 | | | | |
| Assessed contribution from new Participating State | 3.1.2 | 370 772 | | | **370 772** |
| Total assessed contributions | | 370 772 | | | **370 772** |
| Other Income | | | | | |
| Revenue-producing activities | 3.1.4 | 605 830 | | | **605 830** |
| Other operating revenue | 3.1.5 | 26 515 | | | **26 515** |
| Income from service rendered | 3.1.7 | | 1 309 022 [(a)] | | **1 309 022** |
| Total income | | 1 003 117 | 1 309 022 | | **2 312 139** |
| **Operating expenses** | 3.2 | | | | |
| Staff cost | 3.2.1 | 237 454 | 218 199 | 181 236 | **636 889** |
| Temporary assistants, advisors and participants | 3.2.2 | 235 945 | 45 655 | | **281 600** |
| Fellows | 3.2.3 | 115 159 | | | **115 159** |
| Duty travel (staff, fellows) | 3.2.4 | 17 774 | 13 527 | | **31 301** |
| Research and other agreements | 3.2.5 | 331 409 | 87 368 | | **418 777** |
| Procurement and various operating expenses | 3.2.6 | 280 647 | 396 619 | | **677 266** |
| Total expenditure | | 1 218 388 | 761 368 | 181 236 | **2 160 992** |
| **Surplus (deficit) from operation** | | ( 215 271) | 547 654 | ( 181 236) | **151 147** |
| Capital expenditure | | ( 873 934) | ( 57 106) | | **( 931 040)** |
| Doubtful expenses, net | 3.2.9 | 676 913 | ( 193 030) | | **483 883** |
| Financial revenue, Net | 3.2.10 | 193 948 | | | **193 948** |
| Recovery of advances and fund transfers | 3.2.11 | 311 315 | | | **311 315** |
| **TOTAL CHANGES IN FUND BALANCES** | | 92 971 | 297 518 | ( 181 236) | **209 253** |
| **FUND BALANCES - 1 JANUARY 2012** (restated) | | 7 250 069 | 1 377 737 | (23 883 765) | **(15 255 959)** |
| **FUND BALANCES - 31 DECEMBER 2012** | | 7 343 040 | 1 675 255 | (24 065 001) | **(15 046 706)** |

(a) Programme Support Cost from designated voluntary contributions.

## 1.8 SCHEDULE 3 – Status of Collection of Assessed Contributions

**International Agency for Research on Cancer**
**Status of Collection of Contributions**
**As at 31 December 2012**
(amount in Euros)

| | Assessments 2012 | | | Assessments of prior financial periods | | | |
|---|---|---|---|---|---|---|---|
| Participating States | Assessments | Collected | Balance outstanding 31 December 2012 | Balance outstanding 1 January 2012 | Collected during 2012 | Balance outstanding 31 December 2012 | Total outstanding 31 December 2012 |
| Australia | 741 543 | 741 543 | | | | | |
| Austria | 741 543 | 741 543 | | | | | |
| Belgium | 741 543 | 741 543 | | | | | |
| Canada | 849 182 | 849 182 | | | | | |
| Denmark | 741 543 | 741 543 | | 648 209 | 648 209 | | |
| Finland | 741 543 | 741 543 | | | | | |
| France | 1 064 471 | 1 064 471 | | | | | |
| Germany | 1 495 043 | 1 495 043 | | | | | |
| India | 741 543 | | 741 543 | | | | 741 543 |
| Ireland | 633 899 | 633 899 | | | | | |
| Italy | 1 064 471 | 1 064 471 | | | | | |
| Japan | 1 495 043 | 1 495 043 | | | | | |
| Netherlands | 741 543 | 741 543 | | | | | |
| Norway | 741 543 | 741 543 | | | | | |
| Republic of Korea | 849 182 | 847 182 | 2 000 | | | | 2 000 |
| Russian Federation | 741 543 | 741 543 | | | | | |
| Spain | 849 182 | 849 182 | | 1 604 910 (2) | 754 534 | 850 376 | 850 376 |
| Sweden | 741 543 | 741 543 | | | | | |
| Switzerland | 741 543 | 741 543 | | | | | |
| United Kingdom of Great Britain and Northern Ireland | 1 064 471 | 1 064 471 | | | | | |
| United States of America | 1 495 043 | 1 490 717 | 4 326 | 4 326 | 4 326 | | 4 326 |
| **TOTAL - Assessed States** | **19 016 960** | **18 269 091** | **747 869** | **2 257 445** | **1 407 069** | **850 376** | **1 598 245** |
| **% of collection** | | **96.07%** | | | | | |
| **Other outstanding contributions** | | | | | | | |
| Turkey (3) | 370 772 | 370 772 | | | | | |
| Russian Federation (1) | | | | 3 384 564 | 676 913 | 2 707 651 | 2 707 651 |
| **TOTAL** | **19 387 732** | **18 639 863** | **747 869** | **5 642 009** | **2 083 982** | **3 558 027** | **4 305 896** |

(1) Membership was temporarily suspended but resumed on 1 January 2007 in accordance with Resolution GC/48/R3.
As from 1January 2012, the outstanding balance in arrears is $4 883 931 @ €0.693 = €3 384 564 (rounded);
Payment in arrears received on 27 March 2012 amounts to $976 787 converted @ €0.693 (rounded).
(2) Document number GC/53/20 refers, 2009 unpaid assessment - $1 088 793 @ €0.693 = €754 534 (rounded) plus 2010 unpaid assessment - € 850 376.
(3) Membership was accepted in 2011.
2012 contribution equals to 50% of assessment contribution of group 4 participating states and to be accounted under the unbudgeted assessment.

## 1.9 SCHEDULE 4 – Reconciliation of Beginning Balance

**International Agency for Research on Cancer**
**Statement of financial position**
**As at 01 January 2012**
(amount in Euros)

| | Notes | restated **Opening Balance 1 January 2012** | **Adjustment** | **2010-2011** |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Current assets** | | | | |
| Cash and cash equivalents | | 20 561 919 | | 20 561 919 |
| Account receivables, net | 4d | 11 378 848 | 4 525 442 | 6 853 406 |
| Staff receivables | | 154 216 | | 154 216 |
| Prepayments | | 415 463 | | 415 463 |
| Interest receivables | | 251 792 | | 251 792 |
| **Total current assets** | | 32 762 238 | 4 525 442 | 28 236 796 |
| **Non-current assets** | | | | |
| Account receivables, net | 4d | 3 147 900 | ( 410 127) | 3 558 027 |
| Property, plant and equipment - net | | 2 804 425 | | 2 804 425 |
| **Total non-current assets** | | 5 952 325 | ( 410 127) | 6 362 452 |
| **TOTAL ASSETS** | | **38 714 563** | **4 115 315** | **34 599 248** |
| **LIABILITIES** | | | | |
| **Current liabilities** | | | | |
| Assessed contributions received in advance | | 741 543 | | 741 543 |
| Account payable | | 1 560 698 | | 1 560 698 |
| Assessed contributions provision | 4a | | (2 083 982) | 2 083 982 |
| Accrued staff benefits | 4c | 1 044 598 | 1 044 598 | |
| Deferred revenue | 3.4.2 | 3 795 817 | 3 795 817 | |
| **Total current liabilities** | | 7 142 656 | 2 756 433 | 4 386 223 |
| **Non-current liabilities** | | | | |
| Assessed contributions provision | 4a | | (3 558 027) | 3 558 027 |
| Accrued staff benefits | 4c | 24 597 484 | 22 839 167 | 1 758 317 |
| Deferred revenue | 3.4.2 | 3 147 900 | 3 147 900 | |
| **Total non-current liabilities** | | 27 745 384 | 22 429 040 | 5 316 344 |
| **TOTAL LIABILITIES** | | **34 888 040** | **25 185 473** | **9 702 567** |
| **NET ASSETS/EQUITY** | | | | |
| **Fund** | | | | |
| Regular Budget | | 1 092 591 | | 1 092 591 |
| Voluntary Contributions | 4b | 12 616 142 | 3 788 736 | 8 827 406 |
| Working Capital Fund | | 2 565 006 | | 2 565 006 |
| Other IARC funds | | | | |
| Governing Council Special Funds | 4b | 7 250 069 | 514 | 7 249 555 |
| Special Account for Programme Support Costs | 4b | 1 377 737 | ( 975 643) | 2 353 380 |
| Participating States - Others | 4c | (23 883 765) | (23 883 765) | |
| Trust Fund | | 4 318 | | 4 318 |
| **Total fund balance** | 4 | 1 022 098 | (21 070 158) | 22 092 256 |
| **Equity in capital assets** | | 2 804 425 | | 2 804 425 |
| **TOTAL NET ASSETS/EQUITY BALANCES** | | 3 826 523 | (21 070 158) | 24 896 681 |
| **TOTAL LIABILITIES AND NET ASSETS/EQUITY BALANCES** | | **38 714 563** | **4 115 315** | **34 599 248** |

# 2 Notes to the Financial Statements Part I – Significant Accounting Policies

## 2.1 Basis of preparation and presentation

a. The financial statements of the International Agency for Research on Cancer (IARC) for the period ended 31 December 2012 have been prepared on the accrual basis of accounting in accordance with the International Public Sector Accounting Standards (IPSAS). This is the first set of financial statements prepared in accordance with IPSAS.

b. These financial statements have also been prepared according to the IARC Financial Regulations, and World Health Organization (WHO) Financial Regulations and Rules.

c. IARC previously prepared its financial statements on the modified cash basis under the United Nations System Accounting Standards (UNSAS). In 2008, the Agency decided to adopt IPSAS as part of a United Nations System wide effort to implement the Standards, taking a progressive implementation approach. The first time adoption of IPSAS effective from 1 January 2012 reflects the change from a modified cash basis of accounting to an accrual basis of accounting.

d. The adoption of IPSAS has required changes to be made to the accounting policies previously followed by IARC. This includes the preparation of financial statements on an annual basis. The amendment to IARC Financial Regulations, Article VI was made and adopted by the Governing Council under Resolution GC/54/R7 at its 54th session in May 2012, which becomes effective from 2012. The annual accounting period is 1 January through 31 December.

e. The adoption of the new accounting policies has also resulted in changes to the assets and liabilities recognized in the Statement of Financial Position. Accordingly, the last audited Statement of Financial Position, dated 31 December 2011 has been restated and the resulting changes are reported under Schedule 4 – Reconciliation of Opening Balance and Note 4. The revised 31 December 2011 Statement of Financial Position is described in these financial statements as the Opening Balance 01 January 2012 (restated). The net effect of the changes brought about by the adoption of IPSAS in the Statement of Financial Position amounted to a decrease in net assets/equity of €21 070 158 on 1 January 2012.

f. The Cash Flow Statement is prepared using the indirect method.

g. The functional and reporting currency of IARC is the Euro. Transactions in currencies other than Euro are translated into Euro at the prevailing United Nations Operational Rates of Exchange (UNORE) at the time of transaction. Assets and liabilities in currencies other than Euro are translated into Euro at the prevailing UNORE yearend closing rate. Resulting gains or losses are accounted for in the Statement of Financial Performance.

h. In accordance with IPSAS 1, a complete set of financial statements has been prepared as follows:

- Statement of Financial Performance (Statement I)
- Statement of Financial Position (Statement II)
- Statement of Changes in Net Assets (Statement III)
- Statement of Cash Flow (Statement IV)
- Statement of Comparison of Budget and Actual Amounts (Statement V)**
- Notes, comprising of a summary of significant accounting policies, explanation of the financial statements, and information on the opening balance adjustment.

*** Statement of comparison of budget and actual amounts was referenced as Schedule 3 in the audited 2010–2011 biennial financial statements.*

i. In addition, the following Schedules have been prepared to provide supplementary information to the above financial statements:

- Statement of Financial Performance by major funds (Schedule 1)
- Statement of Financial Performance by other funds (Schedule 2)
- Status of Collection of Contributions from Participating States(Schedule 3)***
- Reconciliation of Opening Balance (Schedule 4)

****Status of collection of contributions from Participating States was referenced as Schedule 4 in the audited 2010–2011 biennial financial statements.*

j. As permitted on the initial adoption of IPSAS as the transitional provision, the comparative information has not been provided in the Statements of Financial Performance and Cash Flow.

## 2.2 Non-consolidated entities of WHO

IPSAS 6, "Consolidated Financial Statements and Accounting for Controlled Entities", provides guidance to determine which entities should be consolidated within an economic entity. IARC does not meet the requirements to be consolidated under the World Health Organization (WHO) as IARC has its own Governing Bodies and is not controlled by the World Health Assembly. Therefore, the financial records of IARC will not be consolidated in the financial report of the WHO.

## 2.3 Revenue

The Agency receives revenue from various sources which can be classified into eight categories as follows:

a. **Assessed contributions from Participating States.** Revenue from contributions from Participating States for the programme budget is recorded annually on an accrual basis as per the assessments approved by the Governing Council.

b. **Assessed contribution from new Participating States.** Revenue derived from the unbudgeted assessed contributions from new Participating States following the gradual increase in contributions as per Resolution GC/37/R9 and method of assessments as described in Resolution GC/15/R9.

In accordance with IARC Financial Regulation Article V.5.5, unbudgeted contributions of new Participating States are credited to the Governing Council Special Fund.

€34 650 (or US$50 000 equivalent) from the first contribution of each new Participating State is transferred to the Working Capital Fund in accordance with Resolution GC/5/R14.

c. **Voluntary contributions.** Revenue under voluntary contributions can be designated or undesignated contributions. Designated voluntary contributions are specifically earmarked by the donor to finance special projects while undesignated voluntary contributions are donations not intended for a specific project and it is governed by Governing Council resolutions.

   IARC considers that while there are restrictions on the use of designated voluntary contributions, these restrictions do not meet the definition of a condition as described under IPSAS 23.

   Revenue and receivable under designated voluntary contributions are recorded when agreements are signed by the donors. For undesignated voluntary contributions, revenue is recognized upon receipt of donation.

d. **Revenue producing activities.** Revenue is earned from sale of IARC publications and is recorded at fair value of the consideration received. The revenue is credited to the Governing Council Special Fund.

   These publications are for non-profit dissemination and the sale of these publications is not part of the ordinary course of operations of IARC. The publications are held for sale by WHO in accordance with the agreement dated 1 April 2011.

e. **Other operating revenue.** Other operating revenue is recorded when funds are earned. It includes sale of equipment and materials, savings from prior period obligations.

f. **Trust fund.** Fees collected from personnel enrolled in language courses are recorded under trust fund account and used to partially finance teacher fees. Revenue is recorded at fair value of the consideration received.

g. **Income from services rendered.** This refers to the Agency programme support cost collected from designated voluntary contributions at the standard rate of 13%, in accordance with IARC/WHO Financial Regulations and Rules (World Health Assembly Resolution WHA34.17). These are recorded on a monthly basis on the actual expenses incurred. To avoid double counting, this income and the equivalent of expenses are eliminated as shown in Schedule 1.

h. **Contribution in kind.** Contribution in kind received by IARC, if any, is recorded as goods received. They are treated both as revenue and expense in the Voluntary Contribution. A valuation is done for each donation to ensure that goods are recorded at an amount equal to the fair market value. Donated Property, Plant and Equipment are valued at fair market value and recognized as fixed asset and revenue.

## 2.4 Expenses

Expenses are recognized in accordance with the International Public Sector Accounting Standards based on the "delivery principle", i.e. when goods or services have been received or services have been rendered with IARC assuming title or satisfactory receipt over the goods or services.

An encumbrance represents a firm commitment or obligation for goods or services which have not been delivered. Encumbrances are not reported in the Statement of Financial Performance but are presented in Statement of comparison of budget and actual amounts for the financial period under Statement V.

## 2.5 Account Receivables

Current account receivables are recorded at their estimated net realized value. It includes the account receivables from assessed contributions, designated voluntary contributions, and other types of account receivables. Account receivables are classified as non-current if the receivables are due after one year from the reporting date.

Provision for account receivables are established as follows:

a) *Assessed contribution provision*. Assessed contribution from Participating States is due on 1 January each year. Full provision is established for the uncollected assessed contributions, i.e. contributions that are outstanding for one year or more after due date. The assessed contribution provision is reversed when the source of such interim financing is reimbursed. In accordance with IARC Financial Regulations Article V, paragraph 5.3, pending receipt of statutory annual contributions to the budget, appropriations may be temporarily financed from the Working Capital Fund or if the cash balance of the Working Capital Fund is inadequate, by internal borrowing from other available cash resources of the Agency, excluding Trust Funds.

b) *Designated voluntary contribution provision*. Account receivables outstanding for more than 365 days after due date are reviewed and a provision/allowance for doubtful receivables is made once a year for receivables that are deemed doubtful.

c) *Other account receivable provision*. For other types of account receivable, provision is established upon having an evidence of its doubtfulness or passing due date for more than 365 days, whichever earlier.

## 2.6 Property, Plant and Equipment

Property, plant, and equipment (PP&E) account consists of IARC owned buildings, furniture and fixtures, laboratory and office equipment, and motor vehicle.

IARC has recognized PP&E since 2010. Transitional provisions have been applied in the initial recognition whereby assets, except buildings, acquired prior to 1 January 2010 were expensed at the date of purchase and have not been recognized as assets.

Buildings that were recognized in the beginning balance as at 1 January 2010 are the Sasakawa Memorial Hall (May 1988), the Biological Resources Centre (November 1995), and the Latarjet building (November 2000). The main building of IARC, the tower, as well as the land are owned by the Ville de Lyon and therefore are not included under the PP&E.

Since 1 January 2010, the PP&E with a value greater than the €3000 threshold are recognized as non-current assets in the Statement of Financial Position. They are initially recognized at cost, unless acquired through a non-exchange transaction, in which case they are recognized at fair value as at the date of acquisition.

PP&E are stated at historical cost less accumulated depreciation and impairment. All PP&E of the Agency are non-cash generating assets.

Depreciation is charged on property, plant and equipment to write-down value or residual value over the useful life using the straight line method, except for Land (if any) which is not subject to depreciation.

The estimated useful lives for fixed assets classes are as follows:

| Asset Class | Estimated useful life (years) |
|---|---|
| Buildings | 40 |
| Fixtures and fittings | 8 |
| Motor vehicles | 5 |
| Laboratory equipment | 5 |
| Office equipment | 3 |

## 2.7 Intangible Assets

Intangible assets are the non-physical items of value that IARC owns. Intangible assets, which are above the pre-established threshold of €75 000, are stated at historical cost less accumulated amortization and any impairment. Amortization is determined for intangible assets over their estimated useful lives using the straight line method. The estimated useful lives for intangible assets classes are as follows:

| Intangible Asset Classes | Amortization Method | Estimated Useful Life (in Years) |
|---|---|---|
| Software acquired externally | Straight Line | 3 |
| Software internally developed | Straight Line | 3 |
| Licences and rights | Straight Line | 3 |

## 2.8 Leases

A lease is an agreement whereby the lessor conveys to the lessee for a payment or series of payments, the right to use an asset for an agreed period of time. In general, there are two main types of leases, i.e. finance leases and operating leases.

A finance lease is a lease that substantially transfers all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred. If the lease agreement qualifies to be a finance lease, then IARC has to recognize an asset and a liability:

- The asset represents the right to use the asset during the lease term. This asset will be depreciated over its useful life.
- The liability represents the minimum lease payments IARC has to pay to the landlord/lessor.

An operating lease is a lease other than a finance lease. It is not considered as an asset and payments to the landlord/lessor are accounted for as a rent and are expensed.

As at 1 January 2012 and during the reporting period, IARC does not have any financial lease.

### 2.9 Account Payables and Accrued Liabilities

Accounts Payables are financial liabilities in respect of goods or services that have been received and invoiced but the payment not been made to the suppliers.

Accrued liabilities are financial liabilities in respect of goods or services that have been received or provided to the Agency during the reporting period and which have not yet been invoiced.

### 2.10 Deferred Revenue

Deferred revenue represents legally binding agreements between the Agency and its donors. Deferred revenue is recognized when (1) a contractual agreement is confirmed in writing by both parties, i.e. the Agency and the donors, and (2) the funds are earmarked and due in a future period. Deferred revenue is presented as non-current if revenue is due after one year from the reporting date.

### 2.11 Employee Benefits

IARC employee benefits are composed of short-term benefits, post-employment benefits, long-term benefits, and termination benefits.

*a) Short-term employee benefits*

Short-term employee benefits are expected to be settled within 12 months of the reporting date and are measured at their nominal values based on accrued entitlements at current rates of pay. These comprise of first-time employment benefits (assignment grants), regular monthly benefits (salaries, allowances), compensated absences (annual leave, sick leave, maternity/paternity/adoption leave) and other short-term benefits (education grant, reimbursement of taxes). They are calculated on a walk-away basis as if all staff terminated on the last day of the calendar year, and therefore their values are not discounted. These are treated as current liabilities.

*b) Post-employment benefits*

Post-employment benefits include pension plans and After Staff Health Insurance (ASHI) which are payable after the completion of employment. Post-employment benefit plans are classified as either defined contribution or defined benefit plans. For defined contribution post-employment plans, the obligation for each period is determined by the amounts to be contributed for that period and no actuarial assumptions are required to measure the obligation or the expense. Post-employment benefits under defined benefit plans are measured at the present value of the defined benefit obligation adjusted for unrecognized actuarial gains and losses and unrecognized past service cost.

UNJSPF: IARC is a member organization participating in the United Nations Joint Staff Pension Fund (UNJSPF) which was established by the United Nations General Assembly to provide retirement, death, disability and related benefits to staff. The Pension Fund is a multi-employer funded, defined benefit plan. IARC as well as other participating organizations is not in a position to identify its share of the underlying financial position and performance of the plan with sufficient reliability for accounting purposes. Accordingly, the Agency's accounts for this plan as if it were a defined contribution plan, in line with the provision of IPSAS 25.

The Agency's contribution to the UNJSPF consists of its mandated contribution at the rate established by the United Nations General Assembly together with any share of any actuarial deficiency payments under Article 26 of the Regulations of the 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. At the time of this report the United Nations General Assembly had not invoked this provision.

ASHI: After Staff Health Insurance (ASHI) – The Staff Health Insurance Fund covers current IARC staff members, retired staff members and their eligible dependants. The Fund is administered by WHO Headquarters and financed from the contributions made by the participants (1/3) and the Organization (2/3). The value of the Agency's liability toward the employees on ASHI is provided by WHO at the end of the year based on the valuation carried out by independent actuaries.

*c) Long-term employee benefits*

Other long-term employee benefits are benefits which are payable after the completion of employment and expected to be settled more than 12 months after the end of the reporting period such as repatriation grants and travel, and termination for reason of health. These are treated as non-current liabilities. The value of IARC's long-term employee benefits is estimated by independent actuaries.

*d) Termination benefits*

Termination benefits generally include indemnities for voluntary redundancy (abolition of post, end-of-service grant, and separation by mutual agreement), and are expected to be settled within 12 months of the reporting date. They are accounted for as they are incurred.

## 2.12 Provisions and Contingent Liabilities

Provisions are made for future liabilities and charges where IARC has a present legal or constructive obligation as a result of past events and it is probable that IARC will be required to settle the obligation.

Other commitments, which do not meet the recognition criteria for liabilities, are disclosed in the notes to the financial statements as contingent liabilities when their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the control of IARC.

## 2.13 Fund Accounting Reporting

Fund Accounting is a method of segregating resources into categories (i.e. funds) to enable the identification of both sources and uses of funds. Establishment of such funds help to ensure better reporting of revenue and expenses. The Agency operates six funds: the Regular Budget, the Working Capital Fund, the Governing Council Special Fund, Voluntary Contributions Account (designated and undesignated donations), Programme Support Cost account, and the Trust Fund.

Any transfers between funds that would result in duplication of revenue and/or expenses are eliminated during all funds consolidation. Intra-fund transfers such as Programme Support Costs within the Voluntary Contributions are also eliminated.

The six types of funds are further explained below:

**a. Regular Budget (RB)**

This refers to the General Fund for the administrative services and permanent activities of the Agency as defined by Article 5.1 of IARC's Financial Regulations. The fund is financed by the annual assessed contributions from Participating States and possible other funding sources as approved by the Governing Council. Pending the receipt of statutory annual contributions to the regular budget, appropriations may be temporarily financed from the Working Capital Fund.

**b. Working Capital Fund (WCF)**

This refers to a fund as defined by Article 5.2 of IARC's Financial Regulations. Revenue of working capital fund came from assessed contribution from new Participating States as described under 2.3b or transfer from Governing Council Special Fund.

**c. Governing Council Special Fund (GCSF)**

This refers to a fund as defined by Article 5.5 of IARC's Financial Regulations. The fund shall be used for purposes to be decided by the Governing Council from time to time by minimum two-thirds of its members who are representatives of each Participating State.

**d. Voluntary Contributions (VC)**

This fund refers to designated and undesignated contributions as described under 2.3c.

**e. Special Account for Programme Support Cost (PSC)**

This account contains income from services rendered as described under 2.3g and expenditures financing by this fund.

**f. Trust fund (TF)**

Trust funds were maintained by the Agency to finance language courses for the benefit of staff as described under 2.3f.

## 2.14 Budget Comparison

The Agency's budget and accounting bases differ. Budgets within the Agency are approved on a modified cash basis, rather than the full accrual basis of IPSAS and are prepared on a biennial basis versus an annual basis. While annual figures are available, the fund balance of the first year of the biennium can be carried over and spend in the second year.

The Agency's budget is an integrated budget and the Governing Council (GC) approves only the Regular Budget. Through Resolution GC/53/R7, the total effective regular budget was approved for 2012–2013. There are no approved budgets for other funds.

Statement V: Statement of Comparison of Budget and Actual Amounts compares the final approved budget to actual amounts calculated on the same basis as the corresponding budgetary amounts. As the bases used to prepare the budget and financial statements differ, Note 3.6 provides reconciliation between the actual amounts presented in Statement V to the actual amounts presented in Statement I: Statement of Financial Performance.

## 2.15 Related Party and Other Key Management Personnel Disclosure

IPSAS 20 requires the Agency to disclose information concerning the remuneration and benefits of 'Key Management Personnel' (KMP), and details of transactions between such individuals and entities that are "significantly influenced" by IARC/WHO (referred to as *"related party transactions"*). KMP of the Agency include staff at director level and above.

# 3 Notes to the Financial Statements Part II – Explanation

## 3.1 Operating Revenue

3.1.1 **Assessed contributions from Participating States** – Revenue from contributions from Participating States for the biennial programme budget 2012/2013 as per assessments approved by Governing Council Resolution GC/53/R7 is recorded on an accrual basis at the beginning of each year against account receivable. The amount of €19 016 960 shown on these Financial Statements represents the contribution from Participating States for 2012 approved programme budget. The status of the collection is shown in Schedule 3.

3.1.2 **Assessed contributions from new Participating State** – This includes revenue derived from the unbudgeted assessed contributions received from Turkey, which membership was accepted in 2011. The 2012 contribution is €370 772, equals to 50% of assessment contribution of Group 4 Participating States.

3.1.3 **Voluntary contributions** – The reporting value, €10 982 411, represents the total contributions received in 2012 with the following breakdown of designated and undesignated voluntary contributions.

| | |
|---|---:|
| Designated voluntary contributions | 10 954 876 |
| Undesignated voluntary contributions | 27 535 |
| **Total** | **€10 982 411** |

3.1.4 **Revenue producing activities** – Revenue earned from sale of IARC publications is recognized and credited to the Governing Council Special Fund account at yearend upon receipt of a report from WHO. For 2012, the total of €605 830 was received.

3.1.5 **Other operating revenue** – This comprises of the followings:

| | |
|---|---:|
| Sale of equipment and materials | 1 337 |
| Savings from prior period obligations | 24 463 |
| Credit received from Lufthansa mileage programme | 715 |
| **Total** | **€26 515** |

Savings from prior period obligations are cost refunds and excess accruals related to prior financial period that are received or settled during the current financial period.

3.1.6 **Trust funds** – The total of €14 400 had been received from personnel enrolled in the 2012 language courses and recorded under the Trust Fund.

3.1.7 **Income from services rendered** – The total programme support costs of €1 309 022 collected from the designated voluntary contribution during the reporting period are eliminated in Statement I (see Note 2.3g). They can be found in Schedules 1 and 2.

## 3.2 Operating Expenses

3.2.1 **Staff Cost** – This amount represents the total cost of employing staff at all levels, professional and general service staff. It includes base salary, post adjustment, and other types of entitlements paid by the Agency.

3.2.2 **Temporary assistants, advisors and participants** – For temporary assistances, the costs include the payroll cost of temporary staff, non-payroll staff entitlements and terminal payments, Agency share on the staff pension fund and staff health insurance. For temporary advisors and participants, the costs are related to those meetings.

3.2.3 **Fellows** – Costs include the Stipend cost and other entitlements of visiting scientists under the collaboration programmes and students (masters, doctorate and post-doctorate) on the trainee programmes.

3.2.4 **Duty travel** – The travel cost of staff and fellows paid by the Agency is included in the total duty travel costs. This includes airfare, per diem and incidentals. This does not include statutory travel which is accounted for within staff costs.

3.2.5 **Research and other agreements** – These include cost for collaborative research agreements (CRA), consortium and partnership agreements, and other contracts, including contracts for external printing and agreements for the performance of work (APWs).

3.2.6 **Procurement and various operating expenses** – These include cost of procurement of expendable equipment, office services and various other operating expenses.

3.2.7 **Programme support cost** – This is the support cost charged to the designated voluntary contribution during the reporting period and is eliminated in the consolidated Statement I (see Note 2.3g). They can be found in Schedules 1 and 2 (see also Note 3.1.7).

3.2.8 **Depreciation expense** – It includes the depreciation of property, plant and equipment during the reporting period using straight line method.

3.2.9 **Doubtful expense, net** – This is the net of new provisions to recognize the potential loss arising from the delay in the receipt of account receivables, including the receipt of assessed contributions and designated voluntary contributions due in 2012 (see Note 2.5) and the reversal of provisions upon subsequent receipt of payments.

During 2012, payments were received from Denmark, the Russian Federation, Spain and the USA for the assessed contributions due in the prior years.

| | |
|---|---:|
| Provision for assessed contributions | 747 869 |
| Provision for designated voluntary contributions | 192 624 |
| Provision for other account receivables | 407 |
| Total provision | 940 900 |
| Less: Receipts from arrears in assessed contribution | (2 083 982) |
| **Doubtful expense, net** | **€(1 143 082)** |

3.2.10 **Financial revenue and expenses, net** – This is the net of income and expenses from exchange rate gain/losses, interest income, bank charges, and rounding differences.

| | |
|---|---|
| Exchange rate gain/loss, net | 45 095 |
| Interest income | 450 692 |
| Bank charges and others | (23 594) |
| Revaluation of assets and liabilities | (301 838) |
| **Total** | **€170 355** |

3.2.11 **Transfer between Funds** – The below table provides details of fund transfers between Regular Budget (RB) and GCSF, and between Working Capital Fund (WCF) and GCSF during the reporting period.

| | RB | WCF | GCSF |
|---|---|---|---|
| Financing 2012 RB from GCSF (GC/53/R7) | 500 000 | | (500 000) |
| Transfer unspent balance from RB1011 to GCSF | (56 781) | | 56 781 |
| Funds returned to GCSF (GC/53/R23) | | (754 534) | 754 534 |
| **Net transfer between funds** | **€443 219** | **€(754 534)** | **€311 315** |

### 3.3 Assets

3.3.1 **Cash and Cash equivalents** – These comprise of cash on hand, cash at UNDP, and bank deposit accounts which are highly liquid, i.e. can be withdrawn anytime, held by the Agency for all funds. Cash and cash equivalents are held for purposes of meeting short-term cash commitments, and not for investment or other purposes.

| | |
|---|---|
| Cash on hand | 6 401 |
| Cash at UNDP | 214 867 |
| Bank deposits | 22 070 969 |
| **Total** | **€22 292 237** |

3.3.2 **Account Receivables, net** – The total account receivable net of provisions amounted to €13 649 722 at the end of the reporting period. These include outstanding amounts for assessed contributions, designated voluntary contributions, and other receivables. The details of current and non-current account receivables are provided below.

| | Current | Non-Current | Total |
|---|---|---|---|
| Uncollected assessed contributions | 2 275 158 | 2 030 738 | 4 305 896 |
| Designated voluntary contributions | 8 955 170 | 4 799 437 | 13 754 607 |
| Others* | 928 759 | | 928 759 |
| Total account receivables | 12 159 087 | 6 830 175 | 18 989 262 |
| Less: Total accumulated provisions | (3 308 802) | (2 030 738) | (5 339 540) |
| **Total account receivables, net** | **€8 850 285** | **€4 799 437** | **€13 649 722** |

* Other account receivables comprise of VAT (€317 058), collectable from WHO on sale of publications (€605 118), tax refund (€4279), and supplier deposit (€2304).

Assessed contribution provisions were previously classified as liability in the 2010–2011 Statement of Financial Position (Statement II). This provision is reclassified and its credit balance is used to deduct the total receivables balance in the Statement of Financial Position of this reporting period.

Total accumulated provisions:

| | Current | Non-Current | Total |
|---|---|---|---|
| Opening balance of assessed contribution provision | 2 083 982 | 3 558 027 | 5 642 009 |
| Opening balance of designated VC provision | 960 587 | | 960 587 |
| Total opening balance as at 1 January 2012 | 3 044 569 | 3 558 027 | 6 602 596 |
| Plus: 2012 provision for assessed contribution | 747 869 | | 747 869 |
| 2012 provision for designated VC | 192 624 | | 192 624 |
| 2012 provision for other account receivables | 407 | | 407 |
| Total provision | 3 985 469 | 3 558 027 | 7 543 496 |
| Less: Reversal of provision for assessed contribution | (2 083 982) | | (2 083 982) |
| Reversal of provision for designated VC | (119 974) | | (119 974) |
| | 1 781 513 | 3 558 027 | 5 339 540 |
| Reclassification of provision | 1 527 289 | (1 527 289) | 0 |
| **Total accumulated provisions** | **€3 308 802** | **€2 030 738** | **€5 339 540** |

Provision expected to be realized within 12 months of the reporting date are shown under current assets. Non-current assets represent the portion of the provision that will be realized after 12 months from the reporting date.

3.3.3 **Staff Receivables** – The total balance of staff receivables amounted to €127 068, net decrease by €27 148 from 1 January 2012. Breakdown by type of receivables are as follow.

| | |
|---|---|
| Duty travel advance | 37 195 |
| Education grant advance | 84 943 |
| Home leave advance | 4 880 |
| Miscellaneous advance | 50 |
| **Total** | **€127 068** |

3.3.4 **Prepayments** – The total value of prepayments is €339 262. These represent payments to suppliers in advance of receipt of goods or services. When goods or services are delivered prepayments are applied to the appropriate expenditure account. In addition, fellows of IARC are paid one month in advance and payment of January 2013 stipend is included in this account.

| | |
|---|---|
| Prepayment to suppliers | 177 502 |
| Stipend advance | 161 760 |
| **Total** | **€339 262** |

3.3.5 **Interest receivables** – The €382 476 represents amount due from bank deposits for interest earned for the period ending 31 December 2012 which has not been received.

3.3.6 **Property, plant and equipment, net** – The value of PP&E net of accumulated depreciation at the end of reporting period is €3 334 350. These include buildings owned by IARC, laboratory and office equipment, furniture and fixtures, and motor vehicle.

| | Buildings | Lab Equipement | Office Equipment &other equipment costs a/c | Furniture & fixtures | Motor Vehicles | Total |
|---|---|---|---|---|---|---|
| ***Cost or valuation*** | | | | | | |
| Balance at beginning of year | 2,906,098 | 979,827 | 222,557 | 56,609 | 38,199 | 4,203,290 |
| Additions | | 982,641 | 72,369 | | | 1,055,010 |
| **Balance at end of year** | **2,906,098** | **1,962,468** | **294,926** | **56,609** | **38,199** | **5,258,300** |
| ***Accumulated Depreciation*** | | | | | | |
| Balance at beginning of year | 1,142,909 | 163,027 | 75,895 | 6,841 | 10,193 | 1,398,865 |
| Charge for the year | 72,654 | 352,983 | 84,730 | 7,078 | 7,640 | 525,085 |
| **Balance at end of year** | **1,215,563** | **516,010** | **160,625** | **13,919** | **17,833** | **1,923,950** |
| ***Net book value*** | | | | | | |
| *at beginning of year* | 1,763,189 | 816,800 | 146,662 | 49,768 | 28,006 | 2,804,425 |
| **at end of year** | **1,690,535** | **1,446,458** | **134,301** | **42,690** | **20,366** | **3,334,350** |

## 3.4 Liabilities

3.4.1 **Accounts payable** – The total outstanding as at the end of reporting period is €1 474 521 and all are current liabilities. Staff payable below include salary payable, staff association payable, and payment (such as travel/expense reimbursements and stipend) to staff/STA/fellows.

| | |
|---|---|
| Staff/STA/fellows | 94 218 |
| Suppliers | 235 211 |
| Accrued expenses | 1 145 092 |
| **Total** | **€1 474 521** |

3.4.2 **Deferred revenue** – Deferred revenue represents multi-year agreements signed in and prior to 2012 for which the revenue recognition has been deferred to future financial periods. Deferred revenue is split into current and non-current depending upon when the revenue is available to the Agency to spend. Adjustments were made to the 2012 opening balance of deferred revenue.

| | |
|---|---|
| Current liabilities | 2 841 048 |
| Non-current liabilities | 4 799 437 |
| **Total deferred revenue** | **€7 640 485** |

3.4.3 **Accrued staff benefits** – Accrued staff benefits, total €26 171 120, include accrued staff salaries, short-term benefits, post employee benefits (staff health insurance – ASHI), and other long-term benefits. This amount includes unfunded liabilities total €24 065 001.

The valuation of short-term benefits was done by the Agency while the valuation of staff health insurance and other long-term benefits were determined by independent consulting actuaries.

**a) Summary of accrued staff benefits:**

| | Current | Non-Current | Total |
|---|---|---|---|
| Short-term employee benefits | 966 471 | - | 966 471 |
| Other long-term employee benefits | 143 300 | 1 192 718 | 1 336 018 |
| Post employee benefits (i.e. ASHI) | - | 23 868 631 | 23 868 631 |
| **Total** | **€1 109 771** | **€25 061 349** | **€26 171 120** |

**b) TQ and TP accounts:**

These accounts were established to finance the short- and long-term benefits of staff members. They are collected through staff payroll. There is a total balance of €2 102 785 at the end of the reporting period.

*TQ Account*: This account was established for financing short-term employee benefits. It is funded by a budgetary provision set at the rate of 10% of professional staff salary and post adjustment.

*TP Account*: This account was established for financing long-term employee benefits, post employee benefits, and termination benefits. It is funded by a budgetary provision set in 2010 at the rate of 3.5% of salary and post adjustments for fixed-term staff members and 5.5% for temporary appointment staff members as per WHO memorandum dated 17 December 2010.

| | TQ | TP | Total |
|---|---|---|---|
| Fund balance as at 1 January 2012 | 653 725 | 1 104 592 | 1 758 317 |
| Plus: Fund inflow during the year | 678 656 | 424 555 | 1 103 211 |
| Less: Fund outflow during the year | (522 867) | (235 876) | (758 743) |
| Fund balance as at 31 December 2012 | **€809 514** | **€1 293 271** | **€2 102 785** |

**c) Valuation of accrued short-term staff benefits:**

These include the accrued annual leave balance, educational grants, and home leaves. All are current liabilities. They are on a walk-away basis as if all staff terminated on the last day of the calendar year, and therefore their values are not discounted. The value of annual leave balance is calculated according to the Staff Rules, Section 3, paragraph 380.2.2.

| | |
|---|---|
| Accrued annual leave | 924 580 |
| Educational grants | 33 677 |
| Home leaves | 4 880 |
| Accrued staff salaries | 3 334 |
| **Total** | **€966 471** |

*Reconciliation:*

| | |
|---|---|
| Defined Benefit Obligation at beginning of year | 914 978 |
| Plus: Expense incurred during the year | 678 980 |
| Less: Actual payment | (627 487) |
| **Defined Benefit Obligation at end of year** | **€966 471** |

## d) Valuation of accrued long-term staff benefits:

This includes grant in case of death, repatriation grant, repatriation removal, repatriation travel, and termination for reasons of health. Each year at year end, the actuaries determine this value based on agreed assumptions and methods.

| | |
|---|---|
| Grant in case of death | 79 281 |
| Repatriation grant | 945 964 |
| Repatriation removal | 230 458 |
| Repatriation travel | 59 041 |
| Termination for reasons of health | 21 274 |
| **Total defined benefit obligation at 31 December 2012** | **€1 336 018** |

*Reconciliation 2011–2012 valuation:*

**Reconciliation of Defined Benefit Obligation--141(c)**

| | 31/12/2012 Valuation | 31/12/2011 Valuation |
|---|---|---|
| Defined Benefit Obligation at Beginning of Year | € 1,093,977 | Not Applicable |
| Service Cost | 178,250 | Not Applicable |
| Interest Cost | 43,185 | Not Applicable |
| (Actual Gross Benefit Payments) | (82,186) | Not Applicable |
| Participant Contributions | 0 | Not Applicable |
| Change in Accounting Method | 0 | Not Applicable |
| Plan Amendments | 0 | Not Applicable |
| Actuarial (Gain)/Loss | 102,792 | Not Applicable |
| Defined Benefit Obligation at End of Year | € 1,336,018 | € 1,093,977 |

**Reconciliation of Assets--141(e)**

| | 31/12/2012 Valuation | 31/12/2011 Valuation |
|---|---|---|
| Assets at Beginning of Year | € 0 | € 0 |
| (Actual Gross Benefit Payments) | (82,186) | (222,683) |
| Participant Contributions during | 82,186 | 222,683 |
| Organization Contributions | 0 | 0 |
| Expected Return on Assets | 0 | 0 |
| Asset Gain/(Loss) | 0 | 0 |
| Assets at End of Year | € 0 | € 0 |

**Reconciliation of Funded Status--141(f)**

| | 31/12/2012 Valuation | 31/12/2011 Valuation |
|---|---|---|
| Defined Benefit Obligation (DBO) | | |
| Inactive | € 0 | € 0 |
| Active | 1,336,018 | 1,093,977 |
| Total | € 1,336,018 | € 1,093,977 |
| (Plan Assets) | 0 | 0 |
| (Surplus)/Deficit | € 1,336,018 | € 1,093,977 |
| Unrecognized Gain/(Loss) | 0 | 0 |
| Unrecognized Prior Service Credit/(Cost) | 0 | 0 |
| Net (Asset)/Liability Recognized in Statement of Financial Position | € 1,336,018 | € 1,093,977 |
| Current (Asset)/Liability | 143,300 | 80,551 |
| Noncurrent (Asset)/Liability | € 1,192,718 | € 1,013,426 |

## *2012 Expenses:*

**Annual Expense for Current Year--141(g)**

| | | Calendar Year 2012 | Calendar Year 2011 |
|---|---|---|---|
| Service Cost | € | 178,250 | Not Applicable |
| Interest Cost | | 43,185 | Not Applicable |
| Expected Return on Assets | | 0 | Not Applicable |
| Recognition of (Gain)/Loss | | 102,792 | Not Applicable |
| Recognition of Prior Service Cost | | 0 | Not Applicable |
| Expense before One-Time Events | € | 324,227 | Not Applicable |
| Curtailments | | 0 | Not Applicable |
| Settlements | | 0 | Not Applicable |
| Special Termination Benefits | | 0 | Not Applicable |
| Total Expense Recognized in Statement of Financial Performance | € | 324,227 | Not Applicable |

**Funded Status and Actuarial (Gain)/Loss for Current Year--141(p)**

| | | Calendar Year 2013 | | Calendar Year 2012 |
|---|---|---|---|---|
| Defined Benefit Obligation | € | 1,336,018 | € | 1,093,977 |
| (Plan Assets) | | 0 | | 0 |
| (Surplus)/Deficit | € | 1,336,018 | € | 1,093,977 |
| Actuarial (Gain)/Loss on Defined Benefit Obligation | € | 102,792 | | Not Applicable |
| Actuarial (Gain)/Loss on Plan Assets | € | 0 | € | 0 |

## *Actuarial assumptions:*

| | |
|---|---|
| Measurement Date | 31 December 2012 |
| Discount Rate | Discount rate used for 31 December 2012 valuation is 2.8% (compared to 4.1% in 2011). Based on the Aon Hewitt iBoxx Euro zone yield curve and the expected cash flows for the benefits accrued to date. The resulting discount rate is rounded to the nearest 0.1%.<br>There is a minor change in methodology from 31 December 2011 to 31 December 2012. At 31 December 2011, Aon Hewitt's iBoxx Euro zone d-Tool used an estimation approach called the Smith Wilson model to develop hypothetical bond rates at long durations for which few or no bonds existed. Starting at 30 June 2012, Aon Hewitt moved to a model called the Cairns model for this purpose. Compared to the Smith Wilson model, the Cairns model is more objective and less volatile from one duration to the next.<br>IARC's rates from the Cairns model since 30 June 2012 have been about 15 to 20 basis points higher than those from the Smith Wilson model. Since the difference in the models was small, IARC agreed to use different models at 31 December 2011 and 2012. |
| Expected Return on Assets | Not applicable. |
| Annual General Inflation | 2.0%. Based on Aon Hewitt's capital market assumptions of inflation forecast over the next 10 years for the Euro zone. |
| Future Exchange Rates | Equal to official United Nations spot rates at the valuation dates. |
| Recognition of Actuarial Gains and Losses | Upon adoption of IPSAS 25 at 31 December 2011, all liabilities were recognized immediately. Thereafter, gains and losses are recognized immediately in the expense for the year in which they arise. |
| Repatriation Grant | All service earned from the entry on duty date is performed outside the country of residence. |

| | |
|---|---|
| Repatriation Travel | The average cost per ticket is US$ 3366 per staff member in 2013, including the staff member for all contingencies (including death). The cost is converted to euros using the exchange rate as of the valuation date. The average cost per ticket will grow with general inflation. Based on a study of experience from 1 January 2010 to 30 September 2011. |
| Removal on Repatriation | In 2010, US$ 15 000 for staff with one or more dependents and US$ 10 000 for staff with no dependents. The cost is converted to euros using the exchange rate as of the valuation date. Cost grows at 1.0% per year thereafter. |
| | No separations from service before the completion of one year of service result in forfeiture of benefits. |
| Termination for Reasons of Health and Grant in Case of Death | 100% of disablements and deaths from service result in an indemnity. No indemnities are increased by the Director-General. |

*Actuarial methods:*

| | |
|---|---|
| Repatriation Travel and Removal on Repatriation | Projected unit credit with service prorate, with an attribution period from the "entry on duty date" to separation. |
| Repatriation Grant, Termination Indemnity, and Grant in Case of Death | Projected unit credit with accrual rate proration. |
| Abolition of Post, End-of-Service Grant, and Separation by Mutual Agreement | These benefits are considered termination benefits under IPSAS 25. Therefore, these benefits are excluded from the valuation and accounted for by IARC as they are incurred. |

## e) Valuation of staff health insurance:

The Agency accounts for the After Service Health Insurance (ASHI) as a Post-Employment Benefit. The defined benefit obligation as of 31 December 2012 determined by professional actuaries within the overall report to the World Health Organization (WHO) is US$ 31 656 010, equivalent to €23 868 632 at UN Exchange rate of €0.754/US$.

The following tables were taken from the actuaries' report to WHO and all figures are in US dollars.

*Reconciliation:*

| | | |
|---|---|---|
| **Reconciliation of Defined Benefit Obligation--141(c)** | | |
| Defined Benefit Obligation at 31-12-2011 | $ | 49,262,113 |
| Service Cost for 2012 | | 1,751,945 |
| Interest Cost for 2012 | | 1,514,121 |
| (Actual After Service Gross Benefit Payments in 2012) | | (1,457,119) |
| (Actual After Service Administrative Expenses in 2012) | | (124,109) |
| Actual Contributions by After Service Participants in 2012 | | 165,724 |
| Plan Changes | | 0 |
| Changes in Accounting Methods | | 0 |
| Actuarial (Gain)/Loss | | 3,928,337 |
| Defined Benefit Obligation at 31-12-2012 | $ | 55,041,012 |

| | | |
|---|---|---|
| **Reconciliation of Assets--141(e)** | | |
| Assets at 31-12-2011, Net of 470.1 Reserve | $ | 18,791,753 |
| (Actual Total SHI Gross Benefit Payments for 2012) | | (2,076,471) |
| (Actual Total SHI Administrative Expenses for 2012) | | (159,557) |
| Actual Total SHI Participant Contributions during 2012 | | 649,843 |
| Actual Total SHI Organization Contributions during 2012 | | 1,283,492 |
| (Increase)/Decrease in 470.1 Reserve during 2012 | | 1,283 |
| Net Transfer to/from AMRO/PAHO | | 0 |
| Expected Return on Assets for 2012 | | 966,322 |
| Asset Gain/(Loss) | | 515,052 |
| Assets at 31-12-2012, Net of 470.1 Reserve | $ | 19,971,717 |

| | | |
|---|---|---|
| **Reconciliation of Reimbursement Right--141(e)** | | |
| Reimbursement Right at 31-12-2011 | $ | 0 |
| Reimbursement Right Arising During 2012 | | 0 |
| Reimbursement Right at 31-12-2012 | $ | 0 |

| | | |
|---|---|---|
| **Reconciliation of Funded Status--141(f)** | | |
| Defined Benefit Obligation (DBO) | | |
| Inactive | $ | 25,127,194 |
| Active | | 29,913,818 |
| Total DBO | $ | 55,041,012 |
| Plan Assets | | |
| (Gross Plan Assets) | $ | (20,791,816) |
| Offset for WHO 470.1 Reserve | | 820,099 |
| (Net Plan Assets) | $ | (19,971,717) |
| (Surplus)/Deficit | $ | 35,069,295 |
| (Reimbursement Right) | | 0 |
| Unrecognized Gain/(Loss) | | (3,413,285) |
| Unrecognized Prior Service (Credit)/Cost | | 0 |
| Net (Asset)/Liability Recognized in Statement of Financial Position | $ | 31,656,010 |
| Current (Asset)/Liability | | 0 |
| Noncurrent (Asset)/Liability | | 31,656,010 |

## *2012 Expenses:*

| **Annual Expense for Calendar Year 2012--141(g)** | | |
|---|---|---|
| Service Cost | $ | 1,751,945 |
| Interest Cost | | 1,514,121 |
| (Expected Return on Assets) | | (966,322) |
| (Expected Return on Reimbursement Right) | | 0 |
| Amortization of (Gain)/Loss | | 0 |
| Amortization of Prior Service Cost | | 0 |
| Expense before One-Time Events | $ | 2,299,744 |
| Curtailments | | 0 |
| Settlements | | 0 |
| Special Termination Benefits | | 0 |
| Total Expense Recognized in Statement of Financial Performance | $ | 2,299,744 |

| **Medical Sensitivity Analysis--141(o)** | | |
|---|---|---|
| 2012 Service Cost plus Interest Cost | | |
| Current Medical Inflation Assumption Minus 1% | $ | 2,323,000 |
| Current Medical Inflation Assumption | $ | 3,266,066 |
| Current Medical Inflation Assumption Plus 1% | $ | 4,564,000 |
| 31-12-2012 Defined Benefit Obligation | | |
| Current Medical Inflation Assumption Minus 1% | $ | 42,294,000 |
| Current Medical Inflation Assumption | $ | 55,041,012 |
| Current Medical Inflation Assumption Plus 1% | $ | 71,801,000 |

| **Funded Status and Actuarial (Gain)/Loss for Calendar Year 2012--141(p)** | | |
|---|---|---|
| Defined Benefit Obligation | $ | 55,041,012 |
| (Net Plan Assets) | | (19,971,717) |
| (Surplus)/Deficit | $ | 35,069,295 |
| (Reimbursement Right for PAHO 470.1 Reserve) | $ | 0 |
| Actuarial (Gain)/Loss on Defined Benefit Obligation | $ | 3,928,337 |
| Actuarial (Gain)/Loss on Plan Assets | $ | (515,052) |

| **Expected Accounting Contributions during 2013--141(q)** | | |
|---|---|---|
| Expected Contributions during 2013 | | |
| Contributions by WHO | $ | 967,170 |
| Transfer of Contributions by WHO from HQ to AMRO | | 0 |
| Contributions by Participants | | 287,181 |
| Total | $ | 1,254,351 |

## *Actuarial assumptions:*

| | |
|---|---|
| Discount Rate | Europe—2.6%; The Americas—4.1%; Other Countries—4.5% |
| Expected Rate of Return on Assets | 4.5% |
| Medical Cost Trend Rates | Europe—3.8% in 2013, decreasing to 3.3% in 2014 and later years.<br>The Americas—8.0% in 2013, decreasing to 5.0% in 2019 and later years<br>Other Countries—6.5% in 2013, decreasing to 4.5% in 2017 and later years |
| General Inflation | Europe—1.6%;<br>The Americas and Other Countries—2.5% |
| Salary Increases | General inflation, plus 0.5% productivity increases, plus merit increases. |

### 3.5 Net Assets/Equity

The net assets/equity of the Agency increases from €3 826 523 (restated 2012 opening balance) to €4 838 989 at the end of reporting period. Statement III provides the summary of changes in net assets/equity by fund.

The presentation of net assets/equity is segregating the equity available for utilization and equity already used but not yet fully expensed. Equity in capital assets described in note 3.5.8 below is the equity already used but not yet fully expensed while fund balances as described in notes 3.5.1 to 3.5.7 represent equity available for utilization. Below are the details.

3.5.1 **Regular Budget** – Total available fund comprises of €19 516 960 budget approved for 2012 and €1 092 591 fund balance from 2010–2011 approved regular budget which was committed in 2011 for delivery in subsequent calendar year. At the end of reporting period, there is a net fund balance of €2 442 159. Schedule 1 provides breakdown details of 2010–2011 carried over and 2012 budget.

3.5.2 **Voluntary Contributions** – The fund balance of €11 630 214 includes designated and undesignated voluntary contributions. Details of this fund are provided in Schedule 1.

3.5.3 **Working Capital Fund** – It has the balance of €2 469 671, decreased by €95 335 as a net result of 2012 provision, fund returned to GCSF, and payment received from Denmark, Spain and the USA (Refer to Note 3.2.9).

| | |
|---|---|
| Beginning balance as at 1 January 2012 | 2 565 006 |
| Plus: Payment from prior year's assessed contribution provision | 1 407 068 |
| Less: Fund returned to GCSF (GC/53/R15) | (754 534) |
| 2012 assessed contribution provision | (747 869) |
| **Ending balance as at 31 December 2012** | **€2 469 671** |

3.5.4 **Governing Council Special Fund** – Details of the fund are disclosed in Schedule 2. The fund balance of €7 343 040 include reserves, i.e. expenses authorized by the Governing Council which have not yet incurred.

3.5.5 **Special Account for Programme Support Cost** – Fund balance increased by €297 518 to €1 675 255 during the reporting period. Schedule 2 provides further details of revenue and expenses incurred.

3.5.6 **Participating State – Others** – This represent the unfunded portion of employee benefits liabilities as described under note 3.4.3.

3.5.7 **Trust Fund** – This account has a net increase of €4983 in the reporting period, bringing the balance up to €9301.

3.5.8 **Equity in Capital Assets** – This account represents the net value of PP&E of the Agency, which has the balance of €3 334 350.

## 3.6 Comparison of Budget and Actual Amounts

The Governing Council approved the regular budget for the 2012–2013 under Resolution GC/53/R7 for the total of €39 419 315, of which €19 516 960 and €19 902 355 is allocated for 2012 and 2013 work plans, respectively. There have been no revisions made to the programme and approved budget to-date.

As stated under section 2.15, the Agency's budget and financial statements are prepared using a different basis. The Statement of Financial Position, Statement of Financial Performance, Statement of Changes in Net Assets /Equity, and Statement of Cash Flow are prepared on full accrual basis, whereas budget as shown on the Statement of Comparison of Budget and Actual Amounts is established on a modified cash basis, which means the actual expenditure and encumbrances are also used to measure the budget utilization.

As per the requirements of IPSAS 24, the actual amounts presented on a comparable basis to the budget shall, where the financial statements and the budget are not prepared on a comparable basis, be reconciled to the actual amounts presented in the financial statements, identifying separately any basis, timing and entity differences. There may also be differences in formats and classification schemes adopted for presentation of financial statements and the budget.

Accordingly, Statement V is prepared to provide the comparison of budget and actual amounts, and the reconciliation between the actual amounts as presented in Statement V (modified cash basis) and those in Statement I (full accrual basis) identifying separately any basis, timing and entity differences.

Timing differences consist of regular budget expenses incurred in the current financial period which are not part of the current approved biennial budget.

Basis differences occur when the approved budget is prepared on a basis other than the full accrual accounting basis. Basis differences include the new capital assets purchased, depreciation of assets, full recognition of provisions net of reversals of provision upon receipt of late payments, and other non-programme budget utilization.

Reconciliation between the actual amounts on a comparable basis in the Statement of Comparison of Budget and Actual Amounts (Statement V) and the actual amounts in the Statement of Financial Performance (Statement I) for the period ended 31 December 2012 is presented below:

| | |
|---|---|
| Actual amount on comparison – Statement V | 17 074 801 |
| Timing differences | 1 035 810 |
| Basis differences | 11 893 811 |
| **Actual expenses – Statement I** | **€30 004 422** |

### 3.7 Related Party and Other Key Management Personnel Disclosure

The table below details the number of Key Management Personnel (KMP) of IARC and the aggregate remuneration and benefits paid for 2012.

The aggregate remuneration of KPM includes net salaries, post adjustment, entitlements such as representation allowance and educational grants, employee pension and current health insurance contributions.

| | Number of Individuals | Compensation and post adjustment | Entitlements | Pension and health plans | Total remuneration 2012 | Outstanding advances against entitlements | Outstanding loans (in addition to normal entitlement) |
|---|---|---|---|---|---|---|---|
| KMP | 3 | 411 026 | 25 982 | 129 510 | 566 518 | 15 946 | - |

## 4 Notes to the Financial Statement Part III – Opening Balance Adjustments

The opening balances at 1 January 2012 represent the 2011 audited Statement of Assets, Liabilities, and Reserves and Fund Balances which have been restated to incorporate adjustments made due to changes in accounting policies and other adjustments made as a result of the implementation of IPSAS.

Three types of adjustments were processed, i.e. the reclassification of assessed contribution provision, the recognition of revenue based on IPSAS 23 requirement, and the recognition of employee benefit liabilities according to IPSAS 25. These resulted in a decrease in net assets/equity of €21 070 158.

Schedule 4 provides the reconciliation between the opening balance in the Statement of Financial Position as at 1 January 2012 and the audited statement as at 31 December 2011. The summary of adjustments made leading to the restated net assets/equity is provided in the below table.

**Change in Net Assets/Equity**

| | | |
|---|---|---|
| Net assets/equity as at 31 December 2011 | | 24 896 681 |
| Adjustments: | | |
| Related to designated voluntary contributions | 2 813 607 | |
| Related to recognition of employee benefits liabilities | (23 883 765) | (21 070 158) |
| **Net assets/equity as at 1 January 2012 (restated)** | | **€3 826 523** |

**Adjustments**

a. **Reclassification of Assessed Contribution Provision.** Assessed contribution provisions were previously classified as liability in the 2010–2011 Statement of Financial Position (Statement II). This provision is reclassified by applying its credit balance to net off the total receivables balance in the Statement of Financial Position in this reporting period. The adjustments are made to reclassify prior years provision balance total €5 642 009 from liabilities and decrease account receivables by the same value. This adjustment has no impact to the equity.

The breakdown of current and non-current assets/liabilities is as follows:

| | |
|---|---|
| Current assets/liabilities | 2 083 982 |
| Non-current assets/liabilities | 3 558 027 |
| **Total** | **€5 642 009** |

b. **Adjustments on designated voluntary contributions.** These are adjustments on recognition of revenue and deferred revenue due to the implementation of IPSAS. All signed grants and contribution agreements have been reviewed and adjustments were processed accordingly resulting to the net increase of €2 813 607 in net assets/equity of the Agency. Details by fund are provided below.

| | Fund | |
|---|---|---|
| Increase in revenue recognition due to IPSAS23 | VC | 3 788 736 |
| Provision for voluntary contribution receivables | PSC | (960 587) |
| Other adjustments | PSC | (15 056) |
| Other adjustments | GCSF | 514 |
| **Total change in net assets/equity** | | **€2 813 607** |

c. **Recognition of employee benefit liabilities.** Liabilities relating to employment benefits have been recognized in the financial statements based on their valuation as at 31 December 2011 with the total value of €25 593 014, of which €23 883 765 is unfunded resulting to the decrease in net assets/equity of the Agency. The majority is resulted from the valuation of the after-service health insurance (ASHI) which is the post-employee benefit.

| | |
|---|---|
| Adjustment in short term employee benefit liabilities | 261 253 |
| Adjustment in long term employee benefit liabilities | 38 454 |
| Adjustment in post employee benefit liabilities (ASHI) | 23 584 058 |
| **Total change in net assets/equity** | **€23 883 765** |

Please refer to note 3.2.4 for the valuation of these liabilities leading to the above adjustments.

The breakdown of current and non-current liabilities is as follows:

| | |
|---|---|
| Current liabilities | 1 044 598 |
| Non-current liabilities | 22 839 167 |
| **Total** | **€23 883 765** |

d. The reclassification of assessed contribution provision and the adjustments on designated voluntary contribution (adjustments a. and b.) have impact on the net account receivables as follows:

| | Current | Non-current | Total |
|---|---|---|---|
| Increase in account receivables from VC | 7 570 010 | 3 147 900 | 10 717 910 |
| Less: Accumulated designated VC provisions | (960 587) | | (960 587) |
| Net increase in account receivables | 6 609 423 | 3 147 900 | 9 757 323 |
| Less: Reclassification of Assessed Contribution Provision | (2 083 982) | (3 558 027) | (5 642 009) |
| **Total net increase in account receivables** | **€4 525 442** | **€(410 127)** | **€4 115 315** |