International Agency for Research on Cancer

World Health Organization

Governing Council
Sixty-first Session

GC/61/5
18/04/2019

Lyon, 16–17 May 2019
Auditorium

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

For the year ended 31 December 2018

2018

[Page intentionally left blank]

TABLE OF CONTENTS

DIRECTOR'S FINANCIAL REPORT **3**

INTRODUCTION 3

FINANCIAL HIGHLIGHTS 3

REPORT OF THE EXTERNAL AUDITOR **10**

CERTIFICATION OF ANNUAL FINANCIAL STATEMENTS **15**

STATEMENT ON INTERNAL CONTROL **16**

FINANCIAL STATEMENTS **20**

STATEMENT I – Statement of Financial Position 20

STATEMENT II – Statement of Financial Performance 21

STATEMENT III – Statement of Changes in Net Assets/Equity 22

STATEMENT IV – Statement of Cash Flow 23

STATEMENT V – Statement of Comparison of Budget and Actual Amounts 24

NOTES TO THE FINANCIAL STATEMENTS **25**

Note 1: Reporting entity 25

Note 2: Basis for preparation and presentation 25

Note 3: Significant accounting policies 27

Note 4: Assets 35

Note 5: Liabilities 38

Note 6: Net assets/equity 46

Note 7: Revenue 48

Note 8: Expenses 50

Note 9: Comparison of budget and actual amounts 52

Note 10: Related party and other key management personnel disclosure 53

Note 11: Administrative waivers, amounts written off and ex-gratia payments 53

Note 12: Events after the reporting date 53

Note 13: Contingent liabilities, commitments and contingent assets 53

SCHEDULE 1 - Statement of Financial Performance by Major Funds 54

SCHEDULE 2 - Statement of Financial Performance by Other Funds 55

SCHEDULE 3 - Status of Collection of Assessed Contributions 56

DIRECTOR'S FINANCIAL REPORT

INTRODUCTION

1. The annual financial report of the Agency for the year ended 31 December 2018 is submitted in accordance with Article VI, Paragraph 6.1 of the IARC Financial Regulations. The financial statements and notes to the financial statements of the Agency have been prepared in full compliance with International Public Sector Accounting Standards (IPSAS) which continues to bring greater transparency, consistency, comparability and reliability of financial information, and higher standards of financial reporting.

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

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

FINANCIAL HIGHLIGHTS

4. Net Assets/Equity of the Agency as at 31 December 2018 increased by €2.742 million as compared to the prior year, from the negative balance of €24.110 million to the negative balance of €21.368 million as shown in Statement I.

5. The negative balance of Net Assets/Equity was due to unfunded liabilities linked to the After Service Health Insurance (ASHI). When excluding these unfunded liabilities, Net Assets/Equity of the Agency had a positive balance of €36.237 million at the end of 2018, an increase of €3.582 million from 2017 as shown in figure 1 below.

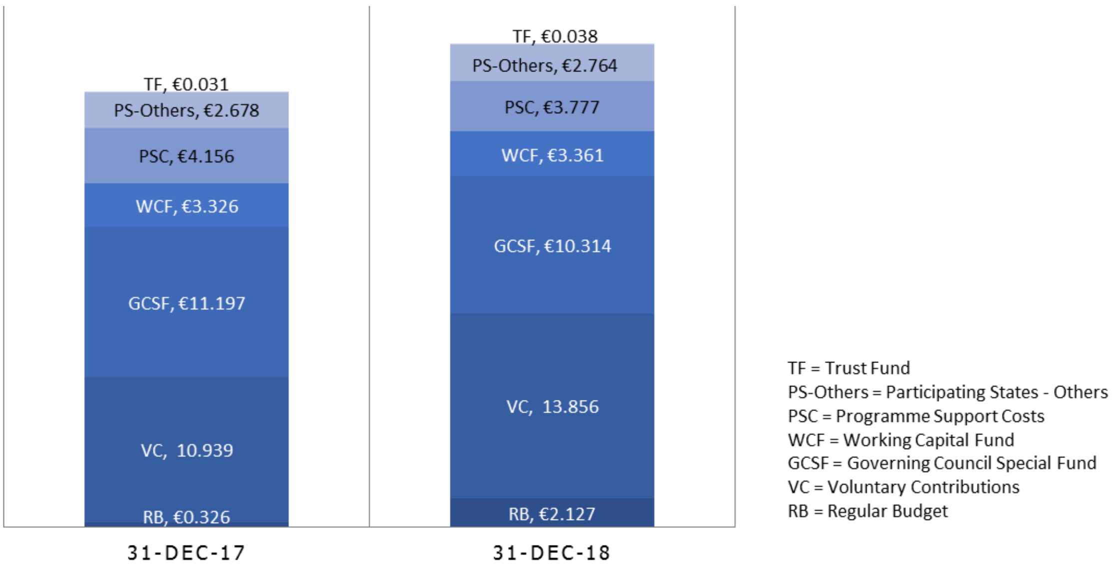

Figure 1 Net Asset/Equity (excluding unfunded ASHI liabilities) by fund as at 31-Dec-17 and 31-Dec-18 (amount in million euros)

The following paragraphs provide further details of each fund.

a) Regular Budget

6. The regular budget 2018–2019 was approved by the Governing Council in May 2017 at €44.150 million fully funded from assessment of contributions from Participating States, of which €21.912 was allocated for 2018. The collection of 2018 budgeted assessed contributions is at 82.47% as per the details shown in Schedule 3.

7. For the year ended 31 December 2018, total expenses and capital expenditure charged against the regular budget amounted to €19.786 million. The budget utilization rate including encumbrances for the financial year is 91.36%. Figure 2 below shows the breakdown of budget utilization by six main Objectives in comparison to the approved budget as presented in Statement V.

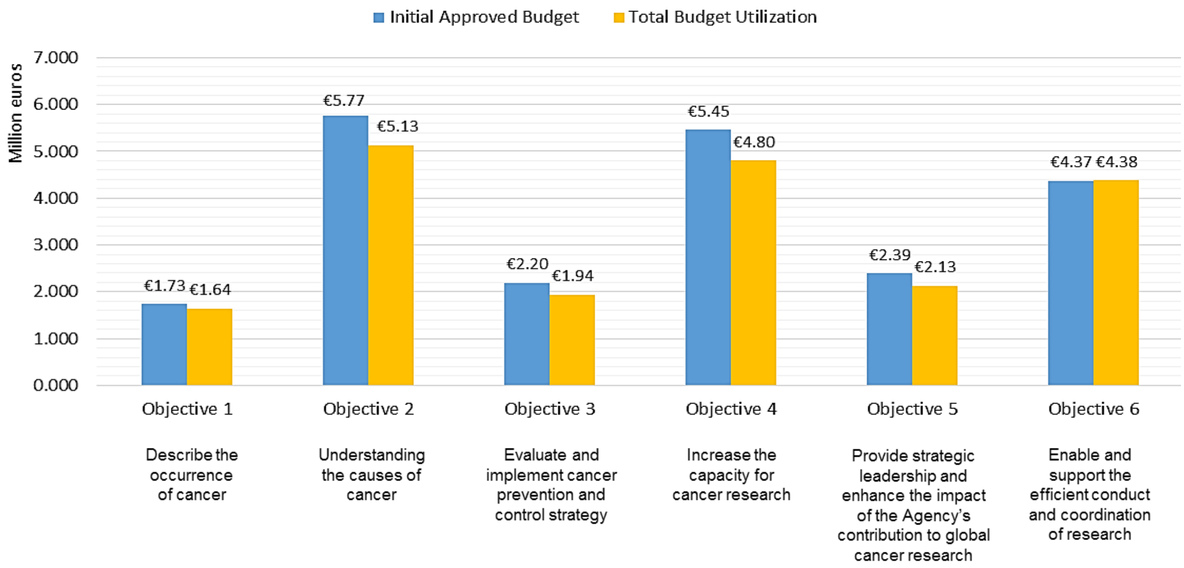

Figure 2: Approved regular budget and actual budget utilization in 2018

8. 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 was 0.846 Euro to a US dollar. Therefore, no budgetary cost due to currency realignment was incurred in 2018 from the provision authorized in Resolution GC/59/R4.

9. A total budget of €0.170 million was allocated for the Director's Development Provision in 2018 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	%
Objective 2	Understand the causes of cancer	74 350	44%
Objective 3	Evaluate and implement cancer prevention and control strategies	73 850	43%
Objective 4	Increase the capacity for cancer research	3 800	2%
Objective 5	Provide strategic leadership and enhance the impact of the Agency’s contribution to global cancer research	18 000	11%
		€170 000	100%

b) Working Capital Fund (WCF)

10. The authorized level of the WCF as of 1 January 2018 was €3.326 million.

11. €0.035 million was appropriated from the first unbudgeted assessed contribution received from a new participating state, i.e. Islamic Republic of Iran, was credited to this account in accordance with the Article IV, Paragraph 4.3 of the IARC Financial Regulations and the Resolution GC/5/R14. This increased the balance of the WCF to €3.361 million at the end of 2018.

12. WCF is used to for the establishment of allowances for doubtful account receivables on assessed contributions that are high risk or outstanding for more than two years or reschedule amounts. During 2018, all arrears from prior years were paid hence the establishment of such allowance was not necessary.

c) Governing Council Special Fund (GCSF)

13. The fund balance as at 31 December 2018 was €10.314 million, decreased by €0.884 million from last year as outflows of fund was greater than the inflows.

14. During 2018, the fund inflows to the GCSF account were as follows:
    - €1.290 million – revenue from the sales of publications
    - €0.543 million – financial and other revenues (including net exchange rate gain)
    - €0.170 million – unbudgeted assessed contribution from Islamic Republic of Iran
    - €0.084 million – unspent balance of closed grants and regular budget 2016–2017

15. The GCSF fund balance above included unbudgeted assessment and fund reservations. The net uncommitted balance was €4.556 million as shown in Figure 3 below.

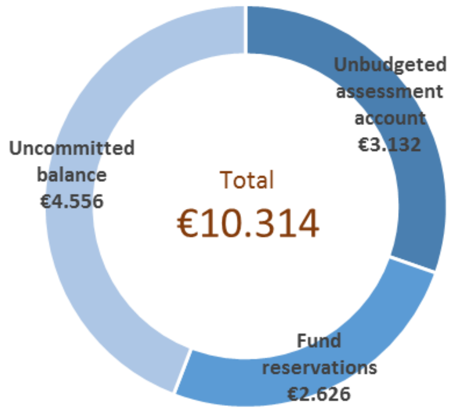

Figure 3 Details of GCSF account as at 31 December 2018 (amount in million euros)

16. The fund balance on unbudgeted assessment account comprises €2.328 million of approved allocations not yet spent and €0.804 million of uncommitted fund.

17. Fund reservations refer to expenses authorized by the Governing Council but not yet incurred as follows:
    - €1.090 million – 75% of revenue returning to publication programme (GC/56/R12)
    - €0.815 million – balance of reserve for scientific equipment (GC/58/R15, GC/59/R9, GC/60/R16)
    - €0.250 million – exchange rate fluctuations provision during 2019 (GC/59/R4)
    - €0.164 million – Hiatus Funding Facility approved in 2018 (GC/47/R7)
    - €0.134 million – support to IPSAS implementation (GC/55/R17, GC/56/R14)
    - €0.116 million – support to open access publishing (GC/57/R11, GC/60/R12)
    - €0.057 million – others (GC/54/R6, GC/55/R14, GC/58/R16)

18. Further details on the status of the Fund are included in the Notes to the financial statements and an information document (GC/61/Inf.Doc. No.2) provided for the Governing Council meeting in May 2019 showing the detailed uncommitted fund balance and projection.

d) Voluntary Contributions Account

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

20. The resource mobilization effort resulted to 68 contribution agreements signed with 45 donors during 2018 with the total budget of €9.183 million allocated to IARC. 99% of donors were from IARC Participating States (PS) as shown in Figure 4.

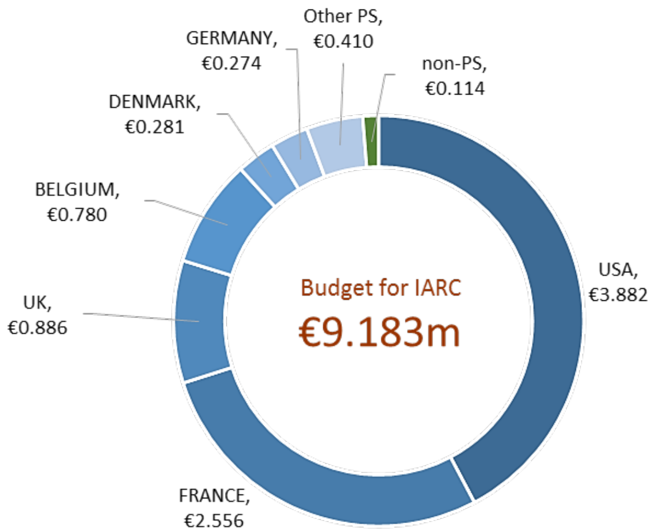

Figure 4 Value of contracts signed in 2018 and donor countries (amount in million euros)

21. Figure 5 provides the detail of top five donors were Bill and Melinda Gates Foundation (BMGF, USA); Institut National Du Cancer (INCa, France); National Institutes of Health/National Cancer Institute, (NIH/NCI, USA); European Commission – Research Directorate-General (EC RTD, Belgium); and World Cancer Research Fund International (WCRF, UK).

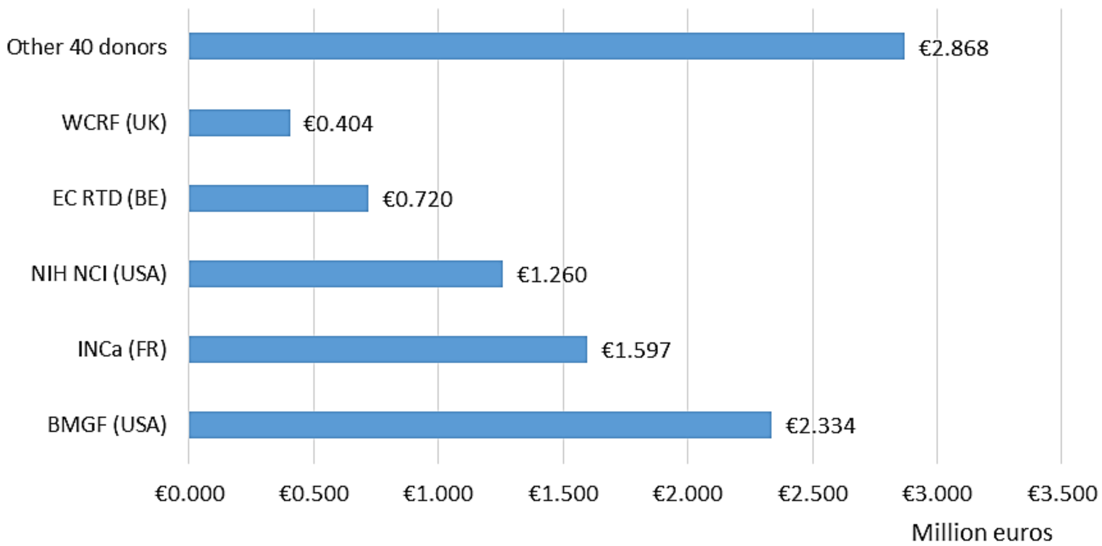

Figure 5 Value of contracts signed in 2018 and top five donors (amount in million euros)

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 2018 amounted to €16.276 million, of which 2% was against undesignated voluntary contributions.

23. In accordance with the standing authorization provided in Resolutions GC/23/R6 and GC/55/R23 and the conditions set forth in the signed agreements, interest income totalling €0.003 million was apportioned to the voluntary contributions account.

24. Total expenses and capital expenditure charged against the Voluntary Contributions amounted to €13.362 million, of which €11.352 million were against designated contributions. This amount included €0.002 million of unspent balance of closed grants transferred to the GCSF.

25. The fund balance as at 31 December 2018 was €13.856 million, of which €12.914 million was from designated contributions. This fund balance included receivables (i.e. income that has been recognized and pending receipt of cash) of €3.760 million.

26. In addition, incomes expected to be received in the future years are shown as deferred revenue amounting to €13.746 million. All are related to designated voluntary contributions.

e) Special Account for Programme Support Costs (PSC)

27. As at 31 December 2018, this account had a fund balance of €3.777 million, a decrease of €0.379 million from the prior period.

28. Revenue under this account is collected from designated voluntary contributions. PSC fund is invested in IARC support functions and partly financed administrative costs of the Agency including staff costs.

f) Participating States – Others

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

30. As at 31 December 2018, the Participating States – Others account had a negative balance of €54.841 million, an increase of unfunded balance by 0.754 million from the prior year.

	Amount (in million euros)
Inventories	0.256
Property, plant and equipment, net	2.508
Unfunded liabilities related to employee benefits	(57.605)
Net unfunded balance as at 31-Dec-18	**(54.841)**

31. *Inventories*: During 2018, the total of €0.286 million of new publications was capitalized. Publications valued at €0.170 million were distributed, and €0.029 million value of publications was disposed or adjusted, bringing the balance at end of year to €0.256 million.

32. *PP&E*: Since 1 January 2010, as part of the implementation of IPSAS, IARC has capitalized and depreciated all PP&E with a purchase value equal to or more than €3000. In 2018, the total capitalization of new PP&E purchased amounted to €0.630 million and the total depreciation expenses were €0.631 million. The PP&E had the net book value as at 31 December 2017 of €2.508 million.

33. *Unfunded liabilities related to employee benefits*: As described under Note 5.3 of the financial statements, accrued staff benefits liabilities as at 31 December 2018 total €63.711 million, of which €57.605 million were unfunded. The increases in liabilities and unfunded portion were mainly on ASHI, which were affected by the unrealized exchange rate loss. In fact, change in assumptions i.e. increase of the discount rate and lower medical cost rate resulted to the decrease of ASHI liabilities. However, the valuation of ASHI liabilities was done in US dollar as part of the overall ASHI liabilities of WHO while IARC's accounts are in euro; the depreciation of euro against US dollar as at 31 December 2018 as compared to 31 December 2017 had negative effect to this account. Further details are provided in an information document (GC/61/Inf.Doc. No.4).

34. As in 2017 valuation of ASHI, WHO continued to adopt the salary increase, retirement, withdrawal, and mortality assumptions developed and suggested by the United Nations Joint Staff Pension Fund for consistency across the United Nations system.

35. In addressing this unfunded ASHI liabilities, IARC follows the plan set by WHO and in the current plan, the fully funded plan will be achieved by 2050 through various measures of cost control and continued increase of contribution from SHI/ASHI participants, i.e. 4% increase per year until 2020, 2% increase from 2021 to 2049, and no increase from 2050 onwards.

Expenditure

36. 63% of expenditure incurred during 2018 were staff costs, 6% were costs of Early Career and Visiting Scientists (ECVS), and the remaining 31% were costs of activities.

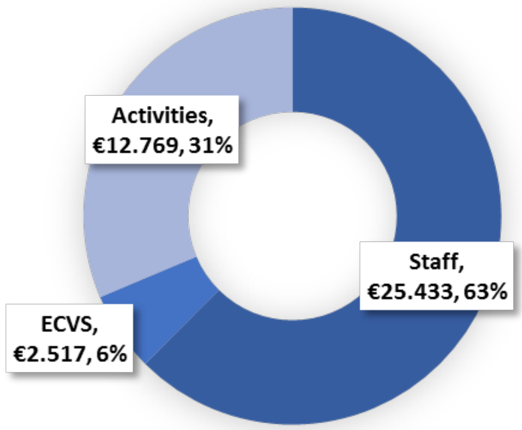

Figure 5 Total expenditure in 2018 on staff, ECVS, and activities (amount in million euros)

REPORT OF THE EXTERNAL AUDITOR

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

LETTER OF TRANSMITTAL

5 April 2019

Dear Professor 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 2018.

Yours sincerely,

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

COMMISSION ON AUDIT
OFFICE OF THE CHAIRPERSON
19-224903270936

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

5 April 2019

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 2018

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

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

Yours sincerely,

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

COMMISSION ON AUDIT
OFFICE OF THE CHAIRPERSON
19-224903270936

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 of the International Agency for Research on Cancer

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 2018, 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 2018, 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 2018**, 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
5 April 2019

COMMISSION ON AUDIT
OFFICE OF THE CHAIRPERSON
19-224903270936

International Agency for Research on Cancer

World Health Organization

CERTIFICATION OF ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

Tamás Landesz, PhD
Director of Administration and Finance

Elisabete Weiderpass, MD, PhD
IARC Director

STATEMENT ON INTERNAL CONTROL

Scope of responsibility

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

Purpose of internal control

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

IARC's operating environment

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

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

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

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

The Internal Control Framework and Enterprise Risk Management

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

The IARC ICF defines roles and responsibilities, accountabilities, and delegations of authority within IARC. Inherent in the ICF is the clear segregation of duties designed to ensure an appropriate level of checks and balances upon the activities of individuals, minimizing the risk of errors or fraud. The ICF is reviewed regularly to ensure its relevance and effectiveness, especially when a new/updated policy, process, or system is implemented. It was last updated in September 2018. Communication on changes to the ICF is provided to IARC personnel as part of the briefing/training on the relevant policy, process, or system being implemented/amended.

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

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

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

Review of effectiveness of internal controls

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

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

- The 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 2018, the Sections of Early Detection and Prevention (EDP) and Nutrition and Metabolism (NME) were reviewed in detail and obtained outstanding results.
- The biennial report of the IARC Ethics Committee reviews compliance of all IARC scientific projects against IARC's Scientific Code of Conduct, and organizes ethical training for IARC personnel. All IARC Ethics Committee members obtained the WHO certificate on Global Health Research Ethics. The work of the IARC Ethics Committee is supported by the IARC Ethics Advisory Group, a small group of international bioethics experts, providing specialist expertise to help resolve complex ethical issues.
- Feedback is obtained from the annual staff Declaration of Interests (DOI) submitted 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 2018.

Based on consolidated findings of IARC's corporate and Section level risk registers in 2018, the most significant risks currently facing IARC are as follows:

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

Risk description	**Examples of ongoing/planned risk response actions**
Risk of scientific data privacy or data security breach.	• Development of comprehensive data protection policy • Strengthening internal data protection measures • Training and briefing staff on associated risks and mitigation measures
Interruptions or limitations to access the IARC Tower (main office building)	• Close collaboration with Host Country to carry out repairs on schedule and when required • Business continuity measures in place, in case there is a need to move to an alternative site • Nouveau Centre project on track with strong support by Host Country with move planned in 2021
IARC brand affected by conflicts of interest or external collaborations	• Declaration on Tobacco and Arms industry relations is taken very seriously • Strict ethical guidelines are adhered to, including review of declarations of interests by the Bioethics and Compliance Officer • Due diligence and risk assessment procedures in place for engagement with non-State Actors • Reputational risks closely monitored

Conclusion

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

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

In summary, I conclude, to the best of my knowledge and information, that IARC operated satisfactory systems of internal control for the year ended 31 December 2018 in line with its Internal Control Framework.

Elisabete Weiderpass, MD, 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 2018
(amount in Euros)

	Notes	As at **31 December 2018**	As at **31 December 2017**
ASSETS	Note 4		
Current assets			
Cash and cash equivalents	4.1	32 554 749	29 624 406
Accounts receivable, net	4.2	17 016 542	17 051 139
Staff receivables	4.3	133 559	152 450
Prepayments	4.4	280 801	349 147
Interest receivables	4.5	13 202	6 633
Inventories	4.6	255 774	169 274
Total current assets		50 254 627	47 353 049
Non-current assets			
Accounts receivable, net	4.2	6 105 757	4 639 408
Property, plant and equipment - net	4.7	2 508 450	2 508 877
Total non-current assets		8 614 207	7 148 285
TOTAL ASSETS		**58 868 834**	**54 501 334**
LIABILITIES	Note 5		
Current liabilities			
Contributions received in advance	5.1	903 379	1 744 766
Accounts payable	5.2	1 875 993	1 444 105
Accrued staff benefits	5.3	1 055 357	1 033 666
Deferred revenue	5.4	7 611 123	8 051 638
Total current liabilities		11 445 852	12 274 175
Non-current liabilities			
Accrued staff benefits	5.3	62 655 658	61 453 832
Deferred revenue	5.4	6 135 304	4 883 246
Total non-current liabilities		68 790 962	66 337 078
TOTAL LIABILITIES		**80 236 814**	**78 611 253**
NET ASSETS / EQUITY	Note 6		
Fund			
Regular Budget	6.1	2 126 747	325 724
Voluntary Contributions	6.2	13 855 843	10 939 384
Working Capital Fund	6.3	3 361 050	3 326 400
Other IARC funds			
Governing Council Special Funds	6.4	10 313 527	11 197 395
Special Account for Programme Support Costs	6.5	3 776 915	4 156 397
Participating States - Others	6.6	(54 840 521)	(54 086 333)
Trust Fund	6.7	38 459	31 114
TOTAL NET ASSETS / EQUITY BALANCES		(21 367 980)	(24 109 919)
TOTAL LIABILITIES AND NET ASSETS / EQUITY BALANCES		**58 868 834**	**54 501 334**

STATEMENT II – Statement of Financial Performance

International Agency for Research on Cancer
Statement of Financial Performance
For the year ended 31 December 2018
(amount in Euros)

	Notes	for the year ended **31 December 2018**	for the year ended **31 December 2017**
REVENUE	Note 7		
Assessed contributions	7.1	22 116 843	24 576 520
Voluntary contributions	7.2	16 270 113	10 700 672
Revenue-producing activities	7.3	1 289 571	1 763 768
Other operating revenue	7.4	19 623	2 115
Trust Funds	7.5	16 500	10 720
Financial revenue	7.6	83 632	74 894
Total revenue		**39 796 282**	**37 128 689**
EXPENSES	Note 8		
Staff cost	8.1	25 433 378	24 612 945
Temporary assistants, advisors and participants	8.2	1 303 426	1 372 642
Fellows	8.3	2 517 327	2 256 970
Duty travel (staff, fellows)	8.4	964 813	903 685
Research and other agreements	8.5	3 872 716	3 700 415
Procurement and various operating expenses	8.6	4 684 287	4 492 331
Cost of distribution and disposal of inventories	8.7	200 088	220 475
Depreciation	8.8	630 480	606 227
Net foreign exchange loss (gain)	8.9	1 090 871	(2 918 103)
Financial cost	8.10	22 018	25 460
Total expenses		**40 719 404**	**35 273 047**
TOTAL SURPLUS (DEFICIT) FOR THE YEAR		**(923 122)**	**1 855 642**

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 2018
(amount in Euros)

	Notes	Balance as at **31 December 2017**	Surplus (deficit) in 2018	Remeasurement Gain/(Loss) on DBO and Plan Asset	Balance as at **31 December 2018**
Fund					
Non-restricted (Participating States)					
Regular Budget	6.1	325 724	1 801 023		2 126 747
Working Capital Fund	6.3	3 326 400	34 650		3 361 050
Other IARC Funds	6.4-6.6	(38 732 541)	(5 682 599)	3 665 061	(40 750 079)
Total non-restricted		(35 080 417)	(3 846 926)	3 665 061	(35 262 282)
Restricted					
Voluntary Contributions	6.2	10 939 384	2 916 459		13 855 843
Trust Fund	6.7	31 114	7 345		38 459
Total restricted		10 970 498	2 923 804		13 894 302
Total net assets/equity balance		**(24 109 919)**	**(923 122)**	**3 665 061**	**(21 367 980)**

STATEMENT IV – Statement of Cash Flow

International Agency for Research on Cancer
Statement of Cash Flows
For the year ended 31 December 2018
(amount in Euros)

	Notes	As at 31 December 2018	As at 31 December 2017
Cash flow from operating activities			
Net surplus (deficit) for the year		(923 122)	1 855 642
Depreciation	8.8	630 480	606 227
Unrealized (gains)/losses on revaluation		1 386 368	(3 762 133)
(Increase) decrease in current accounts receivable, current		85 697	(2 636 026)
(Increase) decrease in staff receivables		20 182	18 031
(Increase) decrease in prepayments		68 346	48 375
(Increase) decrease in interest receivables		(6 569)	(5 784)
(Increase) decrease in inventories		(86 500)	(38 140)
(Increase) decrease in accounts receivable, non-current		(1 371 373)	3 174 906
Increase (decrease) in assessed contributions received in advance		(841 387)	844 120
Increase (decrease) in accounts payable		431 993	91 805
Increase (decrease) in accrued staff benefit, current liabilities		21 691	(79 552)
Increase (decrease) in deferred revenue, current liabilities		(440 515)	2 818 590
Increase (decrease) in accrued staff benefit, non-current liabilities		3 333 047	2 511 059
Increase (decrease) in deferred revenue, non-current liabilities		1 252 058	(3 068 952)
Net increase (decrease) in cash flows from operating activities		**3 560 396**	**2 378 168**
Cash flows from investing activities			
(Increase) decrease in property, plant and equipment		**(630 053)**	**(293 776)**
Net increase (decrease) in cash and cash equivalents		**2 930 343**	**2 084 392**
Cash and cash equivalents at the beginning of the year		**29 624 406**	**27 540 014**
Cash and cash equivalents at the end of the year	4.1	**32 554 749**	**29 624 406**

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 2018
(amount in Euros)

Purpose of appropriation	2018 Programme Budget Appropriations			Budget Utilization			Budget Balance Forwarded to 2019	*% utilization*
	Approved Appropriations by Governing Council 2018	Transfers (IARC Financial Regulations 3.3)	Effective appropriations	Expenses 2018	Encumbrance 2018	Total Utilization		
1. Describe the occurrence of cancer	1 734 106	(26 556)	1 707 550	1 628 424	7 841	1 636 265	71 285	*7.47%*
2. Understand the causes of cancer	5 768 989	(32 455)	5 736 534	5 093 720	41 039	5 134 759	601 775	*23.43%*
3. Evaluate and implement cancer prevention and control strategies	2 196 452	27 375)	2 223 827	1 912 041	27 547	1 939 588	284 239	*8.85%*
4. Increase the capacity for cancer research	5 453 993	(339 002)	5 114 991	4 766 974	35 887	4 802 861	312 130	*21.92%*
5. Provide strategic leadership and enhance the impact of the Agency's contribution to global cancer research	2 392 650	228 197)	2 620 847	2 018 439	108 101	2 126 540	494 307	*9.70%*
6. Enable and support the efficient conduct and coordination of research	4 366 138	142 441)	4 508 579	4 365 983	13 278	4 379 261	129 318	*19.99%*
TOTAL	**21 912 328**		**21 912 328**	**19 785 581**	**233 693**	**20 019 274**	**1,893,054**	*91.36%*

RECONCILIATION	(see Note 9)	
TOTAL EXPENSES AS PER STATEMENT V		**19 785 581**
a) Time differences:		
Regular Budget expenditure in other periods		**243 895**
b) Basis differences:		
Common fund activities		(86 073)
Other non-Regular Budget utilisation		20 776 001
Sub-total		**20 689 928**
TOTAL EXPENSES AS PER STATEMENT II		**€ 40 719 404**

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 2018 have been prepared on the accrual basis of accounting in accordance with the International Public Sector Accounting Standards (IPSAS).

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

2.2 Financial regulations

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

2.3 Functional currency and conversion of foreign currencies

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

2.4 Financial statements

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

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

The Cash Flow Statement is prepared using the indirect method.

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

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

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 staff. The Fund is a funded, multi-employer defined benefit plan. IARC as well as other participating organizations is not in a position to identify its share of the underlying financial position and performance of the plan with sufficient reliability for accounting purposes. Accordingly, the Agency accounts for this plan as if it were a defined contribution plan, in line with the provision of IPSAS 39.

The Agency's contribution to the UNJSPF consists of its mandated contribution at the rate established by the United Nations General Assembly together with any share of any actuarial deficiency payments under Article 26 of the Regulations of the Fund. Such deficiency payments are only payable if and when the United Nations General Assembly has invoked the provision of Article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Fund as of the valuation date. At the time of this report the United Nations General Assembly had not invoked this provision.

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

c) Other long-term employee benefits

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

d) Termination benefits

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

3.9 Provisions and contingent liabilities

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

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

3.10 Revenue

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

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

b. *Assessed contribution from new Participating States.* Revenue derived from the unbudgeted assessed contributions from new Participating States following the method of assessments as described in Resolution GC/15/R9 and the gradual increase in contributions per IARC Financial Regulations Article IV.4.3 and Resolutions GC/37/R9 and GC/54/R18.

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

€34 650 (or US$ 50 000 equivalent @0.693) from the first contribution of each new Participating State is transferred to the Working Capital Fund in accordance with Resolution GC/5/R14.

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

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

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

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

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

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

f. *Trust fund.* 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.

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

3.12 Fund accounting reporting

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

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

The types of funds are further explained below.

a. *Regular Budget (RB).* This refers to the General Fund for the administrative services and permanent activities of the Agency as defined by Article 5.1 of IARC’s financial regulations. The fund is financed by the annual assessed contributions from Participating States and possible other funding sources as approved by the Governing Council. Pending the receipt of statutory annual contributions to the regular budget, appropriations may be temporarily financed from the Working Capital Fund.

b. *Working Capital Fund (WCF).* This refers to a fund as defined by Article 5.2 of IARC’s financial regulations. Revenue of working capital fund came from assessed contributions from new Participating States as described under Note 3.10b or transfer from Governing Council Special Fund.

c. *Governing Council Special Fund (GCSF).* This refers to a fund as defined by Article 5.5 of IARC’s financial regulations. The fund shall be used for purposes to be decided by the Governing Council from time to time by a minimum two-thirds of its members who are representatives of each Participating State.

d. *Voluntary Contributions (VC).* This fund refers to designated and undesignated contributions as described under Note 3.10c.

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

f. *Trust fund (TF).* Trust funds were maintained by the Agency to finance language courses for the benefit of staff as described under Note 3.10f.

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

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

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-18	31-Dec-17
Cash on hand	25 093	13 624
Cash at UNDP	82 910	76 950
Bank deposits	32 446 746	29 533 832
Total	€32 554 749	€29 624 406

4.2 Accounts receivable, net

The total account receivable amounted to €17 016 542 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 2018, 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-18	31-Dec-17
Uncollected assessed contributions	4 045 870		4 045 870	3 985 058
Designated voluntary contributions	11 385 977	6 105 757	17 491 734	15 644 134
Other accounts receivable*	1 584 695		1 584 695	2 061 355
Total accounts receivable	17 016 542	6 105 757	23 122 299	21 690 547
Less: Accumulated allowances	0	0	0	0
Total accounts receivable, net	€17 016 542	€6 105 757	€23 122 299	€21 690 547

*Other accounts receivable comprise of royalties and sales of publication receivables (€1 282 124), VAT refund (€279 292), income tax refund (€19 731), and supplier's deposit (€3548).

Total accumulated allowances for doubtful accounts receivable:

	Current	Non-Current	Total 31-Dec-18	31-Dec-17
Opening balance of allowance for assessed contribution	0		0	2 133 651
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	2 133 651
Add: Allowance for assessed contribution	0		0	0
Allowance for designated VC	0		0	0
Allowance for other receivables	0		0	0
Total allowances for doubtful receivables	0		0	2 133 651
Less: Reversal of allowance for assessed contribution	0		0	(2 133 651)
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	€0		€0	€0

4.3 Staff receivables

The total balance of staff receivables amounted to €133 559, net decrease by €18 891 from the prior period. Breakdown by type of receivables are as follows.

	31-Dec-18	31-Dec-17
Education grant advance	101 414	124 196
Duty travel advance	27 793	25 660
Home leave	4 352	2 436
Miscellaneous advance		158
Total	€133 559	€152 450

4.4 Prepayments

The total value of prepayments is €280 801, 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 2019 is included in this account.

	31-Dec-18	31-Dec-17
Prepayment to suppliers	102 569	155 516
Stipend advance	178 232	193 631
Total	€280 801	€349 147

4.5 Interest receivables

The €13 202 represents amount due from bank deposits for interest earned for the period ending 31 December 2018 which has not been received.

4.6 Inventories

The amount of €255 774 represents the value of IARC publication inventories, of which €55 385 relates to the Work in Progress and €200 389 relates to Finished Goods held for sales at WHO Press as at the end of the reporting period.

	31-Dec-18	31-Dec-17
Balance at beginning of year	169 274	131 134
Additions	286 588	258 615
Distributions	(170 535)	(196 540)
Disposals/adjustments	(29 553)	(23 935)
Balance at end of year	€255 774	€169 274

4.7 Property, plant and equipment, net

The value of property, plant and equipment (PP&E) net of accumulated depreciation at the end of reporting period is €2 508 450. 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-18	Total 31-Dec-17
Cost or valuation:							
Balance at beginning of year	2 906 098	4 562 892	703 101	14 441	113 689	8 300 221	8 142 406
Additions		341 354	288 699			630 053	293 776
Disposals			(18 922)			(18 922)	(135 961)
Balance at end of year	2 906 098	4 904 246	972 878	14 441	113 689	8 911 352	8 300 221
Accumulated depreciation:							
Balance at beginning of year	1 578 833	3 400 160	687 012	11 650	113 689	5 791 344	5 321 078
Charges for the year	72 654	502 370	54 052	1 404		630 480	606 227
Disposals			(18 922)			(18 922)	(135 961)
Balance at end of year	1 651 487	3 902 530	722 142	13 054	113 689	6 402 902	5 791 344
Net book value:							
At beginning of year	1 327 265	1 162 732	16 089	2 791	0	2 508 877	2 821 328
At end of year	1 254 611	1 001 716	250 736	1 387	0	2 508 450	2 508 877

In addition, IARC has 97 items of PP&E with the total gross acquisition value of €3 294 620 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 €903 379 represents 2019 assessed contributions received in advance from Participating States and revenue from publications received in advance.

	31-Dec-18	31-Dec-17
Assessed contribution received from Australia		871 337
Assessed contribution received from Canada	884 267	871 337
Assessed contribution received from Belgium	17 027	
Other revenue received in advance	2 085	2 092
Total	€903 379	€1 744 766

5.2 Accounts payable

The total outstanding as at the end of reporting period is €1 875 993. 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-18	31-Dec-17
Staff/STA/fellows	29 607	28 333
Suppliers	429 114	139 848
Accrued expenses	1 417 272	1 275 924
Total	€1 875 993	€1 444 105

5.3 Accrued staff benefits

Accrued staff benefits, total €63 711 015, 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 €57 604 745 (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-18	31-Dec-17
Short-term employee benefits	868 214		868 214	852 036
Other long-term employee benefits	187 143	1 740 997	1 928 140	1 875 837
Post employee benefits (i.e. ASHI)		60 914 661	60 914 661	59 759 625
Total	€1 055 357	€62 655 658	€63 711 015	€62 487 498

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 €6 106 270 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.

	TQ	TP	POC	Total 31-Dec-18	31-Dec-17
Fund balance at beginning of year	2 344 146	3 378 868		5 723 014	5 234 590
Plus: Fund inflow during the year	736 802	545 699	61 876	1 344 377	1 516 372
Less: Fund outflow during the year	(705 143)	(255 978)		(961 121)	(1 027 948)
Fund balance at end of year	€2 375 805	€3 668 589	€61 876	€6 106 270	€5 723 014

The outflow fund in 2018 includes the following payments on employee benefits.

	Current	Non-Current	Total 31-Dec-18
Recruitment entitlements	266 370		266 370
Separation entitlements	139 464	255 978	395 442
Education grants	229 152		229 152
Home leave travels	65 685		65 685
Periodic medical and insurance	4 472		4 472
Total fund outflow	€705 143	€255 978	€961 121

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-18	31-Dec-17
Accrued annual leave	827 648	802 480
Educational grants	40 566	49 556
Total Defined Benefit Obligation at end of year	€868 214	€852 036

Reconciliation:

	31-Dec-18	31-Dec-17
Defined Benefit Obligation at beginning of year	852 036	906 660
Plus: Expense incurred during the year	721 321	552 825
Less: Actual payment	(705 143)	(607 449)
Defined Benefit Obligation at end of year	€868 214	€852 036

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-18	31-Dec-17
Grant in case of death	125 400	122 819
Repatriation grant	1 408 672	1 370 831
Repatriation removal	266 612	260 745
Repatriation travel	85 203	82 137
Termination for reasons of health	42 253	39 305
Total Defined Benefit Obligation at end of year	€1 928 140	€1 875 837

Actuarial summary

	31-Dec-18 Valuation	31-Dec-17 Valuation
Reconciliation of Defined Benefit Obligation – 142 (a)(ii)		
Defined Benefit Obligation at Beginning of Year	1 875 837	2 017 106
Service Cost	199 006	198 989
Interest on Defined Benefit Obligation	24 986	26 789
(Actual Gross Benefit Payments)	(255 978)	(174 405)
Participant Contributions	0	0
Changes in Accounting Methods	0	0
Plan Amendments	0	0
(Gain)/Loss on DBO Due to Financial Assumption Changes	(38 736)	1 139
(Gain)/Loss on DBO Due to Other Assumption Changes	123 025	(193 781)
Defined Benefit Obligation at End of Year	€1 928 140	€1 875 837
Reconciliation of Funded Status – 142		
Defined Benefit Obligation	1 928 140	1 875 837
(Plan Assets)	0	0
Net (Surplus)/Deficit in Statement of Financial Position	1 928 140	1 875 837
Current (Asset)/Liability	187 143	181 630
Noncurrent (Asset)/Liability	1 740 997	1 694 207
Statement of Financial Performance		
Service Cost	199 006	198 989
Interest on (Surplus)/Deficit	24 986	26 789
Remeasurements	84 289	(192 642)
Total Expense	€308 281	€33 136

Actuarial assumptions:

Measurement Date	31 December 2018
Discount Rate	1.6% (increased from 1.4% in the prior valuation as at 31 December 2017) 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 2017)
Annual Salary Scale	Net base salary for professional staff paid on a dependent rate was reduced by 6% during 2017 to reflect the adoption of the International Civil Service Commission (ICSC) New Common System Compensation Package.
Annual General Inflation, salary increase, and mortality rates changes	Assumptions continue to match the common actuarial assumptions established by the UN System Task Force on Accounting Standards in January 2019 for 31 December 2018 valuations. This guidance was consistent with the guidance for 31 December 2017 valuations.
Disability Rates	Decreased by 50% from the prior year, based on a study that WHO performed of its experience from 2005–2016.
Future Exchange Rates	Equal to official United Nations spot rates at 31 December 2018.
Value of Assets	None; as the plan does not have assets held in a separate legal trust.
Recognition of Actuarial Gains and Losses	Gains and losses are recognized immediately in the expense for the year in which they arise.
Participation in Repatriation Grant, Repatriation Travel, and Removal on Repatriation	70% of participants meeting the eligibility criteria are assumed to elect benefits. (This is a decreased from the prior valuation's assumption that 100% of participants meeting the eligibility criteria are assumed to elect benefits, reflecting a study of recent benefit payments experience for the Pan American Health Organization and the World Health Organization).
Repatriation Grant	All service earned from the entry on duty date is conservatively assumed to be performed outside the country of residence. The vesting requirement increased from one year to five years for staff hired after 2016. The immaterial, favorable financial impact of this change was conservatively not reflected at 31 December 2017, but is reflected as an actuarial gain at 31 December 2018.
Repatriation Travel	The average cost per ticket is US$ 3471 per staff member in 2017, including the cost covering dependents. Based on a study of experience from 1 January 2010 to 30 September 2011. The costs are converted to euros using the exchange rate as of the valuation date. Any separations from service before the completion of one year of service that result in forfeiture of benefits are reflected implicitly in the participation assumption.
Removal on Repatriation	US$ 14 550 for staff with one or more dependents and US$9700 for staff with no dependents. Figures are a weighted average of those for temporary staff and those for fixed term and continuing staff, based on the World Health Organization's demographics at 30 September 2014. (Changed from prior valuation's lump sum amounts of US$ 15 000 and US$ 10 000, respectively, to reflect a reduction in lump sums for temporary staff.) The cost is converted to euros using the exchange rate as of the valuation date. The costs are converted to euros using the exchange rate as of the valuation date. Any separations from service before the completion of one year of service that result in forfeiture of benefits are reflected implicitly in the participation assumption.

Termination for Reasons of Health and Grant in Case of Death	96% of disablements and 90% deaths from service are assumed to result in an indemnity. (Change from 100% and 100% in the prior valuation, to reflect that some staff are instead assumed to receive Special Fund for Compensation Benefits.) No indemnities are assumed to be increased by the Director-General.
Coverage of Dependents for Repatriation Benefits	For the Repatriation Grant, married staff members who die in service have at least one child covered. 85% of male staff members and 55% of female staff have a dependent.

Actuarial methods:

Repatriation Travel and Removal on Repatriation	Projected unit credit with service prorate, with an attribution period from the entry on duty date to separation.
Repatriation Grant, Termination Indemnity, and Grant in Case of Death	Projected unit credit with accrual rate proration.
Abolition of Post, End-of-Service Grant, and Separation by Mutual Agreement	These benefits are considered termination benefits under IPSAS 39. Therefore, these benefits are excluded from the valuation and accounted for by IARC as they are incurred.

e) Valuation of staff health insurance:

The Agency accounts for the After Service Health Insurance (ASHI) as a post-employment benefit. Actuarial gains and losses are recognized in the net assets/equity in accordance with IPSAS 39 (Employee Benefits). The defined benefit obligation as of 31 December 2018 determined by professional actuaries within the overall report to WHO is US$ 69 537 284, equivalent to €60 914 661 at UN Exchange rate of €0.876/US$.

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

Actuarial summary

	31-Dec-18 Valuation (US$)	31-Dec-17 Valuation (US$)
Reconciliation of Defined Benefit Obligation – 142 (a)(ii)		
Defined Benefit Obligation at beginning of year	101 102 698	77 856 981
Service cost	5 548 849	4 556 344
Interest on Defined Benefit Obligation	1 106 717	851 151
(Actual after service gross benefit payments)	(475 748)	(462 571)
(Actual after service administrative expenses)	(30 243)	(33 690)
Actual contributions by after service participants	258 532	231 161
Plan amendments adopted during the year	(662 917)	0
Changes in accounting methods	0	0
(Gain)/Loss on Defined Benefit Obligation Due to Financial Assumption Changes	(6 298 704)	(562 877)
(Gain)/Loss on Defined Benefit Obligation Due to Other Assumption Changes	(707 176)	18 666 199
Defined Benefit Obligation at end of year	US$ 99 842 008	US$ 101 102 698

	31-Dec-18 Valuation (US$)	31-Dec-17 Valuation (US$)
Reconciliation of Assets – 142 (a)(i)		
Market value of ASHI assets at beginning of year, net of IBNP Reserve	30 057 297	25 694 782
Reversal of IBNP Reserve from prior year	0	344 000
Market value of ASHI at beginning of year, gross of IBNP Reserve	30 057 297	26 038 782
(Actual total SHI gross benefit payments)	(1 080 197)	(984 798)
(Actual total SHI administrative expenses)	(68 668)	(71 725)
Actual total SHI participant contributions	997 445	908 759
Actual total SHI organization contributions	1 971 132	1 815 676
Net transfer by other Regional Offices to cover WHO-PAHO/PAHO Deficit	0	(294 388)
Interest on gross SHI assets	337 228	289 883
Gain/(loss) on Plan Assets	(1 526 513)	2 355 108
Market value of SHI assets at end of year	US$ 30 687 724	US$ 30 057 297
Reconciliation of Incurred-But-Not-Paid Reserve, Offset to Assets –142(a)(i)		
Incurred-But-Not-Paid Reserve at beginning of year	352 000	344 000
Interest On Incurred-But-Not-Paid Reserve	3 872	3 784
(Gain)/Loss on Incurred-But-Not-Paid Reserve	27 128	4 216
Incurred-But-Not-Paid Reserve at end of year	383 000	352 000
Net Assets (Gross Assets minus Incurred-But-Not-Paid Reserve at end of year	US$ (30 304 724)	US$ (29 705 297)
Reconciliation of Funded Status – 142		
Defined Benefit Obligation		
Active	63 014 558	65 615 927
Inactive	36 827 450	35 486 771
Total Defined Benefit Obligation	99 842 008	101 102 698
ASHI Plan Assets		
(Gross SHI Plan Assets)	(30 687 724)	(30 057 297)
Offset for Incurred-But-Not-Paid Reserve	383 000	352 000
(Net ASHI Plan Assets administered by WHO)	(30 304 724)	(29 705 297)
Net (asset)/liability in Statement of Financial Position	US$ 69 537 284	US$ 71 397 401
Current (asset)/liability	0	0
Noncurrent (asset)/liability	US$ 69 537 284	US$ 71 397 401
Total (Gain)/Loss on WHO's Books	US$ (5 452 239)	US$ 15 752 430
Statement of Financial Performance		
Service cost	5 548 849	4 556 344
Interest on (Surplus)/Deficit	773 361	565 052
Past service (credit)/cost	(662 917)	
Total expense	US$ 5 659 293	US$ 5 121 396

	31-Dec-18 Valuation (US$)	31-Dec-17 Valuation (US$)
Expected Accounting Contributions – 149 (b)		
Expected contributions during next year		
Contribution by/for active staff, net of claims/admin costs	1 689 000	1 758 000
Contribution by WHO for Inactives	623 000	634 000
Net transfer by to cover WHO-PAHO/PAHO deficit	0	(202 368)
Total expected contributions	US$ 2 312 000	US$ 2 189 632
Sensitivity Analysis – 147 (a)		
Defined Benefit Obligation at end of year		
Current medical inflation assumption minus 1%	79 093 485	79 679 308
Current medical inflation assumption	99 842 008	101 102 698
Current medical inflation assumption plus 1%	128 228 294	130 346 968
Current discount rate assumption minus 1%	129 753 000	132 587 174
Current discount rate assumption	99 842 008	101 102 698
Current discount rate assumption plus 1%	78 475 508	78 797 125

Actuarial assumptions and method:

Measurement date	31 December 2018
Discount Rate	1.3% (increased from 1.1% in the prior valuation as at 31 December 2017) WHO bases its discount rates on the yields on high-grade corporate bonds. WHO uses a yield curve approach, which reflects the expected cash flows and assumed currency exposures–specific to the ASHI–for each grouping of offices. IARC is grouped under Europe. The rate is a weighted average of the rate from the SIX Swiss Exchange curve and the rate from the iBoxx Euro Zone curve, with a two-thirds weight on the former. The resulting rate is rounded to the nearest 0.1%.
Annual General Inflation	1.4% (decreased from 1.5% in the prior valuation as at 31 December 2017) 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 3.0% static increases for general inflation per year plus productivity growth. (For the prior year static increases for general inflation plus productivity growth were 3.5%; the total pay increases were the same as in the current valuation.) Set equal to the rates from the 31 December 2017 valuation of the UNJSPF.
Actuarial method	Liabilities are attributed using the projected unit credit method linearly from the entry on duty date to the earlier of the full eligibility date (the latest of age 55, 10 years of service, and five years of continuous service) and retirement date.

f) United Nations Joint Staff Pension Fund:

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

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

During 2017, the Fund identified that there were anomalies in the census data utilized in the actuarial valuation performed as of 31 December 2015. As such, as an exception to the normal biannual cycle, a roll forward of the participation data as of 31 December 2013 to 31 December 2016 was used by the Fund for their 2016 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% (150.1% in the 2016 roll forward). The funded ratio was 102.7% (101.4% in the 2016 roll forward) 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 Fund. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as of the valuation date. At the time of this report, the General Assembly has not invoked the provision of Article 26.

Should Article 26 be invoked due to an actuarial deficiency, either during the ongoing operation or due to the termination of the UNJSPF pension plan, 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.

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.

During 2018, IARC paid US$ 5 744 060 (US$ 5 624 697 in 2017 and US$ 5 395 795 in 2016) as a contribution paid to the United Nations Joint Staff Pension Fund.

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

5.4 Deferred revenue

Deferred revenue represents multi-year agreements signed in and prior to 2018 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-18	31-Dec-17
Current liabilities	7 611 123	8 051 638
Non-current liabilities	6 135 304	4 883 246
Total deferred revenue	€13 746 427	€12 934 884

Note 6: Net assets/equity

The net assets/equity of the Agency increased by €2 741 939 at the end of the reporting period. Statement III provides the summary of changes in net assets/equity by fund and Schedules 1 and 2 provide details of changes in fund balances including revenue and expenditure incurred.

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

6.1 Regular Budget

Total available fund comprises of €21 912 328 budget approved for 2018 and €325 724 fund balance from 2017 approved regular budget which was committed in 2017 for delivery in subsequent calendar year. At the end of reporting period, there is a net fund balance of €2 126 747.

6.2 Voluntary Contributions

The fund balance of €13 855 843 includes designated and undesignated voluntary contributions.

6.3 Working Capital Fund

Fund balance increased by €34 650, as a result of an admission of a new Participating State.

	31-Dec-18	31-Dec-17
Beginning balance at beginning of year	3 326 400	1 192 749
Add: New Participating States contribution to WCF	34 650	0
Decrease in allowances upon receipt of assessed contribution in arrears	0	2 133 651
Less: Allowances for assessed contribution in arrears	0	0
Ending balance as at end of year	€3 361 050	€3 326 400

6.4 Governing Council Special Fund

The fund balance of €10 313 527 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 decreased from €4 156 397 to €3 776 915 during the reporting period.

6.6 Participating State – Others

The amount of €(54 840 521) 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-18	31-Dec-17
Inventories	255 774	169 274
Property, plant and equipment, net	2 508 450	2 508 877
Total common fund	€2 764 224	€2 678 151

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

	31-Dec-18	31-Dec-17
Fund balance in TQ, TP, and POC accounts (Note 5.3b)	6 106 270	5 723 014
Accrued staff salaries funded from other source		
Less: Total accrued staff benefits (Note 5.3a)	(63 711 015)	(62 487 498)
Total special purpose fund	€(57 604 745)	€(56 764 484)

6.7 Trust Fund

This account has a balance of €38 459, 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-18	31-Dec-17
Budgeted assessed contribution	21 912 328	21 806 836
Unbudgeted assessed contribution	204 515	636 033
Decrease (increase) in allowance for doubtful accounts receivable	0	2 133 651
Total	€22 116 843	€24 576 520

Budgeted assessed contribution

This refers to contribution from Participating States for the biennial programme budget as per assessments approved by the Governing Council, which is recorded on an accrual basis at the beginning of each year against account receivable. The amount of €21 912 328 shown on these Financial Statements represents the contribution from Participating States for 2018 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 Islamic Republic of Iran, whose membership was accepted in 2018. The 2018 contribution is in accordance with the percentage set forth in IARC Financial Regulations Article IV.4.3 and Resolution GC/54/R18, i.e. one third of assessed contribution of Group 5 Participating States. The first €34 650 was credited to the Working Capital Fund and the remaining was credited to the Governing Council Special Fund.

Decrease (increase) in allowance for doubtful accounts receivable

The amount of €2 133 651 as at 31 December 2017 referred to the decrease of allowance for doubtful accounts receivable following the receipt of arrears in assessed contributions from Participating States. There was no accumulated balance of allowance for doubtful accounts receivable at the end of 2018.

7.2 Voluntary contributions

The total net revenue from voluntary contributions was €16 270 113, net off the approved write-off amounting to €6000. There was no allowance for doubtful accounts receivable in 2018.

	31-Dec-18	31-Dec-17
Designated voluntary contributions	15 885 484	10 700 525
Undesignated voluntary contributions	390 629	147
Total voluntary contributions	16 276 113	10 700 672
Approved write-off without prior year allowance	(6 000)	
Total	€16 270 113	€10 700 672

7.3 Revenue producing activities

The revenue received from sale of IARC publications in 2018 amounted to €1 289 571, which had decreased by 27% from the prior year's sales of €1 763 768.

7.4 Other operating revenue

	31-Dec-18	31-Dec-17
Sale of equipment and materials	4 658	
Refund from suppliers		1 016
Other income	14 965	1 099
Total	€19 623	€2 115

7.5 Trust fund

The amount of €16 500 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 €3038 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 (€1999) and to the undesignated voluntary contribution as approved by the Governing Council under its Resolution GC/23/R6 (€1039). The remaining interest income amounting to €80 594 was credited to the Governing Council Special Fund.

	31-Dec-18	31-Dec-17
Interest income apportioned to VC account	3 038	5 255
Interest income credited to GCSF account	80 594	69 639
Total	€83 632	€74 894

7.7 Income from services rendered

The total programme support cost of €953 690 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.

8.7 Cost of distribution and disposal of inventories

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

8.8 Depreciation expense

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

8.9 Net foreign exchange gain

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

	31-Dec-18	31-Dec-17
Net realized foreign exchange loss (gain)	(295 497)	844 030
Net unrealized foreign exchange loss (gain)	1 386 368	(3 762 133)
Total net foreign exchange loss (gain)	€1 090 871	€(2 918 103)

8.10 Financial cost

This includes bank charges and rounding differences.

8.11 Programme support cost

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

8.12 Transfer between Funds

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

	RB	VC	GCSF
Transfer unspent balance from RB to GCSF	(81 829)		81 829
Transfer fund balance of closed projects to GCSF		(1 934)	1 934
Net transfer between funds	€(81 829)	€(1 934)	€83 763

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 2018–19 for €44 149 793, of which €21 912 328 and €22 237 465 are allocated for 2018 and 2019 work plans, respectively. There have been no revisions made to the programme and approved budget to date.

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

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

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

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

Basis differences occur when the approved budget is prepared on a basis other than the full accrual accounting basis. Basis differences include Common Fund activities (i.e. the new capital assets purchased, depreciation of assets, and cost of distribution and disposals of inventories) and other non-regular budget utilization.

Reconciliation between the actual amounts on a comparable basis in the Statement of Comparison of Budget and Actual Amounts (Statement V) and the actual amounts in the Statement of Financial Performance (Statement II) for the period ended 31 December 2018 is presented below:

	31-Dec-18	31-Dec-17
Actual amount on comparison - Statement V	19 785 581	23 117 285
Time difference	243 895	
Basis differences	20 689 928	12 155 762
Actual expenses – Statement II	€40 719 404	€35 273 047

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 2018.

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	€307 621	€204 580	€117 626	€629 827	€14 792	-

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

An uncollectable designated voluntary contribution amounting to €6000 was approved for write-off. There were no administrative waivers approved and no ex-gratia payments made in 2018.

Note 12: Events after the reporting date

The reporting date for these financial statements is 31 December 2018. 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 2018, 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 2018
(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 2018
REVENUE	Note 7								
Assessed contributions	7.1	21 912 328	34 650	169 865			22 116 843		**22 116 843**
Voluntary contributions	7.2			(6 000)	16 276 113		16 270 113		**16 270 113**
Revenue-producing activities	7.3			1 289 571			1 289 571		**1 289 571**
Other operating revenue	7.4			19 623			19 623		**19 623**
Trust Fund	7.5					16 500	16 500		**16 500**
Income from services rendered	7.7			953 690			953 690	(953 690)	
Financial revenue	7.6			80 594	3 038		83 632		**83 632**
Total revenue		21 912 328	34 650	2 507 343	16 279 151	16 500	40 749 972	(953 690)	39 796 282
EXPENSES	Note 8								
Staff cost	8.1	15 175 921		4 775 253	5 482 204		25 433 378		**25 433 378**
Temporary assistants, advisors and participants	8.2	444 313		378 744	480 369		1 303 426		**1 303 426**
Fellows	8.3	715 168		335 784	1 466 375		2 517 327		**2 517 327**
Duty travel (staff, fellows)	8.4	623 198		63 361	278 254		964 813		**964 813**
Research and other agreements	8.5	312 498		202 259	3 357 959		3 872 716		**3 872 716**
Procurement and various operating expenses	8.6	2 665 386		687 778	1 321 968	9 155	4 684 287		**4 684 287**
Cost of distribution & disposal of inventory	8.7			200 088			200 088		**200 088**
Depreciation	8.8			630 480			630 480		**630 480**
Net foreign exchange loss (gain)	8.9			1 090 871			1 090 871		**1 090 871**
Financial cost	8.10	1 616		19 759	643		22 018		**22 018**
Programme support cost	8.11				953 690		953 690	(953 690)	
Total expenses		19 938 100		8 384 377	13 341 462	9 155	41 673 094	(953 690)	**40 719 404**
TOTAL SURPLUS (DEFICIT) FOR THE YEAR		1 974 228	34 650	(5 877 034)	2 937 689	7 345	(923 122)		**(923 122)**
Capital expenditures									
Inventories		(85 208)		90 208	(5 000)				
Property plant & equipment		(6 168)		20 464	(14 296)				
Transfer between funds	8.12	(81 829)		83 763	(1 934)				
TOTAL CHANGES IN FUND BALANCES		1 801 023	34 650	(5 682 599)	2 916 459	7 345	(923 122)		**(923 122)**

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 2018
(amount in Euros)

	Notes	Governing Council Special Fund	Special Account for Programme Support Costs	Participating States Others	for the year ended **31 December 2018**
REVENUE	Note 7				
Assessed contributions	7.1	169 865			**169 865**
Voluntary Contribution	7.2		(6 000)		**(6 000)**
Revenue-producing activities	7.3	1 289 571			**1 289 571**
Other operating revenue	7.4	19 623			**19 623**
Income from service rendered	7.7		953 690		**953 690**
Financial revenue	7.6	80 594			**80 594**
Total revenue		1 559 653	947 690		2 507 343
EXPENSES	Note 8				
Staff cost	8.1	1 130 619	673 152	2 971 482	**4 775 253**
Temporary assistants, advisors and participants	8.2	309 986	68 758		**378 744**
Fellows	8.3	242 204	93 580		**335 784**
Duty travel (staff, fellows)	8.4	43 749	19 612		**63 361**
Research and other agreements	8.5	182 634	19 625		**202 259**
Procurement and various operating expenses	8.6	255 092	432 686		**687 778**
Cost of distribution & disposal of inventory	8.7			200 088	**200 088**
Depreciation	8.8			630 480	**630 480**
Net foreign exchange loss (gain)	8.9	(442 969)		1 533 840	**1 090 871**
Financial cost	8.10		19 759		**19 759**
Total expenses		1 721 315	1 327 172	5 335 890	**8 384 377**
TOTAL SURPLUS (DEFICIT) FOR THE YEAR		(161 662)	(379 482)	(5 335 890)	**(5 877 034)**
Capital expenditures					
Inventories		(196 380)		286 588	**90 208**
Property, plant & equipment		(609 589)		630 053	**20 464**
Transfer between funds	8.12	83 763			**83 763**
TOTAL CHANGES IN FUND BALANCES		(883 868)	(379 482)	(4 419 249)	**(5 682 599)**

SCHEDULE 3 - Status of Collection of Assessed Contributions

International Agency for Research on Cancer
Status of Collection of Assessed Contributions
As at 31 December 2018
(amount in euros)

Participating States	2018 Assessments			Assessments of prior financial years			Total balance
	Assessments	Collected	Balance as of 31-Dec-18	Balance as of 01-Jan-18	Collected during 2018	Balance as of 31-Dec-18	as of 31-Dec-18
Budgeted Assessment:							
Australia	871 337	871 337	-	-	-	-	-
Austria	742 441	742 441	-	-	-	-	-
Belgium (2)	742 441	742 441	-	189 867	189 867	-	-
Brazil	871 337	541 826	329 511	468 780	468 780	-	329 511
Canada (2)	871 337	871 337	-	-	-	-	-
Denmark	742 441	-	742 441	759 468	759 468	-	742 441
Finland	613 545	613 545	-	-	-	-	-
France	1 129 132	1 129 132	-	-	-	-	-
Germany	1 129 132	1 129 132	-	-	-	-	-
India	742 441	-	742 441	-	-	-	742 441
Ireland	613 545	613 545	-	-	-	-	-
Italy	871 337	871 337	-	-	-	-	-
Japan	1 644 712	1 644 712	-	-	-	-	-
Morocco	613 545	613 545	-	-	-	-	-
Netherlands	742 441	742 441	-	-	-	-	-
Norway	742 441	742 441	-	-	-	-	-
Qatar	613 545	613 545	-				
Republic of Korea	871 337	871 337	-	-	-	-	-
Russian Federation	871 337	871 337	-	-	-	-	-
Spain	871 337	-	871 337	1 426 158	1 426 158	-	871 337
Sweden	742 441	742 441	-	-	-	-	-
Switzerland	742 441	742 441	-	-	-	-	-
Turkey	742 441	742 441	-	-	-	-	-
United Kingdom	1 129 132	1 129 132	-	-	-	-	-
United States of America	1 644 712	489 087	1 155 625	1 140 785	1 140 785	-	1 155 625
TOTAL	**21 912 328**	**18 070 973**	**3 841 355**	**3 985 058**	**3 985 058**	**-**	**3 841 355**
% of collection		82.47%					
Unbudgeted Assessment:							
Islamic Republic of Iran (1)	204 515	-	204 515	-	-	-	204 515
GRAND TOTAL	**22 116 843**	**18 070 973**	**4 045 870**	**3 985 058**	**3 985 058**	**-**	**4 045 870**

(1) Islamic Republic of Iran: Membership was accepted in 2018. The 2018 contribution equals to one-third of assessment of Group 5 Participating States and to be accounted under the unbudgeted assessment.
(2) In addition to the above, 2019 assessed contributions were received in advance from Belgium €17 027 and Canada €884 267.