**Governing Council**
**Fifty-ninth Session**

**GC/59/5**
06/04/2017

*Lyon, 18–19 May 2017*
*Auditorium*

**FINANCIAL REPORT,**
**REPORT OF THE EXTERNAL AUDITOR,**
**AND FINANCIAL STATEMENTS**

For the year ended 31 December 2016

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# DIRECTOR'S FINANCIAL REPORT

## INTRODUCTION

1. The annual financial report of the Agency for the year ended 31 December 2016 is submitted in accordance with Article VI, Paragraph 6.1 of the IARC Financial Regulations. The financial statements and notes to the financial statements of the Agency have been prepared in full compliance with International Public Sector Accounting Standards (IPSAS) which continues to bring greater transparency, consistency, comparability and reliability of financial information, and higher standards of financial reporting.

2. The statutory components of this report have been audited by the External Auditor, the Republic of the Philippines Commission on Audit. The Report of the External Auditor, together with his unqualified (clean) opinion on the financial statements, is included in this report in accordance with Article VI, Paragraph 6.2 of the IARC Financial Regulations.

3. This section of the financial report highlights the impact of the adoption of IPSAS 39 and the financial health of the Agency.

## ADOPTION OF IPSAS 39 AND IMPACT ON AFTER SERVICE HEALTH INSURANCE (ASHI) LIABILITIES

4. Since the implementation of IPSAS in 2012, IARC had applied IPSAS 25 to the accounting and disclosure of employee benefits. In 2016, the International Public Sector Accounting Standards Board® (IPSASB®) published IPSAS 39, which will replace IPSAS 25 on 1 January 2018, with earlier adoption encouraged.

5. Under IPSAS 39, the liabilities and assets of the plan are immediately recognized at each measurement date. This is a change from IPSAS 25, in which gains and losses were deferred and potentially amortized over time.

6. In line with the World Health Organization, IARC changed its accounting policy to recognize employee benefits in accordance with IPSAS 39 effective 1 January 2016.

7. This adoption of IPSAS 39 has significant impact on the recognition of the ASHI liabilities and fund status. Specifically, it resulted in an increase of 2015 ASHI liabilities and unfunded gap amounting to €7.252 million. Accordingly, the 2015 financial statements were restated as explained in Note 2.5.

8. The 2016 ASHI liabilities were further increased in 2016, partly due to the devaluation of the Euro against the US dollar which resulted in an unrealized foreign exchange loss of €1.915 million.

9. Figure 1 provides an overview of ASHI liabilities, comparing restated 2015 and 2016 liabilities with the 2015 liabilities prior to the adoption of IPSAS 39.

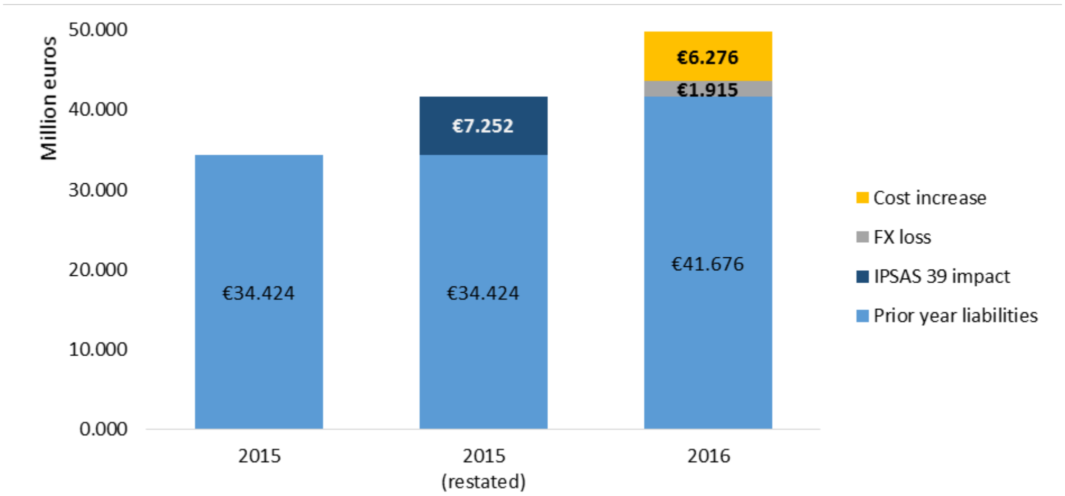


Figure 1: ASHI liabilities in 2015, 2015 (restated), and 2016

## FINANCIAL HIGHLIGHTS

### a) Regular Budget

10. The collection of 2016 budgeted assessed contributions is at 91.05% as per the details shown in Schedule 3.

11. For the year ended 31 December 2016, total expenses and capital expenditure charged against the regular budget amounted to €19.971 million. The budget utilization rate including encumbrances for the financial year is 94.56%. Figure 2 below shows the breakdown of expenditure and encumbrances by six main Objectives in comparison to the approved 2016 budget as presented in Statement V.

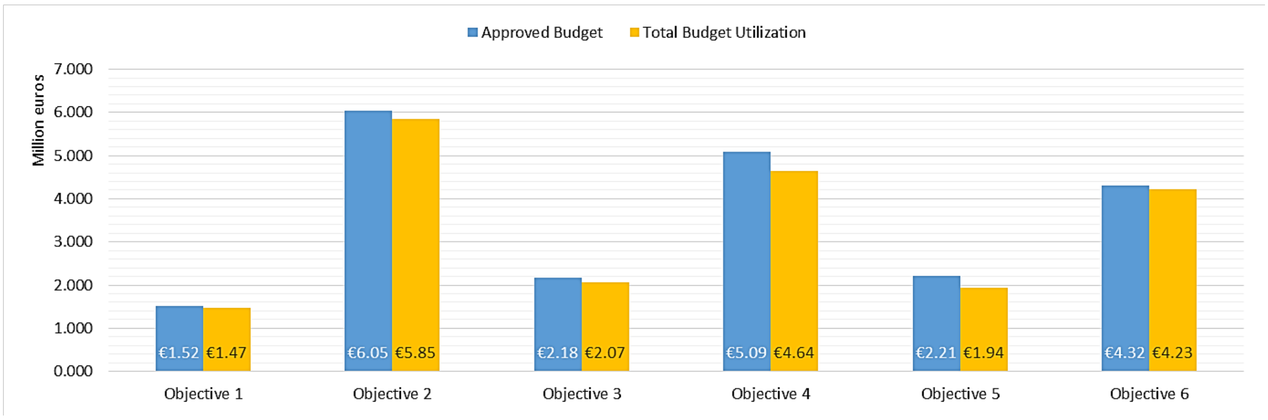


Figure 2: Approved regular budget and actual budget utilization in 2016

12. As the Agency's programme budget is prepared in euros, the exchange rate risk exposure is limited to approximately 10% of its anticipated expenditure disbursed in US dollars. The exchange rate applied by the Governing Council when approving the 2016–2017 budget was €0.729 to one US dollar and the average United Nations operational rates of exchange for the year 2016 was €0.903 to one US dollar. The depreciation of the value of the euro in 2016 resulted in financial costs of €0.126 million. The Agency covered these unforeseen costs related to currency realignments from the budgetary provision authorized in GC Resolution GC/57/R9.

13. A total budget of €0.220 million was allocated under the Director's Development Provision during 2016 to finance new initiatives and existing studies which required additional resources to ensure their successful implementation. The fund was allocated to the following scientific programme areas:

| | | 2016 |
|---|---|---|
| Describe the occurrence of cancer | (Objective 1) | 18 400 |
| Understand the causes of cancer | (Objective 2) | 125 000 |
| Evaluate and implement cancer prevention and control strategies | (Objective 3) | 76 600 |
| | | €220 000 |

## b) Working Capital Fund (WCF)

14. The authorized level of the WCF as of 1 January 2016 was €1.709 million.

15. A total of €0.338 million were returned to WCF upon receipt of payment from assessed contribution in arrears and €0.854 million from this account were used for establishing the additional allowances for assessed contribution in arrears. These brought down the balance of the WCF to €1.193 million at the end of 2016.

## c) Governing Council Special Fund (GCSF)

16. The fund balance as at 31 December 2016 was €12.146 million. This included the fund balance on unbudgeted assessment account of €3.124 million and over €2.922 million of fund reservations.

17. The fund balance on unbudgeted assessment account includes €2.080 million of approved allocations not yet spent. The remaining fund has not been allocated largely due to the high arrears of €1.244 million or 39.83% of the total unbudgeted assessment account fund balance.

18. Fund reservations refer to expenses authorised by the Governing Council but not yet incurred such as follows:
    - €0.250 million – financing to 2017 programme budget (GC/57/R9)
    - €0.250 million – exchange rate fluctuations provision during 2017 (GC/57/R9)
    - €0.346 million – Hiatus Funding Facility for 2017 (GC/47/R7)
    - €1.211 million – 75% of revenue returning to publication programme (GC/56/R12)
    - €0.508 million – balance of reserve for scientific equipment (GC/57/R12, GC/58/R15)
    - €0.202 million – support to IPSAS implementation (GC/55/R17, GC/56/R14)
    - €0.114 million – Open Access (GC/57/R11)
    - €0.101 million – upgrade to IARC Premises Security System (GC/58/R16)

19. During the year 2016, the notable fund inflows to the GCSF were as follows:
    - €1.614 million – revenue from the sales of publications including adjustment of 2015 revenue
    - €0.677 million – the 10$^{th}$ and last instalment from Russian Federation as per GC/48/R3
    - €0.410 million – unbudgeted assessed contribution from Morocco
    - €0.073 million – unspent balance of regular budget 2014–2015

20. Further details on the status of the Fund are included in the Notes to the financial statements and an information document (Info.Doc. No.2) provided for the Governing Council meeting in May 2017 showing the detailed uncommitted fund balance and projection.

## d) Voluntary Contributions Account

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

22. During the year 2016, total revenue of the Voluntary Contributions Account amounted to €11.662 million, of which €11.638 million were against designated voluntary contributions.

23. In accordance with the standing authorization provided in Resolutions GC/23/R6 and GC/55/R23 and the conditions set forth in the signed agreements, interest income totalling €0.008 million was apportioned to the voluntary contributions account.

24. Total expenses and capital expenditure charged against the Voluntary Contributions amounted to €11.414 million, of which €11.336 million were against designated contributions.

25. The fund balance as at 31 December 2016 was €11.591 million, of which €10.993 million was from designated contributions. This fund balance included receivables (i.e. income that has been recognized and pending receipt of cash) of €5.483 million.

26. In addition, incomes expected to be received in the future years are shown as deferred revenue amounting to €13.185 million, a 9.78% increase from the previous year. All are related to designated voluntary contributions.

## e) Special Account for Programme Support Costs

27. As at 31 December 2016, this account had a fund balance of €3.968 million, reflecting a decrease of €0.127 million from the prior period.

## f) Participating States – Others

28. This account presents the net value in Common Fund and Special Purpose Fund accounts. The Common Fund account includes inventories and net carrying value of Property, Plant, and Equipment (PP&E). The Special Purpose Fund account includes unfunded liabilities related to employee benefits.

29. During 2016, the total of €0.098 million of new publications was capitalized. Publications valued at €0.131 million were distributed, and €0.042 million value of publications was disposed or adjusted, bringing the balance at the end of year to €0.131 million.

30. Since 1 January 2010, as part of the implementation of IPSAS, IARC has capitalised and depreciated all PP&E with a purchase value equal to or more than €3000. In 2016, the total capitalisation of new PP&E purchased amounted to €0.362 million and the total depreciation expenses were €0.800 million. The depreciated value of the PP&E had the net book value as at 31 December 2016 of €2.821 million.

31. As described under Note 5.3 of the financial statements, accrued staff benefits liabilities as at 31 December 2016 total €52.791 million, of which €47.556 million are unfunded. The increase in liabilities is caused by the adoption of IPSAS 39, the decrease in discount rates, and the devaluation of the Euro against the US dollar.

32. As at 31 December 2016, the Participating States – Others account had a negative balance of €44.603 million.

## REPORT OF THE EXTERNAL AUDITOR

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

### LETTER OF TRANSMITTAL

**3 April 2017**

**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 2016.

**Yours sincerely,**

**Michael G. Aguinaldo**
**Chairperson, Commission on Audit**
**Republic of the Philippines**
**External Auditor**

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

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

**3 April 2017**

**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 2016**

I have the honour to present to you the above report which may kindly be transmitted to the Governing Council of 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 cooperation and assistance that I have received in the performance of my audit mandate.

**Yours sincerely,**

**Michael G. Aguinaldo**
**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
69372Lyon
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)**

## Opinion

We have audited the financial statements of the IARC, which comprise the statement of financial position as at 31 December 2016, and the statement of financial performance, statement of changes in net assets/equity, statement of cash flow, and statement of comparison of budget and actual amounts for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the IARCas at 31 December 2016, and its financial performance,changes in net assets/equity, cash flow, and comparison of budget and actual amounts for the year then ended, in accordance with International Public Sector Accounting Standards (IPSAS).

## Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) issued by the International Auditing and Assurance Standards Board. Our responsibilities under those standards are described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the IARCin accordance with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Other Information

Management is responsible for the other information. The other information comprises the information included in the financial report, report of the external auditor, and financial statements for the year ended 31 December 2016, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IPSAS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the IARC's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the IARCor to cease operations, or has no realistic alternative but to do so.

Those charges with governance are responsible for overseeing the IARC's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economics decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the IARC's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the IARC's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Report on Other Legal and Regulatory Requirements**

Further, in our opinion, the transactions of the IARCthat 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 WHO Financial Regulations, we have also issued a long-form report on our audit of the IARC.

**Michael G. Aguinaldo**
**Chairperson, Commission on Audit**
**Republic of the Philippines**
**External Auditor**

**Quezon City, Philippines**
**3 April 2017**

International Agency for Research on Cancer

World Health Organization

## CERTIFICATION OF ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2016

The appended financial statements, numbered I to V, relevant notes to the statements and schedules 1 to 3 are approved.

Dr Tamás Landesz, PhD
Director of Administration and Finance

Dr Christopher P. Wild, PhD
Director, IARC

# FINANCIAL STATEMENTS

## STATEMENT I – Statement of Financial Position

### International Agency for Research on Cancer
**Statement of Financial Position**
**As at 31 December 2016**
(amount in Euros)

| | Notes | As at **31 December 2016** | Restated as at **31 December 2015** |
|---|---|---|---|
| **ASSETS** | Note 4 | | |
| **Current assets** | | | |
| Cash and cash equivalents | 4.1 | 27 540 014 | 25 227 253 |
| Account receivables, net | 4.2 | 14 921 540 | 13 686 681 |
| Staff receivables | 4.3 | 169 137 | 124 912 |
| Prepayments | 4.4 | 397 522 | 381 083 |
| Interest receivables | 4.5 | 849 | 86 221 |
| Inventories | 2.5, 4.6 | 131 134 | 207 267 |
| **Total current assets** | | 43 160 196 | 39 713 417 |
| **Non-current assets** | | | |
| Account receivables, net | 4.2 | 7 952 198 | 8 249 922 |
| Investment properties | 4.7 | | 302 400 |
| Property, plant and equipment - net | 4.8 | 2 821 328 | 3 259 731 |
| Other non-financial assets | 4.9 | | 4 400 |
| **Total non-current assets** | | 10 773 526 | 11 816 453 |
| **TOTAL ASSETS** | | **53 933 722** | **51 529 870** |
| **LIABILITIES** | Note 5 | | |
| **Current liabilities** | | | |
| Contributions received in advance | 5.1 | 900 646 | 854 561 |
| Account payable | 5.2 | 1 353 520 | 1 350 971 |
| Accrued staff benefits | 5.3 | 1 113 218 | 1 099 250 |
| Deferred revenue | 5.4 | 5 233 048 | 3 760 788 |
| **Total current liabilities** | | 8 600 432 | 7 065 570 |
| **Non-current liabilities** | | | |
| Accrued staff benefits | 2.5, 5.3 | 51 677 610 | 43 198 156 |
| Deferred revenue | 5.4 | 7 952 198 | 8 249 922 |
| **Total non-current liabilities** | | 59 629 808 | 51 448 078 |
| **TOTAL LIABILITIES** | | **68 230 240** | **58 513 648** |
| **NET ASSETS / EQUITY** | Note 6 | | |
| **Fund** | | | |
| Regular Budget | 6.1 | 1 386 173 | 278 154 |
| Voluntary Contributions | 6.2 | 11 590 805 | 11 333 605 |
| Working Capital Fund | 6.3 | 1 192 749 | 1 709 032 |
| Other IARC funds | | | |
| Governing Council Special Funds | 6.4 | 12 145 905 | 11 980 519 |
| Special Account for Programme Support Costs | 6.5 | 3 967 614 | 4 094 336 |
| Participating States - Others | 2.5, 6.6 | (44 603 486) | (36 404 499) |
| Trust Fund | 6.7 | 23 722 | 25 075 |
| **TOTAL NET ASSETS / EQUITY BALANCES** | | (14 296 518) | (6 983 778) |
| **TOTAL LIABILITIES AND NET ASSETS / EQUITY BALANCES** | | **53 933 722** | **51 529 870** |

## STATEMENT II – Statement of Financial Performance

### International Agency for Research on Cancer
**Statement of Financial Performance**
**For the year ended 31 December 2016**
(amount in Euros)

| | Notes | for the year ended **31 December 2016** | restated for the year ended **31 December 2015** |
|---|---|---|---|
| **REVENUE** | Note 7 | | |
| Assessed contributions | 7.1 | 21 677 800 | 20 600 541 |
| Voluntary contributions | 7.2 | 11 788 336 | 12 534 098 |
| Revenue-producing activities | 7.3 | 1 614 477 | 704 251 |
| Other operating revenue | 7.4 | 35 311 | 10 884 |
| Trust Funds | 7.5 | 11 240 | 11 300 |
| Financial revenue | 7.6 | 92 686 | 167 814 |
| **Total revenue** | | **35 219 850** | **34 028 888** |
| **EXPENSES** | Note 8 | | |
| Staff cost | 2.5, 8.1 | 23 474 542 | 21 473 438 |
| Temporary assistants, advisors and participants | 8.2 | 1 535 732 | 1 549 907 |
| Fellows | 8.3 | 2 142 856 | 2 352 962 |
| Duty travel (staff, fellows) | 8.4 | 827 478 | 844 011 |
| Research and other agreements | 8.5 | 2 889 564 | 3 121 767 |
| Procurement and various operating expenses | 2.5, 8.6 | 4 948 516 | 4 912 799 |
| Cost of distribution and disposal of inventories | 8.7 | 173 657 | 297 520 |
| Depreciation | 8.8 | 800 002 | 763 781 |
| Net foreign exchange loss (gain) | 8.9 | 1 454 856 | 2 582 645 |
| Financial cost | 8.10 | 23 232 | 22 154 |
| **Total expenses** | | **38 270 435** | **37 920 984** |
| **TOTAL SURPLUS (DEFICIT) FOR THE YEAR** | | **(3 050 585)** | **(3 892 096)** |

## 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 2016**
(amount in Euros)

| | Notes | restated Balance as at **31 December 2015** | **Surplus (deficit) in 2016** | **Remeasurement Gain/Loss on DBO and Plan Asset** | Balance as at **31 December 2016** |
|---|---|---|---|---|---|
| **Fund** | | | | | |
| Non-restricted (Participating States) | | | | | |
| Regular Budget | 6.1 | 278 154 | 1 108 019 | | 1 386 173 |
| Working Capital Fund | 6.3 | 1 709 032 | ( 516 283) | | 1 192 749 |
| Other IARC Funds | 6.4-6.6 | (20 329 644) | (3 898 168) | (4 262 155) | (28 489 967) |
| Total non-restricted | | (18 342 458) | (3 306 432) | (4 262 155) | (25 911 045) |
| Restricted | | | | | |
| Voluntary Contributions | 6.2 | 11 333 605 | 257 200 | | 11 590 805 |
| Trust Fund | 6.7 | 25 075 | ( 1 353) | | 23 722 |
| Total restricted | | 11 358 680 | 255 847 | | 11 614 527 |
| **Total net assets/equity balance** | | **(6 983 778)** | **(3 050 585)** | **(4 262 155)** | **(14 296 518)** |

## STATEMENT IV – Statement of Cash Flow

**International Agency for Research on Cancer**
**Statement of Cash Flows**
**For the year ended 31 December 2016**
(amount in Euros)

| | Notes | As at **31 December 2016** | Restated as at **31 December 2015** |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Net surplus (deficit) for the year | | (3 050 585) | (3 892 096) |
| Depreciation | 8.8 | 800 002 | 763 781 |
| Increase in investment property from non-exchange transaction | | 302 400 | ( 302 400) |
| Increase in other non-financial asset from non-exchange transaction | | 4 400 | ( 4 400) |
| Increase (decrease) in net assets/equity from remeasurements | | (4 262 155) | (7 914 722) |
| (Increase) decrease in accounts receivables | | (1 234 859) | ( 968 139) |
| (Increase) decrease in staff receivables | | ( 44 225) | ( 8 737) |
| (Increase) decrease in prepayments | | ( 16 439) | 7 595 |
| (Increase) decrease in interest receivables | | 85 372 | ( 84 501) |
| (Increase) decrease in inventories | | 76 133 | 144 993 |
| (Increase) decrease in non-current receivables | | 297 724 | (4 800 971) |
| Increase (decrease) in assessed contributions received in advance | | 46 085 | 331 075 |
| Increase (decrease) in accounts payable | | 2 549 | 371 296 |
| Increase (decrease) in accured staff benefit, current liabilities | | 13 968 | ( 125 648) |
| Increase (decrease) in deferred revenue, current liabilities | | 1 472 260 | 717 112 |
| Increase (decrease) in non-current liabilities | | 8 181 730 | 17 743 195 |
| **Net increase (decrease) in cash flows from operating activities** | | **2 674 360** | **1 977 433** |
| **Cash flows from investing activities** | | | |
| (Increase) decrease in property, plant and equipment | | **( 361 599)** | **( 798 598)** |
| **Net increase (decrease) in cash and cash equivalents** | | **2 312 761** | **1 178 835** |
| **Cash and cash equivalents at the beginning of the year** | | **25 227 253** | **24 048 418** |
| **Cash and cash equivalents at the end of the year** | 4.1 | **27 540 014** | **25 227 253** |

## 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 2016)**
**For the year ended 31 December 2016**
(amount in Euros)

| Purpose of appropriation | 2016 Programme Budget Appropriations | | | Budget Utilization | | | % utilization * |
|---|---|---|---|---|---|---|---|
| | Approved Appropriations by Governing Council 2016 | Transfers (IARC Financial Regulations 3.3) | Effective appropriations 2016 | Expenses 2016 | Encumbrance 2016 | Total Utilization 2016 | |
| 1. Describe the occurrence of cancer | 1 518 695 | - | 1 518 695 | 1 455 101 | 12 295 | 1 467 396 | *6.87%* |
| 2. Understand the causes of cancer | 6 045 378 | - | 6 045 378 | 5 791 806 | 57 785 | 5 849 591 | *27.39%* |
| 3. Evaluate and implement cancer prevention and control strategies | 2 178 446 | - | 2 178 446 | 2 050 128 | 15 482 | 2 065 610 | *9.67%* |
| 4. Increase the capacity for cancer research | 5 093 809 | - | 5 093 809 | 4 597 359 | 43 544 | 4 640 903 | *21.73%* |
| 5. Provide strategic leadership and enhance the impact of the Agency's contribution to global cancer research | 2 205 074 | - | 2 205 074 | 1 881 879 | 61 286 | 1 943 165 | *9.10%* |
| 6. Enable and support the efficient conduct and coordination of research | 4 315 361 | - | 4 315 361 | 4 194 317 | 34 433 | 4 228 750 | *19.80%* |
| **TOTAL** | **21 356 763** | | **21 356 763** | **19 970 590** | **224 825** | **20 195 415** | *94.56%* |

** % budget utilization of each appropriation line is compared with the total effective appropriation.*

| | | |
|---|---|---|
| **RECONCILIATION** | (see Note 9) | |
| **TOTAL EXPENSES AS PER STATEMENT V** | | **19 970 590** |
| **a) Time differences:** | | |
| Regular Budget expenditure in other periods | | **204 817** |
| **b) Basis differences:** | | |
| Common fund activities | | 514 536 |
| Other non-Regular Budget utilisation | | 17 580 492 |
| Sub-total | | **18 095 028** |
| **TOTAL EXPENSES AS PER STATEMENT II** | | **€ 38 270 435** |

# NOTES TO THE FINANCIAL STATEMENTS

## Note 1: Reporting entity

The International Agency for Research on Cancer (IARC) is the specialized cancer agency of the World Health Organization (WHO) established by the World Health Assembly in 1965 through its Resolution WHA18.44. IARC has its headquarters in Lyon, France.

The objective of the IARC is to promote international collaboration in cancer research. The Agency is inter-disciplinary, bringing together skills in epidemiology, laboratory sciences and biostatistics to identify the causes of cancer so that preventive measures may be adopted and the burden of disease and associated suffering reduced. A significant feature of the IARC is its expertise in coordinating research across countries and organizations; its independent role as an international organization facilitates this activity.

The financial records of IARC are not consolidated in the financial statements of the WHO. According to the guidance for determining which entities should be consolidated within an economic entity provided by IPSAS 6, "Consolidated Financial Statements and Accounting for Controlled Entities", IARC does not meet the requirements to be consolidated under the WHO as IARC has its own governing body and is not controlled by the World Health Assembly.

The financial statements only include the operations of IARC, which has no subsidiaries or interest in associates or jointly controlled entities.

## Note 2: Basis for preparation and presentation

### 2.1 Accounting standards

The financial statements of IARC for the period ended 31 December 2016 have been prepared on the accrual basis of accounting in accordance with the International Public Sector Accounting Standards (IPSAS).

The financial statements have been prepared using the historical cost convention and under the assumption that IARC is a going concern and will meet its mandate for the foreseeable future.

### 2.2 Financial regulations

These financial statements have also been prepared according to the IARC Financial Regulations, and the WHO Financial Regulations and Rules, with the annual accounting period of 1 January through 31 December.

### 2.3 Functional currency and conversion of foreign currencies

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

## 2.4 Financial statements

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

- Statement of Financial Position (Statement I)
- Statement of Financial Performance (Statement II)
- Statement of Changes in Net Assets/Equity (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 other relevant information.

The Cash Flow Statement is prepared using the indirect method.

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)

## 2.5 Prior period adjustments

a) Effective 1 January 2016, IARC has changed its accounting policy to recognise employee benefits in accordance with IPSAS 39. As a result, actuarial gains and losses for After Service Health Insurance Fund (ASHI) were accounted directly to net assets/equity. The effects of this change in accounting policy were recognized retrospectively, requiring restatement of the 2015 comparative numbers in the Statements I and II.

b) An adjustment on publication inventory was required to capitalize one publication that was received during 2015 with the total cost of €7105 charged to the Procurement and various operating expenses in the same year. This adjustment was also recognized retrospectively.

Impact on the Statement of Financial Position (Statement I):

| | | 31-Dec-15 | Adjustments | Restated as at 31-Dec-15 |
|---|---|---|---|---|
| a) Non-current liabilities | Accrued staff benefits | 35 945 659 | 7 252 497 | 43 198 156 |
| b) Current assets | Inventories | 200 162 | 7 105 | 207 267 |
| Net assets/equity | Participating States-Others | (29 159 107) | (7 245 392) | (36 404 499) |

Impact on the Statement of Financial Performance (Statement II):

| | | 31-Dec-15 | Adjustments | Restated for the year ended 31-Dec-15 |
|---|---|---|---|---|
| a) Expenses | Staff cost | 22 135 663 | (662 225) | 21 473 438 |
| b) Expenses | Procurement and various operating expenses | 4 919 904 | (7 105) | 4 912 799 |
| Total surplus (deficit) for the year | | (4 561 426) | (669 330) | (3 892 096) |

## Note 3: Significant accounting policies

### 3.1 Account receivables

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

a) *Assessed contribution account receivables*. Assessed contribution from Participating States is due on 1 January each year. Assessed contribution account receivables are recognized annually, at the beginning of the year as per the assessments approved by the Governing Council. An allowance for doubtful receivables is established for the uncollected contributions that are outstanding for more than two years or for any rescheduled amounts or pending contributions with high risk of non-collectibility. The allowance is reversed when the source of such interim financing is reimbursed. In accordance with IARC financial regulations Article V, clause 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 account receivables*. Account receivables from designated voluntary contributions are recognized based on a binding agreement between IARC and the donors. Account receivables from designated voluntary contributions that are outstanding for more than 365 days after due date are reviewed once a year and an allowance for doubtful receivables is recognized when there is a risk that the receivables may be impaired.

c) *Other account receivables*. For other types of account receivable, the allowance for doubtful receivables is established upon having an evidence of its doubtfulness and passing due date for more than 365 days.

### 3.2 Inventories

IARC recognizes publications as part of its inventory. These publications are consigned to the WHO Press while the ownership remains with IARC.

IARC publication inventories are held for distribution at no charge or for a nominal charge and hence they are stated at the lower of cost and current replacement cost (IPSAS 12, paragraph 17). The cost of publications issued between 2010 and 2013 is valued based on the actual printing costs while the cost of publication issued prior to 2010 is valued based on the average printing cost per page of publications issued between 2010 and 2013. Where there is insufficient information to determine the cost, such as old publications issued in the 1900s and as at the end of reporting period have no stock, a nominal value of €1 is applied.

Inventory carrying value is determined using the weighted average cost method. When inventories are sold, exchanged or distributed, their carrying amount is recognized as an expense.

### 3.3 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 vehicles.

IARC has recognized PP&E since 2010. In the initial recognition, 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 €3000 and above 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 |

### 3.4 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 |

IARC's intangible assets are assumed to have a residual value of zero as intangible assets are not sold or transferred at the end of their useful life.

### 3.5 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.

### 3.6 Account payables and accrued liabilities

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

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

### 3.7 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.

### 3.8 Employee benefits

IARC employee benefits are composed of short-term benefits, post-employment benefits, other 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, and 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 Service Health Insurance 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.

<u>UNJSPF</u>: 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 accounts for this plan as if it were a defined contribution plan, in line with the provision of IPSAS 39.

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.

<u>ASHI</u>: After Service 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) Other 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.

### 3.9 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.

### 3.10 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 method of assessments as described in Resolution GC/15/R9 and the gradual increase in contributions per IARC Financial Regulations Article IV.4.3 and Resolutions GC/37/R9 and GC/54/R18.

   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 @0.693) 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 contribution. 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 under designated voluntary contributions is recognized when agreements are signed by IARC and 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 publication inventories are held for sale by WHO in accordance with the agreement dated 22 September 2016.

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

### 3.11 Expenses

Expenses are recognized 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.

### 3.12 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 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 serve to ensure the proper segregation of revenue and expenses.

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 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 contributions from new Participating States as described under Note 3.10b 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 a 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 Note 3.10c.

e. *Special Account for Programme Support Cost (PSC).* This account contains income from services rendered as described under Note 3.10g and expenditures financed 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 Note 3.10f.

g. *Participating States – other*. The following accounts are grouped and presented in the financial statements as *Participating States – other*.

- *Common Fund*. This fund reflects the movement in the asset and liability accounts of IARC resulting from changes in inventory and depreciation.
- *Special Purpose Fund*. This fund contained TQ & TP Fund and Service Health Insurance Fund accounts.

### 3.13 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 vis-a-vis an annual basis. While annual figures are available, the fund balance of the first year of the biennium can be carried over and spent in the second year.

The Agency's budget is an integrated budget endorsed by the Governing Council (GC) when they approve the itemized Regular Budget. There are no approved budgets for other funds.

Statement of Comparison of Budget and Actual Amounts (Statement V) 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 9 provides reconciliation between the actual amounts presented in the Statement V to the actual amounts presented in the Statement of Financial Performance (Statement II).

## Note 4: Assets

### 4.1 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.

| | 31-Dec-16 | 31-Dec-15 |
|---|---|---|
| Cash on hand | 7 113 | 12 065 |
| Cash at UNDP | 222 605 | 290 495 |
| Bank deposits | 27 310 296 | 24 924 693 |
| Total | €27 540 014 | €25 227 253 |

### 4.2 Account receivables, net

The total account receivable net of allowances for doubtful account receivables amounted to €22 873 738 at the end of the reporting period. These include outstanding amounts for assessed contributions, designated voluntary contributions, and other account receivables. The details of current and non-current account receivables are provided below.

| | Current | Non-Current | Total 31-Dec-16 | 31-Dec-15 |
|---|---|---|---|---|
| Uncollected assessed contributions | 4 386 681 | | 4 386 681 | 4 593 446 |
| Designated voluntary contributions | 10 715 882 | 7 952 198 | 18 668 080 | 18 363 496 |
| Other account receivables* | 1 952 628 | | 1 952 628 | 1 401 604 |
| Total account receivables | 17 055 191 | 7 952 198 | 25 007 389 | 24 358 546 |
| Less: Accumulated allowances | (2 133 651) | | (2 133 651) | (2 421 943) |
| Total account receivables, net | €14 921 540 | €7 952 198 | €22 873 738 | €21 936 603 |

*Other account receivables comprise of royalties and sales of publication receivables (€1 602 407), VAT refund (€316 433), income tax refund (€19 920), and supplier's deposit (€13 868).

**Total accumulated allowances for doubtful account receivables:**

| | Current | Non-Current | Total 31-Dec-16 | 31-Dec-15 |
|---|---|---|---|---|
| Opening balance of allowance for assessed contribution | 2 294 279 | | 2 294 279 | 1 353 824 |
| Opening balance of allowance for designated VC | 127 664 | | 127 664 | 371 254 |
| Opening balance of allowance for other receivables | 0 | | 0 | 0 |
| Total opening balance at beginning of year | 2 421 943 | | 2 421 943 | 1 725 078 |
| Add: Allowance for assessed contribution | 854 561 | | 854 561 | 1 617 368 |
| Allowance for designated VC | 0 | | 0 | 0 |
| Allowance for other receivables | 0 | | 0 | 0 |
| Total allowances for doubtful receivables | 3 276 504 | | 3 276 504 | 3 342 446 |
| Less: Reversal of allowance for assessed contribution | (1 015 189) | | (1 015 189) | (676 913) |
| Reversal of allowance for designated VC | (127 664) | | (127 664) | (243 590) |
| Reversal of allowance for other receivables | 0 | | 0 | 0 |
| Total accumulated allowances at end of year | €2 133 651 | | €2 133 651 | €2 421 943 |

Allowances for doubtful account receivable expected to be realized within twelve months of the reporting date are shown under current assets. Non-current assets represent the portion of the allowances that will be realized after 12 months from the reporting date.

## 4.3 Staff receivables

The total balance of staff receivables amounted to €169 137, net increase by €44 225 from the prior period. Breakdown by type of receivables are as follow.

| | 31-Dec-16 | 31-Dec-15 |
|---|---|---|
| Education grant advance | 129 090 | 94 206 |
| Duty travel advance | 33 337 | 29 299 |
| Salary advance | 1 786 | 1 307 |
| Home leave | 4 741 | 0 |
| Miscellaneous advance | 183 | 100 |
| Total | €169 137 | €124 912 |

## 4.4 Prepayments

The total value of prepayments is €397 522. This account includes 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 2017 stipend is included in this account.

| | 31-Dec-16 | 31-Dec-15 |
|---|---|---|
| Prepayment to suppliers | 232 659 | 209 501 |
| Stipend advance | 164 863 | 171 582 |
| Total | €397 522 | €381 083 |

## 4.5 Interest receivables

The €849 represents amount due from bank deposits for interest earned for the period ending 31 December 2016 which has not been received.

## 4.6 Inventories

The €131 134 represents the value of publication inventories held at WHO Press for sales as at the end of the reporting period.

| | | restated |
|---|---|---|
| | 31-Dec-16 | 31-Dec-15 |
| Balance at beginning of year | 207 267 | 352 260 |
| Additions | 97 524 | 152 527 |
| Distributions | (131 279) | (164 703) |
| Disposals/adjustments | (42 378) | (132 817) |
| Balance at end of year | €131 134 | €207 267 |

## 4.7 Investment properties

The apartment that IARC acquired through a legacy during 2015 was sold in February 2016. There is no new investment property acquired during 2016.

## 4.8 Property, plant and equipment, net

The value of property, plant and equipment (PP&E) net of accumulated depreciation at the end of reporting period is €2 821 328. These include buildings owned by IARC, laboratory and office equipment, furniture and fixtures, and motor vehicle.

| | Buildings | Lab equipment | Office equipment and other equipment | Furniture and fixtures | Motor vehicles | Total 31-Dec-16 | 31-Dec-15 |
|---|---|---|---|---|---|---|---|
| *Cost or valuation:* | | | | | | | |
| Balance at beginning of year | 2 906 098 | 3 922 808 | 750 692 | 56 609 | 113 689 | 7 749 896 | 6 181 756 |
| Additions | | 361 599 | | | | 361 599 | 798 598 |
| Disposals | | | (16 808) | | | (16 808) | (57 351) |
| Adjustment | | 37 523 | 6 981 | 3 215 | | 47 719 | 826 893 |
| Balance at end of year | 2 906 098 | 4 321 930 | 740 865 | 59 824 | 113 689 | 8 142 406 | 7 749 896 |
| *Accumulated depreciation:* | | | | | | | |
| Balance at beginning of year | 1 433 525 | 2 265 782 | 678 519 | 35 153 | 77 186 | 4 490 165 | 2 956 842 |
| Charges for the year | 72 654 | 632 914 | 69 105 | 7 078 | 18 251 | 800 002 | 763 781 |
| Disposals | | | (16 808) | | | (16 808) | (57 351) |
| Adjustment | | 37 523 | 6 981 | 3 215 | | 47 719 | 826 893 |
| Balance at end of year | 1 506 179 | 2 936 219 | 737 797 | 45 446 | 95 437 | 5 321 078 | 4 490 165 |
| *Net book value:* | | | | | | | |
| At beginning of year | 1 472 573 | 1 657 026 | 72 173 | 21 456 | 36 503 | 3 259 731 | 3 224 914 |
| At end of year | 1 399 919 | 1 385 711 | 3 068 | 14 378 | 18 252 | 2 821 328 | 3 259 731 |

In addition, IARC has 73 items of PP&E with the total gross acquisition value of €1 918 507 that are fully depreciated and still in use as at the end of reporting period.

## 4.9 Other non-financial assets

The car that IARC received through a legacy during 2015 was sold through an auction in 2016. There is no other non-financial asset acquired during 2016.

## Note 5: Liabilities

### 5.1 Revenue received in advance

The total amount of €900 646 represents 2017 assessed contributions received in advance from Participating States, voluntary contribution received prior to signature of agreement, and revenue from publications received in advance.

| | 31-Dec-16 | 31-Dec-15 |
|---|---|---|
| 2016 Assessed contribution received from Australia | | 854 561 |
| 2017 Assessed contribution received from Belgium | 882 900 | 0 |
| 2017 Assessed contribution received from Canada | 3 064 | 0 |
| Voluntary contribution received in advance | 12 571 | 0 |
| Other revenue received in advance | 2 111 | 0 |
| Total | €900 646 | €854 561 |

### 5.2 Accounts payable

The total outstanding as at the end of reporting period is €1 353 520 and all are current liabilities. Staff/STA/fellows payable below include salary payable, staff association payable, and payment (such as travel/expense reimbursements and stipend) to staff/STA/fellows.

| | 31-Dec-16 | 31-Dec-15 |
|---|---|---|
| Staff/STA/fellows | 23 961 | 15 924 |
| Suppliers | 99 890 | 43 308 |
| Accrued expenses | 1 229 669 | 1 291 739 |
| Total | €1 353 520 | €1 350 971 |

### 5.3 Accrued staff benefits

Accrued staff benefits, total €52 790 828, include accrued staff salaries, short term benefits, post employee benefits (staff health insurance - ASHI), and other long-term benefits. This amount includes unfunded liabilities totalling €47 555 948 (see also Note 6.6 b).

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 31-Dec-16 | restated 31-Dec-15 |
|---|---|---|---|---|
| Short-term employee benefits | 906 660 | | 906 660 | 872 868 |
| Other long-term employee benefits | 206 558 | 1 810 548 | 2 017 106 | 1 673 047 |
| Post employee benefits (i.e. ASHI) | | 49 867 062 | 49 867 062 | 41 676 152 |
| Terminal benefits | | | | 75 339 |
| Total | €1 113 218 | €51 677 610 | €52 790 828 | €44 297 406 |

**b) TQ and TP accounts:**

These accounts were established to finance statutory benefits of staff members. They are collected through staff payroll. There is a total balance of €5 234 590 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.

| | Current | Non-Current | Total 31-Dec-16 | 31-Dec-15 |
|---|---|---|---|---|
| Fund balance at beginning of year | 1 853 275 | 2 551 534 | 4 404 809 | 3 549 116 |
| Plus: Fund inflow during the year | 934 263 | 536 271 | 1 470 534 | 1 406 777 |
| Less: Fund outflow during the year | (555 717) | (85 036) | (640 753) | (551 084) |
| Fund balance at end of year | €2 231 821 | €3 002 769 | €5 234 590 | €4 404 809 |

The outflow fund in 2016 includes the following payments on employee benefits.

| | Current | Non-Current | Total 31-Dec-16 |
|---|---|---|---|
| Recruitment entitlements | 153 110 | | 153 110 |
| Separation entitlements | 112 169 | 85 036 | 197 205 |
| Education grants | 219 547 | | 219 547 |
| Home leave travels | 65 937 | | 65 937 |
| Periodic medical and insurance | 4 954 | | 4 954 |
| Total fund outflow | € 555 717 | € 85 036 | € 640 753 |

**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.

| | 31-Dec-16 | 31-Dec-15 |
|---|---|---|
| Accrued annual leave | 854 819 | 814 086 |
| Educational grants | 51 551 | 37 682 |
| Accrued staff salaries | 290 | 21 100 |
| Total defined benefit obligation at end of year | €906 660 | €872 868 |

**Reconciliation**:

| | 31-Dec-16 | 31-Dec-15 |
|---|---|---|
| Defined Benefit Obligation at beginning of year | 872 868 | 932 805 |
| Plus: Expense incurred during the year | 535 270 | 421 227 |
| Less: Actual payment | (501 478) | (481 164) |
| Defined Benefit Obligation at end of year | €906 660 | €872 868 |

## d) Valuation of accrued other 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.

| | 31-Dec-16 | 31-Dec-15 |
|---|---|---|
| Grant in case of death | 130 578 | 112 935 |
| Repatriation grant | 1 439 778 | 1 191 881 |
| Repatriation removal | 290 560 | 243 882 |
| Repatriation travel | 89 371 | 72 151 |
| Termination for reasons of health | 66 819 | 52 198 |
| Total defined benefit obligation at end of year | €2 017 106 | €1 673 047 |

**Actuarial summary**

| | 31/12/2016 Valuation | 31/12/2015 Valuation |
|---|---|---|
| **Reconciliation of Defined Benefit Obligation – 141 (c)** | | |
| Defined Benefit Obligation at Beginning of Year | 1 673 047 | 1 935 332 |
| Service Cost | 156 556 | 320 151 |
| Interest on Defined Benefit Obligation | 33 540 | 30 407 |
| (Actual Gross Benefit Payments) | (85 036) | (64 380) |
| Participant Contributions | 0 | 0 |
| Changes in Accounting Methods | 0 | 0 |
| Plan Amendments | 0 | 0 |
| Actuarial (Gain)/Loss | 238 999 | (548 463) |
| Defined Benefit Obligation at End of Year | €2 017 106 | €1 673 047 |
| | | |
| **Reconciliation of Funded Status – 141 (f)** | | |
| Defined Benefit Obligation | 2 017 106 | 1 673 047 |
| (Plan Assets) | 0 | 0 |
| Net (Surplus)/Deficit in Statement of Financial Position | 2 017 106 | 1 673 047 |
| Current (Asset)/Liability | 206 558 | 151 043 |
| Noncurrent (Asset)/Liability | 1 810 548 | 1 522 004 |
| | | |
| **Annual Expense – 141 (g)** | | |
| Service Cost | 156 556 | 320 151 |
| Interest on (Surplus)/Deficit | 33 540 | 30 407 |
| (Expected Return on Assets) | 0 | 0 |
| Remeasurements | 238 999 | (548 463) |
| Total (Income)/Expense | €429 095 | €(197 905) |

## Actuarial assumptions:

| | |
|---|---|
| Measurement Date | 31 December 2016 |
| Discount Rate | 1.4% (decrease from 2.1% in the prior valuation).<br>Based on the Aon Hewitt iBoxx Euro zone yield curve and the expected cash flows for the benefits as of the valuation date. The resulting discount rate is rounded to the nearest 0.1% |
| Expected Return on Assets | Not applicable. |
| Annual General Inflation | 1.6% (same rate as in the prior year valuation). Based on Aon Hewitt's capital market assumptions of inflation forecast over the next 10 years for the Euro zone. |
| Annual Salary Scale | General inflation, plus 0.5% per year productivity growth, plus merit component.<br>Merit and productivity increases are set equal to those from the 31 December 2015 valuation of the United Nations Joint Staff Pension Fund (UNJSPF). |
| Future Exchange Rates | Equal to official United Nations spot rates at 31 December 2016. |
| Value of Assets | None; as the plan does not have assets held in a separate legal trust. |
| Recognition of Actuarial Gains and Losses | Gains and losses are recognized immediately in the expense for the year in which they arise. |
| Participation in Repatriation Grant, Repatriation Travel, and Removal on Repatriation | 70% of participants meeting the eligibility criteria are assumed to elect benefits. (This is a decreased from the prior valuation's assumption that 100% of participants meeting the eligibility criteria are assumed to elect benefits, reflecting a study of recent benefit payments experience for the Pan American Health Organization and the World Health Organization). |
| Repatriation Grant | All service earned from the entry on duty date is conservatively assumed to be performed outside the country of residence. |
| Repatriation Travel | The average cost per ticket is US$ 3471 per staff member in 2016, including the cost covering dependents. Based on a study of experience from 1 January 2010 to 30 September 2011.<br>The costs are converted to euros using the exchange rate as of the valuation date.<br>Any separations from service before the completion of one year of service that result in forfeiture of benefits are reflected implicitly in the participation assumption. |
| Removal on Repatriation | US$ 14 550 for staff with one or more dependents and US$9700 for staff with no dependents. Figures are a weighted average of those for temporary staff and those for fixed term and continuing staff, based on the World Health Organization's demographics at 30 September 2014. (Changed from prior valuation's lump sum amounts of US$ 15 000 and US$ 10 000, respectively, to reflect a reduction in lump sums for temporary staff.) The cost is converted to euros using the exchange rate as of the valuation date.<br>The costs are converted to euros using the exchange rate as of the valuation date.<br>Any separations from service before the completion of one year of service that result in forfeiture of benefits are reflected implicitly in the participation assumption. |
| Termination for Reasons of Health and Grant in Case of Death | 96% of disablements and 90% deaths from service are assumed to result in an indemnity. (Change from 100% and 100% in the prior valuation, to reflect that some staff are instead assumed to receive Special Fund for Compensation Benefits.) No indemnities are assumed to be increased by the Director-General. |

| | |
|---|---|
| Coverage of Dependents for Repatriation Benefits | For the Repatriation Grant, married staff members who die in service have at least one child covered.<br>85% of male staff members and 55% of female staff have a dependent. |

## 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 39. 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. Actuarial gains and losses are recognized in the net assets/equity in accordance with IPSAS 39 (Employee Benefits). The defined benefit obligation as of 31 December 2016 determined by professional actuaries within the overall report to WHO is US$ 52 162 199, equivalent to €49 867 062 at UN Exchange rate of €0.956/US$.

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

## Actuarial summary

| | 31/12/2016 Valuation (US$) | restated 31/12/2015 Valuation (US$) |
|---|---|---|
| **Reconciliation of Defined Benefit Obligation – 142 (a)(ii)** | | |
| Defined Benefit Obligation at beginning of year | 69 164 499 | 74 303 956 |
| Service cost | 3 507 673 | 4 156 349 |
| Interest on Defined Benefit Obligation | 1 030 714 | 1 181 776 |
| (Actual after service gross benefit payments) | (382 104) | (358 838) |
| (Actual after service administrative expenses) | (24 553) | (22 945) |
| Actual contributions by after service participants | 236 930 | 222 290 |
| Plan amendments | (10 949) | 0 |
| Changes in accounting methods | 0 | 0 |
| (Gain)/Loss on Defined Benefit Obligation | 4 334 771 | (10 318 089) |
| Defined Benefit Obligation at end of year | US$ 77 856 981 | US$ 69 164 499 |

| | 31/12/2016 Valuation (US$) | restated 31/12/2015 Valuation (US$) |
|---|---|---|
| **Reconciliation of Assets – 142 (a)(i)** | | |
| Assets at beginning of year | 23 566 959 | 22 206 060 |
| (Actual total SHI gross benefit payments) | (970 697) | (960 952) |
| (Actual total SHI administrative expenses) | (62 374) | (59 776) |
| Actual total SHI participant contributions | 849 662 | 790 451 |
| Actual total SHI organization contributions | 1 698 886 | 1 668 589 |
| (Increase)/decrease in 470.1 reserve | (4 000) | 564 652 |
| Interest on net WHO-administered SHI assets | 359 461 | 1 131 089 |
| Gain/(loss) on Plan Assets | 256 885 | (1 773 154) |
| ASHI assets at end of year, net of 470.1 reserve | US$ 25 694 782 | US$ 23 566 959 |
| | | |
| **Reconciliation of Funded Status – 142** | | |
| Defined Benefit Obligation | | |
| Active | 50 036 287 | 39 086 770 |
| Inactive | 27 820 694 | 30 077 729 |
| Total Defined Benefit Obligation | 77 856 981 | 69 164 499 |
| | | |
| ASHI Plan Assets | | |
| (Gross SHI Plan Assets administered by WHO) | (26 038 782) | (23 906 959) |
| Offset for WHO 470.1 reserve | 344 000 | 340 000 |
| (Net ASHI Plan Assets administered by WHO) | (25 694 782) | (23 566 959) |
| | | |
| Net (asset)/liability in Statement of Financial Position | US$ 52 162 199 | US$ 45 597 540 |
| Current (asset)/liability | 0 | 0 |
| Noncurrent (asset)/liability | US$ 52 162 199 | US$ 45 597 540 |
| | | |
| **Annual Expense – 142** | | |
| Service cost | 3 507 673 | 4 156 349 |
| Interest on (Surplus)/Deficit | 671 253 | 1 181 776 |
| Past service (credit)/cost | (10 949) | |
| (Expected return on assets) | | (1 131 089) |
| Total expense recognized in Statement of Financial Performance | US$ 4 167 977 | US$ 4 207 036 |
| | | |
| **Expected Accounting Contributions – 149 (b)** | | |
| Expected contributions during 2017 | | |
| Contribution by/for active staff, net of claims/admin costs | 1 109 000 | 1 143 000 |
| Contribution by WHO for Inactives | 483 000 | 558 000 |
| Total expected contributions | US$ 1 592 000 | US$ 1 701 000 |

| | 31/12/2016 Valuation (US$) | restated 31/12/2015 Valuation (US$) |
|---|---|---|
| **Medical Sensitivity Analysis – 147 (a)** | | |
| 2016 Service cost plus interest cost | | |
| Current medical inflation assumption minus 1% | 3 381 659 | 3 939 969 |
| Current medical inflation assumption | 4 538 387 | 5 338 125 |
| Current medical inflation assumption plus 1% | 6 174 727 | 7 332 815 |
| | | |
| 31-Dec-16 Defined Benefit Obligation | | |
| Current medical inflation assumption minus 1% | 61 950 763 | 55 706 027 |
| Current medical inflation assumption | 77 856 981 | 69 164 499 |
| Current medical inflation assumption plus 1% | 99 389 496 | 87 183 790 |

## Actuarial assumptions and method:

| | |
|---|---|
| Measurement date | 31 December 2016 |
| Discount Rate | 1.1% (decrease from 1.5% in prior valuation)<br><br>For Europe, beginning with the 31 December 2010 valuation, WHO adopted a yield curve approach to reflect the pattern of expected cash flows from the European major office. The rate is a weighted average of the 0.91% rate from the SIX Swiss Exchange curve and the 2.66% rate from the iBoxx Euro Zone curve, with a two-thirds weight on the former. The resulting rate is rounded to the nearest 0.1%. |
| Annual General Inflation | 1.4% (same as the prior valuation).<br><br>Based on Aon Hewitt's Q3 2016 10-year forecast of global capital market assumptions. Rate for Europe is the average of rates for Switzerland (1.1%) and the rest of Europe (1.6%), rounded to the nearest 0.1%. |
| Annual Pension Indexation | Set equal to general inflation. Although pensions are only increased when inflation is 2.0% or more, pension increases historically have accounted for cumulative inflation since the last increase. |
| Annual Salary Scale | General inflation, plus 0.5% per year productivity increases, plus merit increases.<br><br>Productivity and merit increases are set equal to those from the 31 December 2015 valuation of the UNJSPF. |
| Actuarial method | Liabilities are attributed using the projected unit credit method linearly from the entry on duty date to the earlier of the full eligibility date (the latest of age 55, 10 years of service, and five years of continuous service) and retirement date. |

**f) United Nations Joint Staff Pension Fund:**

The Pension Fund's Regulations state that the Pension Board shall have an actuarial valuation made of the Fund at least once every three years by the Consulting Actuary. The practice of the Pension Board has been to carry out an actuarial valuation every two years using the Open Group Aggregate Method. The primary purpose of the actuarial valuation is to determine whether the current and estimated future assets of the Pension Fund will be sufficient to meet its liabilities.

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

The actuarial valuation performed as of 31 December 2015 revealed an actuarial surplus of 0.16% (a deficit of 0.72% in the 2013 valuation) of pensionable remuneration, implying that the theoretical contribution rate required to achieve balance as of 31 December 2015 was 23.54% of pensionable remuneration, compared with the actual contribution rate of 23.7%. The next actuarial valuation will be conducted as of 31 December 2017.

At 31 December 2015, the funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, was 141.15% (127.5% in the 2013 valuation). The funded ratio was 100.9% (91.2% in the 2013 valuation) when the current system of pension adjustments was taken into account.

After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as at 31 December 2015, for deficiency payments under Article 26 of the Regulations of the Fund as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the Fund. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as of the valuation date. At the time of this report, the General Assembly has not invoked the provision of Article 26.

During 2016, IARC paid US$ 5 395 795 (US$ 5 169 888 in 2015) as a contribution paid to the United Nations Joint Staff Pension Fund.

The United Nations Board of Auditors carries out an annual audit of the Pension Fund and reports to the Pension Board on the audit every year. The Pension Fund publishes quarterly reports on its investments and these can be viewed by visiting the UNJSPF website at www.unjspf.org.

### 5.4 Deferred revenue

Deferred revenue represents multi-year agreements signed in and prior to 2016 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.

| | 31-Dec-16 | 31-Dec-15 |
|---|---|---|
| Current liabilities | 5 233 048 | 3 760 788 |
| Non-current liabilities | 7 952 198 | 8 249 922 |
| Total deferred revenue | €13 185 246 | €12 010 710 |

## Note 6: Net assets/equity

The net assets/equity of the Agency decreased by €7 312 740 at the end of the reporting period. Statement III provides the summary of changes in net assets/equity by fund and Schedules 1 and 2 provide details of changes in fund balances including revenue and expenditure incurred.

The presentation of net assets/equity in Statement I is segregating the equity by fund as follows:

### 6.1 Regular Budget

Total available fund comprises of €21 356 763 budget approved for 2016 and €278 154 fund balance from 2015 approved regular budget which was committed in 2015 for delivery in subsequent calendar year. At the end of reporting period, there is a net fund balance of €1 386 173.

### 6.2 Voluntary Contributions

The fund balance of €11 590 805 includes designated and undesignated voluntary contributions.

### 6.3 Working Capital Fund

Fund balance decreased by €516 283, as a net result of additional fund used for the establishment of allowances for assessed contribution in arrears.

| | 31-Dec-16 | 31-Dec-15 |
|---|---|---|
| Beginning balance at beginning of year | 1 709 032 | 3 291 750 |
| Add: New Participating States contribution to WCF | 0 | 34 650 |
| Reversal of allowances for assessed contribution in arrears | 338 278 | 0 |
| Less: Allowances for assessed contribution in arrears | (854 561) | (1 617 368) |
| Ending balance as at end of year | €1 192 749 | €1 709 032 |

### 6.4 Governing Council Special Fund

The fund balance of €12 145 905 includes reserves, i.e. expenses authorized by the Governing Council which have not yet been incurred.

### 6.5 Special Account for Programme Support Cost

Fund balance decreases from €4 094 336 to €3 967 614 during the reporting period.

### 6.6 Participating State - Others

The amount of €(44 603 486) represents the net value in Common Fund and Special Purpose Fund accounts.

a) Common Fund includes the inventories and net carrying value of PP&E as follows:

| | 31-Dec-16 | restated 31-Dec-15 |
|---|---|---|
| Inventories | 131 134 | 207 267 |
| Property, plant and equipment, net | 2 821 328 | 3 259 731 |
| Total common fund | €2 952 462 | €3 466 998 |

b) Special Purpose Fund represents the unfunded portion of employee benefits liabilities as described under note 5.3.

| | 31-Dec-16 | restated 31-Dec-15 |
|---|---|---|
| Fund balance in TQ and TP accounts (Note 5.3b) | 5 234 590 | 4 404 809 |
| Accrued staff salaries funded from other source | 290 | 21 100 |
| Less: Total accrued staff benefits (Note 5.3a) | (52 790 828) | (44 297 406) |
| Total special purpose fund | €(47 555 948) | €(36 404 499) |

### 6.7 Trust Fund

This account has a balance of €23 722, which will be used for financing language courses in the following years.

## Note 7: Revenue

### 7.1 Assessed contributions

This account includes budgeted and unbudgeted assessed contributions from Participating States, and receipt from arrears in assessed contributions.

| | 31-Dec-16 | 31-Dec-15 |
|---|---|---|
| Budgeted assessed contribution | 21 106 763 | 20 185 407 |
| Unbudgeted assessed contribution | 410 409 | 1 355 589 |
| Receipt from arrears in assessed contribution | 676 911 | 676 913 |
| Decrease (increase) in allowance for doubtful account receivables | (516 283) | (1 617 368) |
| Total | €21 677 800 | €20 600 541 |

Budgeted assessed contribution

This refers to contribution from Participating States for the biennial programme budget as per assessments approved by the Governing Council, which is recorded on an accrual basis at the beginning of each year against account receivable. The amount of €21 106 763 shown on these Financial Statements represents the contribution from Participating States for 2016 approved programme budget (Resolution GC/57/R9). The status of the collection is shown in Schedule 3.

Unbudgeted assessed contribution

The unbudgeted assessed contribution includes contributions from Morocco, whose membership was accepted in 2015. The 2016 contribution is in accordance with the percentage set forth in IARC Financial Regulations Article IV.4.3 and GC/54/R18. This revenue was credited to the Governing Council Special Fund.

| | 31-Dec-16 | 31-Dec-15 |
|---|---|---|
| Contribution from Brazil (2015 - 75% of Group 3) | 0 | 659 804 |
| Contribution from Qatar (2015 - 75% of Group 5) | 0 | 481 697 |
| Contribution from Morocco (2016 - 2/3 of Group 5) | 410 409 | 214 088 |
| Total | €410 409 | €1 355 589 |

Receipt from arrears in assessed contribution

The amount of €676 911 represents the receipt from arrears in assessed contributions from the Russian Federation as per Resolution GC/48/R3 (final instalment).

Decrease (increase) in allowance for doubtful account receivables

The amount of €516 283 represents the net increase of allowance established for assessed contributions pending from Participating States.

### 7.2 Voluntary contributions

The reported revenue of €11 788 336 is arrived at after netting off voluntary contributions recognized during the year with the net decrease in the allowance for doubtful account receivables.

| | 31-Dec-16 | 31-Dec-15 |
|---|---|---|
| Designated voluntary contributions | 11 637 752 | 12 003 555 |
| Undesignated voluntary contributions | 24 568 | 458 490 |
| Total voluntary contributions | 11 662 320 | 12 462 045 |
| Decrease (increase) in allowance for doubtful account receivables | 127 664 | 72 053 |
| Approved write-off without prior year allowance | (1 648) | 0 |
| Total | €11 788 336 | €12 534 098 |

Decrease (increase) in allowance for doubtful account receivables

| | 31-Dec-16 | restated 31-Dec-15 |
|---|---|---|
| Reversal of allowance upon receipt of payments | 127 664 | 72 053 |
| Less: Additional allowance for designated VC | 0 | 0 |
| Total | €127 664 | €72 053 |

### 7.3 Revenue producing activities

The revenue received from sale of IARC publications in 2016 is €1 614 477. This amount includes an adjustment for 2015 publication sales amounting to €148 511.

### 7.4 Other operating revenue

| | 31-Dec-16 | 31-Dec-15 |
|---|---|---|
| Sale of equipment and materials | 4 368 | 0 |
| Savings from prior period obligations | 0 | 10 405 |
| Other income | 30 943 | 479 |
| Total | €35 311 | €10 884 |

### 7.5 Trust fund

The total of €11 240 was received from personnel enrolled in the language courses and recorded under the Trust Fund.

### 7.6 Financial revenue

This account represents interest income on bank deposits. Interest income amounting to €8398 are apportioned to the designated voluntary contribution account in accordance with the agreement condition and approval by the Governing Council under Resolution GC/55/R23 (€5716) and to the undesignated voluntary contribution as approved by the Governing Council under its Resolution GC/23/R6 (€2680). The remaining interest income amounting to €84 288 are credited to the Governing Council Special Fund.

| | 31-Dec-16 | 31-Dec-15 |
|---|---|---|
| Interest income apportioned to VC account | 8 396 | 13 034 |
| Interest income credited to GCSF account | 84 290 | 154 780 |
| Total | €92 686 | €167 814 |

### 7.7 Income from services rendered

The total programme support cost of €1 060 533 collected from the designated voluntary contribution during the reporting period are eliminated in the Statement II (see Note 3.10g). It can be found in Schedules 1 and 2.

## Note 8: Expenses

### 8.1 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.

### 8.2 Temporary assistants, advisors and participants

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

### 8.3 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.

### 8.4 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.

### 8.5 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).

### 8.6 Procurement and various operating expenses

These include cost of procurement of expendable equipment, office services and various other operating expenses, net of the approved write-off.

### 8.7 Cost of distribution and disposal of inventories

It includes the cost of inventories that were distributed and disposed during the reporting period using weighted average cost method.

### 8.8 Depreciation expense

It includes the depreciation of property, plant and equipment during the reporting period using straight line method.

## 8.9 Net foreign exchange loss

This includes net realized and unrealized foreign exchange gain or losses.

| | 31-Dec-16 | 31-Dec-15 |
|---|---|---|
| Net realized foreign exchange loss (gain) | (15 929) | (571 076) |
| Net unrealized foreign exchange loss (gain) | 1 470 785 | 3 153 721 |
| Total | €1 454 856 | €2 582 645 |

## 8.10 Financial cost

This includes bank charges and rounding differences.

## 8.11 Programme support cost

This is the support cost charged to the designated voluntary contribution during the reporting period and is eliminated in the Statement II. It can be found in Schedules 1 and 2 (see also Note 7.7).

## 8.12 Transfer between Funds

The following table provides details of fund transfers between Regular Budget (RB) and GCSF, and between Designated Voluntary Contribution (VC) and GCSF during the reporting period.

| | RB | VC | GCSF |
|---|---|---|---|
| Financing 2016 RB from GCSF (GC/57/R9) | 250 000 | | (250 000) |
| Financing 2016 budgetary exchange rate loss from GCSF (GC/57/R9) | 126 100 | | (126 100) |
| Transfer unspent balance from RB to GCSF | (73 337) | | 73 337 |
| Transfer fund balance of closed projects to GCSF | | (6 641) | 6 641 |
| Net transfer between funds | €302 763 | €(6 641) | €(296 122) |

## Note 9: Comparison of budget and actual amounts

Through the 57th Governing Council meeting, Resolution GC/57/R9, the total effective regular budget was approved for 2016-17 for €43 413 599, of which €21 356 763 and €22 056 836 are allocated for 2016 and 2017 work plans, respectively. There have been no revisions made to the programme and approved budget to date.

As stated in Note 3.13, the Agency's budget and financial statements are prepared using different basis. The Statement of Financial Position (Statement I), Statement of Financial Performance (Statement II), Statement of Changes in Net Assets /Equity (Statement III), and Statement of Cash Flow (Statement IV) are prepared on full accrual basis, whereas the Statement of Comparison of Budget and Actual Amounts (Statement V) is established on a modified cash basis.

The Statement of Comparison of Budget and Actual Amounts (Statement V) compares the final approved budget to actual amounts calculated on the same basis as the corresponding budgetary amounts. This means that in addition to the actual expenditure, encumbrances are also included in the actual amounts 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.

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

*Basis differences* occur when the approved budget is prepared on a basis other than the full accrual accounting basis. Basis differences include Common Fund activities (i.e. the new capital assets purchased, depreciation of assets, and cost of distribution and disposals of inventories) and other non-regular 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 II) for the period ended 31 December 2016 is presented below:

| | 31-Dec-16 | restated<br>31-Dec-15 |
|---|---|---|
| Actual amount on comparison - Statement V | 19 970 590 | 22 539 439 |
| Time difference | 240 817 | 0 |
| Basis differences | 18 095 028 | 15 381 545 |
| Actual expenses – Statement II | €38 270 435 | €37 920 984 |

## Note 10: 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.

The table below details the number of KMP of IARC and the aggregate remuneration and benefits paid for 2016.

The aggregate remuneration of KMP 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 2015 | Outstanding advances against entitlements | Outstanding loans (in addition to normal entitlement) |
|---|---|---|---|---|---|---|
| 4 | 597 131 | 38 365 | 210 613 | 846 109 | 6 149 | - |

## Note 11: Administrative waivers, amounts written off and ex-gratia payments

During 2016, a total of €1648 was approved for write-off related to uncollected designated voluntary contributions. There were no administrative waivers approved and no ex-gratia payments made in 2016.

## Note 12: Events after the reporting date

The reporting date for these financial statements is 31 December 2016. There have been no events, favourable or unfavourable, that occurred between the date of the financial statements and the date when the financial statements were authorized for issue that would have had a material impact on these statements.

## Note 13: Contingent liabilities, commitments and contingent assets

### 13.1 Contingent assets and liabilities

In accordance with IPSAS 19, contingent assets will be disclosed for cases where an event will give rise to a probable inflow of economic benefits. As at 31 December 2016, there are no material contingent assets to disclose. IARC also has no pending legal cases.

### 13.2 Operating lease commitments

IARC entered into an operating lease arrangement for printers for the period 1 November 2012 to 31 October 2017.

IARC has no finance lease as at the end of the reporting date.

## SCHEDULE 1 - Statement of Financial Performance by Major Funds

**International Agency for Research on Cancer**
**Statement of Financial Performance by Major Funds and Other Funds**
**For the year ended 31 December 2016**
(amount in Euros)

| | Notes | Regular Budget | Working Capital Fund | Other funds | Voluntary Contributions Account | Trust funds | Sub-totals | Eliminations | for the year ended 31 December 2016 |
|---|---|---|---|---|---|---|---|---|---|
| **REVENUE** | Note 7 | | | | | | | | |
| Assessed contributions | 7.1 | 21 106 763 | ( 516 283) | 1 087 320 | | | 21 677 800 | | **21 677 800** |
| Voluntary contributions | 7.2 | | | 126 016 | 11 662 320 | | 11 788 336 | | **11 788 336** |
| Revenue-producing activities | 7.3 | | | 1 614 477 | | | 1 614 477 | | **1 614 477** |
| Other operating revenue | 7.4 | | | 35 311 | | | 35 311 | | **35 311** |
| Trust Fund | 7.5 | | | | | 11 240 | 11 240 | | **11 240** |
| Income from services rendered | 7.7 | | | 1 060 533 | | | 1 060 533 | (1 060 533) | |
| Financial revenue | 7.6 | | | 84 290 | 8 396 | | 92 686 | | **92 686** |
| Total revenue | | 21 106 763 | ( 516 283) | 4 007 947 | 11 670 716 | 11 240 | 36 280 383 | (1 060 533) | 35 219 850 |
| **EXPENSES** | Note 8 | | | | | | | | |
| Staff cost | 8.1 | 15 567 346 | | 3 561 860 | 4 345 336 | | 23 474 542 | | **23 474 542** |
| Temporary assistants, advisors and participants | 8.2 | 347 936 | | 462 682 | 725 114 | | 1 535 732 | | **1 535 732** |
| Fellows | 8.3 | 796 335 | | 123 745 | 1 222 776 | | 2 142 856 | | **2 142 856** |
| Duty travel (staff, fellows) | 8.4 | 510 421 | | 49 064 | 267 993 | | 827 478 | | **827 478** |
| Research and other agreements | 8.5 | 414 195 | | 319 053 | 2 156 316 | | 2 889 564 | | **2 889 564** |
| Procurement and various operating expenses | 8.6 | 2 609 427 | | 733 307 | 1 593 189 | 12 593 | 4 948 516 | | **4 948 516** |
| Cost of distribution & disposal of inventory | 8.7 | | | 173 657 | | | 173 657 | | **173 657** |
| Depreciation | 8.8 | | | 800 002 | | | 800 002 | | **800 002** |
| Net foreign exchange loss | 8.9 | | | 1 454 856 | | | 1 454 856 | | **1 454 856** |
| Financial cost | 8.10 | 83 | | 22 677 | 472 | | 23 232 | | **23 232** |
| Programme support cost | 8.11 | | | | 1 060 533 | | 1 060 533 | (1 060 533) | |
| Total expenses | | 20 245 743 | | 7 700 903 | 11 371 729 | 12 593 | 39 330 968 | (1 060 533) | **38 270 435** |
| **TOTAL SURPLUS (DEFICIT) FOR THE YEAR** | | 861 020 | ( 516 283) | (3 692 956) | 298 987 | ( 1 353) | (3 050 585) | | **(3 050 585)** |
| Capital expenditures | | | | | | | | | |
| Inventories | | ( 7 669) | | 33 246 | ( 25 577) | | | | |
| Property plant & equipment | | ( 48 095) | | 57 664 | ( 9 569) | | | | |
| Transfer between funds | 8.12 | 302 763 | | ( 296 122) | ( 6 641) | | | | |
| **TOTAL CHANGES IN FUND BALANCES** | | 1 108 019 | ( 516 283) | (3 898 168) | 257 200 | ( 1 353) | (3 050 585) | | **(3 050 585)** |

## 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 2016**
(amount in Euros)

| | Notes | Governing Council Special Fund | Special Account for Programme Support Costs | Participating States Others | for the year ended **31 December 2016** |
|---|---|---|---|---|---|
| **REVENUE** | Note 7 | | | | |
| Assessed contributions | 7.1 | 1 087 320 | | | **1 087 320** |
| Voluntary Contribution | 7.2 | | 126 016 | | **126 016** |
| Revenue-producing activities | 7.3 | 1 614 477 | | | **1 614 477** |
| Other operating revenue | 7.4 | 35 311 | | | **35 311** |
| Income from service rendered | 7.7 | | 1 060 533 | | **1 060 533** |
| Financial revenue | 7.6 | 84 290 | | | **84 290** |
| Total revenue | | 2 821 398 | 1 186 549 | | 4 007 947 |
| **EXPENSES** | Note 8 | | | | |
| Staff cost | 8.1 | 1 143 923 | 464 114 | 1 953 823 | **3 561 860** |
| Temporary assistants, advisors and participants | 8.2 | 203 420 | 259 262 | | **462 682** |
| Fellows | 8.3 | 87 571 | 36 174 | | **123 745** |
| Duty travel (staff, fellows) | 8.4 | 22 684 | 26 380 | | **49 064** |
| Research and other agreements | 8.5 | 229 207 | 89 846 | | **319 053** |
| Procurement and various operating expenses | 8.6 | 344 548 | 388 759 | | **733 307** |
| Cost of distribution & disposal of inventory | 8.7 | | | 173 657 | **173 657** |
| Depreciation | 8.8 | | | 800 002 | **800 002** |
| Net foreign exchange loss | 8.9 | ( 13 617) | | 1 468 473 | **1 454 856** |
| Financial cost | 8.10 | 81 | 22 596 | | **22 677** |
| Total expenses | | 2 017 817 | 1 287 131 | 4 395 955 | **7 700 903** |
| **TOTAL SURPLUS (DEFICIT) FOR THE YEAR** | | 803 581 | ( 100 582) | (4 395 955) | **(3 692 956)** |
| Capital expenditures | | | | | |
| Inventories | | ( 64 278) | | 97 524 | **33 246** |
| Property, plant & equipment | | ( 277 795) | ( 26 140) | 361 599 | **57 664** |
| Transfer between funds | 8.12 | ( 296 122) | | | **( 296 122)** |
| **TOTAL CHANGES IN FUND BALANCES** | | 165 386 | ( 126 722) | (3 936 832) | **(3 898 168)** |

## SCHEDULE 3 - Status of Collection of Assessed Contributions

**International Agency for Research on Cancer**
**Status of Collection of Assessed Contributions**
**As at 31 December 2016**
(amount in euros)

| | 2016 Assessments | | | Assessments of prior financial years | | | Total balance |
|---|---|---|---|---|---|---|---|
| Participating States | Assessments | Collected | Balance as of 31-Dec-16 | Balance as of 01-Jan-16 | Collected during 2016 | Balance as of 31-Dec-16 | as of 31-Dec-16 |
| Australia | 854 561 | 854 561 | - | - | - | - | - |
| Austria | 735 086 | 735 086 | - | - | - | - | - |
| Belgium (1) | 735 086 | 558 961 | 176 125 | 56 500 | 56 500 | - | 176 125 |
| Brazil (2) | 854 561 | - | 854 561 | 1 279 090 | - | 1 279 090 | 2 133 651 |
| Canada | 854 561 | 854 561 | - | - | - | - | - |
| Denmark | 735 086 | 735 086 | - | - | - | - | - |
| Finland | 735 086 | 735 086 | - | - | - | - | - |
| France | 1 093 500 | 1 093 500 | - | - | - | - | - |
| Germany | 1 093 500 | 1 093 500 | - | - | - | - | - |
| India | 735 086 | 735 086 | - | - | - | - | - |
| Ireland | 615 614 | 615 614 | - | - | - | - | - |
| Italy | 1 093 500 | 1 093 500 | - | - | - | - | - |
| Japan | 1 571 392 | 1 571 392 | - | - | - | - | - |
| Netherlands | 735 086 | 735 086 | - | - | - | - | - |
| Norway | 735 086 | 735 086 | - | - | - | - | - |
| Qatar | 615 614 | 615 614 | - | | | | |
| Republic of Korea | 735 086 | 735 086 | - | - | - | - | - |
| Russian Federation | 854 561 | 854 561 | - | - | - | - | - |
| Spain (3) | 854 561 | - | 854 561 | 1 218 017 | - | 1 218 017 | 2 072 578 |
| Sweden | 735 086 | 735 086 | - | - | - | - | - |
| Switzerland | 735 086 | 735 086 | - | - | - | - | - |
| Turkey | 735 086 | 735 086 | - | - | - | - | - |
| United Kingdom | 1 093 500 | 1 093 500 | - | - | - | - | - |
| United States of America | 1 571 392 | 1 567 065 | 4 327 | 1 148 841 | 1 148 841 | - | 4 327 |
| **TOTAL** | **21 106 763** | **19 217 189** | **1 889 574** | **3 702 448** | **1 205 341** | **2 497 107** | **4 386 681** |
| % of collection | | 91.05% | | | | | |
| **Other outstanding contributions:** | | | | | | | |
| Morocco (4) | 410 409 | 410 409 | - | 214 088 | 214 088 | - | - |
| Russian Federation (5) | - | - | - | 676 911 | 676 911 | - | - |
| **GRAND TOTAL** | **21 517 172** | **19 627 598** | **1 889 574** | **4 593 446** | **2 096 339** | **2 497 107** | **4 386 681** |

(1) Belgium: Arrears in assessed contribution refers to the balance of 2015 assessed contribution which was received in January 2016).
(2) Brazil: Membership was accepted in 2013. Arrears in assessed contribution refers to 2013–2015 contributions (€189 143, €430 143, and €659 804, respectively) that will be accounted under the unbudgeted assessment.
(3) Spain: Arrears in assessed contribution refers to balance of 2014 contribution (€338 278) and 2015 contribution (€879 739). Repayment plan was approved under Resolution GC/58/R20.
(4) Morocco: Membership was accepted in 2015. The 2016 contribution equals to 2/3 of assessment contribution of Group 5 Participating States and to be accounted under the unbudgeted assessment. Arrears in assessed contribution refers to 2015 contribution.
(5) Russian Federation: Membership was temporarily suspended and resumed on 1 January 2007 in accordance with GC/48/R3.
As from 1 January 2016, the outstanding balance in arrears is US$976 783 @ €0.693 = €676 911 (rounded).