Annual Financial Report for the year ended 31 December 2021

(Document GC/64/9 and GC/64/Inf.Doc.No.1-3)

International Agency for Research on Cancer

World Health Organization

- Document GC/64/9 Financial Report, Report of the External Auditor, and Financial Statements

Information documents:

- GC/64/Inf.Doc. No.1 Current Status of Collection of Assessed Contributions and Core Voluntary Contribution Account (CVCA) from Participating States
- GC/64/Inf.Doc. No.2 Projection of Governing Council Special Fund (GCSF) Account for 2022-2025
- GC/64/Inf.Doc. No.3 Voluntary Contributions Account for the period 1 January to 31 December 2021

Basis for Preparation and Presentation

- Financial statements and accompanied notes were prepared in full compliance with the International Public Sector Accounting Standards (IPSAS).
- Functional and reporting currency of IARC is Euro.
- A complete set of financial statements was 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 to financial statements
- Schedules 1-3, providing supplementary information to Statement II and on the status of collection of contribution from Participating States.

I. Basis for preparation and presentation

This annual financial report is presented in accordance with Article VI, Paragraph 6.1 of the IARC Financial Regulations.

It includes a complete set of IARC financial statements that were prepared in full compliance with the International Public Sector Accounting Standards (IPSAS).

The complete set of financial statements prepared by the Agency comprises of Statements I to V, comprehensive notes to financial statements that provide a summary of significant accounting policies, explanation of the financial statements, and other relevant information.

It also included Schedules 1-3 to provide supplementary information to the Statement of Financial Performance and on the status of collection of contribution from Participating States.

Report of the External Auditor

Audit Opinion: as per letter dated 28 March 2022

- IARC financial statements present fairly, in all material respects, the financial position as at 31 December 2021, and its financial performance, changes in net assets/ equity, cash flow, and the comparison of budget and actual amounts in accordance with IPSAS.
- Transactions of IARC have, in all significant respects, been in accordance with the Financial Regulations.

‘unqualified audit’ = clean audit

II. Report of the External Auditor

IARC Financial Statements were audited by the Comptroller and Auditor General of India for the second year and the audit was done on-site.

The auditors confirmed for another year the ‘unqualified audit’ opinion or ‘clean audit’, including the full compliance to the International Public Sector Accounting Standard (IPSAS) of the IARC’s financial statements.

AUDIT RECOMMENDATIONS:
In addition to the audit of IARC financial statements, the auditors also review key operational processes of the Agency and recognized significant efforts of IARC management and concerned staff in ensuring the compliance to the WHO/IARC Financial Rules and Regulations.

There were two recommendations in the management letter:
1. IT implements the multifactor authentications (planned for the first half of 2022).
2. IARC may consider to clearly formulate and document the user requirement and system design for the project to enable better project management.

Financial Highlights

(STATEMENT I)

Financial Position
As at 31-Dec-21

Asset = €70.33m

Liabilities = 108.55m

Net equity/asset = -€38.22m

Deficit due to unfunded ASHI net liabilities

(STATEMENT II)

Financial Performance
For the year ended 31-Dec-21

Revenue = €38.71m

Expenses = 44.63m

Deficit = -€5.93m

Deficit due to:

€5.93m – ASHI service costs

€4.28m – ASHI net liabilities revaluation (exchange loss)

(STATEMENT IV)

Cash balance
As at 31-Dec-21

€41.94 million

III. Financial Highlights

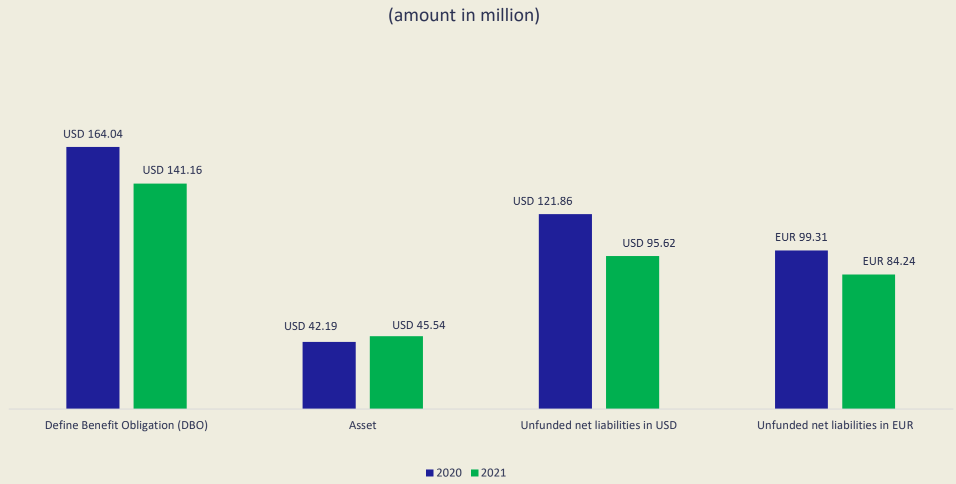
Financial Position:
Total asset of the Agency as at 31 Dec 2021 amounted to €70.33 million while the total liabilities amounted to €108.55 million. Big part of the liabilities is from accrued staff benefit totalling €102.56 million of which €84.24 million is unfunded ASHI net liabilities.

Hence, the net assets/equity of the Agency at the end of 2021 was negative €38.22 million which slightly improved compared to negative €57.58 million in 2020.
The improvement in net asset/equity was due from remeasurement of ASHI reflecting net again of about €25.28 million.

Financial Performance:
Total revenue in 2021 amounted to €38.71 million which is relatively the same compared in 2020 which amounted to €38.87 million.
Total expenses incurred in 2021 was €44.63 million of which €10.21 million were related to ASHI - (2021 service cost is about €5.93 million and exchange loss due to revaluation of ASHI liability is around €4.28 million).
Overall, the 2021 financial performance has shown deficit of €5.92 million. Excluding the unfunded ASHI expenses, the Agency would have ended last year with a surplus.

While the Agency's financial performance shows a deficit, the cash flow of the Agency has slightly increased by €7.26 million compared to last year (from €34.68 million in 2020 to €41.94 million at the end of 2021).

After Service Health Insurance (ASHI)



The actuarial valuation of After Service Health Insurance is stated in USD. According to Actuarial valuation that IARC is 32% funded, an improvement of 6% on the previous year.

The unfunded ASHI net liabilities is reported in the Agency's Financial Position, and it is translated in EUR value using the foreign exchange rate at the reporting period.

In 2021, the unfunded ASHI net liabilities had decreased by €15.074 million or has dropped by 15% from €99.31 million in 2020 to €84.24 million in 2021.

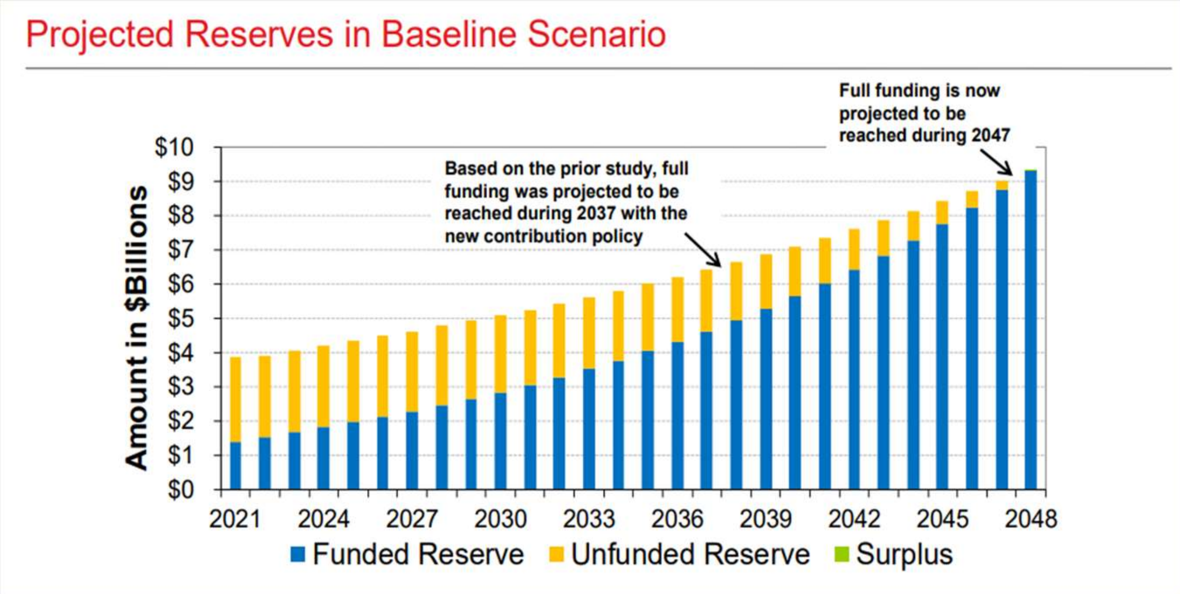
The ASHI funded ratio (asset vs define benefit obligation) has improved from 26% in 2020 to 32% in 2021.

The improvement in the funded ratio reflects favourable performance of both the Define Benefit Obligation (DBO) – liability and the assets.

The DBO has decreased to USD141.16 million in 2021 from USD164.04 million in 2020. This is due to gain from experience and assumption changes. This gain is primarily due to favourable claims experience during the year, an increase to anticipated short-term withdrawal rates (from a spring 2021 Aon study), and an increase in discount rates from 0.2% in 2020 to 0.4% in 2021.

The ASHI fund (asset) increased to USD45.54 in 2021 from USD42.19 in 2020 (or net increase of USD3.35 million), due to contributions and asset returns in excess of benefit payments. The asset returned an additional USD1.31 million, due to favourable equity market performance, partially offset by the unfavourable asset impact of rising market interest rates.

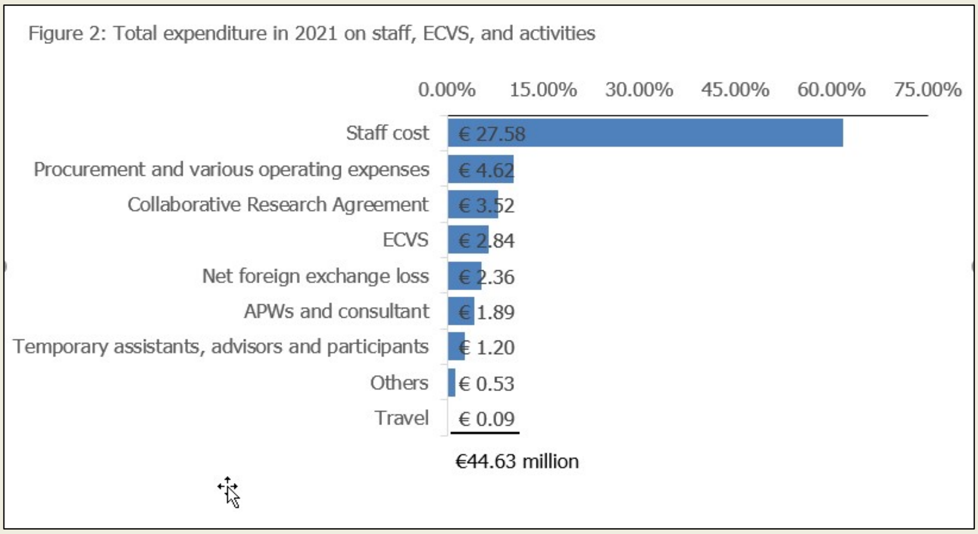
After Service Health Insurance (ASHI)



Based on the 31 December 2019 valuation, full funding was expected to be reached in 2037, reflecting the new contribution policy adopted in 2020. Full funding is now projected to be reached during 2047.

Full funding is now projected to be reached 10 years later. The delay is mainly due to a decrease in liability discount rates (impact of 4 years) and an associated decrease in the expected rate of return on assets (impact of another 4 years).

Expenses incurred in 2021 (all funding sources)



In 2021, the total incurred expenses amounted to €44.63 million, inclusive of net foreign exchange loss of €2.36 million.

- €27.58m were staff costs - €22.52m relates to actual staff costs and €5.06m relates to net actuarial cost (e.g. ASHI, short-term & long-term employee benefits, termination benefit).
- €2.84m were costs of Early Career and Visiting Scientists (ECVS), and
- the remaining expenses were activities cost.

The major cost of activities were
- Procurement and other operating expenses (€4.62m or 10.36% of the total expenses),
- Collaborative Research Agreements (€3.52m or 7.9% of the total expenses),
- Travel costs in 2021 was minimal as a result of the travel ban policy that has been imposed since March 2020 (€0.09m only compared in previous years - €0.23m in 2020 and €1.98m in 2019).

‘Others’ comprised of depreciation expenses, cost of distribution and disposal of publication inventory and financial cost or bank charges.

Regular Budget 2021

- 2020-2021 approved regular budget was €44.15m, fully financed from assessed contributions from Participating States; €21.87m was allocated to 2020 and €22.28m was allocated to 2021.
- **85.64%** of assessed contributions due in 2021 were **collected in 2021**.
- €14 500 from GCSF was used for budgetary loss resulting from currency realignment were incurred in 2021 as per the provision authorized under Resolution GC/61/R5.

Total regular budget 2020-2021 was approved for €44.15m, fully financed from assessment from Participating States. €21.87m was allocated for 2020 and €22.28m was allocated to 2021.

As shown in the Schedule 3 of the note to the financial statements, the status of collection of assessed contribution due in 2021 as at 31-Dec-21 was 85.64%. Additional contributions (from Belgium, India & USA) were received this current year 2022 bringing the collection of assessed contributions for 2021 at present to 95.04% (as of 08-Apr-21).

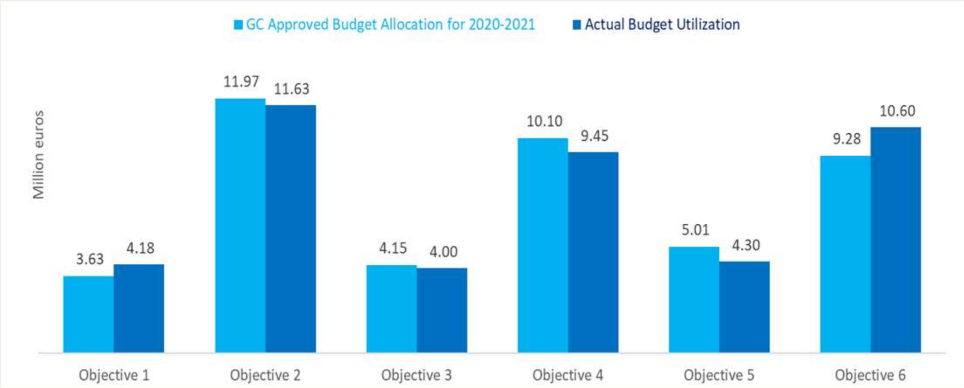
For information on the assessed contribution from PS due in 2022, as at 8 Apr 2021 about half (41.97%) have been received to-date. Details are provided in GC/64/Inf.Doc. No.1. The Secretariat would like to thank Participating States for their continued support to the Agency.

There was budgetary cost due to currency realignments in 2020 totalling €14 500, charging to GCSF as per the provision authorized in Resolution GC/61/R5, paragraph 6:

6. DECIDES to grant authority to the Director to use a maximum of €500 000 in the biennium 2020–2021 from the Governing Council Special Fund to cover unforeseen budgetary costs due to currency realignments, subject to availability of cash balances in the Fund, noting the base rate of exchange for 2020–2021 is €0.819/US$;

Regular Budget 2020-2021

Approved regular budget and its utilization breakdown by six objectives



Objective 1	Objective 2	Objective 3	Objective 4	Objective 5	Objective 6
Describe the occurrence of cancer	Understanding the causes of cancer	Evaluate and implement cancer prevention and control strategy	Increase the capacity for cancer research	Provide strategic leadership and enhance the impact of the Agency's contribution to global cancer research	Enable and support the efficient conduct and coordination of research

NOTE: Budget transfers between objectives during the biennium were within 15% of the budget of objective from which the credit was transferred as authorized under Resolution GC/61/R5.

The actual budget utilization as compared to the initial approved budget for each Objective is shown in this figure. The changes of budget during the biennium is within the 15% provision approved by the GC under Resolution GC/61/R5, paragraph 5:

5. DECIDES that the Director shall have authority under Financial Regulations Article III, Paragraph 3.3 to transfer credits between sections of the budget, provided that such **transfers do not exceed 15%** of the section from which the credit is transferred. Transfers in excess of 15% of the section from which the credit is transferred may be made with the prior written concurrence of the majority of the Members of the Governing Council;

Voluntary Contributions Account

(expressed in million euros)

	Opening Balance 01-Jan-21	Revenue	Interest income	Expenses	**Closing Balance 31-Dec-21**
Core Voluntary Contribution Account (CVCA)	**0.032**	0.058	0	(0.084)	**0.006**
Voluntary Designated Contributions	**15.389**	13.545	0	(12.898)	**16.036**
Voluntary Undesignated Contributions	**0.837**	0.295	0	(0.128)	**1.004**
Voluntary Contributions Account	**16.258**	**13.898**	**0**	**(13.110)**	**17.046**

- Voluntary contributions account includes CVCA, designated and undesignated contributions.
- Fund received for CVCA was used to supplement 2020-2021 regular budget.
- Revenue from designated voluntary contributions expected to be received in the future years are shown as deferred revenue in financial statements amount to €18.167m in addition to the balance in the above table.

Voluntary Contributions Account includes Core Voluntary Contribution Account (CVCA), designated and undesignated contributions.

CVCA was established in 2019 to receive supplementary funds from Participating States to finance IARC's core activities (Resolution GC/61/R5, paragraph 9). Additional contributions totalling €57,504 were received in 2021 from The Netherlands and the UK. This brings the total CVCA funds received to supplement the 2020-2021 regular budget to €174,318.

(CVCA collected in 2020 was €116 814 - received from Australia, the Netherlands and the UK).

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.

Total VC account had a balance of €17.046m at the end of the year, increased by 5% from the prior year.

The revenue from designated voluntary contributions shown in this table reflects the amount earned in 2021 only.

Additionally, based on the grants and contribution agreements already signed, the Agency expects to receive €18.16m in future years and this amount is reported in the statement of financial position as ‘deferred revenue’.

Details of this account by donor is provided in GC/64/Inf.Doc. No.3.