International Agency for Research on Cancer

World Health Organization

Governing Council
Sixty-second Session

GC/62/7
09/04/2020

Monday 11 and Tuesday 12 May 2020
To be held by webconference (due to COVID-19 pandemic and travel restrictions)

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

For the year ended 31 December 2019

2019

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DIRECTOR'S FINANCIAL REPORT

INTRODUCTION

1. The annual financial report of the Agency for the year ended 31 December 2019 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. This financial report includes the Statement on Internal Control that provides specific assurance on the effectiveness of internal control in IARC.

3. 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.

4. 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 2018–2019 Regular Budget.

FINANCIAL HIGHLIGHTS

5. IARC's main funding source came from the assessed contributions from Participating States, followed by voluntary contributions. In 2019, 88% of IARC's activities were financed from these two funding sources. The remaining was financed from the Governing Council Special Fund and the Special Account for Programme Support Cost.

6. The net assets/equity of the Agency as at the end of 2019 was negative €40.65 million, almost double from the prior year. The negative balance was due to a significant increase of unfunded liability related to staff benefits that was largely a result of a sharp decrease of discount rate applied to the valuation of After Service Health Insurance (ASHI).

7. Overall, total expenses incurred exceeded total revenue recognized during 2019, resulting in €4.89 million deficit, of which €3.52 million were related to unfunded ASHI (€2.66 million of unfunded service costs included in staff cost and €0.85 million of net foreign exchange rate loss). The remaining was related to high spending, particularly on collaborative research and other agreements, that was possible through fund balance carried over from revenue recognized in 2018 and prior years.

8. While the Agency's financial performance shows a deficit, the cash flow of the Agency remained at a similar level as in the prior year with cash balance of €32.39 million.

Regular budget and budget utilization

9. The regular budget 2018–2019 was approved by the Governing Council in May 2017 amounting to €44.15 million, fully funded from assessment of contributions from

Participating States, of which €21.91 million was allocated to 2018 and €22.24 was allocated to 2019.

10. As at 31 December 2019, the collection of 2019 budgeted assessed contributions was at 84.12% as per the details shown in Schedule 3. All 2018 budgeted assessed contributions had been fully collected.

11. A fund balance of €2.13 million from the 2018 approved regular budget was carried over to 2019. This fund balance was partially a result of a strategic decision to freeze certain posts that became vacant during the year allowing the new Director to make a decision. She took up her position on 1 January 2019.

12. In 2019, total expenses and capital expenditure charged against the regular budget amounted to €24.05 million. At the end of the reporting period, there was a net fund balance of €0.31 million and this was fully committed for delivery in 2020.

13. The budget utilization rate including encumbrances for 2018–2019 biennium was at 100%. Figure 1 below shows the breakdown of budget utilization by six main Objectives in comparison to the approved budget as presented in Statement V.

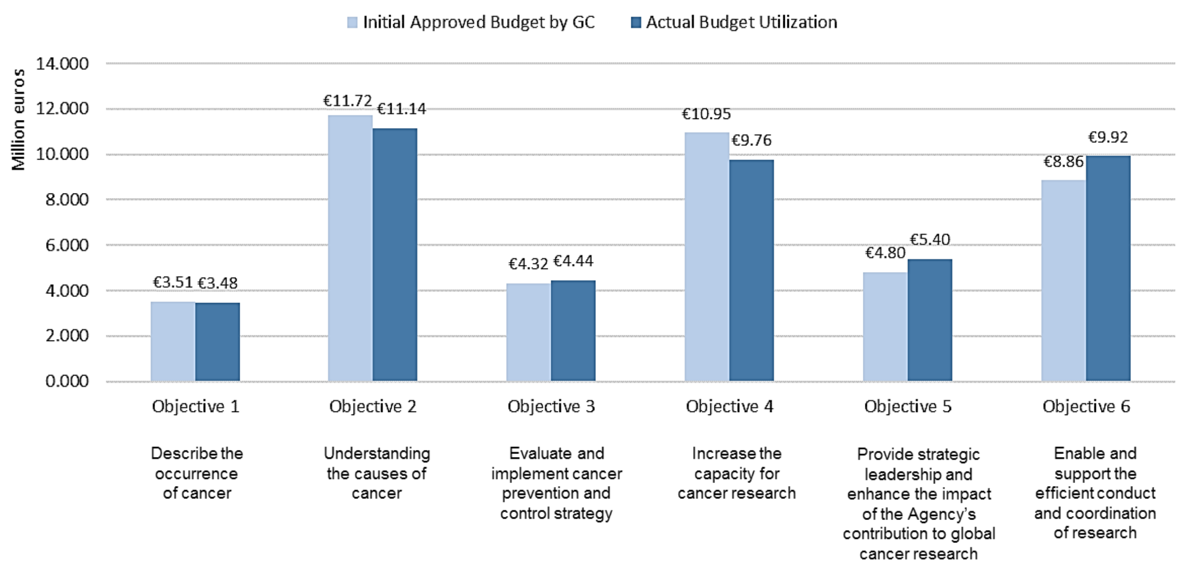

Figure 1: Approved regular budget and actual budget utilization in 2019

14. Authorized by the Governing Council under Resolution GC/59/R4, the Director approved budget transfers between sections during the biennium, not exceeding 15% of the section's budget from which the credit was transferred.

15. The exchange rate applied by the Governing Council when approving the 2018–2019 budget was 0.894 Euro to the US dollar. The average United Nations/WHO rate of exchange for the year 2018 and 2019 was 0.846 Euro and 0.893 to a US dollar. Therefore, no budgetary cost due to currency realignment was incurred for the biennium 2018–2019 from the provision authorized in Resolution GC/59/R4.

16. A total budget of €0.34 million was allocated to the Director's Development Provision in 2018–2019 to finance new initiatives and existing studies that required additional resources to ensure their successful implementation. This fund was allocated to the following scientific programme areas.

		2018–2019	%
Objective 2	Understand the causes of cancer	74 350	22%
Objective 3	Evaluate and implement cancer prevention and control strategies	243 850	72%
Objective 4	Increase the capacity for cancer research	3 800	1%
Objective 5	Provide strategic leadership and enhance the impact of the Agency's contribution to global cancer research	18 000	5%
		€340 000	100%

Voluntary Contributions

17. The Voluntary Contributions Account comprises Core Voluntary Contribution Account (CVCA), designated contributions, and undesignated contributions. Designated contributions are specifically earmarked by the donor to finance special projects while undesignated contributions do not have these conditions attached.

18. CVCA was established in 2019 to receive supplementary funds from Participating States to finance IARC's core activities (Resolution GC/61/R5, paragraph 9). Contribution amounting to €62 260 (AUD100 000) was received from Australia in 2019 to supplement the next biennium regular budget.

19. The resource mobilization effort resulted in 81 contribution agreements signed with 53 donors during 2019 with the total budget of €12.41 million allocated to IARC (compared to €9.18 million in 2018, a 35% increase). All were designated contributions.

20. Shown in Figure 2 below is the breakdown of contributions (based on new signed agreements) by donor countries whereby about 98% of donors were from IARC Participating State (PS)'s countries.

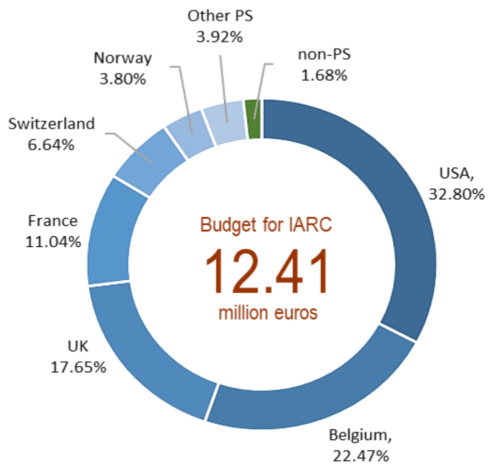

Figure 2: Value of contracts signed in 2019 and donor countries

21. About 81% of contributions came from the following nine donors and as shown in Figure 3.

- European Commission – Research Directorate-General (EC RTD, Belgium)
- World Cancer Research Fund International (WCRF, UK),
- National Institutes of Health/National Cancer Institute, (NIH/NCI, USA),
- Institut National Du Cancer (INCa, France),
- European Society for Medical Oncology (ESMO, Switzerland)
- Research Council of Norway (RCN, Norway)
- Children with Cancer UK (CwC, UK)
- Agence Nationale de la Recherche (ANR, France)

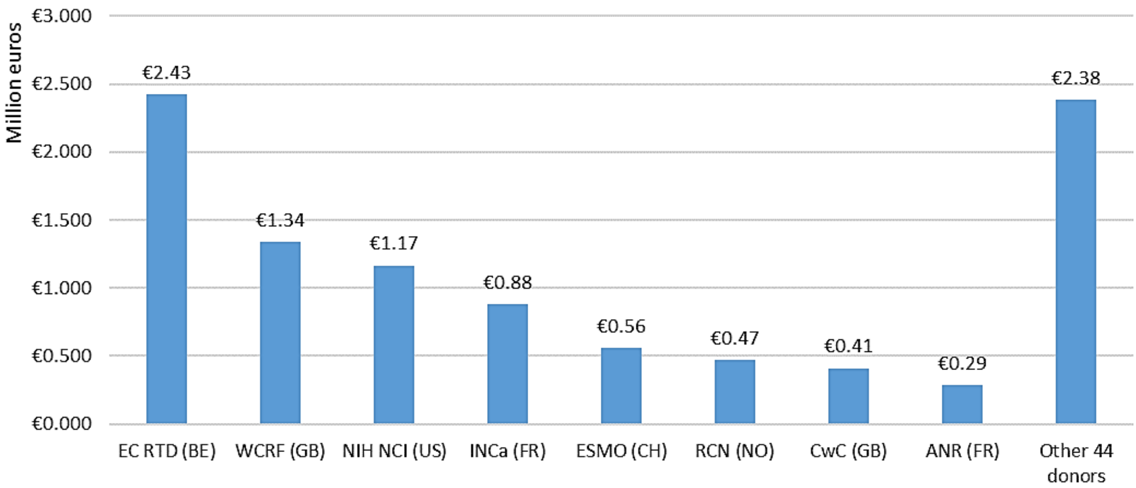

Figure 3: Value of contracts signed in 2019 and top nine donors (amount in million euros)

22. The recognition of revenue from Voluntary Contributions depends on conditions set in the agreements. The total revenue of the Voluntary Contributions Account recognized during 2019 amounted to €14.57 million as shown in Statement II, of which 0.6% was against undesignated voluntary contributions. Information document GC/62/Inf.Doc 3 provides additional details on the Voluntary Contributions.

Expenses

23. Total expenses incurred in 2019 were €43.33 million; 55% were charged on regular budget, 33% on voluntary contributions, and the remaining 12% on other funds.

24. About 60% of expenses were staff costs, 6% were costs of Early Career and Visiting Scientists (ECVS), and the remaining 34% were costs of activities.

25. The major cost of activities were Collaborative Research Agreements (€5.62 million), procurement and other operating expenses (€4.94 million), and travel costs (€1.98 million; of which 44% were duty travels of staff and ECVS and 56% were travels of non-staff).

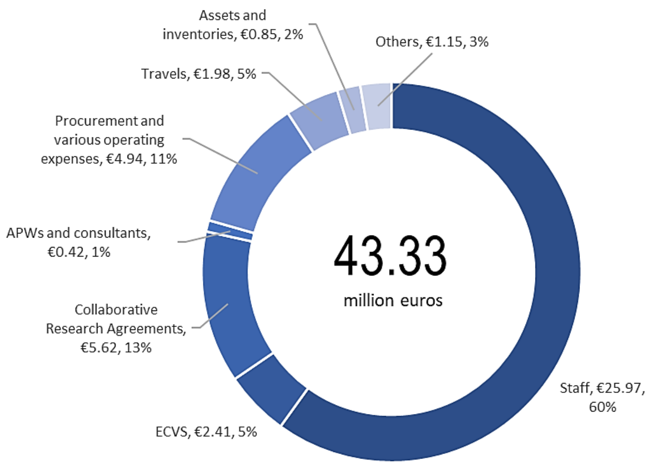

Figure 4: Total expenditure in 2019 on staff, ECVS, and activities (amount in million euros)

Unfunded ASHI liabilities and plan to fill the gap

26. As described under Note 5.3 of the financial statements, accrued staff benefit liabilities as at 31 December 2019 amounted to €82.25 million, of which €75.51 million were unfunded. The increase in liabilities and particularly the unfunded portion were related to unfunded ASHI liabilities.

27. The unfunded ASHI liabilities gap broadened at the end of 2019, mainly as an effect of actuarial financial assumption changes, particularly the decreased discount rate from 1.3% to 0.6% and unrealized exchange rate losses. Further details on this are provided in an information document (GC/62/Inf.Doc. No.4).

28. In addressing the unfunded ASHI liabilities, IARC follows the plan set by WHO. According to the current plan, full funding will be achieved by 2035 through a combination of various cost containment measures, increase of contributions from SHI/ASHI participants, i.e. 2% increase from 2020, and achieving the current target of 4.5% investment return over a long-term time horizon.

REPORT OF THE EXTERNAL AUDITOR

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

LETTER OF TRANSMITTAL

8 April 2020

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 2019.

I record my appreciation to the Governing Council for the honor and privilege to serve as External Auditor of IARC from 2012 to 2019.

Yours sincerely,

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

COMMISSION ON AUDIT
OFFICE OF THE CHAIRPERSON
20-13060 21 81 605

Professor Mads Melbye
Chairperson, Governing Council
International Agency for Research on Cancer
150 Cours Albert Thomas
69372 Lyon
France

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

8 April 2020

Dear Dr. Weiderpass,

**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 2019**

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 from 2012 to 2019.

Yours sincerely,

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

COMMISSION ON AUDIT
OFFICE OF THE CHAIRPERSON
20-130902181605

Dr. Elisabete Weiderpass
Director, International Agency for Research on Cancer
150 Cours Albert Thomas
69372 Lyon
France

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

INDEPENDENT AUDITOR'S REPORT

To the Governing Council

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 2019, 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 2019, 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 2019**, 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 IARC Financial Regulations.

In accordance with Article VI of the IARC 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
8 April 2020

COMMISSION ON AUDIT
OFFICE OF THE CHAIRPERSON
20-130802191606

STATEMENT ON INTERNAL CONTROL

Scope of responsibility

As Director of the International Agency for Research on Cancer (IARC), I am 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, I am accountable for maintaining a sound internal control 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.

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 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.

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 and associated systems such as eWorkflows 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 August 2019. 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. In 2019, WHO's simplified online Risk Management Tool was adapted to IARC and launched. IARC Sections used the new tool to identify risks related to their work plans, evaluate those risks according to their 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, functioning by extension as IARC's Risk Management Committee.

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 (acting as IARC's Risk Management Committee), 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 internal control self-assessment checklist that was implemented in 2019 as a pilot. The checklist is completed and submitted to the Director by responsible units. The 2019 self-assessment exercise deemed IARC internal controls to be overall strong. Respondents identified opportunities for improvement in some functional areas. The results of the self-assessment exercise will be carefully reviewed and action plans developed to address areas for improvement. The results of the 2019 exercise also helped the Agency to further refine the checklist and adopt the process, aiming for full implementation of the internal control self-assessment checklist in 2020.

- The IARC Director's periodically 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 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 2019, the Sections of Mechanisms of Carcinogenesis (MCA) and Infections (INF) were reviewed in detail and obtained outstanding results.
- The first of its kind evaluation report of IARC activities vis-à-vis its mandate carried out in 2019 by an independent Advisory Group established by the Governing Council. The evaluation confirmed that IARC activities are aligned with its mandated, as described in the Statute.
- Feedback is obtained from the annual staff Declaration of Interests (DOI) submitted 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 2019.

Based on consolidated findings of IARC's Corporate Level risk register in 2019, the most significant risks currently facing IARC are as follows:

Risk description	**Risk response actions**
Due to the lack of growth of assessed contributions (i.e. Participating States' zero growth policy), core activities are at risk of being funded, potentially affecting the effectiveness of IARC and the perception of the Agency by IARC's stakeholders.	Closer, more intensive and proactive follow up with existing and possible future Participating States. Core Voluntary Contribution Account (CVCA) was established in 2019 to supplement the regular budget for funding core activities. Resource Mobilization coordination team established in concerted effort to broaden IARC's donor base.

Risk description	**Risk response actions**
Due to its limitations to demonstrate/measure its competitive advantage compared to other research agencies, there is a potential risk that IARC is unable to attract new and retain existing donors, affecting the sustainability of the Agency's funding.	New Resource Mobilization Strategy driven by IARC's Strategic Engagement and Resource Mobilization Officer.
Due to the deteriorating conditions of the building, there is a risk of business interruptions, affecting business continuity (including effective storage of samples in the IARC BioBank)	Host Country has confirmed they will provide a new building on a new site and "Nouveau Centre" project underway. We have escalated monitoring of all infrastructure systems and mechanisms. We have adapted our contract with the maintenance company for improved response. Business continuity measures in place have been tested.
Due to the untimely reporting to donors, there is a risk of loss of confidence of key donors, affecting the funding and sustainability of extra-budgetary projects	Closely monitoring of reporting to donors to ensure timely and quality of reports. Enhanced project portal sends automatic reminders on due reports.
Due to suboptimal data security systems and recovery plans, there is a potential risk of loss of data, affecting the agency's reputation and ability to fulfil scientific	Agency IT infrastructure fully modernized, including the setup of two separate server rooms in different buildings with simultaneous replication for disaster recovery needs. Disaster Recovery Plan, data security policy and Data Transfer Agreement templates have been elaborated.
Due to suboptimal implementation of internationally recognized data security and data privacy guidelines (similar to GDPR), there is a potential risk of loss of personal and sensitive information, affecting the scientific reputation of the agency	In order to ensure IARC's ability to fulfill its scientific commitments, stringent data security measures need to be in place. The EU General Data Protection Regulation (GDPR) introduced in May 2018 meant that our own measures to improve data security had been accelerated.
Due to the specific nature of IARC's work, there is a potential risk that adequate candidates (universal high calibre / very specific expertise) cannot be attracted, retained, or hired timely, affecting the agency's potential scope of work and efficiency	Planning and discussions starting 2 years prior to anticipated retirements. Succession/reorganization plan is monitored by the Director.
Due to absence of clear minimum requirements for engaging with non-state actors, there is a risk of not engaging with non-state actors where needed to achieve the agency's objectives affecting its resource mobilization and programmatic targets	FENSA guidelines adapted to IARC.

Risk description	**Risk response actions**
Due to changing French regulations, IARC Training and Fellowship programme may be affected, resulting in disruption of IARC's flagship capacity building programme	Engage with local authorities and seek an alternative solution that would allow IARC to continue welcoming Early Career and Visiting Scientists (ECVSs) from Low and Middle Income Countries (LMICs) with visa requirements in France.

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 2019 in line with its Internal Control Framework.

Elisabete Weiderpass, MD, MSc, PhD
IARC Director

International Agency for Research on Cancer

World Health Organization

CERTIFICATION OF ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

Tamás Landesz, MBA, MPA, MALD, PhD
Director of Administration and Finance

Elisabete Weiderpass, MD, MSc, 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 2019
(amount in Euros)

	Notes	As at **31 December 2019**	As at **31 December 2018**
ASSETS	Note 4		
Current assets			
Cash and cash equivalents	4.1	32 394 902	32 554 749
Accounts receivable, net	4.2	18 273 238	17 016 542
Staff receivables	4.3	132 132	133 559
Prepayments	4.4	405 613	280 801
Interest receivables	4.5	16 610	13 202
Inventories	4.6	235 085	255 774
Total current assets		51 457 580	50 254 627
Non-current assets			
Accounts receivable, net	4.2	4 015 790	6 105 757
Property, plant and equipment - net	4.7	2 111 169	2 508 450
Total non-current assets		6 126 959	8 614 207
TOTAL ASSETS		**57 584 539**	**58 868 834**
LIABILITIES	Note 5		
Current liabilities			
Contributions received in advance	5.1	974 608	903 379
Accounts payable	5.2	1 228 324	1 875 993
Accrued staff benefits	5.3	1 016 470	1 055 357
Deferred revenue	5.4	9 769 162	7 611 123
Total current liabilities		12 988 564	11 445 852
Non-current liabilities			
Accrued staff benefits	5.3	81 237 910	62 655 658
Deferred revenue	5.4	4 005 627	6 135 304
Total non-current liabilities		85 243 537	68 790 962
TOTAL LIABILITIES		**98 232 101**	**80 236 814**
NET ASSETS/EQUITY	Note 6		
Fund			
Regular Budget	6.1	310 761	2 126 747
Voluntary Contributions	6.2	14 063 625	13 855 843
Working Capital Fund	6.3	2 951 086	3 361 050
Other IARC funds			
Governing Council Special Funds	6.4	10 698 885	10 313 527
Special Account for Programme Support Costs	6.5	4 446 731	3 776 915
Participating States - Others	6.6	(73 165 066)	(54 840 521)
Trust Fund	6.7	46 416	38 459
TOTAL NET ASSETS/EQUITY BALANCES		(40 647 562)	(21 367 980)
TOTAL LIABILITIES AND NET ASSETS/EQUITY BALANCES		**57 584 539**	**58 868 834**

STATEMENT II – Statement of Financial Performance

International Agency for Research on Cancer
Statement of Financial Performance
For the year ended 31 December 2019
(amount in Euros)

	Notes	for the year ended **31 December 2019**	for the year ended **31 December 2018**
REVENUE	Note 7		
Assessed contributions	7.1	22 415 500	22 116 843
Voluntary contributions	7.2	14 566 789	16 270 113
Revenue-producing activities	7.3	1 311 011	1 289 571
Other operating revenue	7.4	30 439	19 623
Trust Funds	7.5	14 040	16 500
Financial revenue	7.6	101 908	83 632
Total revenue		**38 439 687**	**39 796 282**
EXPENSES	Note 8		
Staff cost	8.1	25 969 051	25 433 378
Temporary assistants, advisors and participants	8.2	1 576 555	1 303 426
Fellows	8.3	2 407 460	2 517 327
Duty travel (staff, fellows)	8.4	880 810	964 813
Research and other agreements	8.5	6 044 719	3 872 716
Procurement and various operating expenses	8.6	4 937 240	4 684 287
Cost of distribution and disposal of inventories	8.7	237 653	200 088
Depreciation	8.8	616 138	630 480
Net foreign exchange loss (gain)	8.9	637 424	1 090 871
Financial cost	8.10	23 524	22 018
Total expenses		**43 330 574**	**40 719 404**
TOTAL SURPLUS (DEFICIT) FOR THE YEAR		**(4 890 887)**	**(923 122)**

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 2019
(amount in Euros)

	Notes	Balance as at **31 December 2018**	**Surplus (deficit) in 2019**	**Remeasurement Gain/(Loss) on DBO and Plan Asset**	Balance as at **31 December 2019**
Fund					
Non-restricted (Participating States)					
Regular Budget	6.1	2 126 747	(1 815 986)		310 761
Working Capital Fund	6.3	3 361 050	(409 964)		2 951 086
Other IARC Funds	6.4-6.6	(40 750 079)	(2 880 676)	(14 388 695)	(58 019 450)
Total non-restricted		(35 262 282)	(5 106 626)	(14 388 695)	(54 757 603)
Restricted					
Voluntary Contributions	6.2	13 855 843	207 782		14 063 625
Trust Fund	6.7	38 459	7 957		46 416
Total restricted		13 894 302	215 739		14 110 041
Total net assets/equity balance		**(21 367 980)**	**(4 890 887)**	**(14 388 695)**	**(40 647 562)**

STATEMENT IV – Statement of Cash Flow

International Agency for Research on Cancer
Statement of Cash Flows
For the year ended 31 December 2019
(amount in Euros)

	Notes	As at **31 December 2019**	As at **31 December 2018**
Cash flow from operating activities			
Net surplus (deficit) for the year		(4 890 887)	(923 122)
Depreciation	8.8	616 138	630 480
Unrealized (gains)/losses on revaluation		814 573	1 386 368
(Increase) decrease in current accounts receivable, current		(1 220 591)	85 697
(Increase) decrease in staff receivables		1 547	20 182
(Increase) decrease in prepayments		(124 812)	68 346
(Increase) decrease in interest receivables		(3 408)	(6 569)
(Increase) decrease in inventories		20 689	(86 500)
(Increase) decrease in accounts receivable, non-current		2 093 441	(1 371 373)
Increase (decrease) in assessed contributions received in advance		71 229	(841 387)
Increase (decrease) in accounts payable		(647 515)	431 993
Increase (decrease) in accrued staff benefit, current liabilities		(38 887)	21 691
Increase (decrease) in deferred revenue, current liabilities		2 158 039	(440 515)
Increase (decrease) in accrued staff benefit, non-current liabilities		3 339 131	3 333 047
Increase (decrease) in deferred revenue, non-current liabilities		(2 129 677)	1 252 058
Net increase (decrease) in cash flows from operating activities		**59 010**	**3 560 396**
Cash flows from investing activities			
(Increase) decrease in property, plant and equipment		**(218 857)**	**(630 053)**
Net increase (decrease) in cash and cash equivalents		**(159 847)**	**2 930 343**
Cash and cash equivalents at the beginning of the year		**32 554 749**	**29 624 406**
Cash and cash equivalents at the end of the year	4.1	**32 394 902**	**32 554 749**

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 2018-2019)
For the year ended 31 December 2019
(amount in Euros)

Purpose of appropriation	2018-19 Programme Budget Appropriations				Budget Utilization				% utilization
	Approved Appropriations by Governing Council		Transfers (IARC Financial Regulations 3.3)	Effective appropriations	Expenses		Encumbrance	Total Utilization	
	2018	2019			2018	2019	2019		
1. Describe the occurrence of cancer	1 734 106	1 773 287	(26 783)	3 480 610	1 628 424	1 843 656	8 530	3 480 610	*7.88%*
2. Understand the causes of cancer	5 768 989	5 950 117	(576 016)	11 143 090	5 093 720	6 001 685	47 685	11 143 090	*25.24%*
3. Evaluate and implement cancer prevention and control strategies	2 196 452	2 121 336	121 791	4 439 579	1912 041	2 513 560	13 978	4 439 579	*10.06%*
4. Increase the capacity for cancer research	5 453 993	5 496 544	(1 186 814)	9 763 723	4766 974	4 953 180	43 569	9 763 723	*22.11%*
5. Provide strategic leadership and enhance the impact of the Agency's contribution to global cancer research	2 392 650	2 407 298	602 379	5 402 327	2018 439	3 195 814	188 074	5 402 327	*12.24%*
6. Enable and support the efficient conduct and coordination of research	4 366 138	4 488 883	1 065 443	9 920 464	4 365 983	5 545 556	8 925	9 920 464	*22.47%*
TOTAL	**21 912 328**	**22 237 465**		**44 149 793**	**19 785 581**	**24 053 451**	**310 761**	**44 149 793**	*100.00%*

RECONCILIATION	(see Note 9)	
TOTAL EXPENSES AS PER STATEMENT V		**24 053 451**
a) Time differences:		
Regular Budget expenditure in other periods		
b) Basis differences:		
Common fund activities		417 970
Other non-Regular Budget utilisation		18 859 153
Sub-total		**19 277 123**
TOTAL EXPENSES AS PER STATEMENT II		**€ 43 330 574**

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 2019 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 Statement of Financial Performance and on the status of collection of contribution from Participating States:

- 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)

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

Accounts Payable consist of amounts payable to staff and Early Career and Visiting Scientists (ECVS), suppliers, and accrued expenses.

- Amounts payable to staff and ECVS refer to unpaid travel claims and reimbursement of expenses.
- Amounts payable to suppliers are amounts due for goods or services that invoices have been received but not yet paid for.
- Accrued expenses are financial liabilities in respect of goods or services under procurement contracts and deliverables under collaborative research agreements that have been received by or provided to the Agency and which have neither been paid for nor invoiced to IARC.

Accounts payable 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 employees. The Fund is a funded, multi-employer defined benefit plan. As specified by Article 3(b) of the Regulations of the Fund, membership in the Fund shall be open to the specialized agencies and to any other international, intergovernmental organization that participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.

The plan exposes participating organizations to actuarial risks associated with participation of current and former employees of other organizations in the Pension Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets, and costs to individual organizations participating in the plan. IARC and the UNJSPF, in line with the other participating organizations in the Fund are not in a position to identify IARC's proportionate share of the defined benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. IARC has therefore treated it as a defined contribution plan in line with the requirements of IPSAS 39 (Employee Benefits). IARC's contributions to the Fund during the financial period are recognized as expenses in the Statement of Financial Performance (Statement II).

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 comprises Core Voluntary Contribution Account (CVCA), designated contribution, and undesignated contribution.
   - CVCA was established in 2019 to receive supplementary fund from Participating States to finance IARC's core activities (Resolution GC/61/R5, paragraph 9).
   - Designated voluntary contributions are specifically earmarked by the donor to finance special projects.
   - 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 CVCA and 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 CVCA and undesignated voluntary contributions, revenue is recognized upon receipt of fund.

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.* This refers to fees collected from personnel enrolled in language courses offered by IARC, which are used to partially finance consultancy fees paid to teachers. 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. These also include expendable equipment, i.e. physical assets with a value below €3000, which are not capitalized as PP&E (see Note 3.3) and recognized as expense upon receipt.

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 CVCA, designated contributions, 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, and Post Occupancy Charge (POC) Funds and Service Health Insurance Funds.

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.

As required under IPSAS 24 (Presentation of Budget Information in Financial Statements), 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, presentation, 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.

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. 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 that 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-19	31-Dec-18
Cash on hand	12 438	25 093
Cash at UNDP	144 178	82 910
Bank deposits	32 238 286	32 446 746
Total	€32 394 902	€32 554 749

4.2 Accounts receivable, net

The total account receivable amounted to €22 289 028 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 2019, 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-19	31-Dec-18
Uncollected assessed contributions	3 975 134		3 975 134	4 045 870
Designated voluntary contributions	13 237 449	4 015 790	17 253 329	17 491 734
Other accounts receivable*	1 505 269		1 505 269	1 584 695
Total accounts receivable	18 717 852	4 015 790	22 733 642	23 122 299
Less: Accumulated allowances	(444 614)	0	(444 614)	0
Total accounts receivable, net	€18 273 238	€4 015 790	€22 289 028	€23 122 299

*Other accounts receivable comprise of royalties and sales of publication receivables (€1 270 463), VAT refund (€166 806), pending reimbursement from insurance during staff sick leave (€53 444) income tax refund (€13 955), and supplier's deposit (€601).

Total accumulated allowances for doubtful accounts receivable:

	Current	Non-Current	Total 31-Dec-19	31-Dec-18
Opening balance of allowance for assessed contribution	0		0	0
Opening balance of allowance for designated VC	0		0	0
Opening balance of allowance for other receivables	0		0	0
Total opening balance at beginning of year	0		0	0
Add: Allowance for assessed contribution	444 614		444 614	0
Allowance for designated VC	0		0	0
Allowance for other receivables	0		0	0
Total allowances for doubtful receivables	444 614		444 614	0
Less: Reversal of allowance for assessed contribution	0		0	0
Reversal of allowance for designated VC	0		0	0
Reversal of allowance for other receivables	0		0	0
Total accumulated allowances at end of year	€444 614		€444 614	€0

4.3 Staff receivables

The total balance of staff receivables amounted to €132 132, net decrease by €1427 from the prior period. Breakdown by type of receivables are as follows.

	31-Dec-19	31-Dec-18
Education grant advance	106 984	101 414
Duty travel advance	23 549	27 793
Salary advance	1 599	
Home leave		4 352
Total	€132 132	€133 559

4.4 Prepayments

The total value of prepayments is €405 613, which consists of payments to suppliers in advance of receipt of goods or services. In addition, fellows of IARC are paid one month in advance and the payment of stipend for January 2020 is included in this account.

	31-Dec-19	31-Dec-18
Prepayment to suppliers	210 792	102 569
Prepaid insurance	1 980	
Stipend advance	192 841	178 232
Total	€405 613	€280 801

4.5 Interest receivables

The €16 610 represents amount due from bank deposits for interest earned for the period ending 31 December 2019, which has not been received.

4.6 Inventories

The amount of €235 085 represents the value of IARC publication inventories, of which €63 232 relates to the Work in Progress and €171 853 relates to Finished Goods held for sales at WHO Press as at the end of the reporting period.

	31-Dec-19	31-Dec-18
Balance at beginning of year	255 774	169 274
Additions	216 964	286 588
Distributions	(216 956)	(170 535)
Disposals/adjustments	(20 697)	(29 553)
Balance at end of year	€235 085	€255 774

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 €2 111 169. 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-19	Total 31-Dec-18
Cost or valuation:							
Balance at beginning of year	2 906 098	4 904 246	972 878	14 441	113 689	8 911 352	8 300 221
Additions		214 902	3 955			218 857	630 053
Disposals		(331 700)				(331 700)	(18 922)
Balance at end of year	2 906 098	4 787 448	976 833	14 441	113 689	8 798 509	8 911 352
Accumulated depreciation:							
Balance at beginning of year	1 651 487	3 902 530	722 142	13 054	113 689	6 402 902	5 791 344
Charges for the year	72 654	438 742	103 355	1 387		616 138	630 480
Disposals		(331 700)				(331 700)	(18 922)
Balance at end of year	1 724 141	4 009 572	825 497	14 441	113 689	6 687 340	6 402 902
Net book value:							
At beginning of year	1 254 611	1 001 716	250 736	1 387	0	2 508 450	2 508 877
At end of year	1 181 957	777 876	151 336	0	0	2 111 169	2 508 450

In addition, IARC has 114 items of PP&E with the total gross acquisition value of €3 614 361 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 €974 608 represents 2020 assessed contributions received in advance from Participating States, voluntary contribution received in advance, and revenue from publications received in advance.

	31-Dec-19	31-Dec-18
Assessed contribution received from Belgium	23 038	17 027
Assessed contribution received from Canada	874 630	884 267
Voluntary contribution received in advance	74 855	
Other revenue received in advance	2 085	2 085
Total	€974 608	€903 379

5.2 Accounts payable

The total outstanding as at the end of reporting period is €1 228 324. Staff/STA/fellows payable below include salary payable, staff association payable, and payment (such as travel/expense reimbursements and stipend) payable to staff/STA/fellows.

	31-Dec-19	31-Dec-18
Staff/STA/fellows	25 743	29 607
Suppliers	34 619	429 114
Accrued expenses	1 167 962	1 417 272
Total	€1 228 324	€1 875 993

5.3 Accrued staff benefits

Accrued staff benefits, total €82 254 380, 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 €75 511 320 (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-19	31-Dec-18
Short-term employee benefits	902 205		902 205	868 214
Other long-term employee benefits	114 265	1 963 215	2 077 480	1 928 140
Post employee benefits (i.e. ASHI)		79 274 695	79 274 695	60 914 661
Total	€1 016 470	€81 237 910	€82 254 380	€63 711 015

b) TQ, TP, and POC accounts:

These accounts were established to finance statutory benefits of staff members. They are collected through staff payroll. There is a total balance of €6 704 060 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 8% of professional staff salary and post adjustment. The TQ rate was decreased from 10% to 8% starting from 1 January 2018.

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 at the rate of 3.5% of salary and post adjustment for fixed-term staff members and 5.5% for temporary appointment staff members.

POC Account: The Post Occupancy Charge (POC) was established in 2018 for financing the enabling and supportive functions, including funding or supporting the temporary backfilling of staff members on maternity leave. It is funded by a budgetary provision set at 0.5% of all staff salary and post adjustment. During 2019, fund amounting to €150,000 was exceptionally transferred from excessed TP fund to POC as approved by the IARC Senior Leadership Team.

	TQ	TP	POC	Total 31-Dec-19	31-Dec-18
Fund balance at beginning of year	2 375 805	3 668 589	61 876	6 106 270	5 723 014
Plus: Fund inflow during the year	765 559	414 181	229 668	1 409 408	1 344 377
Less: Fund outflow during the year	(586 118)	(255 500)		(811 618)	(961 121)
Fund balance at end of year	€2 555 246	€3 857 270	€291 544	€6 704 060	€6 106 270

The outflow fund in 2019 includes the following payments on employee benefits.

	Current	Non-Current	Total 31-Dec-19
Recruitment entitlements	220 942		220 942
Separation entitlements	77 970	255 500	303 470
Education grants	229 444		229 444
Home leave travels	52 708		52 708
Periodic medical and insurance	5 054		5 054
Total fund outflow	€586 118	€255 500	€811 618

c) Valuation of accrued short-term staff benefits:

These include the accrued annual leave balance, educational grants, and home leaves. 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-19	31-Dec-18
Accrued annual leave	820 412	827 648
Educational grants	42 793	40 566
Accrued staff salaries	39 000	
Total Defined Benefit Obligation at end of year	€902 205	€868 214

Reconciliation:

	31-Dec-19	31-Dec-18
Defined Benefit Obligation at beginning of year	868 214	852 036
Plus: Expense incurred during the year	620 110	721 321
Less: Actual payment	(586 119)	(705 143)
Defined Benefit Obligation at end of year	€902 205	€868 214

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-19	31-Dec-18
Grant in case of death	156 529	125 400
Repatriation grant	1 532 522	1 408 672
Repatriation removal	277 823	266 612
Repatriation travel	91 530	85 203
Termination for reasons of health	19 076	42 253
Total Defined Benefit Obligation at end of year	€2 077 480	€1 928 140

Actuarial summary

	31-Dec-19 Valuation	31-Dec-18 Valuation
Reconciliation of Defined Benefit Obligation – 142 (a)(ii)		
Defined Benefit Obligation at Beginning of Year	1 928 140	1 875 837
Service Cost	207 385	199 006
Interest on Defined Benefit Obligation	29 347	24 986
(Actual Gross Benefit Payments)	(225 500)	(255 978)
Participant Contributions	0	0
Changes in Accounting Methods	0	0
Plan Amendments	0	0
(Gain)/Loss on DBO Due to Financial Assumption Changes	156 000	(38 736)
(Gain)/Loss on DBO Due to Other Assumption Changes	(17 892)	123 025
Defined Benefit Obligation at End of Year	€2 077 480	€1 928 140
Reconciliation of Funded Status – 142		
Defined Benefit Obligation	2 077 480	1 928 140
(Plan Assets)	0	0
Net (Surplus)/Deficit in Statement of Financial Position	2 077 480	1 928 140
Current (Asset)/Liability	114 265	187 143
Noncurrent (Asset)/Liability	1 963 215	1 740 997
Statement of Financial Performance		
Service Cost	207 385	199 006
Interest on (Surplus)/Deficit	29 347	24 986
Remeasurements	138 108	84 289
Total Expense	€374 840	€308 281

Actuarial assumptions and methods:

Measurement Date	31 December 2019
Discount Rate	0.8% (decreased from 1.6% in the prior valuation as at 31 December 2018) 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% (same rate as in the prior valuation as at 31 December 2018)
Annual Salary Scale	Includes merit/promotional increases, plus 2.5% static increases for general inflation per year, plus 0.5% productivity growth (same as in the prior valuation). Set equal to the rates from the 31 December 2019 valuation of the UNJSPF.
Future Exchange Rates	Equal to official United Nations spot rates at 31 December 2019.
Long-Term Disability Rates	50% of those recommended by the UN Task Force via harmonization guidance, based on a study that WHO performed of its experience from 2005–2016.
Mortality Rates	Mortality rates match the rates recommended by the U.N. Task Force via harmonization guidance provided on 22 January 2020. After the issuance of preliminary financial results, Aon and IARC were informed of a technical change made to the mortality assumptions. IARC, in consultation with Aon, determined that this change was not material to the 31 December 2019 valuation and therefore did not reflect the change. The guidance uses rates that are weighted by pension benefit amounts, producing greater longevity than rates that count each participant equally.
Value of Assets	Under IPSAS 39, the plan is treated as having no assets for accounting purposes.
Recognition of Actuarial Gains and Losses	Gains and losses are recognized immediately in the expense for the year in which they arise.
Utilization of Repatriation Benefits	70% of participants meeting the service criteria at separation are assumed to elect benefits, based on a study of experience from 2005 through 2009 for the Pan-American Health Organization. This assumption was approximately validated against WHO's benefit payments experience for 2013 and 2014. In early 2019, the aggregate reasonability of the payment assumptions for repatriation benefits (encompassing utilization and per capita costs) was validated against WHO's benefit payments experience for 2017 through 2019.
Repatriation Grant	Married staff members who die in service are assumed to have at least one dependent child at death. 85% of male staff members and 55% of female staff are assumed to have at least one dependent at separation.
Repatriation Travel	The average cost per ticket is $3,789 per staff member in 2020. This cost includes the staff member for all contingencies (including death). Based on a study of WHO's experience from 1 January 2010 to 30 September 2011. The above figure is converted to euros with the 31 December 2019 exchange rate. The average cost per ticket was projected to the valuation date with general inflation assumptions from the past valuations, and is projected thereafter with the general inflation assumption from the current valuation.

Relocation Shipment	Under the plan rules, the lump-sum benefit for removal on repatriation is $10,000/$15,000 single/married for fixed-term staff and $7,000/$10,500 single/married for short-term staff. In 2014, about 10% of WHO's staff covered by TP were short-term. Therefore, the assumed average lump-sum benefits are weighted averages of the benefits for fixed-term staff and short-term staff, calculated as follows: $10,000 x 90% + $7,000 x 10% = $9,700 for single staff. $15,000 x 90% + $10,500 x 10% = $14,550 for married staff. These figures are not indexed to inflation. The above figures are converted to euros with the 31 December 2019 exchange rate
Termination for Reasons of Health	96% of in-service disablements are assumed to result in the standard termination for reasons of health benefit. The other 4% of in-service disablements are assumed to result in an SFFC benefit and no termination for reasons of health benefit from the TP.
Grant in Case of Death	90% of in-service deaths are assumed to result in the standard grant in case of death. The other 10% of in-service deaths are assumed to result in an SFFC benefit and no grant in case of death from the TP.

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 2019 determined by professional actuaries within the overall report to WHO is US$ 88 476 222, equivalent to € 79 274 695 at UN Exchange rate of €0.896/US$.

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

Actuarial summary

	31-Dec-19 Valuation (US$)	31-Dec-18 Valuation (US$)
Reconciliation of Defined Benefit Obligation – 142 (a)(ii)		
Defined Benefit Obligation at beginning of year	99 842 008	101 102 698
Service cost	4 714 646	5 548 849
Interest on Defined Benefit Obligation	1 290 793	1 106 717
(Actual after service gross benefit payments)	(487 823)	(475 748)
(Actual after service administrative expenses)	(32 969)	(30 243)
Actual contributions by after service participants	243 593	258 532
Plan amendments adopted during the year	(185 207)	(662 917)
Changes in accounting methods	0	0
(Gain)/Loss on Defined Benefit Obligation Due to Financial Assumption Changes	17 951 728	(6 298 704)
(Gain)/Loss on Defined Benefit Obligation Due to Other Assumption Changes	791 877	(707 176)
Defined Benefit Obligation at end of year	US$ 124 128 646	US$ 99 842 008

	31-Dec-19 Valuation (US$)	31-Dec-18 Valuation (US$)
Reconciliation of Assets – 142 (a)(i)		
Market value of ASHI at beginning of year, gross of IBNP Reserve	30 687 724	30 057 297
(Actual total SHI gross benefit payments)	(1 121 135)	(1 080 197)
(Actual total SHI administrative expenses)	(75 770)	(68 668)
Actual total SHI participant contributions	981 700	997 445
Actual total SHI organization contributions	1 962 093	1 971 132
Asset Transfers between Regional Offices	0	0
4% of Pay Contributions	0	0
Interest on gross SHI assets	406 767	337 228
Gain/(loss) on Plan Assets	3 210 045	(1 526 513)
Market value of SHI assets at end of year	US$ 36 051 424	US$ 30 687 724
Reconciliation of Incurred-But-Not-Paid Reserve, Offset to Assets –142(a)(i)		
Incurred-But-Not-Paid Reserve at beginning of year	383 000	352 000
Interest On Incurred-But-Not-Paid Reserve	4 979	3 872
(Gain)/Loss on Incurred-But-Not-Paid Reserve	11 021	27 128
Incurred-But-Not-Paid Reserve at end of year	399 000	383 000
Net Assets (Gross Assets minus Incurred-But-Not-Paid Reserve at end of year)	US$ 35 652 424	US$ 30 304 724
Reconciliation of Funded Status – 142		
Defined Benefit Obligation		
Active	86 753 468	63 014 558
Inactive	37 375 178	36 827 450
Total Defined Benefit Obligation	124 128 646	99 842 008
ASHI Plan Assets		
(Gross SHI Plan Assets)	(36 051 424)	(30 687 724)
Offset for Incurred-But-Not-Paid Reserve	399 000	383 000
(Net ASHI Plan Assets administered by WHO)	(35 652 424)	(30 304 724)
Net (asset)/liability in Statement of Financial Position	US$ 88 476 222	US$ 69 537 284
Current (asset)/liability	0	0
Noncurrent (asset)/liability	US$ 88 476 222	US$ 69 537 284
Total (Gain)/Loss on WHO's Books	US$ 15 544 581	US$ (5 452 239)
Statement of Financial Performance		
Service cost	4 714 646	5 548 849
Interest on (Surplus)/Deficit	889 005	773 361
Past service (credit)/cost	(185 207)	(662 917)
Total expense	US$ 5 418 444	US$ 5 659 293

	31-Dec-19 Valuation (US$)	31-Dec-18 Valuation (US$)
Expected Accounting Contributions – 149 (b)		
Expected contributions during next year		
Contribution by/for active staff, net of claims/admin costs	1 314 000	1 689 000
Contribution by WHO for Inactives	553 000	623 000
Net transfer by to cover WHO-PAHO/PAHO deficit	0	0
Total expected contributions	US$ 1 867 000	US$ 2 312 000
Sensitivity Analysis – 147 (a)		
Defined Benefit Obligation at end of year		
Current medical inflation assumption minus 1%	96 027 219	79 093 485
Current medical inflation assumption	124 128 646	99 842 008
Current medical inflation assumption plus 1%	163 298 399	128 228 294
Current discount rate assumption minus 1%	164 644 655	129 753 000
Current discount rate assumption	124 128 646	99 842 008
Current discount rate assumption plus 1%	95 711 070	78 475 508

Actuarial assumptions and method:

Measurement date	31 December 2019
Discount Rate	0.6% (decreased from 1.3% in the prior valuation as at 31 December 2018) 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. The resulting rate is rounded to the nearest 0.1%.
Annual General Inflation	1.3% (decreased from 1.4% in the prior valuation as at 31 December 2018) Based on the UN common assumptions (for long-duration plans) of 1.2% 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 2.5% static increases for general inflation per year, plus 0.5% productivity growth (same as in the prior valuation). Set equal to the rates from the 31 December 2019 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 and retirement date. Full eligibility date is assumed to be the latest of age 55, 10 years of service, and five years of continuous service. This approach is conservative for staff hired after 2013.

f) United Nations Joint Staff Pension Fund:

The regulations of the United Nations Joint Staff Pension Fund (the "Fund") 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 Fund will be sufficient to meet its liabilities.

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

The latest actuarial valuation for the Fund was completed as of 31 December 2017, and the valuation as of 31 December 2019 is currently being performed. A roll forward of the participation data as of 31 December 2017 to 31 December 2018 was used by the Fund for its 2018 financial statements.

The actuarial valuation as of 31 December 2017 resulted in a funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, of 139.2%. The funded ratio was 102.7% 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 of 31 December 2017, 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 plan. 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.

Should Article 26 be invoked due to an actuarial deficiency, either during the ongoing operation or due to the termination of the Fund, deficiency payments required from each member organization would be based upon the proportion of that member organization's contributions to the total contributions paid to the Fund during the three years preceding the valuation date.

During 2019, contribution paid to the Fund amounted to US$ 6 013 290 (US$ 5 744 060 in 2018, US$ 5 624 697 in 2017, and US$ 5 395 795 in 2016).

Membership of the Fund may be terminated by decision of the United Nations General Assembly, upon the affirmative recommendation of the Pension Board. A proportionate share of the total assets of the Fund at the date of termination shall be paid to the former member organization for the exclusive benefit of its staff who were participants in the Fund at that date, pursuant to an arrangement mutually agreed between the organization and the Fund. The amount is determined by the United Nations Joint Staff Pension Board based on an actuarial valuation of the assets and liabilities of the Fund on the date of termination; no part of the assets which are in excess of the liabilities are included in the amount.

The United Nations Board of Auditors carries out an annual audit of the Fund and reports to the Pension Board and to the United Nations General Assembly on the audit every year. The 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 2019 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-19	31-Dec-18
Current liabilities	9 769 162	7 611 123
Non-current liabilities	4 005 627	6 135 304
Total deferred revenue	€13 774 789	€13 746 427

Note 6: Net assets/equity

The net assets/equity of the Agency decreased by €19 279 582 at the end of the reporting period due to the increase in the funding gap related to the ASHI. 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 €22 237 465 budget approved for 2019 and €2 126 747 fund balance from 2018 approved regular budget, of which €233 693 was committed in 2018 for delivery in subsequent calendar year. At the end of reporting period, there is a net fund balance of €310 761.

6.2 Voluntary Contributions

The fund balance of €14 033 905 includes designated and undesignated voluntary contributions.

6.3 Working Capital Fund

Fund balance decreased by €409 964, as a net result of contribution from new Participating States (see also Note 3.10b) and fund used for the establishment of allowances for assessed contribution in arrears.

	31-Dec-19	31-Dec-18
Beginning balance at beginning of year	3 361 050	3 326 400
Add: New Participating States contribution to WCF	34 650	34 650
Decrease in allowances upon receipt of assessed contribution in arrears	0	0
Less: Allowances for assessed contribution in arrears	(444 614)	0
Ending balance as at end of year	€2 951 086	€3 361 050

6.4 Governing Council Special Fund

The fund balance of €10 698 885 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 €3 776 915 to €4 446 731 during the reporting period.

6.6 Participating State – Others

The amount of €(73 165 066) 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-19	31-Dec-18
Inventories	235 085	255 774
Property, plant and equipment, net	2 111 169	2 508 450
Total common fund	€2 346 254	€2 764 224

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

	31-Dec-19	31-Dec-18
Fund balance in TQ, TP, and POC accounts (Note 5.3b)	6 704 060	6 106 270
Accrued staff salaries funded from other source	39 000	
Less: Total accrued staff benefits (Note 5.3a)	(82 254 380)	(63 711 015)
Total special purpose fund	€(75 511 320)	€(57 604 745)

6.7 Trust Fund

This account has a balance of €46 416, 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-19	31-Dec-18
Budgeted assessed contribution	22 237 465	21 912 328
Unbudgeted assessed contribution	622 649	204 515
Increase in allowance for doubtful accounts receivable	(444 614)	0
Total	€22 415 500	€22 116 843

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 €22 237 465 shown on these Financial Statements represents the contribution from Participating States for 2019 approved programme budget (Resolution GC/59/R4). The status of the collection is shown in Schedule 3.

Unbudgeted assessed contribution

The unbudgeted assessed contribution includes contributions from Hungary and Islamic Republic of Iran, whose memberships were accepted in 2019 and 2018, respectively. The 2019 contributions were assessed in accordance with the percentage set forth in IARC Financial Regulations Article IV.4.3 and Resolution GC/54/R18. The first €34 650 of contribution from Hungary was credited to the Working Capital Fund and the remaining contributions were credited to the Governing Council Special Fund.

	31-Dec-19	31-Dec-18
Contribution from Hungary	207 550	
Contribution from Islamic Republic of Iran	415 099	204 515
Total	€ 622 649	€ 204 515

Increase in allowance for doubtful accounts receivable

The allowance for doubtful accounts receivable amounting to €444 614 was established for assessed contributions pending from a Participating State.

7.2 Voluntary contributions

The total net revenue from voluntary contributions was €14 566 789. There was no write off nor allowance for doubtful accounts receivable in 2019.

	31-Dec-19	31-Dec-18
Core Voluntary Contribution Account	62 260	
Designated voluntary contributions	14 411 740	15 885 484
Undesignated voluntary contributions	92 789	390 629
Total voluntary contributions	14 566 789	16 276 113
Approved write-off without prior year allowance		(6 000)
Total	€14 566 789	€16 270 113

7.3 Revenue producing activities

The revenue received from sale of IARC publications in 2019 amounted to €1 311 011, which slightly increased from the prior year.

7.4 Other operating revenue

	31-Dec-19	31-Dec-18
Sale of equipment and materials	210	4 658
Other income	30 229	14 965
Total	€30 439	€19 623

7.5 Trust fund

The amount of €14 040 represents fees collected from personnel enrolled in the language courses offered by IARC.

7.6 Financial revenue

This account represents interest income on bank deposits. Interest income amounting to €6012 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 (€4886) and to the undesignated voluntary contribution as approved by the Governing Council under its Resolution GC/23/R6 (€1126). The remaining interest income amounting to €95 896 was credited to the Governing Council Special Fund.

	31-Dec-19	31-Dec-18
Interest income apportioned to VC account	6 012	3 038
Interest income credited to GCSF account	95 896	80 594
Total	€101 908	€83 632

7.7 Income from services rendered

The total programme support cost of €947 005 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 Agreement (CRA), consortium and partnership agreements, and other contracts, including Agreements for the Performance of Work (APW), Material Transfer Agreement (MTA), Data Transfer Agreement (DTA), and consultant contracts.

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. There was no write-off during 2019.

8.7 Cost of distribution and disposal of inventories

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

8.8 Depreciation expense

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

8.9 Net foreign exchange loss

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

	31-Dec-19	31-Dec-18
Net realized foreign exchange loss (gain)	(177 149)	(295 497)
Net unrealized foreign exchange loss (gain)	814 573	1 386 368
Total net foreign exchange loss (gain)	€637 424	€1 090 871

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 during the reporting period between Designated Voluntary Contribution (VC) and GCSF related to closure of projects, and between GCSF and Programme Support Cost (PSC) accounts related to reimbursement from insurance.

	VC	GCSF	PSC
Transfer fund balance of closed projects to GCSF	(35 677)	35 677	
Transfer insurance reimbursements to PSC		(27 654)	27 654
Net transfer between funds	€(35 677)	€8 023	€27 654

Note 9: Comparison of budget and actual amounts

Through the 59th Governing Council meeting, Resolution GC/59/R4, the total effective regular budget was approved for 2019–19 for €44 149 793, of which €21 912 328 and €22 237 465 are allocated for 2018 and 2019 work plans, respectively. Authorized under the same Resolution, the Director approved the transfers between sections of the budget during the biennium, not exceeding to 15% of the section from which the credit was transferred. Details are shown under column "Transfers" in the Statement of Comparison of Budget and Actual Amounts (Statement V)

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 2019 is presented below:

	31-Dec-19	31-Dec-18
Actual amount on comparison - Statement V	24 053 451	19 785 581
Time difference		243 895
Basis differences	19 277 123	20 689 928
Actual expenses – Statement II	€43 330 574	€40 719 404

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 2019.

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)
2	€316 048	€60 030	€118 755	€494 833	€15 104	-

Note 11: Amounts written off and ex-gratia payments

There were no write-off and no ex-gratia payments made in 2019.

Note 12: Events after the reporting date

The reporting date for these financial statements is 31 December 2019. 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 2019, 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 2019
(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 2019**
REVENUE	Note 7								
Assessed contributions	7.1	22 237 465	(409 964)	587 999			22 415 500		**22 415 500**
Voluntary contributions	7.2				14 566 789		14 566 789		**14 566 789**
Revenue-producing activities	7.3			1 311 011			1 311 011		**1 311 011**
Other operating revenue	7.4			30 439			30 439		**30 439**
Trust Fund	7.5					14 040	14 040		**14 040**
Income from services rendered	7.7			947 005			947 005	(947 005)	
Financial revenue	7.6			95 896	6 012		101 908		**101 908**
Total revenue		22 237 465	(409 964)	2 972 350	14 572 801	14 040	39 386 692	(947 005)	38 439 687
EXPENSES	Note 8								
Staff cost	8.1	17 812 159		3 493 738	4 663 154		25 969 051		**25 969 051**
Temporary assistants, advisors and participants	8.2	763 106		308 367	505 082		1 576 555		**1 576 555**
Fellows	8.3	871 608		43 993	1 491 859		2 407 460		**2 407 460**
Duty travel (staff, fellows)	8.4	589 782		36 683	254 345		880 810		**880 810**
Research and other agreements	8.5	812 847		196 797	5 032 686	2 389	6 044 719		**6 044 719**
Procurement and various operating expenses	8.6	3 081 314		441 511	1 410 721	3 694	4 937 240		**4 937 240**
Cost of distribution & disposal of inventory	8.7			237 653			237 653		**237 653**
Depreciation	8.8			616 138			616 138		**616 138**
Net foreign exchange loss (gain)	8.9			637 424			637 424		**637 424**
Financial cost	8.10	23 179		232	113		23 524		**23 524**
Programme support cost	8.11				947 005		947 005	(947 005)	
Total expenses		23 953 995		6 012 536	14 304 965	6 083	44 277 579	(947 005)	**43 330 574**
TOTAL SURPLUS (DEFICIT) FOR THE YEAR		(1 716 530)	(409 964)	(3 040 186)	267 836	7 957	(4 890 887)		**(4 890 887)**
Capital expenditures									
Inventories		(90 047)		90 047					
Property plant & equipment		(9 409)		63 506	(54 097)				
Transfer between funds	8.12			5 957	(5 957)				
TOTAL CHANGES IN FUND BALANCES		(1 815 986)	(409 964)	(2 880 676)	207 782	7 957	(4 890 887)		**(4 890 887)**

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 2019
(amount in Euros)

	Notes	Governing Council Special Fund	Special Account for Programme Support Costs	Participating States Others	for the year ended **31 December 2019**
REVENUE	Note 7				
Assessed contributions	7.1	587 999			**587 999**
Voluntary Contribution	7.2				
Revenue-producing activities	7.3	1 311 011			**1 311 011**
Other operating revenue	7.4	30 439			**30 439**
Income from service rendered	7.7		947 005		**947 005**
Financial revenue	7.6	95 896			**95 896**
Total revenue		2 025 345	947 005		2 972 350
EXPENSES	Note 8				
Staff cost	8.1	765 496	64 789	2 663 453	**3 493 738**
Temporary assistants, advisors and participants	8.2	293 259	15 108		**308 367**
Fellows	8.3	72 996	(29 003)		**43 993**
Duty travel (staff, fellows)	8.4	26 966	9 717		**36 683**
Research and other agreements	8.5	187 356	9 441		**196 797**
Procurement and various operating expenses	8.6	206 952	234 559		**441 511**
Cost of distribution & disposal of inventory	8.7			237 653	**237 653**
Depreciation	8.8			616 138	**616 138**
Net foreign exchange loss (gain)	8.9	(217 003)		854 427	**637 424**
Financial cost	8.10		232		**232**
Total expenses		1 336 022	304 843	4 371 671	**6 012 536**
TOTAL SURPLUS (DEFICIT) FOR THE YEAR		689 323	642 162	(4 371 671)	**(3 040 186)**
Capital expenditures					
Inventories		(126 917)		216 964	**90 047**
Property, plant & equipment		(155 351)		218 857	**63 506**
Transfer between funds	8.12	(21 697)	27 654		**5 957**
TOTAL CHANGES IN FUND BALANCES		385 358	669 816	(3 935 850)	**(2 880 676)**

SCHEDULE 3 - Status of Collection of Assessed Contributions

International Agency for Research on Cancer
Status of Collection of Assessed Contributions
As at 31 December 2019
(amount in euros)

	2019 Assessments			Assessments of prior financial years			Total balance
Participating States	Assessments	Collected	Balance as of 31-Dec-19	Balance as of 01-Jan-19	Collected during 2019	Balance as of 31-Dec-19	as of 31-Dec-19
Budgeted Assessment:							
Australia	884 267	884 267	-	-	-	-	-
Austria	753 457	753 457	-	-	-	-	-
Belgium (3)	753 457	753 457	-	-	-	-	-
Brazil	884 267	675 901	208 366	329 510	329 510	-	208 366
Canada (3)	884 267	884 267	-	-	-	-	-
Denmark	753 457	-	753 457	742 441	742 441	-	753 457
Finland	622 649	622 649	-	-	-	-	-
France	1 145 883	1 145 883	-	-	-	-	-
Germany	1 145 883	1 145 883	-	-	-	-	-
India	753 457	-	753 457	742 441	742 441	-	753 457
Ireland	622 649	622 649	-	-	-	-	-
Italy	884 267	884 267	-	-	-	-	-
Japan	1 669 119	1 669 119	-	-	-	-	-
Morocco	622 649	-	622 649	-	-	-	622 649
Netherlands	753 457	753 457	-	-	-	-	-
Norway	753 457	753 457	-	-	-	-	-
Qatar	622 649	622 649	-	-	-	-	-
Republic of Korea	884 267	864 393	19 874	-	-	-	19 874
Russian Federation	884 267	884 267	-	-	-	-	-
Spain	884 267	884 260	7	871 337	871 337	-	7
Sweden	753 457	753 457	-	-	-	-	-
Switzerland	753 457	753 457	-	-	-	-	-
Turkey	753 457	753 457	-	-	-	-	-
United Kingdom	1 145 883	1 145 883	-	-	-	-	-
United States of America	1 669 119	496 409	1 172 710	1 155 625	1 155 625	-	1 172 710
TOTAL	**22 237 465**	**18 706 945**	**3 530 520**	**3 841 354**	**3 841 354**	**-**	**3 530 520**
% of collection		84.12%					
Unbudgeted Assessment:							
Hungary (1)	207 550	207 550	-	-	-	-	-
Islamic Republic of Iran (2)	415 099	-	415 099	204 515	175 000	29 515	444 614
GRAND TOTAL	**22 860 114**	**18 914 495**	**3 945 619**	**4 045 869**	**4 016 354**	**29 515**	**3 975 134**

(1) Hungary: Membership was accepted in 2019. The 2019 contribution equalled to one-third of assessment of Group 5 Participating States was accounted under the unbudgeted assessment.

(2) Islamic Republic of Iran: Membership was accepted in 2018. The 2018 and 2019 contributions equalled to one-third and two-third of assessment of Group 5 Participating States, respectively, were accounted under the unbudgeted assessment.

(3) In addition to the above, 2020 assessed contributions were received in advance from Belgium (€23 038) and Canada (€874 630).