International Agency for Research on Cancer

World Health Organization

Governing Council
Sixtieth Session

GC/60/7
06/04/2018

Lyon, 16–18 May 2018
Auditorium

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

For the year ended 31 December 2017

2017

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DIRECTOR'S FINANCIAL REPORT

INTRODUCTION

1. The annual financial report of the Agency for the year ended 31 December 2017 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. While IPSAS requires reporting on an annual basis, IARC continues to have a biennial budget approved by the Governing Council. Hence in addition to the annual result, this report also includes the biennial result for the approved 2016–2017 Regular Budget.

4. This financial report includes, for the first time, the Statement on Internal Control, which provides specific assurance on the effectiveness of internal control in IARC.

FINANCIAL HIGHLIGHTS

a) Regular Budget

5. The collection of 2017 budgeted assessed contributions is at 84.22% as per the details shown in Schedule 3.

6. For the year ended 31 December 2017, total expenses and capital expenditure charged against the regular budget amounted to €23.117 million. The budget utilization rate including encumbrances for the financial year is 100%. Figure 2 below shows the breakdown of expenditure and encumbrances by six main Objectives in comparison to the approved 2016–2017 budget as presented in Statement V.

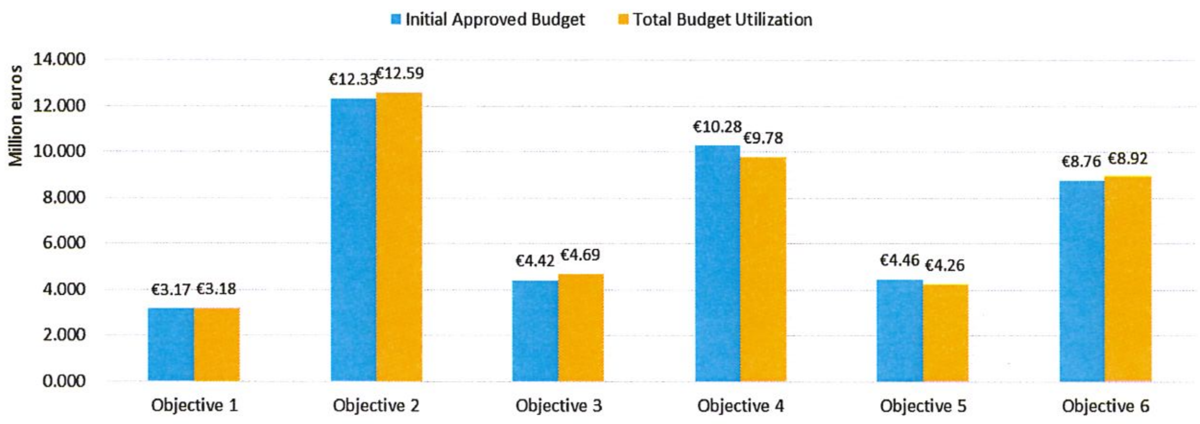

Figure 2: Approved regular budget and actual budget utilization in 2016–2017

7. 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 and 2017 were €0.903 and 0.891 to one US dollar, respectively. The depreciation of the value of the euro in 2016–2017 resulted in total financial costs of €0.243 million (€0.126 million in 2016 and €0.117 million in 2017). The Agency covered these unforeseen costs related to currency realignments from the budgetary provision authorized in Resolution GC/57/R9.

8. A total budget of €0.400 million was allocated under the Director's Development Provision during 2016–2017 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:

		2016–2017
Describe the occurrence of cancer	(Objective 1)	40 400
Understand the causes of cancer	(Objective 2)	224 200
Evaluate and implement cancer prevention and control strategies	(Objective 3)	131 600
Provide strategic leadership and enhance the impact of the Agency's contribution to global cancer research	(Objective 5)	3 800
		€400 000

b) Working Capital Fund (WCF)

9. The authorized level of the WCF as of 1 January 2017 was €1.193 million.

10. A total of €2.134 million were returned to WCF upon receipt of payment from assessed contribution in arrears, which increased the balance of the WCF to €3.326 million at the end of 2017.

c) Governing Council Special Fund (GCSF)

11. The fund balance as at 31 December 2017 was €11.197 million. This included the fund balance on unbudgeted assessment account of €3.373 million and €3.531 million of fund reservations.

12. The fund balance on unbudgeted assessment account includes €1.870 million of approved allocations not yet spent. The remaining fund will be allocated in the coming years following the receipt of the arrears late 2017.

13. Fund reservations refer to expenses authorized by the Governing Council but not yet incurred such as follows:
    - €1.426 million – 75% of revenue returning to publication programme (GC/56/R12)
    - €0.946 million – balance of reserve for scientific equipment (GC/57/R12, GC/58/R15, GC/59/R9)
    - €0.500 million – exchange rate fluctuations provision during 2018–2019 (GC/59/R4)
    - €0.346 million – Hiatus Funding Facility for 2018 (GC/47/R7)
    - €0.192 million – support to IPSAS implementation (GC/55/R17, GC/56/R14)

14. During the year 2017, the notable fund inflows to the GCSF were as follows:
    - €1.764 million – revenue from the sales of publications
    - €0.636 million – unbudgeted assessed contribution from Morocco
    - €0.185 million – unspent balance of closed grants

15. Further details on the status of the Fund are included in the Notes to the financial statements and an information document (GC/60/Inf.Doc. No.2) provided for the Governing Council meeting in May 2018 showing the detailed uncommitted fund balance and projection.

d) Voluntary Contributions Account

16. 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.

17. During the year 2017, total revenue of the Voluntary Contributions Account amounted to €10.700 million, which less than 1% was against undesignated voluntary contributions.

18. 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 €0.005 million was apportioned to the voluntary contributions account.

19. Total expenses and capital expenditure charged against the Voluntary Contributions amounted to €11.357 million, of which €11.318 million were against designated contributions. This amount included €0.185 million of unspent balance of closed grants transferred to the GCSF.

20. The fund balance as at 31 December 2017 was €10.939 million, of which €10.379 million was from designated contributions. This fund balance included receivables (i.e. income that has been recognized and pending receipt of cash) of €3.171 million.

21. In addition, incomes expected to be received in the future years are shown as deferred revenue amounting to €12.935 million. All are related to designated voluntary contributions.

e) Special Account for Programme Support Costs

22. As at 31 December 2017, this account had a fund balance of €4.156 million, reflecting an increase of €0.189 million from the prior period.

f) Participating States – Others

23. 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.

24. During 2017, the total of €0.259 million of new publications was capitalized. Publications valued at €0.196 million were distributed, and €0.024 million value of publications was disposed or adjusted, bringing the balance at end of year to €0.169 million.

25. Since 1 January 2010, as part of the implementation of IPSAS, IARC has capitalized and depreciated all PP&E with a purchase value equal to or more than €3000. In 2017, the total capitalization of new PP&E purchased amounted to €0.294 million and the total depreciation expenses were €0.606 million. The PP&E had the net book value as at 31 December 2017 of €2.509 million.

26. As described under Note 5.3 of the financial statements, accrued staff benefits liabilities as at 31 December 2017 total €62.487 million, of which €56.764 million are unfunded. The increases in liabilities and unfunded portion are mainly on the After-Services Health Insurance (ASHI), which were affected by the change in assumptions including the inflation rate increase, the salary increase, the medical cost increase, the mortality rate decrease, and the slower assumed contribution growth. For 2017 valuation of ASHI, WHO adopted the salary increase, retirement, withdrawal, and mortality assumptions developed and suggested by the United Nations Joint Staff Pension Fund for consistency across the United Nations system. In addition, WHO decided to delay the fully funded plan from 2038 to 2050 with lower assumed contribution growth. Further details are provided in an information document (GC/60/Inf.Doc. No.4).

27. As at 31 December 2017, the Participating States – Others account had a negative balance of €54.086 million, an increase of unfunded balance by 21% from the prior year.

REPORT OF THE EXTERNAL AUDITOR

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

LETTER OF TRANSMITTAL

10 April 2018

Dear Melbye,

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 2017.

Yours sincerely,

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

COMMISSION ON AUDIT
OFFICE OF THE CHAIRPERSON
18-121402141412

Professor Mads Melbye
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

10 April 2018

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 2017**

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

I express my appreciation for the 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

COMMISSION ON AUDIT
OFFICE OF THE CHAIRPERSON
18-121402141612

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

Opinion

We have audited the financial statements of the International Agency for Research on Cancer (IARC), which comprise the statement of financial position as at 31 December 2017, 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 IARC as at 31 December 2017, 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 IARC in accordance with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the **Financial Report, Report of the External Auditor, and Financial Statements for the year ended 31 December 2017**, 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 IARC or to cease operations, or has no realistic alternative but to do so.

Those charged 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 economic 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 IARC that have come to our notice or which we have tested as part of our audit have, in all significant respects, been in accordance with the WHO Financial Regulations.

In accordance with Regulation XIV of the 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
10 April 2018

COMMISSION ON AUDIT
OFFICE OF THE CHAIRPERSON
18-121402141412

International Agency for Research on Cancer

World Health Organization

CERTIFICATION OF ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2017

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
IARC Director

STATEMENT ON INTERNAL CONTROL

Scope of responsibility

The Director of the International Agency for Research on Cancer (IARC) is accountable to the Governing Council for the administration of IARC and implementation of IARC programmes. Under WHO Financial Regulations XII and in accordance with the delegation of authority from the Director-General of the World Health Organization, the IARC Director is required to establish sound internal controls to ensure: the accomplishment of established objectives and operational goals; the efficient and effective use of IARC resources; the reliability and integrity of information; compliance with policies, plans, procedures, rules and regulations; and the safeguarding of IARC assets. Every individual within IARC has a role in effecting internal control that varies in responsibility and level of involvement.

Purpose of internal control

Internal control is designed to reduce and manage – rather than eliminate – the risk of failure to achieve IARC's aims and objectives. Therefore, it can provide reasonable but not absolute assurance of effectiveness. It is based on a continuous process designed to identify the principal risks, evaluate the nature and extent of those risks and manage them efficiently, effectively and economically.

IARC's operating environment

IARC operates from a single location, headquartered in Lyon, France. IARC's exposure to challenging operating environments is limited with low levels of inherent risk in terms of the security of employees and its ability to maintain high standards of internal control. IARC staff occasionally visit project sites in countries with security risks and in these cases IARC monitors the security situation in each country in order to mitigate the risk of exposure of its personnel. All risks are captured at corporate and Section level, in formal risk registers, subject to regular review by the Senior Leadership Team chaired by the Director.

Internal control is a key role of management and an integral part of the overall process of managing operations. As such it is the responsibility of IARC management at all levels to:

- establish a control environment and culture that promotes effective internal control;
- identify and assess risks that may affect the achievement of objectives including the risk of fraud and corruption;
- specify and propose policies, plans, operating standards, procedures, systems and other control activities to manage the risks associated with exposure identified;
- ensure an effective flow of information and communication so that all IARC personnel have the information they need to fulfil their responsibilities; and
- monitor the effectiveness of internal control.

IARC's internal control system operates continually to ensure the above objectives through robust internal control processes, embedded in IARC's Enterprise Resource Planning solution to the extent possible.

The Internal Control Framework and Enterprise Risk Management

The IARC Internal Control Framework (ICF), along with the IARC Enterprise Risk Management (ERM) Policy, and the IARC Management Dashboard are critical systems and structures to ensure IARC achieves its mandate and objectives.

The IARC ICF defines roles and responsibilities, accountabilities, and delegations of authority within IARC. Inherent in the ICF is the clear segregation of duties designed to ensure an appropriate level of checks and balances upon the activities of individuals, minimizing the risk of errors or fraud. The ICF is reviewed regularly to ensure its relevance and effectiveness, especially when a new/updated policy, process, or system is implemented. It was last updated in September 2017. Communication on changes to the ICF is provided to IARC personnel as part of the briefing/training on the relevant policy, process, or system being implemented/amended.

The IARC ERM Policy was issued in October 2014. The objectives of IARC's risk management approach are twofold: to support informed decision making and to embed risk management in corporate operational processes. The key objective of corporate risk management at IARC is to ensure that the organization understands the risks inherent to its operations and chooses the appropriate strategy to manage them.

In 2017, the IARC's Risk Management Tool was further expanded, based on lessons learned from previous years, since the introduction of the IARC Risk Log in 2014. IARC Sections use the tool to identify risks related to their objectives, evaluate those risks according to the likely impact and probability and develop risk response plans to address them. Every IARC staff member is expected to identify risks at their own level with escalation coming through communication to Section Heads, who comprise the Senior Leadership Team. This bottom-up risk management process is complemented with a top-down phase of validation and escalation. The most significant risks encountered by IARC in achieving its mandate are then reflected in a corporate level risk register, which is discussed and reviewed regularly by the Senior Leadership Team.

The IARC Director has the overall responsibility for assessing risks associated with the implementation of programmes and the overall operations of IARC. The Director is assisted in this task by the Senior Leadership Team, and strategic monitoring and reporting tools, such as the IARC Management Dashboard.

Review of effectiveness of internal controls

The review of the effectiveness of IARC's internal control is mainly based on the following:

- The monthly meetings of the IARC Senior Leadership Team chaired by IARC Director provide an important feedback mechanism to the IARC Director on the efficient and effective operations of internal controls, as well as an opportunity to initiate immediate corrective/mitigating actions when required.
- The IARC Director's quarterly review of the IARC Management Dashboard, with the participation of the Director of Administration and Finance (DAF) and the Administration and Finance Officer (AFO), allows to monitor and verify compliance, identify trends, and address problematic areas, as early as possible.

- The Reports issued by the Office of Internal Oversight (IOS) provide objective information on compliance and control effectiveness, together with recommendations for improvement.
- The Annual External Audit Report issued by the IARC External Auditor provides independent oversight and reporting on IARC's compliance with financial rules and regulations. The Republic of the Philippines Commission on Audit is invited to provide an update of their work and key findings to the IARC Governing Council. IARC's full compliance with IPSAS has been confirmed by the External Auditor, since its first adoption in 2012.
- The annual scientific peer-reviews carried out by independent Review Panels established by the IARC Scientific Council provide valuable insights to the IARC Director on the quality and relevance of IARC's scientific work. The results of the peer-reviews are reported annually to the Governing Council, holding IARC accountable to its Medium-term Strategy established by IARC Participating States. In 2017, the two scientific Sections (ENV – Environment and Radiation; and CSU – Cancer Surveillance) reviewed in detail obtained outstanding results.
- The biennial report of the IARC Ethics Committee reviews compliance of all IARC scientific projects against IARC's Scientific Code of Conduct, and organizes ethical training for IARC personnel. All IARC Ethics Committee members obtained the WHO certificate on Global Health Research Ethics. The work of the IARC Ethics Committee is supported by the IARC Ethics Advisory Group, a small group of international bioethics experts, providing specialist expertise to help resolve complex ethical issues.
- Feedback is obtained from the annual staff Declaration of Interests (DOI) submitted to the WHO Department of Compliance, Risk and Ethics by: the IARC Director, all staff members at grade P5/P6/D1, staff members who are responsible for the procurement of goods and services or who otherwise perform procurement functions, including on an acting basis, and staff members at grade P4 or below whom the Director identifies as staff members who, by virtue of their functions or other relevant considerations, should file a yearly Declaration of Interests.

Significant control and risk issues

No significant internal control issues noted in 2017.

Based on consolidated findings of IARC's corporate and Section level risk registers in 2017, the most significant risks currently facing IARC are as follows:

Risk description	**Examples of ongoing/planned risk response actions**
Partially approved Regular Budget 2018–2019 affecting the sustainability of some core activities	• Delay some recruitments • Reduction in some training activities • Decrease administrative and learning budget
Funding of long term employee benefit liabilities, notably the After Service Health Insurance (ASHI)	• Increase annual Staff Health Insurance (SHI) rate as per Global Oversight Committee's plan aiming to fully fund liabilities by 2050

Risk description	Examples of ongoing/planned risk response actions
Business continuity impacts arising from the retirement of key staff members	• Early recruitment/succession plan
As two-thirds of IARC activities are financed from assessment on IARC Participating States, the delayed payments of assessed contributions represent a significant financial risk	• With support from the Governing Council and regular follow-up by IARC Secretariat in 2017, all long outstanding arrears had been paid, decreasing financial pressure on the IARC working capital fund
Interruptions or limitations to access the IARC Tower (main office building)	• Close collaboration with Host Country to carry out repairs on schedule and when required • Business continuity measures in place, in case there is a need to move to an alternative site • Nouveau Centre project on track with strong support by Host Country with move planned in 2021
IARC brand affected by conflicts of interest or external collaborations	• Declaration on Tobacco and Arms industry relations is taken very seriously • Strict ethical guidelines are adhered to, including review of declarations of interests by the Bioethics and Compliance Officer • Due diligence and risk assessment procedures in place for engagement with non-State Actors • Reputational risks closely monitored

Conclusion

IARC is committed to addressing the internal control and risk management issues identified above.

All internal controls have inherent limitations – including the possibility of circumvention – and therefore can provide only reasonable assurance. Furthermore, because of changes of conditions, the effectiveness of internal control may vary over time. IARC will continue to evaluate and adapt its internal controls as part of its commitment to continuous improvement in these areas.

In summary, I conclude, to the best of my knowledge and information, that IARC operated satisfactory systems of internal control for the year ended 31 December 2017 in line with its Internal Control Framework (September 2017).

Christopher P. Wild, PhD
IARC Director

FINANCIAL STATEMENTS

STATEMENT I – Statement of Financial Position

International Agency for Research on Cancer
Statement of Financial Position
As at 31 December 2017
(amount in Euros)

	Notes	As at **31 December 2017**	Restated as at **31 December 2016**
ASSETS	Note 4		
Current assets			
Cash and cash equivalents	4.1	29 624 406	27 540 014
Accounts receivable, net	2.5, 4.2	17 051 139	14 668 501
Staff receivables	4.3	152 450	169 137
Prepayments	4.4	349 147	397 522
Interest receivables	4.5	6 633	849
Inventories	4.6	169 274	131 134
Total current assets		47 353 049	42 907 157
Non-current assets			
Accounts receivable, net	2.5, 4.2	4 639 408	8 205 237
Property, plant and equipment - net	4.7	2 508 877	2 821 328
Total non-current assets		7 148 285	11 026 565
TOTAL ASSETS		**54 501 334**	**53 933 722**
LIABILITIES	Note 5		
Current liabilities			
Contributions received in advance	5.1	1 744 766	900 646
Accounts payable	5.2	1 444 105	1 353 520
Accrued staff benefits	5.3	1 033 666	1 113 218
Deferred revenue	5.4	8 051 638	5 233 048
Total current liabilities		12 274 175	8 600 432
Non-current liabilities			
Accrued staff benefits	5.3	61 453 832	51 677 610
Deferred revenue	5.4	4 883 246	7 952 198
Total non-current liabilities		66 337 078	59 629 808
TOTAL LIABILITIES		**78 611 253**	**68 230 240**
NET ASSETS/EQUITY	Note 6		
Fund			
Regular Budget	6.1	325 724	1 386 173
Voluntary Contributions	6.2	10 939 384	11 590 805
Working Capital Fund	6.3	3 326 400	1 192 749
Other IARC funds			
Governing Council Special Funds	6.4	11 197 395	12 145 905
Special Account for Programme Support Costs	6.5	4 156 397	3 967 614
Participating States - Others	6.6	(54 086 333)	(44 603 486)
Trust Fund	6.7	31 114	23 722
TOTAL NET ASSETS/EQUITY BALANCES		(24 109 919)	(14 296 518)
TOTAL LIABILITIES AND NET ASSETS/EQUITY BALANCES		**54 501 334**	**53 933 722**

STATEMENT II – Statement of Financial Performance

International Agency for Research on Cancer
Statement of Financial Performance
For the year ended 31 December 2017
(amount in Euros)

	Notes	for the year ended **31 December 2017**	for the year ended **31 December 2016**
REVENUE	Note 7		
Assessed contributions	7.1	24 576 520	21 677 800
Voluntary contributions	7.2	10 700 672	11 788 336
Revenue-producing activities	7.3	1 763 768	1 614 477
Other operating revenue	7.4	2 115	35 311
Trust Funds	7.5	10 720	11 240
Financial revenue	7.6	74 894	92 686
Total revenue		**37 128 689**	**35 219 850**
EXPENSES	Note 8		
Staff cost	8.1	24 612 945	23 474 542
Temporary assistants, advisors and participants	8.2	1 372 642	1 535 732
Fellows	8.3	2 256 970	2 142 856
Duty travel (staff, fellows)	8.4	903 685	827 478
Research and other agreements	8.5	3 700 415	2 889 564
Procurement and various operating expenses	8.6	4 492 331	4 948 516
Cost of distribution and disposal of inventories	8.7	220 475	173 657
Depreciation	8.8	606 227	800 002
Net foreign exchange loss (gain)	8.9	(2 918 103)	1 454 856
Financial cost	8.10	25 460	23 232
Total expenses		**35 273 047**	**38 270 435**
TOTAL SURPLUS (DEFICIT) FOR THE YEAR		**1 855 642**	**(3 050 585)**

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 2017
(amount in Euros)

	Notes	Balance as at **31 December 2016**	**Surplus (deficit) in 2017**	**Remeasurement Gain/Loss on DBO and Plan Asset**	Balance as at **31 December 2017**
Fund					
Non-restricted (Participating States)					
Regular Budget	6.1	1 386 173	(1 060 449)		325 724
Working Capital Fund	6.3	1 192 749	2 133 651		3 326 400
Other IARC Funds	6.4-6.6	(28 489 967)	1 426 469	(11 669 043)	(38 732 541)
Total non-restricted		(25 911 045)	2 499 671	(11 669 043)	(35 080 417)
Restricted					
Voluntary Contributions	6.2	11 590 805	(651 421)		10 939 384
Trust Fund	6.7	23 722	7 392		31 114
Total restricted		11 614 527	(644 029)		10 970 498
Total net assets/equity balance		**(14 296 518)**	**1 855 642**	**(11 669 043)**	**(24 109 919)**

STATEMENT IV – Statement of Cash Flow

International Agency for Research on Cancer
Statement of Cash Flows
For the year ended 31 December 2017
(amount in Euros)

	Notes	As at 31 December 2017	Restated as at 31 December 2016
Cash flow from operating activities			
Net surplus (deficit) for the year		1 855 642	(3 050 585)
Depreciation	8.8	606 227	800 002
Unrealized (gains)/losses on revaluation	2.5	(3 762 133)	1 006 711
Decrease in investment property from non-exchange transaction			302 400
Decrease in other non-financial asset from non-exchange transaction			4 400
(Increase) decrease in accounts receivable current	2.5	(2 636 026)	(1 219 933)
(Increase) decrease in staff receivables	2.5	18 031	(40 425)
(Increase) decrease in prepayments		48 375	(16 439)
(Increase) decrease in interest receivables		(5 784)	85 372
(Increase) decrease in inventories		(38 140)	76 133
(Increase) decrease in accounts receivable non-current	2.5	3 174 906	741 653
Increase (decrease) in assessed contributions received in advance		844 120	46 085
Increase (decrease) in accounts payable	2.5	91 805	1 656
Increase (decrease) in accrued staff benefit, current liabilities		(79 552)	13 968
Increase (decrease) in deferred revenue, current liabilities		2 818 590	1 472 260
Increase (decrease) in accrued staff benefit, non-current liabilities	2.5	2 511 059	2 748 826
Increase (decrease) in deferred revenue, non-current liabilities	2.5	(3 068 952)	(297 724)
Net increase (decrease) in cash flows from operating activities		**2 378 168**	**2 674 360**
Cash flows from investing activities			
(Increase) decrease in property, plant and equipment		**(293 776)**	**(361 599)**
Net increase (decrease) in cash and cash equivalents		**2 084 392**	**2 312 761**
Cash and cash equivalents at the beginning of the year		**27 540 014**	**25 227 253**
Cash and cash equivalents at the end of the year	4.1	**29 624 406**	**27 540 014**

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 2016-2017)
For the year ended 31 December 2017
(amount in Euros)

Purpose of appropriation	2016-2017 Programme Budget Appropriations				Budget Utilization				Distribution of budget utilization
	Approved Appropriations by Governing Council		Transfers (IARC Financial Regulations 3.3)	Effective appropriations	Expenses	Expenses	Encumbrance	Total Utilization	
	2016	2017			2016	2017	2017		
1. Describe the occurrence of cancer	1 518 695	1 651 783	5 397	3 175 875	1 455 101	1 714 930	5 844	3 175 875	*7.32%*
2. Understand the causes of cancer	6 045 378	6 280 298	264 724	12 590 400	5 791 806	6 755 149	43 445	12 590 400	*29.00%*
3. Evaluate and implement cancer prevention and control strategies	2 178 446	2 241 818	266 988	4 687 252	2050 128	2 610 449	26 675	4 687 252	*10.80%*
4. Increase the capacity for cancer research	5 093 809	5 187 538	(497 313)	9 784 034	4597 359	5 149 472	37 203	9 784 034	*22.54%*
5. Provide strategic leadership and enhance the impact of the Agency's contribution to global cancer research	2 205 074	2 253 179	(200 769)	4 257 484	1881 879	2 198 517	177 088	4 257 484	*9.81%*
6. Enable and support the efficient conduct and coordination of research	4 315 361	4 442 220	160 973	8 918 554	4 194 317	4 688 768	35 469	8 918 554	*20.54%*
TOTAL	**21 356 763**	**22 056 836**		**43 413 599**	**19 970 590**	**23 117 285**	**325 724**	**43 413 599**	***100.00%***

RECONCILIATION	(see Note 9)	*2016*	*2017*
TOTAL EXPENSES AS PER STATEMENT V		**19 970 590**	**23 117 285**
a) Time differences:			
Regular Budget expenditure in other periods		**204 817**	-
b) Basis differences:			
Common fund activities		514 536	274 311
Other non-Regular Budget utilisation		17 580 492	11 881 451
Sub-total		**18 095 028**	**12 155 762**
TOTAL EXPENSES AS PER STATEMENT II		**€ 38 270 435**	**€ 35 273 047**

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 2017 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 Adjustments of presentation in Statements I and IV

a) In 2017 IARC changed its allocation of the unrealized gains or losses from the revaluation of non-euro accounts receivable to the respective portion of current and non-current accounts receivable, instead of allocating those unrealized gains or losses entirely to the current portion of accounts receivable. The effects of this change were presented retrospectively, requiring the update of the 2016 comparative numbers of line items "Accounts receivable, net" under Current Assets and Non-Current Assets in the Statement of Financial Position (Statement I) and line items "(Increase) decrease in accounts receivable current" and "(Increase) decrease in accounts receivable non-current" in the Statement of Cash Flows (Statement IV). This change did not have any impact to the overall value of accounts receivable.

b) In addition, IARC changed the presentation of Statement IV under Operating Activities, requiring the update of the 2016 comparative numbers retrospectively. Those changes included the following.

   - Presented the unrealized gains/losses on revaluation as a non-cash item adjustment to net surplus/deficit for the year. As a result, the changes of accounts receivable (current and non-current), staff receivables, and accounts payable were presented excluding unrealized gains/losses on valuation while the unrealized gains/losses were presented under a separate line item.
   - Removed the increase/decrease in net asset/equity from ASHI remeasurement from a non-cash item adjustment to net surplus/deficit for the year and integrated it under the accrued staff benefit non-current liabilities.
   - Split the changes in non-current liabilities to provide the clearer view of changes in accrued staff benefit and changes in deferred revenue.

These changes did not have an overall impact on Statement IV.

The following tables summarize the changes in Statements I and IV by line item.

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

		31-Dec-16	Adjustments	Restated as at 31-Dec-16
Current assets	Accounts receivable, net	14 921 540	(253 039)	14 668 501
Non-current assets	Accounts receivable, net	7 952 198	253 039	8 205 237
	Total Accounts receivable, net	**€22 873 738**	**-**	**€22 873 738**

Impact on the Statement of Cash Flows (Statement IV):

Cash flow from operating activities	31-Dec-16	Adjustments	Restated for the year ended 31-Dec-16
Unrealized (gains)/losses on revaluation	-	1 006 711	1 006 711
Increase (decrease) in net assets/equity from remeasurements	(4 262 155)	4 262 155	-
(Increase) decrease in accounts receivable	(1 234 859)	14 926	(1 219 933)
(Increase) decrease in staff receivables	(44 225)	3 800	(40 425)
(Increase) decrease in non-current receivables	297 724	443 929	741 653
Increase (decrease) in accounts payable	2 549	(893)	1 656
Increase (decrease) in non-current liabilities	8 181 730	(8 181 730)	-
Increase (decrease) in accrued staff benefit, non-current liabilities	-	2 748 826	2 748 826
Increase (decrease) in deferred revenue, non-current liabilities	-	(297 724)	(297 724)
Total	**€2 940 764**	**-**	**€2 940 764**

Note 3: Significant accounting policies

3.1 Accounts receivable

Accounts receivable are recorded at their estimated net realized value. It includes the accounts receivable from assessed contributions, designated voluntary contributions, and other accounts receivable. Accounts receivable 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 accounts receivable.* Assessed contribution from Participating States is due on 1 January each year. Assessed contribution accounts receivable 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-collectability. 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 accounts receivable.* Accounts receivable from designated voluntary contributions are recognized based on the payment terms specified in a binding agreement between IARC and the donors. Accounts receivable 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 accounts receivable.* 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 costs of publication comprise printing, editing, and translation costs as applicable. 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 (the Agency), in return 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. Necessary accounting entries and disclosures are made accordingly.

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, 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 Accounts payable and accrued liabilities

Accounts Payable are financial liabilities for goods or services that have been received by IARC and invoiced but not yet paid for.

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 neither been paid for nor invoiced to IARC.

Accounts payable and accrued liabilities are recognized at cost as the effect of discounting is considered immaterial.

3.7 Deferred revenue

Deferred revenue derives from legally binding agreements between IARC 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 donor, 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 recognizes four categories of employee benefits, i.e. 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.

UNJSPF: IARC is a member organization participating in the United Nations Joint Staff Pension Fund (the Fund) which was established by the United Nations General Assembly to provide retirement, death, disability and related benefits to staff. The Fund is a funded, multi-employer 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.

ASHI: 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 between IARC and WHO.

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 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-17	31-Dec-16
Cash on hand	13 624	7 113
Cash at UNDP	76 950	222 605
Bank deposits	29 533 832	27 310 296
Total	€29 624 406	€27 540 014

4.2 Accounts receivable, net

The total account receivable amounted to €21 690 547 at the end of the reporting period. These include outstanding amounts for assessed contributions, designated voluntary contributions, and other accounts receivable. As at the end of 2017, there was no accumulated allowances for doubtful accounts receivable. The details of current and non-current accounts receivable are provided below.

	Current	Non-Current	Total 31-Dec-17	31-Dec-16
Uncollected assessed contributions	3 985 058		3 985 058	4 386 681
Designated voluntary contributions	11 004 726	4 639 408	15 644 134	18 668 080
Other accounts receivable*	2 061 355		2 061 355	1 952 628
Total accounts receivable	17 051 139	4 639 408	21 690 547	25 007 389
Less: Accumulated allowances	0	0	0	(2 133 651)
Total accounts receivable, net	€17 051 139	€4 639 408	€21 690 547	€22 873 738

*Other accounts receivable comprise of royalties and sales of publication receivables (€1 752 069), VAT refund (€292 579), income tax refund (€12 785), and supplier's deposit (€3922).

Total accumulated allowances for doubtful accounts receivable:

	Current	Non-Current	Total 31-Dec-17	31-Dec-16
Opening balance of allowance for assessed contribution	2 133 651		2 133 651	2 294 279
Opening balance of allowance for designated VC	0		0	127 664
Opening balance of allowance for other receivables	0		0	0
Total opening balance at beginning of year	2 133 651		2 133 651	2 421 943
Add: Allowance for assessed contribution	0		0	854 561
Allowance for designated VC	0		0	0
Allowance for other receivables	0		0	0
Total allowances for doubtful receivables	2 133 651		2 133 651	3 276 504
Less: Reversal of allowance for assessed contribution	(2 133 651)		(2 133 651)	(1 015 189)
Reversal of allowance for designated VC	0		0	(127 664)
Reversal of allowance for other receivables	0		0	0
Total accumulated allowances at end of year	€0		€0	€2 133 651

4.3 Staff receivables

The total balance of staff receivables amounted to €152 450, net decrease by €16 687 from the prior period. Breakdown by type of receivables are as follows.

	31-Dec-17	31-Dec-16
Education grant advance	124 196	129 090
Duty travel advance	25 660	33 337
Salary advance		1 786
Home leave	2 436	4 741
Miscellaneous advance	158	183
Total	€152 450	€169 137

4.4 Prepayments

The total value of prepayments is €349 147. 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 2018 stipend is included in this account.

	31-Dec-17	31-Dec-16
Prepayment to suppliers	155 516	232 659
Stipend advance	193 631	164 863
Total	€349 147	€397 522

4.5 Interest receivables

The €6633 represents amount due from bank deposits for interest earned for the period ending 31 December 2017 which has not been received.

4.6 Inventories

The €169 274 represents the value of publication inventories held at WHO Press for sales as at the end of the reporting period.

	31-Dec-17	31-Dec-16
Balance at beginning of year	131 134	207 267
Additions	258 615	97 524
Distributions	(196 540)	(131 279)
Disposals/adjustments	(23 935)	(42 378)
Balance at end of year	€169 274	€131 134

4.7 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 €2 508 877. 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-17	Total 31-Dec-16
Cost or valuation:							
Balance at beginning of year	2 906 098	4 321 930	740 865	59 824	113 689	8 142 406	7 749 896
Additions		273 995	19 781			293 776	361 599
Disposals		(33 033)	(57 545)	(45 383)		(135 961)	(16 808)
Adjustment							47 719
Balance at end of year	2 906 098	4 562 892	703 101	14 441	113 689	8 300 221	8 142 406
Accumulated depreciation:							
Balance at beginning of year	1 506 179	2 936 219	737 797	45 446	95 437	5 321 078	4 490 165
Charges for the year	72 654	496 974	6 760	11 587	18 252	606 227	800 002
Disposals		(33 033)	(57 545)	(45 383)		(135 961)	(16 808)
Adjustment							47 719
Balance at end of year	1 578 833	3 400 160	687 012	11 650	113 689	5 791 344	5 321 078
Net book value:							
At beginning of year	1 399 919	1 385 711	3 068	14 378	18 252	2 821 328	3 259 731
At end of year	1 327 265	1 162 732	16 089	2 791	0	2 508 877	2 821 328

In addition, IARC has 92 items of PP&E with the total gross acquisition value of €2 873 323 that are fully depreciated and still in use as at the end of the reporting period.

Note 5: Liabilities

5.1 Revenue received in advance

The total amount of €1 744 766 represents 2018 assessed contributions received in advance from Participating States and revenue from publications received in advance.

	31-Dec-17	31-Dec-16
2017 Assessed contribution received from Australia		882 900
2017 Assessed contribution received from Canada		3 064
2018 Assessed contribution received from Australia	871 337	
2018 Assessed contribution received from Canada	871 337	
Voluntary contribution received in advance		12 571
Other revenue received in advance	2 092	2 111
Total	1 744 766	€900 646

5.2 Accounts payable

The total outstanding as at the end of reporting period is €1 444 105 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-17	31-Dec-16
Staff/STA/fellows	28 333	23 961
Suppliers	139 848	99 890
Accrued expenses	1 275 924	1 229 669
Total	€1 444 105	€1 353 520

5.3 Accrued staff benefits

Accrued staff benefits, total €62 487 498, 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 €56 764 484 (see also Note 6.6b).

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-17	31-Dec-16
Short-term employee benefits	852 036		852 036	906 660
Other long-term employee benefits	181 630	1 694 207	1 875 837	2 017 106
Post employee benefits (i.e. ASHI)		59 759 625	59 759 625	49 867 062
Total	€1 033 666	€61 453 832	€62 487 498	€52 790 828

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 €5 723 014 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-17	31-Dec-16
Fund balance at beginning of year	2 231 821	3 002 769	5 234 590	4 404 809
Plus: Fund inflow during the year	965 869	550 503	1 516 372	1 470 534
Less: Fund outflow during the year	(853 543)	(174 405)	(1 027 948)	(640 753)
Fund balance at end of year	€2 344 147	€3 378 867	€5 723 014	€5 234 590

The outflow fund in 2017 includes the following payments on employee benefits.

	Current	Non-Current	Total 31-Dec-17
Recruitment entitlements	189 558		189 558
Separation entitlements	343 414	174 405	517 819
Education grants	232 950		232 950
Home leave travels	81 290		81 290
Periodic medical and insurance	6 331		6 331
Total fund outflow	€853 543	€174 405	€1 027 948

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-17	31-Dec-16
Accrued annual leave	802 480	854 819
Educational grants	49 556	51 551
Accrued staff salaries		290
Total Defined Benefit Obligation at end of year	€852 036	€906 660

Reconciliation:

	31-Dec-17	31-Dec-16
Defined Benefit Obligation at beginning of year	906 660	872 868
Plus: Expense incurred during the year	552 825	535 270
Less: Actual payment	(607 449)	(501 478)
Defined Benefit Obligation at end of year	€852 036	€906 660

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-17	31-Dec-16
Grant in case of death	122 819	130 578
Repatriation grant	1 370 831	1 439 778
Repatriation removal	260 745	290 560
Repatriation travel	82 137	89 371
Termination for reasons of health	39 305	66 819
Total Defined Benefit Obligation at end of year	€1 875 837	€2 017 106

Actuarial summary

	31/12/2017 Valuation	31/12/2016 Valuation
Reconciliation of Defined Benefit Obligation – 142 (a)(ii)		
Defined Benefit Obligation at Beginning of Year	2 017 106	1 673 047
Service Cost	198 989	156 556
Interest on Defined Benefit Obligation	26 789	33 540
(Actual Gross Benefit Payments)	(174 405)	(85 036)
Participant Contributions	0	0
Changes in Accounting Methods	0	0
Plan Amendments	0	0
(Gain)/Loss on DBO Due to Financial Assumption Changes	1 139	122 000
(Gain)/Loss on DBO Due to Other Assumption Changes	(193 781)	116 999
Defined Benefit Obligation at End of Year	€1 875 837	€2 017 106
Reconciliation of Funded Status – 142		
Defined Benefit Obligation	1 875 837	2 017 106
(Plan Assets)	0	0
Net (Surplus)/Deficit in Statement of Financial Position	1 875 837	2 017 106
Current (Asset)/Liability	181 630	206 558
Noncurrent (Asset)/Liability	1 694 207	1 810 548
Statement of Financial Performance		
Service Cost	198 989	156 556
Interest on (Surplus)/Deficit	26 789	33 540
Remeasurements	(192 642)	238 999
Total (Income)/Expense	€33 136	€429 095

Actuarial assumptions:

Measurement Date	31 December 2017
Discount Rate	1.4% (same rate as in the prior valuation) 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%
Annual General Inflation	1.8% (increased from 1.6% in the prior valuation).
Annual Salary Scale	Net base salary for professional staff paid on a dependent rate was reduced by 6% during 2017 to reflect the adoption of the International Civil Service Commission (ICSC) New Common System Compensation Package.
Annual General Inflation, salary increase, and mortality rates changes	Assumptions were revised to match the common actuarial assumptions established by the UN System Task Force on Accounting Standards in January 2018.
Disability Rates	Decreased by 50% from the prior year, based on a study that WHO performed of its experience from 2005–2016.
Future Exchange Rates	Equal to official United Nations spot rates at 31 December 2017.
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 2017, including the cost covering dependents. Based on a study of experience from 1 January 2010 to 30 September 2011. The costs are converted to euros using the exchange rate as of the valuation date. 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. The costs are converted to euros using the exchange rate as of the valuation date. 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. 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 2017 determined by professional actuaries within the overall report to WHO is US$ 71 397 401, equivalent to €59 759 625 at UN Exchange rate of €0.837/US$.

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

Actuarial summary

	31/12/2017 Valuation (US$)	31/12/2016 Valuation (US$)
Reconciliation of Defined Benefit Obligation – 142 (a)(ii)		
Defined Benefit Obligation at beginning of year	77 856 981	69 164 499
Service cost	4 556 344	3 507 673
Interest on Defined Benefit Obligation	851 151	1 030 714
(Actual after service gross benefit payments)	(462 571)	(382 104)
(Actual after service administrative expenses)	(33 690)	(24 553)
Actual contributions by after service participants	231 161	236 930
Plan amendments	0	(10 949)
Changes in accounting methods	0	0
(Gain)/Loss on Defined Benefit Obligation Due to Financial Assumption Changes	(562 877)	4 334 771
(Gain)/Loss on Defined Benefit Obligation Due to Other Assumption Changes	18 666 199	
Defined Benefit Obligation at end of year	US$ 101 102 698	US$ 77 856 981

	31/12/2017 Valuation (US$)	31/12/2016 Valuation (US$)
Reconciliation of Assets – 142 (a)(i)		
Market value of ASHI assets at beginning of year, net of IBNP Reserve	25 694 782	
Reversal of IBNP Reserve from prior year	344 000	
Market value of ASHI at beginning of year, gross of IBNP Reserve	26 038 782	23 566 959
(Actual total SHI gross benefit payments)	(984 798)	(970 697)
(Actual total SHI administrative expenses)	(71 725)	(62 374)
Actual total SHI participant contributions	908 759	849 662
Actual total SHI organization contributions	1 815 676	1 698 886
Net transfer by other Regional Offices to cover WHO-PAHO/PAHO Deficit	(294 388)	
Interest on gross SHI assets	289 883	359 461
Gain/(loss) on Plan Assets	2 355 108	256 885
Market value of SHI assets at end of year	US$ 30 057 297	US$ 25 698 782
(Increase)/decrease in 470.1 reserve		(4 000)
ASHI assets at end of year, Net of 470.1 Reserve		US$ 25 694 782
Reconciliation of Incurred-But-Not-Paid Reserve, Offset to Assets –142(a)(i)		
Incurred-But-Not-Paid Reserve at beginning of year	344 000	
Interest On Incurred-But-Not-Paid Reserve	3 784	
(Gain)/Loss on Incurred-But-Not-Paid Reserve	4 216	
Incurred-But-Not-Paid Reserve at end of year	352 000	
Net Assets (Gross Assets minus Incurred-But-Not-Paid Reserve at end of year	US$ (29 705 297)	
Reconciliation of Funded Status – 142		
Defined Benefit Obligation		
Active	65 615 927	50 036 287
Inactive	35 486 771	27 820 694
Total Defined Benefit Obligation	101 102 698	77 856 981
ASHI Plan Assets		
(Gross SHI Plan Assets)	(30 057 297)	(26 038 782)
Offset for Incurred-But-Not-Paid Reserve	352 000	344 000
(Net ASHI Plan Assets administered by WHO)	(29 705 297)	(25 694 782)
Net (asset)/liability in Statement of Financial Position	US$ 71 397 401	US$ 52 162 199
Current (asset)/liability	0	0
Noncurrent (asset)/liability	US$ 71 397 401	US$ 52 162 199
Total (Gain)/Loss on WHO's Books	US$ 15 752 430	
Statement of Financial Performance		
Service cost	4 556 344	3 507 673
Interest on (Surplus)/Deficit	565 052	671 253
Past service (credit)/cost		(10 949)
Total expense	US$ 5 121 396	US$ 4 167 977

	31/12/2017 Valuation (US$)	31/12/2016 Valuation (US$)
Expected Accounting Contributions – 149 (b)		
Expected contributions during 2018		
Contribution by/for active staff, net of claims/admin costs	1 758 000	1 109 000
Contribution by WHO for Inactives	634 000	483 000
Net transfer by to cover WHO-PAHO/PAHO deficit	(202 368)	
Total expected contributions	US$ 2 189 632	US$ 1 592 000
Sensitivity Analysis – 147 (a)		
Defined Benefit Obligation at end of year		
Current medical inflation assumption minus 1%	79 679 308	61 950 763
Current medical inflation assumption	101 102 698	77 856 981
Current medical inflation assumption plus 1%	130 346 968	99 389 496
Current discount rate assumption minus 1%	132 587 174	
Current discount rate assumption	101 102 698	
Current discount rate assumption plus 1%	78 797 125	

Actuarial assumptions and method:

Measurement date	31 December 2017
Discount Rate	1.1% (same as in the prior valuation) WHO bases its discount rates on the yields on high-grade corporate bonds. WHO uses a yield curve approach, which reflects the expected cash flows and assumed currency exposures–specific to the ASHI–for each grouping of offices. IARC is grouped under Europe. The rate is a weighted average of the rate from the SIX Swiss Exchange curve and the 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	1.5% (increased from 1.4% in the prior valuation). Based on the UN common assumptions (for long-duration plans) of 1.3% Switzerland, 1.8% Euro Zone, and 2.2% for the United States as directed by the U.N. System Task Force on Accounting Standards, using the same weighted average methodology as the discount rate described above, 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	Includes merit/promotional increases, plus 3.5% static increases for general inflation per year plus productivity growth. (For the prior year general inflation was 2.5% and productivity increases were 0.5%; the merit component is unchanged since the prior year.) Set equal to the rates from the 31 December 2017 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 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 Fund. Such deficiency payments are only payable if and when the United Nations General Assembly has invoked the provision of Article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Fund as of the valuation date. Each member organization shall contribute to this deficiency an amount proportionate to the total contributions 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 23.70%. 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 2017, IARC paid US$ 5 624 697 (US$ 5 395 795 in 2016) 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 Fund and reports to the Pension Board on the audit every year. The United Nations Joint Staff Pension Fund publishes quarterly reports on its investments and these can be viewed by visiting its website at www.unjspf.org.

5.4 Deferred revenue

Deferred revenue represents multi-year agreements signed in and prior to 2017 for which the revenue recognition has been deferred to future financial periods. Deferred revenue is split into current and non-current depending on the schedule of payment as stated in the donor agreements.

	31-Dec-17	31-Dec-16
Current liabilities	8 051 638	5 233 048
Non-current liabilities	4 883 246	7 952 198
Total deferred revenue	€12 934 884	€13 185 246

Note 6: Net assets/equity

The net assets/equity of the Agency decreased by €9 813 858 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 €22 056 836 budget approved for 2017 and €1 386 173 fund balance from 2016 approved regular budget which was committed in 2016 for delivery in subsequent calendar year. At the end of reporting period, there is a net fund balance of €325 724.

6.2 Voluntary Contributions

The fund balance of €10 939 384 includes designated and undesignated voluntary contributions.

6.3 Working Capital Fund

Fund balance increased by €2 133 651, as a result of the receipt of the assessed contribution in arrears.

	31-Dec-17	31-Dec-16
Beginning balance at beginning of year	1 192 749	1 709 032
Add: New Participating States contribution to WCF	0	0
Decrease in allowances upon receipt of assessed contribution in arrears	2 133 651	338 278
Less: Allowances for assessed contribution in arrears	0	(854 561)
Ending balance as at end of year	€3 326 400	€1 192 749

6.4 Governing Council Special Fund

The fund balance of €11 197 395 includes reserves, i.e. expenses authorized by the Governing Council which are not yet incurred.

6.5 Special Account for Programme Support Cost

Fund balance had increased from €3 967 614 to €4 156 397 during the reporting period.

6.6 Participating State – Others

The amount of €(54 086 333) 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-17	31-Dec-16
Inventories	169 274	131 134
Property, plant and equipment, net	2 508 877	2 821 328
Total common fund	€2 678 151	€2 952 462

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

	31-Dec-17	31-Dec-16
Fund balance in TQ and TP accounts (Note 5.3b)	5 723 014	5 234 590
Accrued staff salaries funded from other source		290
Less: Total accrued staff benefits (Note 5.3a)	(62 487 498)	(52 790 828)
Total special purpose fund	€(56 764 484)	€(47 555 948)

6.7 Trust Fund

This account has a balance of €31 114, 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-17	31-Dec-16
Budgeted assessed contribution	21 806 836	21 106 763
Unbudgeted assessed contribution	636 033	410 409
Receipt from arrears in assessed contribution		676 911
Decrease (increase) in allowance for doubtful accounts receivable	2 133 651	(516 283)
Total	€24 576 520	€21 677 800

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 €21 806 836 shown on these Financial Statements represents the contribution from Participating States for 2017 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 2017 contribution is in accordance with the percentage set forth in IARC Financial Regulations Article IV.4.3 and Resolution GC/54/R18, i.e. full assessed contribution of Group 5 Participating States. This revenue was credited to the Governing Council Special Fund.

Receipt from arrears in assessed contribution

This refers to the receipt from arrears in assessed contributions from the Russian Federation as per Resolution GC/48/R3 which the final instalment was received in 2016.

Decrease (increase) in allowance for doubtful accounts receivable

The amount of €2 133 651 represents the decrease of allowance for doubtful accounts receivable following the receipt of arrears in assessed contributions from Participating States.

7.2 Voluntary contributions

The total revenue from voluntary contributions was €10 700 672. There was no allowance for doubtful accounts receivable nor write-off during 2017.

	31-Dec-17	31-Dec-16
Designated voluntary contributions	10 700 525	11 637 752
Undesignated voluntary contributions	147	24 568
Total voluntary contributions	10 700 672	11 662 320
Decrease (increase) in allowance for doubtful accounts receivable		127 664
Approved write-off without prior year allowance		(1 648)
Total	€10 700 672	€11 788 336

Decrease (increase) in allowance for doubtful accounts receivable

	31-Dec-17	31-Dec-16
Reversal of allowance upon receipt of payments	0	127 664
Less: Additional allowance for designated VC	0	0
Total	€0	€127 664

7.3 Revenue producing activities

The revenue received from sale of IARC publications in 2017 amounted to €1 763 768, which had increased by 9% from the prior year of €1 614 477.

7.4 Other operating revenue

	31-Dec-17	31-Dec-16
Sale of equipment and materials		4 368
Refund from suppliers	1 016	
Other income	1 099	30 943
Total	€2 115	€35 311

7.5 Trust fund

The total of €10 720 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 €5255 was apportioned to the designated voluntary contribution account in accordance with the agreement condition and approval by the Governing Council under Resolution GC/55/R23 (€3813) and to the undesignated voluntary contribution as approved by the Governing Council under its Resolution GC/23/R6 (€1442). The remaining interest income amounting to €69 639 was credited to the Governing Council Special Fund.

	31-Dec-17	31-Dec-16
Interest income apportioned to VC account	5 255	8 396
Interest income credited to GCSF account	69 639	84 290
Total	€74 894	€92 686

7.7 Income from services rendered

The total programme support cost of €1 001 100 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 gain

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

	31-Dec-17	31-Dec-16
Net realized foreign exchange loss (gain)	502 748	(15 929)
Net unrealized foreign exchange loss (gain)	(3 420 851)	1 470 785
Total net foreign exchange loss (gain)	€(2 918 103)	€1 454 856

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 2017 RB from GCSF (GC/57/R9)	250 000		(250 000)
Financing 2017 budgetary exchange rate loss from GCSF (GC/57/R9)	117 500		(117 500)
Transfer unspent balance from RB to GCSF			
Transfer fund balance of closed projects to GCSF		(185 185)	185 185
Net transfer between funds	€367 500	€(185 185)	€(182 315)

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 2017 is presented below:

	31-Dec-17	31-Dec-16
Actual amount on comparison - Statement V	23 117 285	19 970 590
Time difference		240 817
Basis differences	12 155 762	18 095 028
Actual expenses – Statement II	€35 273 047	€38 270 435

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 2017.

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	Outstanding advances against entitlements	Outstanding loans (in addition to normal entitlement)
4	559 385	123 191	206 387	888 963	15 071	-

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

There were no write-off, no administrative waivers approved and no ex-gratia payments made in 2017.

Note 12: Events after the reporting date

The reporting date for these financial statements is 31 December 2017. 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 2017, 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 since November 2012.

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 2017
(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 2017**	for the year ended **31 December 2016**
REVENUE	Note 7									
Assessed contributions	7.1	21 806 836	2 133 651	636 033			24 576 520		**24 576 520**	21 677 800
Voluntary contributions	7.2				10 700 672		10 700 672		**10 700 672**	11 788 336
Revenue-producing activities	7.3			1 763 768			1 763 768		**1 763 768**	1 614 477
Other operating revenue	7.4			2 115			2 115		**2 115**	35 311
Trust Fund	7.5					10 720	10 720		**10 720**	11 240
Income from services rendered	7.7			1 001 100			1 001 100	(1 001 100)		
Financial revenue	7.6			69 639	5 255		74 894		**74 894**	92 686
Total revenue		21 806 836	2 133 651	3 472 655	10 705 927	10 720	38 129 789	(1 001 100)	37 128 689	35 219 850
EXPENSES	Note 8									
Staff cost	8.1	17 207 272		3 073 203	4 332 470		24 612 945		**24 612 945**	23 474 542
Temporary assistants, advisors and participants	8.2	630 043		159 403	583 196		1 372 642		**1 372 642**	1 535 732
Fellows	8.3	1 081 596		85 557	1 089 817		2 256 970		**2 256 970**	2 142 856
Duty travel (staff, fellows)	8.4	680 362		57 197	166 126		903 685		**903 685**	827 478
Research and other agreements	8.5	556 676		180 872	2 962 867		3 700 415		**3 700 415**	2 889 564
Procurement and various operating expenses	8.6	3 009 858		450 681	1 028 464	3 328	4 492 331		**4 492 331**	4 948 516
Cost of distribution & disposal of inventory	8.7			220 475			220 475		**220 475**	173 657
Depreciation	8.8			606 227			606 227		**606 227**	800 002
Net foreign exchange loss (gain)	8.9			(2 918 103)			(2 918 103)		**(2 918 103)**	1 454 856
Financial cost	8.10	763		24 627	70		25 460		**25 460**	23 232
Programme support cost	8.11				1 001 100		1 001 100	(1 001 100)		
Total expenses		23 166 570		1 940 139	11 164 110	3 328	36 274 147	(1 001 100)	**35 273 047**	38 270 435
TOTAL SURPLUS (DEFICIT) FOR THE YEAR		(1 359 734)	2 133 651	1 532 516	(458 183)	7 392	1 855 642		**1 855 642**	(3 050 585)
Capital expenditures										
Inventories		(52 579)		60 632	(8 053)					
Property plant & equipment		(15 636)		15 636						
Transfer between funds	8.12	367 500		(182 315)	(185 185)					
TOTAL CHANGES IN FUND BALANCES		(1 060 449)	2 133 651	1 426 469	(651 421)	7 392	1 855 642		**1 855 642**	(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 2017
(amount in Euros)

	Notes	Governing Council Special Fund	Special Account for Programme Support Costs	Participating States Others	for the year ended **31 December 2017**
REVENUE	Note 7				
Assessed contributions	7.1	636 033			**636 033**
Voluntary Contribution	7.2				
Revenue-producing activities	7.3	1 763 768			**1 763 768**
Other operating revenue	7.4	2 115			**2 115**
Income from service rendered	7.7		1 001 100		**1 001 100**
Financial revenue	7.6	69 639			**69 639**
Total revenue		2 471 555	1 001 100		3 472 655
EXPENSES	Note 8				
Staff cost	8.1	775 674	354 156	1 943 373	**3 073 203**
Temporary assistants, advisors and participants	8.2	88 902	70 501		**159 403**
Fellows	8.3	61 507	24 050		**85 557**
Duty travel (staff, fellows)	8.4	38 585	18 612		**57 197**
Research and other agreements	8.5	166 656	14 216		**180 872**
Procurement and various operating expenses	8.6	179 462	271 219		**450 681**
Cost of distribution & disposal of inventory	8.7			220 475	**220 475**
Depreciation	8.8			606 227	**606 227**
Net foreign exchange loss (gain)	8.9	1 485 777		(4 403 880)	**(2 918 103)**
Financial cost	8.10		24 627		**24 627**
Total expenses		2 796 563	777 381	(1 633 805)	**1 940 139**
TOTAL SURPLUS (DEFICIT) FOR THE YEAR		(325 008)	223 719	1 633 805	**1 532 516**
Capital expenditures					
Inventories		(197 983)		258 615	**60 632**
Property, plant & equipment		(243 204)	(34 936)	293 776	**15 636**
Transfer between funds	8.12	(182 315)			**(182 315)**
TOTAL CHANGES IN FUND BALANCES		(948 510)	188 783	2 186 196	**1 426 469**

SCHEDULE 3 - Status of Collection of Assessed Contributions

International Agency for Research on Cancer
Status of Collection of Assessed Contributions
As at 31 December 2017
(amount in euros)

Participating States	2017 Assessments			Assessments of prior financial years			Total balance as of 31-Dec-17
	Assessments	Collected	Balance as of 31-Dec-17	Balance as of 01-Jan-17	Collected during 2017	Balance as of 31-Dec-17	
Budgeted Assessment:							
Australia (5)	882 900	882 900	-	-	-	-	-
Austria	759 468	759 468	-	-	-	-	-
Belgium (1)	759 468	569 601	189 867	176 125	176 125	-	189 867
Brazil (2)	882 900	414 120	468 780	2 133 651	2 133 651	-	468 780
Canada (5)	882 900	882 900	-	-	-	-	-
Denmark	759 468	-	759 468	-	-	-	759 468
Finland	759 468	759 468	-	-	-	-	-
France	1 129 775	1 129 775	-	-	-	-	-
Germany	1 129 775	1 129 775	-	-	-	-	-
India	759 468	759 468	-	-	-	-	-
Ireland	636 033	636 033	-	-	-	-	-
Italy	1 129 775	1 129 775	-	-	-	-	-
Japan	1 623 511	1 623 511	-	-	-	-	-
Netherlands	759 468	759 468	-	-	-	-	-
Norway	759 468	759 468	-	-	-	-	-
Qatar	636 033	636 033	-				
Republic of Korea	759 468	759 468	-	-	-	-	-
Russian Federation	882 900	882 900	-	-	-	-	-
Spain (3)	882 900	-	882 900	2 072 578	1 529 320	543 258	1 426 158
Sweden	759 468	759 468	-	-	-	-	-
Switzerland	759 468	759 468	-	-	-	-	-
Turkey	759 468	759 468	-	-	-	-	-
United Kingdom	1 129 775	1 129 775	-	-	-	-	-
United States of America	1 623 511	482 726	1 140 785	4 327	4 327	-	1 140 785
TOTAL	**21 806 836**	**18 365 036**	**3 441 800**	**4 386 681**	**3 843 423**	**543 258**	**3 985 058**
% of collection		84.22%					
Unbudgeted Assessment:							
Morocco (4)	636 033	636 033	-	-	-	-	-
GRAND TOTAL	**22 442 869**	**19 001 069**	**3 441 800**	**4 386 681**	**3 843 423**	**543 258**	**3 985 058**

(1) Belgium: Arrears in assessed contribution refers to the balance of 2016 assessed contribution which was received in January 2017.
(2) Brazil: Membership was accepted in 2013. Arrears in assessed contribution refers to 2013–2015 contributions (€189 143, €430 143, and €659 804, respectively) to be accounted under the unbudgeted assessment; and 2016 budgeted assessment (€854 561).
(3) Spain: Arrears in assessed contribution refers to balance of 2014-2015 contributions. Repayment plan was approved under Resolution GC/58/R20 and the first payment of €1 529 320 as per the Resolution was received in January 2017.
(4) Morocco: Membership was accepted in 2015. The 2017 contribution equals to full assessment contribution of Group 5 Participating States and to be accounted under the unbudgeted assessment.
(5) In addition to the above, 2018 assessed contributions were received in advance from Australia €871 337 and Canada €871 337.