

4th ITUC World Congress
Copenhagen, 2 — 7 December 2018

FINANCIAL REPORTS

for the period 1 January 2014 to 31 December 2017

**BUILDING
WORKERS'
POWER**

**CHANGE
THE
RULES**

INTERNATIONAL TRADE UNION CONFEDERATION

4th WORLD CONGRESS

Copenhagen, Denmark, 2 - 7 December 2018

FINANCIAL REPORTS

for the period 1 January 2014 to 31 December 2017

FINANCIAL REPORTS 2014 - 2017

CONTENTS

	<i>Page</i>
Introduction	3
<i>For the year 2014 – ITUC Notes to Financial Reports</i>	<i>6</i>
<i>For the year 2014 – External Auditors</i>	<i>10</i>
<i>For the year 2014 – Internal Auditors</i>	<i>16</i>
<i>For the year 2015 – ITUC Notes to Financial Reports</i>	<i>23</i>
<i>For the year 2015 – External Auditors</i>	<i>26</i>
<i>For the year 2015 – Internal Auditors</i>	<i>32</i>
<i>For the year 2016 – ITUC Notes to Financial Reports</i>	<i>39</i>
<i>For the year 2016 – External Auditors</i>	<i>44</i>
<i>For the year 2016 – Internal Auditors</i>	<i>50</i>
<i>For the year 2017 – ITUC Notes to Financial Reports</i>	<i>57</i>
<i>For the year 2017 – External Auditors</i>	<i>60</i>
<i>For the year 2017 – Internal Auditors</i>	<i>66</i>

The attached documents are the financial reports for the years 2014-2017, approved by the ITUC Executive Bureau and General Council.

The past four years continued the consolidation of the ITUC in terms of financial management and alignment of finances with organisational objectives. Affiliation fees in arrears remained limited, and the Confederation has maintained a satisfactory level of financial stability. Furthermore, a surplus of Euros 1.45 million accumulated over the period has allowed an increase of the Reserve Fund to 3 months' of the expenses budget, in addition to contributions to the Organising Fund and investment on Frontlines and Priorities.

Also attached hereto are the reports of both the External and Internal Auditors. Their recommendations have been an important tool for ensuring sound financial management.

Sharan Burrow
General Secretary
Brussels, October 2018

Key events during the period 2014-2017

1st January 2015: change of accounting method from cash basis to accrual basis; replacement of previous accounting software by the ERP Exact Globe.

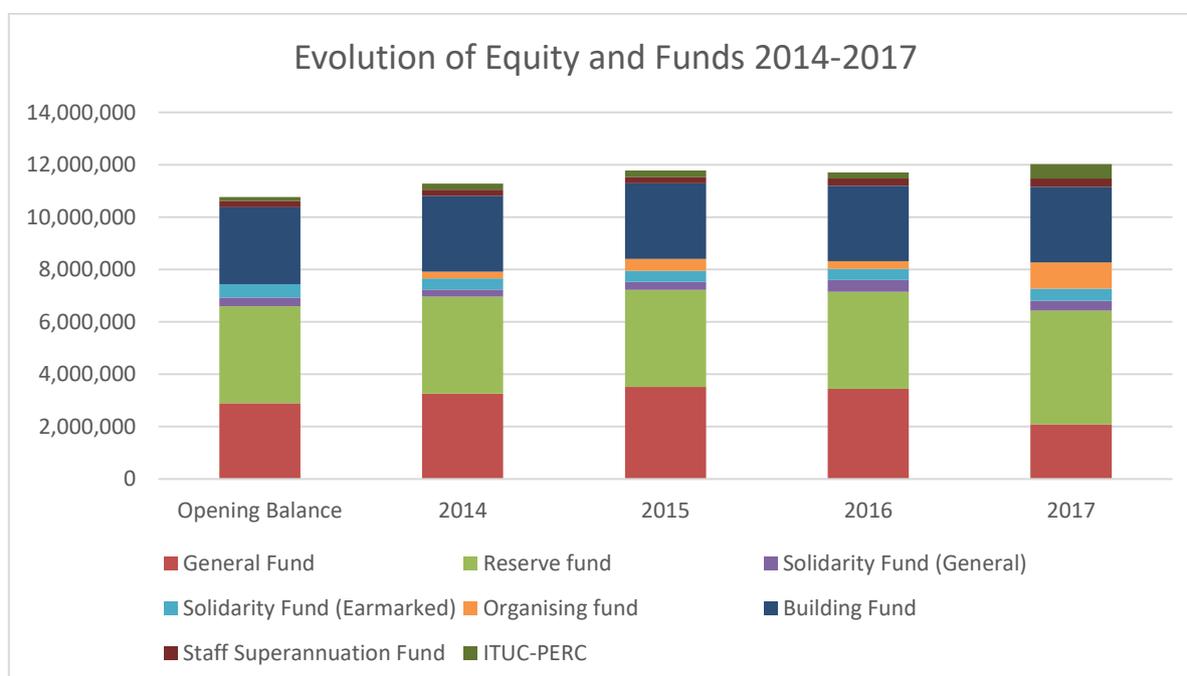
December 2015: retirement of the Finance Director, Nelson de Macedo; annual accounts prepared by an interim Finance Director.

1st March 2016: appointment of a new Finance Director, Xavier Lalanne.

1st January 2017: introduction of several analytical dimensions: Activity, Cost Centre, Funding and Co-Funding, to align the accounts to the Annual Workplans and streamline reporting to donors.

1st January 2018: introduction of new accounting software that can accommodate all the new analytical accounts dimensions; financial reports in donors' formats, including co-funding, can now be produced from the accounts without extra accounting re-processing.

Evolution of equity and funds



The overall equity has increased 11.6% over the period, from 10,773,935 EUR at 1st January 2014 to 12,018,961 EUR at 31st December 2017.

The Organising Fund created in 2014 with 250,000 EUR has been progressively increased to 1,000,231 EUR by transfers from surpluses and the General Fund.

The Reserve Fund has been significantly increased from 3,705,000 EUR to 4,336,000 EUR in 2017 to adjust to 3 months of the increased overall expenses budget.

Expenses have been in line with budgets across the period with the exception of the Conference and Travel budget that has been increasingly under pressure, mainly due to the increase in donor-funded activities that require non-donor funded travel to implement.

This confirmed stability and the improved systems give us the confidence that we have created the grounds for further efficiencies and development.

ITUC NOTES TO FINANCIAL REPORTS

**REPORTS OF THE EXTERNAL AND
INTERNAL AUDITORS**

YEAR 2014



EXECUTIVE BUREAU

Brussels, 16 April 2015

Agenda item 3:

Financial Reports

(a) ITUC Financial Reports for 2014

(i) Financial Report for 2014

1. In line with Article XXIII(b) of the ITUC Constitution, the annual financial report of the Confederation is submitted to the General Council for adoption. According to Article XXV(d) it is the role of the Executive Bureau to prepare the General Council's decisions concerning finances and the annual budget.

2. The ITUC balance sheet and income and expenditure account for the year 2014 are audited by the public accountants RSM InternAudit, Belgium.

General Fund – Income and expenditure account

3. The income and expenditure statement for 2014 shows an excess of income over of EUR 622,502.

4. The table below provides a comparison of budgeted and actual income and expenditure for the year 2014.

	<u>Budget 2014</u>	<u>Actual 2014</u>
<u>Income</u>	<u>EUR</u>	<u>EUR</u>
Affiliation fees	11,942,800	12,449,079
CGU		36,538
Income for offices	383,900	291,378
Other income	<u>2,165,165</u>	<u>2,886,255</u>
	14,491,865	15,663,250
<u>Expenditure</u>		
Resolutions: points of action	1,746,595	2,746,567
Building workers' power	213,570	550,855
Head office	9,238,377	8,395,414
Other offices	1,384,900	1,445,171
Regional organisations	<u>1,885,902</u>	<u>1,903,051</u>
	14,469,344	15,040,748
<u>Surplus (Deficit) for the year</u>	<u>22,521</u>	<u>622,502</u>

5. Affiliation fees actually received were EUR 506,279 more than budgeted. Payments of affiliation fees continued to have an extremely good flow during the year, a Congress year, similar to previous years. The total amount of outstanding fees was EUR 110,602 on 31 December 2014, a historically low figure equivalent to 0.89% of all affiliation fees received under the year. The accounts of the Council of Global Unions, fully incorporated in the ITUC accounts, showed a positive amount, i.e. EUR 36,538.

6. Income from financial investments is traditionally not included in the budget. Although the instability seen in the Euro-zone, a minor increase in the market value of the ITUC investments was noted. The total amount received for interest and dividends on investments and a loan to ITUBI (International Trade Union Building Investment), was EUR 219,452.

7. An extensive amount was transferred from external donors to the ITUC in 2014, to cover the expenses of different projects. The grants actually received amounted to EUR 2,591,427, compared to budget EUR 1,960,165, covering the costs of points of actions and activities linked to resolutions adopted by Congress (see point 9 below).

8. Other income: budgeted amount, EUR 205,000, included mainly external contributions to cover expenses related to project administration. The actual figures amount to EUR 179,440.

9. Points of action and activities were initially budgeted to EUR 5,453,980, of which EUR 1,960,165 were confirmed by external donors at the time of preparing the budget 2014. Actual figures show, however, that planned activities were indeed carried out to a total cost of EUR 3,297,112, significantly more than expected. Grants received but not used in 2014 were reserved for project activities in the coming year (see point 7 above).

10. New strategies for building workers' power, in particular organising activities and Equal Times amounted totally to EUR 550,855. A continued plan to build workers' power is fully incorporated in the budget for 2015 (Frontlines and Priorities), as a central measure of high importance for the ITUC.

11. The total expenses of the Head Office are lower than budgeted. Some specific budget lines show a significant deviation from actual figures, as follows:

- a. **Salaries and social charge, incidental staff expenditure:** long-term vacancies, staff costs partially covered by projects and the fact that no salary indexation was carried out in 2014 contributed to lower costs than expected.
- b. **Press and publications:** the actual figures show a positive difference compared to budget, mainly due to the fact the several publications and media production were covered by Congress budget.
- c. **Furniture and equipment:** showing a positive difference compared to budget, some savings were done by postponing planned purchases.

12. The ITUC offices outside Belgium operate in foreign currencies, creating an uncertainty in the budget. The continued volatility of the euro during the past year resulted in several budget deviations:

- a. **Geneva office:** budgeted at EUR 551,200, the expenses were higher than budgeted. There was considerably less variation in exchange rates between the euro and the Swiss franc during 2014.
- b. **Washington office:** a minor difference between budget and actual figures was recorded, mainly explained by exchange rate variations between the euro and the US dollar.
- c. **Moscow:** actual figures were significantly lower than budgeted, explained by the vacancy for the post of office director, as well as other staff and activities transferred to projects.
- d. **Sarajevo:** all activities and major office expenses were covered by external donors.
- e. **Amman:** budgeted at EUR 376,000, the actual figures for the Amman office, EUR 673,970, were considerably higher than expected, mainly due to costs related to the creation of the new sub-region and subsequently to ATUC first Congress.

13. A minor positive difference between budgeted and actual costs can be noted concerning the contributions to the regional organisations of ITUC, since the volatility in exchange rates was avoided by securing the rates at the beginning of the year. In addition, a correction of PERC Fund's outgoing balance 2013 has been made (see point 18 below), causing a minor impact on ITUC final result.

Balance Sheet – Funds

General Fund

14. This fund represents the accumulated surpluses and losses of the ITUC over the years. It also receives payment of affiliation fees related to previous years.

Reserve Fund

15. The Reserve Fund has been established in accordance with the recommendations of the internal auditors and is to be kept at a level of not less than four months' expenditure of the Confederation's budget for the following year. The current balance of the Reserve Fund is EUR 3,705,000.

Solidarity Fund

16. The Solidarity Fund received income through contributions in 2014 to the amount of EUR 700,054. The total amount spent in 2014 was EUR 853,224, including extraordinary earmarked grants to meet unforeseen needs and requests.

Superannuation Fund

17. The Staff Superannuation Fund consists of premiums and accumulated interests set aside for pension entitlements for representatives and staff members on external employment contract. It amounted to EUR 242,447 on 31 December 2014.

ITUC – PERC

18. PERC (Pan European Regional Council) is a regional structure that is included for financial purposes in the accounting of the ITUC. However, it has to be considered as a separate entity, and a surplus of income over expenditure has to be kept in a separate fund. It stood at EUR 157,624 at the beginning of 2014. A correction of the

fund's outgoing balance was made in 2014 (see point 13 above). The final balance was EUR 230,973 at the end of 2014

19. Declining membership in unions is a matter of global concern for the ITUC. Accordingly, organising activities and union growth are key priorities. It is therefore proposed that part of the surplus of the year, i.e., EUR 250,000, is transferred to the budgets of 2015/2016 to be used for organising activities.

20. In accordance with the recommendation of ITUC Internal Auditors, followed by previous decision of the Executive Bureau to maintain the Reserve Fund at a level equivalent to four months' budget expenditure, it is proposed to reach that level in two steps. Consequently, as a first step, part of the surplus of the year, i.e., EUR 250,000, is proposed to be transferred to the Reserve Fund.

21. The Executive Bureau is requested to recommend to the General Council to approve the financial report of the ITUC for the year 2014 and also the transfer of EUR 250,000 to the budgets of 2015/2016 for organising activities, as well as EUR 250,000 to the Reserve Fund.

INTERNATIONAL TRADE UNION CONFEDERATION (ITUC)

INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERNAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

We have reviewed the accompanying internal financial statements of the INTERNATIONAL TRADE UNION CONFEDERATION, set out on pages 3 to 6, which show a balance sheet total of 11.274.017,39 EUR and a result of 622.501,56 EUR for the year ended on 31 December 2014, after allocation of the surplus to the Funds.

Officers' Responsibility for the Financial Statements

The officers are responsible for the preparation and fair presentation of these financial statements in accordance with in Belgium applicable accounting standards, and for such internal control as the officers determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The above mentioned internal financial statements are used by the International Trade Union Confederation (ITUC) for internal use and do consequently not conform to the Belgian legal scheme of financial statements.

Auditor's Responsibility

Our responsibility is to express a conclusion on the accompanying internal financial statements. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2400, *Engagements to Review Historical Financial Statements*. ISRE 2400 requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared in all material respects in accordance with in Belgium applicable accounting standards. This Standard also requires us to comply with relevant ethical requirements.

A review of financial statements in accordance with ISRE 2400 is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the internal financial statements do not present fairly, in all material respects the equity, financial position and results of the INTERNATIONAL TRADE UNION CONFEDERATION as at 31 December 2014, in Belgium applicable accounting standards.

Zaventem, 28 February 2015



RSM INTERAUDIT CVBA-SCRL
REGISTERED AUDITORS
REPRESENTED BY
JEAN-FRANÇOIS NOBELS

INTERNATIONAL TRADE UNION CONFEDERATION
BALANCE SHEET AS AT 31 DECEMBER 2014

EUR

FUNDS

General Fund (Note 1)	3.261.036,33	
Reserve Fund (Note 1)	3.705.000,00	
Solidarity Fund (Note 2)	697.287,41	
Organising Fund (Note 1)	250.000,00	
Building fund	2.887.272,89	
Other Funds: Staff Superannuation Fund (Note 3)	242.447,34	
Other Funds: ITUC-PERC (Note 3)	230.973,42	
		<u>11.274.017,39</u>

EMPLOYMENT OF FUNDS

Fixed assets

ITUBI	2.887.272,89	
Cost of improvements to leased property	1.475.707,88	
Cost of improvements to leased property (depreciation)	(596.489,85)	
Movable property	744.396,25	
Movable property (depreciation)	(577.360,42)	
Fixed assets: hardware	106.958,93	
Fixed assets (depreciation): hardware	(94.090,25)	
		3.946.395,43

Current assets

Short term investments	7.062.815,78	
Cash at bank	3.231.861,81	
Debtors	1.589.494,30	
		11.884.171,89

Current liabilities

Development aid funds (Note 4)	1.097.446,55	
Creditors	1.826.608,61	
Provisions (Note 5)	1.632.494,77	
		4.556.549,93

Net current assets

7.327.621,96

11.274.017,39

The notes on pages 5 to 6 form part of these accounts.

INTERNATIONAL TRADE UNION CONFEDERATION
31 DECEMBER 2014
GENERAL FUND - INCOME AND EXPENDITURE ACCOUNT

	<u>BUDGET</u>	<u>ACTUAL</u>
	2014	2014
	EUR	EUR
<u>INCOME</u>		
Affiliation fees received:		
Current year	11.942.800,00	12.236.147,87
Prior years	<u>0,00</u>	<u>212.931,28</u>
	11.942.800,00	12.449.079,15
<u>Council of Global Unions</u>		
Council of Global Unions (CGU)		36.537,65
Income for Offices	383.900,00	291.377,85
Income from financial investments		115.388,74
Other income: external project funds	1.960.165,00	2.591.426,95
Other income	<u>205.000,00</u>	<u>179.439,68</u>
	<u>14.491.865,00</u>	<u>15.663.250,02</u>
<u>EXPENDITURE</u>		
<u>Resolutions: points of action and planned activities</u>	1.746.595,00	2.746.256,64
<u>New strategies for building workers' power</u>		
Organising activities	148.680,00	269.251,15
Equal Times	<u>64.890,00</u>	<u>281.604,21</u>
	213.570,00	550.855,36
<u>Head office</u>		
ITUC 3rd World Congress (provision)	250.000,00	250.000,00
Conferences, meetings, travel and activities	690.057,00	695.106,59
Office rent and upkeep	1.208.122,00	1.203.384,14
Other office expenses	276.000,00	269.731,70
Salaries, social charges, etc.	5.974.798,00	5.234.617,47
Incidental staff expenditure	176.400,00	188.734,64
Press and publications	322.000,00	254.098,92
Furniture and equipment	336.000,00	298.116,49
Miscellaneous: unforeseen expenses	<u>5.000,00</u>	<u>1.624,55</u>
	9.238.377,00	8.395.414,50
<u>ITUC offices</u>		
Geneva office	551.200,00	560.168,85
ITUC/GUFs Washington office	182.100,00	177.311,36
Moscow Office for the NIS	109.600,00	8.109,59
Sarajevo Office	156.000,00	14.070,41
Amman office	376.000,00	673.970,29
Hong Kong	10.000,00	10.000,00
Burma Office		<u>1.540,65</u>
	1.384.900,00	1.445.171,15
<u>Regional organisations and structures</u>		
African Regional Organisation	611.040,00	611.040,00
Asian and Pacific Regional Organisation	736.230,00	729.075,00
American Regional Organisation	460.936,00	454.292,72
Pan-European Regional Council (PERC)	40.000,00	73.656,09
Council of Global Unions (CGU)	<u>37.696,00</u>	<u>34.987,00</u>
	1.885.902,00	1.903.050,81
	<u>14.469.344,00</u>	<u>15.040.748,46</u>
<u>TRANSFERRED TO GENERAL FUND</u>		
Income from prior years		212.931,28
(Deficit) Surplus of the year		<u>409.570,28</u>
	<u>22.521,00</u>	<u>622.501,56</u>



INTERNATIONAL TRADE UNION CONFEDERATION

Explanatory notes forming part of the accounts for the year ended 31 December 2014

Note 1. FUNDS

	<u>GENERAL FUND</u>	<u>RESERVE FUND</u>
	<u>EUR</u>	<u>EUR</u>
Balance at beginning of year	2,888,534.77	3,705,000.00
Income from prior years	212,931.28	
Organising Fund	-250,000.00	
Excess of income over expenditure	409,570.28	
Balance at end of year	<u>3,261,036.33</u>	<u>3,705,000.00</u>

Note 2. SOLIDARITY FUND

	<u>General</u>	<u>Earmarked</u>	<u>Total</u>
	<u>EUR</u>	<u>EUR</u>	<u>EUR</u>
<u>Income</u>			
Contributions	654,053.90	46,000.00	700,053.90
	<u>654,053.90</u>	<u>46,000.00</u>	<u>700,053.90</u>
<u>Expenditure</u>	<u>(712,827.46)</u>	<u>(140,396.53)</u>	<u>(853,223.99)</u>
Net income/(expenditure)	(58,773.56)	(94,396.53)	-153,170.09
Balance at beginning of year	<u>331,157.43</u>	<u>519,300.07</u>	<u>850,457.50</u>
Balance at end of year	<u>272,383.87</u>	<u>424,903.54</u>	<u>697,287.41</u>

INTERNATIONAL TRADE UNION CONFEDERATION

Explanatory notes forming part of the accounts for the year ended 31 December 2014

Note 3. OTHER FUNDS

	<u>Staff</u> <u>Superannuation</u> <u>Fund</u> EUR	<u>ITUC-</u> <u>PERC</u> EUR	<u>Total</u> EUR
Income from ITUC	33.001,99	40.000,00	73.001,99
Income from affiliation fees (PERC)		104.984,22	104.984,22
Expenditure	<u>(23.185,95)</u>	<u>(105.290,83)</u>	<u>(128.476,78)</u>
Net income/(expenditure)	9.816,04	39.693,39	49.509,43
Balance at beginning of year	<u>232.631,30</u>	<u>157.623,94</u>	<u>390.255,24</u>
Correction of outgoing balance 2013		33.656,09	
Balance at end of year	<u><u>242.447,34</u></u>	<u><u>230.973,42</u></u>	<u><u>439.764,67</u></u>

Note 4. CURRENT LIABILITIES

	<u>2014</u> EUR
<u>Development Aid Funds</u>	
Balance at beginning of year	1.532.864,32
Income	<u>3.949.702,08</u>
Expenditure	5.482.566,40 <u>(4.385.119,85)</u>
Balance at end of year	<u><u>1.097.446,55</u></u>

Note 5. PROVISIONS

	<u>2014</u> EUR
4th ITUC World Congress (2018)	288.030,65
3rd World Women's Conference (2017)	60.000,00
Home Leave staff and contracts	23.808,32
Travel & Removal expenses staff recruited abroad	181.218,00
ONSS "déduction structurelle" 2010- 2014	821.473,10
Early retirement	227.964,70
Provision for legal assistance/lawyers	<u>30.000,00</u>
Balance at end of year	<u><u>1.632.494,77</u></u>



EXECUTIVE BUREAU

Brussels, 16 April 2015

Agenda item 3:

Financial Reports

a) ITUC Financial reports for 2014

(ii) Internal Auditors' Report for 2014

1. We submit herewith the report of the ITUC Internal Auditors, elected by Congress, who met in Brussels from 2 - 4 March 2015.

2. **The Executive Bureau is invited to recommend that the General Council endorse the Internal Auditors' Report for 2014.**

17EB/E/NdM – 4 March 2015

INTERNATIONAL TRADE UNION CONFEDERATION
AUDITORS' REPORT FOR 2014

INTRODUCTION

1. The auditors elected by the ITUC 3rd Congress (Berlin, June 2014) according to article XXXV of the Constitution are:

Kjell Ahlberg	-	LO Sweden
Freda Oosthuysen	-	COSATU South Africa
Robert Roach	-	AFL-CIO United States

The following report is based upon the examination of the ITUC balance sheet and income and expenditure accounts for 2014 by RSM InterAudit Belgium and of various other ITUC documents and reports.

AUDITORS' TERMS OF REFERENCE

2. We based our work and proceedings on the Terms of reference as they exist in the ITUC. We consider it our duty

- i. to examine the financial management of the ITUC and in relation to its constitutional obligations, to report on such matters as they deem appropriate;
- ii. to recommend action to the ITUC Congress or the Governing bodies on any matters with financial implications for which in their view rules have not been, or not adequately been, laid down.

Further to these duties, we shall

- iii. have free access at all convenient times to all books, records and other documentation which are, in our opinion, necessary for the performance of the audit;
- iv. receive a copy of the chartered accountants' report, notes and comments before commencing our own task.

AUDITORS' OBSERVATIONS AND RECOMMENDATIONS

3. A meeting was held with Mr. Willy Gillisjans and Mr. Jean-François Nobels, RSM InterAudit, who presented an unqualified auditor's report. We reviewed it and the additional management letter sent with the accounts.

GENERAL FUND

INCOME AND EXPENDITURE ACCOUNT

4. The 2014 budget forecasted a surplus of EUR 22,521 in the General Fund. The actual income exceeded expenditure, resulting in a surplus of EUR 622,502. The figures for the year are as follows :

	<u>Budget</u>	<u>Actual</u>	<u>Difference</u>
Income	14,491,865	15,663,250	+ 1,171,385
Expenditure	<u>14,469,344</u>	<u>15,040,748</u>	<u>- 571,404</u>
	+ 22,521	+ 622,502	+ 599,981

5. Affiliation fees received for 2014 amounted to EUR 12,236,148 against a forecast of EUR 11,942,800. The difference between the forecast and the actual was EUR 293,348 (2.4 %). The affiliation fees received from prior years amounted to EUR 212,931.

6. Other income amounted to EUR 3,214,171 against a budget of EUR 2,549,065. The positive difference related to income from external project funds (actual EUR 2,591,427 vs. budget EUR 1,960,165) and financial investments. The actual financial income amounted to EUR 115,389, but no income was forecasted in the budget. We endorse previous recommendations that the interest produced by financial investments be accounted in the budget.

7. Overall, income was EUR 1,171,385 (8.1 %) over budget.

8. The total expenditure for the year 2014 was EUR 571,404 above the budget. The expenditure for resolutions amounted to EUR 2,746,257 exceeding the budget by EUR 999,662. The expenditure of "New strategies for building workers' power" amounted to EUR 550,855 against the budget of EUR 213,570.

9. There have been continuously improvements in budget monitoring system as key staff has access to a database providing necessary information about activities and projects. We were also informed that new accountancy software will be operational in 2015.

10. Income from external project funds has an important role in financing the Head office, given that staff costs (salaries, social charges, etc.) amounting to EUR 5,234,617 net are partially covered by grants of totally EUR 519,307.

11. The excess of income over expenditure for 2014 gives the total surplus of EUR 622,502, which was transferred to the General Fund.

BALANCE SHEET

12. The Reserve Fund balance (EUR 3,705,000) remained untouched throughout the year. The total sum of all funds amounted to EUR 11,274,017 at the end of 2014. We strongly underline the need of fulfilling previous decisions of the Executive Bureau, stating that the fund should be maintained at a level equal to four month's budgeted expenditure of the Confederation.

13. The market value of the ITUC financial investment portfolio amounted to EUR 7,062,816 on 31 December 2014 (EUR 7,150,604 in 2013). The structure of the portfolio has remained unchanged over the year.

AFFILIATION FEES

14. At the end of the year 2014, there was an amount of EUR 229,134 (262,268 in 2013) of outstanding fees to be received. This amount represents 1.8 % (2.2 % in 2013) of the total amount of affiliation fees for 2014. Two affiliates' due of totally EUR 59.586 represents 26 % of the total outstanding amount.

15. There were totally 82 (82 in 2013) affiliates in arrears:

- 35 (28 in 2013) affiliates had dues exceeding EUR 1,000.
- 22 (57 in 2013) affiliates have not paid any fees for year 2014
- 242 affiliates out of 325 have no fees in arrears.

16. The fee income has developed during the last five years as shown below.

Financial Year	FY 2014	FY 2013	FY 2012	FY 2011	FY 2010
Fee income	12,449,079	11,768,707	11,929,249	11,672,083	11,496,790
Change (%)	5.8 %	-1.3 %	2.2 %	1.5 %	

17. The position of ITUC affiliation fees has been reported regularly to the Executive Bureau and appropriate measures have been taken.

18. The General Council has previously approved the principle of defining affiliation fees in 5 bands, based on the GNP per capita of each country. The ITUC Secretariat has followed previous recommendations to review and adjust the band system, which was endorsed by the General Council in October 2013. An additional decision made by the General Council in December 2014 clarified that increase in bands be limited to one band only for the current four year period, i.e., from 2014 to 2017. It was also decided that a payment schedule be designed to allow successive increases of 33% a year, from 2015 to 2017 for severely impacted affiliates, until the level of payment of their new band is reached.

FINANCIAL STATEMENTS SOLIDARITY FUND

19. The Solidarity Fund Management Board approved an expenditure of EUR 712,827 while the estimated income was EUR 1,095,135. The actual net expenditure in 2014 exceeded income by EUR 58,774. Voluntary Contributions were EUR 654,054 being 6.5 % less than the estimated income.

20. The total balance of the Solidarity Fund (General+Earmarked) amounted to EUR 697,287 at the end of the year 2014. The balance of the General Fund was not more than EUR 272,384. As there are no more accumulated surpluses available we endorse previous recommendations to increase the voluntary contributions, otherwise the Solidarity Fund cannot continue financing projects on the current level.

REGIONAL ORGANISATIONS

21. We acknowledge the receipt of audited financial reports from the regional organisations. We noted that two internal audit reports were not available, mainly due to fact that the concerned regional internal auditors will have their meetings in the coming weeks. We underline that our opinion, as stated in this report, might have been affected by the lack of internal auditor's reports from the Regional Organisations.

22. The Executive Bureau has decided to approve the creation of a Joint Exchange Rate Fund for ITUC-AP, TUCA and the ITUC to manage exchange rate fluctuations in ITUC allocations to the Regional Organisations. The fund was created in 2014 and its first operational year will be 2015.

23. We underline the continuous dependency of the Regional Organisations on the allocation provided by the ITUC. We believe however that the dependency noted will decrease, since organising activities, according to approved activity plans, are being successfully conducted.

ITUC - ASIA PACIFIC

24. As in previous years, the balance of ITUC-AP Solidarity Fund continues on a high level, compared to the expenditure of the fund. We underline that the use and the activation of the fund must be a target for ITUC-AP on the next years in attention of its affiliates for development and formation inside our trade unions.

ITUC - AFRICA

25. The ITUC-Africa auditors call for attention in their recommendations not yet being implemented. We urge ITUC-Africa management to take into consideration those recommendations and implement them as soon as possible, in order to provide better administration and financial conditions for the future.

TUCA

26. We noted with satisfaction that measures have been taken by TUCA to adapt the income and expenditure of the Regional Organisation to a changing financial environment, which resulted in a surplus of 79,646 USD for 2014. We recommend that TUCA continues its struggles to avoid deficits in the future.

CONCLUSION

27. We wish to thank the General Secretary, the Deputy General Secretaries and the Director of Finance and Organisation and his staff for their assistance during our audit.



Kjell Ahlberg



Freda Oosthuysen



Robert Roach

AUDITORS

Brussels, 4 March 2015

ITUC NOTES TO FINANCIAL REPORTS

**REPORTS OF THE EXTERNAL AND
INTERNAL AUDITORS**

YEAR 2015

**Agenda item 3:****Financial Reports****(a) ITUC Financial Reports for 2015****(i) Financial Report for 2015**

1. In line with Article XXIII(b) of the ITUC Constitution, the annual financial report of the Confederation is submitted to the General Council for adoption. According to Article XXV(d), it is the role of the Executive Bureau to prepare the General Council's decisions concerning finances and the annual budget.

2. The ITUC balance sheet and income and expenditure account for the year 2015 are audited by the public accountants CDP Partners, Belgium.

Following the recommendations from the Internal Audit, the accounting method has been changed from a cash basis to accruals basis: transactions are now recognised when they occur (and not as cash is received or paid) and they are recorded in the accounting records and reported in the financial statements of the periods to which they relate. Affiliation fees invoiced in 2015 are recorded as income for 2015, even if not yet paid, and outstanding fees which are long overdue must be covered by a provision. For donors' projects, accrued income is recorded for the accounting period based on contract conditions and not on payment terms.

General Fund – Income and expenditure account

3. The income and expenditure statement for 2015 shows an excess of income of EUR 470,925.

4. The table below provides a comparison of budgeted and actual income and expenditure for the year 2015.

	<u>Budget 2015</u>	<u>Actual 2015</u>
<u>Income</u>	<u>EUR</u>	<u>EUR</u>
Affiliation fees	12,021,300	12,250,114
Affiliation fees previous years		225,255
Income for offices	324,000	301,782
Other income	<u>2,664,132</u>	<u>3,975,614</u>
	15,009,432	16,752,765
<u>Expenditure</u>		
Resolutions: points of action	2,378,432	3,564,479
Head office	9,256,226	9,327,151
Other offices	1,017,683	1,025,253
Regional organisations	2,272,545	2,364,958
Council of Global Unions	<u>37,696</u>	
	14,962,582	16,281,841
<u>Surplus (Deficit) for the year</u>	<u>46,850</u>	<u>470,925</u>

5. The total of affiliation fees invoiced during the year was EUR 12,771,752. However, as a significant amount of these fees had not been paid at the end of the year, a provision was booked for EUR 521,638 out of safety for long outstanding fees (more than two quarters). This results in a net income from affiliation fees of EUR 12,250,114 for 2015. Fees for previous years were received for an amount of EUR 225,255. As they were not previously accrued, they were recorded as income from the previous years in 2015.

6. Income from financial investments is traditionally not included in the budget. Despite the instability seen in the Euro-zone, a minor increase in the market value of the ITUC investments was noted. Thanks to a sale of shares, we had a positive result of EUR 140,483. The total amount received for interest and dividends on investments and a loan to ITUBI (International Trade Union Building Investment) was EUR 115,491.

7. An extensive amount was transferred from external donors to the ITUC in 2015 to cover the expenses of different projects. The Project Income amounted to EUR 3,564,479, compared to budget EUR 2,378,432, covering the costs of points of actions and activities linked to resolutions adopted by Congress (see point 9 below).

8. Other income: budgeted amount, EUR 285,700, included mainly external contributions to cover expenses related to project administration and other miscellaneous. The actual figures amount to EUR 122,938.

9. The ITUC Frontlines and Priorities: Points of action and activities were initially budgeted to EUR 2,378,432, based on confirmed funding by external donors at the time of preparing the budget 2015. Increased donor funding made available during year 2015 allowed project expenses to be covered up to EUR 3,564,479.

10. The total expenses of the Head Office are a little bit higher than budgeted. Some specific budget lines show deviation from actual figures, as follows:

- a. **Conferences, meetings, travel and activities:** higher travel costs than budgeted.
- b. **Other office expenses:** higher telecommunication and phone costs.
- c. **Salaries and social charge, incidental staff expenditure:** a small higher cost than budgeted, which was mainly caused by one mutual agreement for the departure of one staff and some temporary replacement due to illness or maternity leave of other staff.
- d. **Press and publications:** the actual figures show a positive difference compared to budget, mainly due to the fact the several publications and media production were covered by projects.
- e. **Furniture and equipment:** showing a positive difference compared to budget; some savings were done by postponing planned purchases.

11. The ITUC offices outside Belgium operate in foreign currencies, creating an uncertainty in the budget. The continued volatility of the euro during the past year resulted in several budget deviations:

- a. **Geneva office:** budgeted at EUR 559,000, the expenses were slightly higher than budgeted. There was considerably less variation in exchange rates between the euro and the Swiss franc during 2015.
- b. **Washington office:** a minor difference between budget and actual figures was recorded, mainly explained by exchange rate variations between the euro and the US dollar.
- c. **Moscow:** actual figures were significantly lower than budgeted, explained by the extra contribution of FNPR to the office.
- d. **Sarajevo:** all activities and major office expenses were covered by external donors.

12. A minor difference between budgeted and actual costs can be noted concerning the contributions to the regional organisations of ITUC, mainly explained by exchange rate variations between the euro and the US dollar and other local currencies

13. Balance Sheet – Funds

General Fund

14. This fund represents the accumulated surpluses and losses of the ITUC over the years.

Reserve Fund

15. The Reserve Fund has been established in accordance with the recommendations of the internal auditors and is to be kept at a level of not less than four months' expenditure of the Confederation's budget for the following year. The current balance of the Reserve Fund is EUR 3,705,000.

Solidarity Fund

16. The Solidarity Fund received income through contributions in 2015 to the amount of EUR 434,669. The total amount spent in 2015 was EUR 403,502, including extraordinary earmarked grants to meet special needs and requests.

Superannuation Fund

17. The Staff Superannuation Fund consists of premiums and accumulated interests set aside for pension entitlements for representatives and staff members on external employment contract. It amounted to EUR 249,019 on 31 December 2015.

ITUC – PERC

18. PERC (Pan European Regional Council) is a regional structure that is included for financial purposes in the accounting of the ITUC. However, it has to be considered as a separate entity, and a surplus of income over expenditure has to be kept in a separate fund. It stood at EUR 230,973 at the beginning of 2015. The final balance was EUR 232,601 at the end of 2015.

19. **The Executive Bureau is requested to recommend to the General Council that it approve the financial report of the ITUC for the year 2015, as well as the allocation of the surplus for EUR 250,000 to Organisation and EUR 220,000 to other Frontlines and Priorities, in addition to the 2016 budget.**

FIN/XL – 30 March 2016

INTERNATIONAL TRADE UNION CONFEDERATION (ITUC)

INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERNAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

We have reviewed the accompanying internal financial statements (balance sheet and income and expenditure account) of the INTERNATIONAL TRADE UNION CONFEDERATION, which show a balance sheet total of 11.773.848(,00) EUR and a result of 470.925(,00) EUR for the year ended on 31 December 2015, after allocation of the surplus to the Funds.

Officers' Responsibility for the Financial Statements

The officers are responsible for the preparation and fair presentation of these financial statements in accordance with in Belgium applicable accounting standards, and for such internal control as the officers determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Although ITUC is not held by a legal framework of accounting and audit of accounts, we performed, by analogy, our review in accordance with International Standard on Review Engagements (ISRE) 2400.

Auditor's Responsibility

Our responsibility is to express a conclusion on the accompanying internal financial statements. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2400, *Engagements to Review Historical Financial Statements*. ISRE 2400 requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared in all material respects in accordance with in Belgium applicable accounting standards. This Standard also requires us to comply with relevant ethical requirements.

A review of financial statements in accordance with ISRE 2400 is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these financial statements.



Conclusion

Based on our review, nothing has come to our attention that causes us to believe that these financial statements do not present fairly, in all material respects the equity, financial position and results of the INTERNATIONAL TRADE UNION CONFEDERATION as at 31 December 2015, in Belgium applicable accounting standards.

Brussels, 31 March 2016



CDP LERUSSE & CO
REGISTERED AUDITORS
REPRESENTED BY
PIERRE LERUSSE,
PARTNER

INTERNATIONAL TRADE UNION FEDERATION

BALANCE SHEET AS AT 31 DECEMBER 2015

EURFUNDS

General Fund (Note 1)	3,518,803
Reserve Fund (Note1)	3,705,000
Solidairty Fund (Note 2)	728,522
Organising Fund (Note 1)	452,630
Building Fund	2,887,273
Other Funds : Staff Superannuation Fund (Note3)	249,019
Other Funds : ITUC-PERC (Note 3)	232,601
	<u>11,773,848</u>

EMPLOYMENT OF FUNDSFixed assets

ITUBI	2,832,761	
Cost of improvements to leased property	1,590,837	
Cost of improvements to leased property (depreciation)	-814,843	
Movable porperty	771,662	
Movable porperty (depreciation)	-724,851	
Fixed assets : hardware	112,071	
Fixed assets : hardware (depreciation)	-61,967	
	<u>3,705,670</u>	

Current assets

Short term investments	7,121,689
Cash at bank	2,860,161
Debtors	1,559,032
	<u>11,540,881</u>

Current liabilities

Development Aid Funds (Note 4)	97,734
Creditors	1,009,298
Provisions (Note 5)	2,365,672
	<u>3,472,704</u>

Net current assets

8,068,178
11,773,848

INTERNATIONAL TRADE UNION FEDERATION
31-Dec-15
GENERAL FUND - INCOME AND EXPENDITURE ACCOUNT

	Budget 2015 EUR	Actual 2015 EUR
INCOME		
Affiliation fees (for the year)	€ 12,021,300	€ 12,250,114
Affiliation fees (Previous years)	€ 12,021,300	€ 225,255
	<u>€ 12,021,300</u>	<u>€ 12,475,369</u>
Other income : external project funds	€ 2,378,432	€ 3,564,479
Other income : especial activities	€ 285,700	€ 122,938
Other income : Financial Income	€ 2,664,132	€ 288,197
	<u>€ 2,664,132</u>	<u>€ 3,975,614</u>
Extra-budgetary income for offices :		
ITUC/GUFs Washington office	€ 50,000	€ 50,000
Moscow Office for the NIS	€ 12,000	€ -
Sarajevo Office	€ 212,000	€ 211,782
Amman Office	€ 10,000	€ -
Hong Kong Office	€ 40,000	€ 40,000
Pan-European Regional Council (PERC)	€ 324,000	€ 301,782
	<u>€ 324,000</u>	<u>€ 301,782</u>
TOTAL INCOME	<u><u>€ 15,009,432</u></u>	<u><u>€ 16,752,765</u></u>
EXPENDITURE		
<u>Resolutions</u>		
ITUC Frontlines and Priorities	€ 2,378,432	€ 3,564,479
<u>ITUC Head office</u>		
ITUC World Congress	€ 250,000	€ 250,000
Conferences, meetings, travel and activities	€ 689,668	€ 830,081
Office rent and upkeep	€ 1,211,273	€ 1,225,318
Other office expenses	€ 278,000	€ 369,410
Salaries, social charges, etc.	€ 5,995,285	€ 6,077,838
Incidental staff expenditure	€ 205,000	€ 203,830
Press and publications	€ 317,000	€ 149,938
Furniture and equipment (IT investments)	€ 305,000	€ 190,650
Unforeseen expenses	€ 5,000	€ 30,086
	<u>€ 9,256,226</u>	<u>€ 9,327,151</u>
<u>ITUC OFFICES</u>		
Geneva Office	€ 559,000	€ 565,024
ITUC/GUFs Washington Office	€ 202,500	€ 226,419
Moscow office for the NIS	€ 34,183	€ 22,027
Sarajevo Office	€ 212,000	€ 211,782
Amman Office	€ 10,000	€ -
Hong Kong Office	€ 10,000	€ -
	<u>€ 1,017,683</u>	<u>€ 1,025,253</u>
<u>Regional organisations and structures</u>		
African Regional Organisation	€ 615,073	€ 615,073
Asian and Pacific Regional Organisation	€ 726,272	€ 785,554
American Regional Organisation	€ 454,696	€ 536,031
Arab Sub-regional Organisation	€ 388,300	€ 388,300
Pan-European Regional Council (PERC)	€ 40,000	€ 40,000
Joint exchange rate fund	€ 48,204	€ -
	<u>€ 2,272,545</u>	<u>€ 2,364,958</u>
<u>Council of Global Unions</u>		
Council of Global Unions (CGU)	€ 37,696	€ -
	<u>€ 37,696</u>	<u>€ -</u>
TOTAL EXPENDITURE	<u><u>€ 14,962,582</u></u>	<u><u>€ 16,281,841</u></u>
TRANSFERRED TO GENERAL FUND		€ 220,925
TRANSFERRED TO ORGANISING FUND		€ 250,000
	<u>€ 46,850</u>	<u>€ 470,925</u>

INTERNATIONAL TRADE UNION CONFEDERATION

Explanatory notes forming part of the accounts for the year ended 31 December 2015

Note 1. FUNDS

	<u>GENERAL FUND</u>		<u>RESERVE FUND</u>	
	<u>EUR</u>		<u>EUR</u>	
Balance at beginning of year	€	3,261,036	€	3,705,000
Income from prior years	€	36,842		
Organising fund	€	-250,000		
Excess of income over expenditure	€	470,925		
Internal transfer	€	-		
Balance at end of year	€	<u>3,518,803</u>	€	<u>3,705,000</u>

Note 2. SOLIDARITY FUND

	<u>General</u>	<u>Earmarked</u>	<u>Total</u>
	<u>EUR</u>	<u>EUR</u>	<u>EUR</u>
<u>Income</u>			
Contributions	434,669.00	193,193.00	627,862.00
	<u>434,669.00</u>	<u>193,193.00</u>	<u>627,862.00</u>
<u>Expenditure</u>	<u>(403,502.00)</u>	<u>(193,125.00)</u>	<u>(596,627.00)</u>
Net income/(expenditure)	31,167.00	68.00	31,235.00
Balance at beginning of year	<u>272,384.00</u>	<u>424,903.00</u>	<u>697,287.00</u>
Corrections made in current year			0.00
Balance at end of year	<u>303,551.00</u>	<u>424,971.00</u>	<u>728,522.00</u>

INTERNATIONAL TRADE UNION CONFEDERATION

Explanatory notes forming part of the accounts for the year ended 31 December 2015

Note 3. OTHER FUNDS

	<u>Staff</u> <u>Superannuation</u> <u>Fund</u> EUR	<u>ITUC-</u> <u>PERC</u> EUR	<u>Total</u> EUR
Income from ITUC	555,864	40,000	595,864.33
Income from affiliation fees (PERC)		141,264	141,264.26
Expenditure	<u>-549,292</u>	<u>-179,636</u>	<u>(728,928.86)</u>
Net income/(expenditure)	6,572	1,628	8,199.73
Balance at beginning of year	<u>242,447</u>	<u>230,973</u>	<u>473,420.00</u>
Balance at end of year	<u><u>249,019</u></u>	<u><u>232,601</u></u>	<u><u>481,619.73</u></u>

Note 4. CURRENT LIABILITIES

	<u>2,015.00</u> EUR
<u>Development Aid Funds</u>	
Balance at beginning of year	1,097,446.00
Income	<u>2,242,323.09</u>
Expenditure	3,339,769.09 <u>(3,242,035.00)</u>
Balance at end of year	<u><u>97,734.09</u></u>

Note 5. PROVISIONS

	<u>2,015.00</u> EUR
ITUC World Congress (2018)	538,031
Devaluation affiliation fees	521,638
3rd World Women's Conference (2017)	60,000
Home Leave staff and contracts	24,345
Travel & Removal expenses staff recruited abroad	181,218
ONSS "déduction structurelle" 2010- 2015	841,849
Early retirement	178,779
Other	<u>19,812</u>
Balance at end of year	2,365,672



International Trade Union Confederation

EXECUTIVE BUREAU

Brussels, 12 April 2016

Agenda item 3:

Financial Reports

a) ITUC Financial reports for 2015

(ii) Internal Auditors' Report for 2015

1. We submit herewith the report of the ITUC Internal Auditors, elected by Congress, who met in Brussels from 10 - 11 March 2016.

2. **The Executive Bureau is invited to recommend that the General Council endorse the Internal Auditors' Report for 2015.**

INTERNATIONAL TRADE UNION CONFEDERATION
AUDITORS' REPORT FOR 2015

INTRODUCTION

1. The auditors elected by the ITUC 3rd Congress (Berlin, June 2014) according to article XXXV of the Constitution are:

Kjell Ahlberg	-	LO Sweden
Freda Oosthuysen	-	COSATU South Africa
Robert Roach	-	AFL-CIO United States

The following report is based upon the examination of the ITUC balance sheet and income and expenditure accounts for 2015 by CDP Partners Belgium and of various other ITUC documents and reports and discussions with management and the Secretariat.

AUDITORS' TERMS OF REFERENCE

2. We based our work and proceedings on the Terms of reference as they exist in the ITUC. We consider it our duty

- i. to examine the financial management of the ITUC and in relation to its constitutional obligations, to report on such matters as they deem appropriate;
- ii. to recommend action to the ITUC Congress or the Governing bodies on any matters with financial implications for which in their view rules have not been, or not adequately been, laid down.

Further to these duties, we shall

- iii. have free access at all convenient times to all books, records and other documentation which are, in our opinion, necessary for the performance of the audit;
- iv. receive a copy of the chartered accountants' report, notes and comments before commencing our own task.

AUDITORS' OBSERVATIONS AND RECOMMENDATIONS

3. A meeting was held with Mr. Willy Gillisjans, CDP Partners, who presented an unqualified auditor's report. We reviewed it and the additional management letter sent with the accounts. It was brought to our attention that there was a tax issue in Maison Syndicale Internationale SPRL and we strongly recommend that this issue is investigated and handled properly.

GENERAL FUND

INCOME AND EXPENDITURE ACCOUNT

4. The 2015 budget forecasted a surplus of EUR 46,850 in the General Fund. The actual income exceeded expenditure, resulting in a surplus of EUR 470,925. The figures for the year are as follows :

	<u>Budget</u>	<u>Actual</u>	<u>Difference</u>
Income	15,009,432	16,752,765	+ 1,743,333
Expenditure	<u>14,962,582</u>	16,281,841	<u>+1,319,259</u>
	+ 46,850	+ 470,925	+ 424,075

5. Affiliation fees for 2015 amounted to EUR 12,475,369 against a forecast of EUR 12,021,300. The difference between the forecast and the actual was EUR 454,069 (3.6 %). The affiliation fees received from prior years was EUR 225,255.

6. Other income amounted to EUR 3,975,614 against a budget of EUR 2,664,132. The positive difference related to income from external project funds (actual EUR 3,564,479 vs. budget EUR 2,378,432) and financial investments. The actual financial income amounted to EUR 288,197, but no income was forecasted in the budget. We endorse previous recommendations that the interest produced by financial investments be accounted in the budget.

7. Overall, income was EUR 1,743,333 (10,4 %) over budget.

8. The total expenditure for the year 2015 was EUR 1,319,259 above the budget. The expenditure for resolutions amounted to EUR 3,564,479 exceeding the budget by EUR 1,186,047.

9. There have been continuously improvements in budget monitoring system as key staff has access to a database providing necessary information about activities and projects. We were also informed that new accountancy software is operational in 2015.

10. Income from external project funds has an important role in financing the Head office, given that staff costs (salaries, social charges, etc.) amounting to EUR 6,077,838 net are partially covered by grants of totally EUR 1,185,577.

11. The excess of income over expenditure for 2015 gives the total surplus of EUR 470,925, which will be transferred to the General Fund.

BALANCE SHEET

12. The Reserve Fund balance (EUR 3,705,000) remained untouched throughout the year. The total sum of all funds amounted to EUR 11,775,956 at the end of 2015. We strongly underline the need of fulfilling previous decisions of the Executive Bureau, stating that the fund should be maintained at a level equal to four month's budgeted expenditure of the Confederation.

13. The market value of the ITUC financial investment portfolio amounted to EUR 7,904,044 on 31 December 2015 (EUR 7,062,816 in 2014). The structure of the portfolio has remained unchanged over the year.

AFFILIATION FEES

14. At the end of the year 2015, there was an amount of EUR 954,479 of outstanding fees to be received. This amount represents 7.52 % of the total amount of affiliation fees for 2015. Ten affiliates' due of totally EUR 446,419 represents 47% of the total outstanding amount.

15. There were totally 124 affiliates in arrears:

-55 affiliates had dues exceeding EUR 1,000.

- 209 affiliates out of 321 have no fees in arrears.

16. The fee income has developed during the last five years as shown below.

Financial Year	FY 2015	FY 2014	FY 2013	FY 2012	FY 2011	FY 2010
Fee income	12,771,752	12,449,079	11,768,707	11,929,249	11,672,083	11,496,790
Change (%)	1,95%	5.8 %	-1.3 %	2.2 %	1.5 %	

17. The position of ITUC affiliation fees has been reported regularly to the Executive Bureau and appropriate measures have been taken.

18. The General Council has previously approved the principle of defining affiliation fees in 5 bands, based on the GNP per capita of each country. The ITUC Secretariat has followed previous recommendations to review and adjust the band system, which was endorsed by the General Council in October 2013. An additional decision made by the General Council in December 2014 clarified that increase in bands be limited to one band only for the current four year period, i.e., from 2014 to 2017. It was also decided that a payment schedule be designed to allow successive increases of 33% a year, from 2015 to 2017 for severely impacted affiliates, until the level of payment of their new band is reached.

FINANCIAL STATEMENTS SOLIDARITY FUND

19. The Solidarity Fund Management Board approved an expenditure of EUR 434,669 while the estimated income was EUR 707,053. The actual net expenditure in 2015 was EUR 31,166 lower than the income.

20. The total balance of the Solidarity Fund (General+Earmarked) amounted to EUR 728,522 at the end of the year 2015. The balance of the General Fund was not more than EUR 303,550. As there are no more accumulated surpluses available we endorse previous recommendations to increase the voluntary contributions, otherwise the Solidarity Fund cannot continue financing projects on the current level.

REGIONAL ORGANISATIONS

21. We acknowledge the receipt of audited financial reports from the regional organisations. We noted that all internal audit reports were available in time.

22. The Executive Bureau has decided to approve the creation of a Joint Exchange Rate Fund for ITUC-AP, TUCA and the ITUC to manage exchange rate fluctuations in ITUC allocations to the Regional Organisations. The fund was created in 2014 and its first operational year was 2015. As 2015 was the first year, this method needs to be monitored during the year 2016 and in the future.

23. We underline the continuous dependency of the Regional Organisations on the allocation provided by the ITUC. We believe however that the dependency noted will decrease, since organising activities, according to approved activity plans, are being successfully conducted.

ITUC - ASIA PACIFIC

24. As in previous years, the balance of ITUC-AP Solidarity Fund continues on a high level, compared to the expenditure of the fund. We underline that the use and the activation of the fund must be a target for ITUC-AP on the next years in attention of its affiliates for development and formation inside our trade unions.

ITUC - AFRICA

25. The ITUC-Africa auditors call for attention in their recommendations not yet being fully implemented. We urge ITUC-Africa management to take into consideration those recommendations and finish them as soon as possible, in order to provide better administration and financial conditions for the future.

TUCA

26. We noted with satisfaction that this is the second year that measures have been taken by TUCA to adapt the income and expenditure of the Regional Organisation to a changing financial environment. We recommend that TUCA continues its struggles to avoid deficits in the future.

CONCLUSION

27. We wish to thank the General Secretary, the Deputy General Secretaries and the Director of Finance and his staff for their assistance during our audit.

We noted that there have been changes in the staff responsible for the financial reporting. Although the changes occurred at a bad time, our opinion is that the work with the Annual report has been well performed.

During 2015 there have been changes in accounting principles which will secure a more justified picture of the financial results. There is still room for improvement in this direction and we are confident that this work will continue in the future.



Kjell Ahlberg



Freda Oosthuysen

AUDITORS

Brussels, 11 March 2016

ITUC NOTES TO FINANCIAL REPORTS

**REPORTS OF THE EXTERNAL AND
INTERNAL AUDITORS**

YEAR 2016



International Trade Union Confederation
EXECUTIVE BUREAU

Brussels, 26 April 2017

Agenda item 3:

Financial Reports

- (a) ITUC Financial Reports for 2016
(i) Financial Report for 2016

1. In line with Article XXIII(b) of the ITUC Constitution, the annual financial report of the Confederation is submitted to the General Council for adoption. According to Article XXV(d), it is the role of the Executive Bureau to prepare the General Council's decisions concerning finances and the annual budget.

2. The ITUC balance sheet and income and expenditure account for the year 2016 are audited by the public accountants CDP Partners, Belgium.

Since the financial year 2015, the accounting method is accruals basis: transactions are recognised when they occur, and reported in the financial statements of the periods to which they relate. Affiliation fees invoiced in 2016 are recorded as income for 2016, even if not yet paid, and outstanding fees which are long overdue must be covered by a provision. For donors' projects, accrued income is recorded for the accounting period based on contract conditions and not on payment terms.

General Fund – Income and expenditure account

3. The income and expenditure statement for 2016 shows an excess of expenditure over income of EUR 79,119. It must be noted this includes the effect of the decision from 20th EB and 16th GC to reallocate 220,000 € from the surplus of 2015 to Frontlines and Priorities 2016. Not taking into account the effect of this investment of former surpluses into Frontlines and Activities of the year, the financial result for 2016 would have been a surplus of EUR 140,881.

4. The table below provides a comparison of budgeted and actual income and expenditure for the year 2016.

	<u>Budget 2016</u>	<u>Actual 2016</u>
<u>Income</u>	<u>EUR</u>	<u>EUR</u>
Affiliation fees	12,322,703	12,625,267
Income for offices	216,000	302,388
Other income	1,890,904	1,467,268
	<u>14,429,607</u>	<u>14,394,923</u>
<u>Expenditure</u>		
Frontlines and Priorities	1,749,500	1,642,321
Head office	9,349,491	9,629,306
Other offices	968,944	879,674
Regional organisations	2,303,379	2,310,659
Council of Global Unions	37,696	12,082
	<u>14,409,010</u>	<u>14,474,042</u>
<u>Surplus (Deficit) for the year</u>	<u>20,597</u>	<u>-79,119</u>
<i>Surplus from 2015 allocated to Frontlines & Priorities 2016</i>		<u>220,000</u>
		140,881

5. The total of affiliation fees invoiced during the year was EUR 12,625,267. However, as a significant amount of these fees is still outstanding at the end of the year (6.5%), the provision established last year was maintained at EUR 521,638 out of safety for long outstanding fees (more than two quarters).

6. Income from financial investments is traditionally not included in the budget. Despite the instability seen in the Euro-zone, a minor increase in the market value of the ITUC investments was noted. The total amount received for interest and dividends on investments and a loan to ITUBI (International Trade Union Building Investment) was EUR 136,009.

7. The Project Income amounted to EUR 1,325,590, compared to budget EUR 1,749,500, covering the costs of Frontlines and Priorities linked to resolutions adopted by Congress (see point 9 below). Project income was significantly under the budgeted amount, mostly because many activities organised with the financial support of Friedrich-Ebert-Stiftung were implemented through Friedrich-Ebert-Stiftung's field offices, and therefore their expenses and income were not recorded in our accounts, while they were budgeted for based on our approved projects proposals.

Project income was also EUR 316,731 under project expenses, because of

- the use of EUR 220,000 surplus from last year
- EUR 47,000 support for Haiti from the Actrav biennium allocation have not been invoiced in 2016, but will be in 2017
- Significant exchange rate variations on several grants prevented approx EUR 35,000 from being recovered from the donors
- Approx EUR 15,000 were not approved by donors due to insufficient documentation of the expenses or procurement processes during project implementation (by ITUC or its affiliates).

8. Other income: budgeted amount, EUR 141,404, included mainly external contributions to cover expenses related to project administration and other miscellaneous. The actual figures amount to EUR 141,678.

9. The ITUC Frontlines and Priorities: Points of action and activities were initially budgeted to EUR 1,749,500, based on confirmed funding by external donors at the time of preparing the budget 2016. In spite of the allocation of EUR 220,000 from 2015 surplus to 2016 Frontlines and Priorities, project expenses remained under Budget at EUR 1,642,321, mostly because many activities funded by Friedrich-Ebert-Stiftung were implemented through Friedrich-Ebert-Stiftung's field offices, and therefore their expenses were not recorded in our accounts (see point 7 above).

10. The total expenses of the Head Office are 3% higher than budgeted. Some specific budget lines show significant deviation from actual figures, as follows:

- a. Conferences, meetings, travel and activities: higher travel costs than budgeted. An increasing number of activities funded by donors do put significant pressure on ITUC Travel budget, because ITUC staff travel is required to implement them, but most donors do not accept these costs. The accounting system has been updated to capture this impact more precisely from 2017, in order to budget more accurately that impact in the future.
- b. Other office expenses: higher telecommunication and phone costs, in particular with the high cost of Data Roaming in connection with more travel to expensive destinations.
- c. Incidental staff expenditure: lower cost than budgeted, in particular on removal expenses.
- d. Press and publications: the actual figures show a positive difference compared to budget, mainly due to the fact the several publications and media production were covered by projects.
- e. Furniture and equipment: showing a positive difference compared to budget; some savings were done by postponing planned purchases.

11. The ITUC offices outside Belgium operate in foreign currencies, creating an uncertainty in the budget. The continued volatility of the euro during the past year resulted in several budget deviations:

- a. Geneva office: expenses were 17% lower than budgeted, thanks to significant social security refunds as well as favourable exchange rate variations.
- b. Washington office: office expenses were 23% below budget, mostly due to increased outside funding that moved some core activities from the office fund to the projects fund.
- c. Moscow: expenses were slightly over budget due to limits to agreed project funding as a result of exchange rate differences.
- d. Sarajevo: expenses were well above budget, due to increased donor funding: external donors covered all activities and major office expenses.

12. A minor difference between budgeted and actual costs can be noted concerning the contributions to the regional organisations of ITUC, mainly explained by exchange rate variations between the euro and the US dollar and other local currencies.

13. Balance Sheet – Funds

General Fund

14. This fund represents the accumulated surpluses and losses of the ITUC over the years.

Reserve Fund

15. The Reserve Fund has been established in accordance with the recommendations of the internal auditors and is to be kept at a level of four months' expenditure of the Confederation's budget for the following year. The current balance of the Reserve Fund is EUR 3,705,000. Due to increase in budgets, this now represents only 3 months of 2017 budget.

Solidarity Fund

16. The Solidarity Fund received income through contributions in 2016 to the amount of EUR 587,233. The total amount spent in 2016 was EUR 441,932. Income matched expenditure on the Earmarked solidarity funds, with the exception of a EUR 2,000 contribution to Haiti, to be used in 2017.

Superannuation Fund

17. The Staff Superannuation Fund consists of premiums and accumulated interests set aside for pension entitlements for representatives and staff members on external employment contract. It amounted to EUR 271,724 at 31 December 2016.

ITUC – PERC

18. PERC (Pan European Regional Council) is a regional structure that is included for financial purposes in the accounting of the ITUC. However, it has to be considered as a separate entity, and a surplus of income over expenditure has to be kept in a separate fund. It stood at EUR 232,601 at the beginning of 2016. The final balance was EUR 239,494 at the end of 2016.

19. The Executive Bureau is requested to recommend to the General Council that it approve the financial report of the ITUC for the year 2016.

Actual vs Budget 2016

	Budget 2016 EUR	Actual 2016 EUR
A. INCOME		
<u>Item</u>		
I Affiliation fees (for the year)	12,322,703	12,625,267
II Other income: external project funds	1,749,500	1,325,590
III Other income: special activities	141,404	141,678
	<u>1,890,904</u>	<u>1,467,268</u>
IV Extra-budgetary income for offices:		
ITUC/GUFs Washington Office	75,000	96,288
Moscow Office for the NIS	12,000	12,000
Sarajevo Office	89,000	154,100
Hong Kong Office	0	
Pan-European Regional Council (PERC)	40,000	40,000
	<u>216,000</u>	<u>302,388</u>
TOTAL INCOME:	<u><u>14,429,607</u></u>	<u><u>14,394,923</u></u>
B. EXPENDITURE		
<u>Item</u>		
1 <u>ITUC Frontlines and priorities 2016</u>	1,749,500	1,642,321
<u>ITUC Head office</u>		
2 ITUC World Congress	250,000	256,660
3 Conferences, meetings, travel and activities	610,000	898,823
4 Office rent and upkeep	1,230,755	1,247,075
5 Other office expenses	232,500	259,888
6 Salaries, social charges, etc.	6,196,137	6,199,628
7 Incidental staff expenditure	203,010	175,896
8 Press and publications	337,000	321,899
9 Furniture and equipment (IT investments)	285,089	269,437
10 Unforeseen expenses	5,000	
	<u>9,349,491</u>	<u>9,629,306</u>
<u>ITUC Offices</u>		
11 Geneva Office	609,000	503,749
12 ITUC/GUFs Washington Office	237,000	181,990
13 Moscow Office for the NIS	33,944	39,835
14 Sarajevo Office	89,000	154,100
15 Hong Kong Office	0	
	<u>968,944</u>	<u>879,674</u>

<u>Regional organisations and structures</u>		
16 African Regional Organisation	630,511	630,511
17 Asian and Pacific Regional Organisation	729,611	760,241
18 American Regional Organisation	456,787	456,787
19 Arab Sub-regional Organisation	398,046	398,046
20 Pan-European Regional Council (PERC)	40,000	40,000
21 Joint exchange rate fund	48,424	25,074
	<u>2,303,379</u>	<u>2,310,659</u>
<u>Council of Global Unions</u>		
22 Council of Global Unions (CGU)	<u>37,696</u>	<u>12,082</u>
TOTAL EXPENDITURE:	<u>14,409,010</u>	<u>14,474,042</u>
Excess of income over expenditure/ (Excess of expenditure over income)	<u>20,597</u>	<u>-79,119</u>
Surplus from 2015 Allocated to Frontlines and Priorities		220,000
TOTAL		140,881

	Estimated total costs	Financing to date	Exp (Incl Travel)	Income
ITUC Frontlines 2016				
Climate Justice and Industrial Transformation	195,000	190,000	100,981	62,101
Taming Corporate Power in Supply Chains	430,000	85,000	122,140	17,717
Eliminating Slavery	247,500	50,000	20,753	20,753
Countries at Risk	365,000	233,500	190,479	178,470
Global Coherence	219,000	169,000	265,000	265,000
Global Governance of Migration	54,000	45,000	35,982	17,475
Count Us In!	367,000	73,000	30,092	29,921
Domestic Workers - 12+12 Campaign	44,000	44,000	35,181	32,060
Organising	407,000	407,000	420,000	420,000
	<u>2,328,500</u>	<u>1,296,500</u>	<u>1,220,608</u>	<u>1,043,497</u>
			0	0
Priority areas in support of ITUC Frontlines	Estimated total costs	Financing to date	0	0
Organising Young Workers	118,000	30,000	51,696	17,816
Equal Times	303,000	303,000	300,285	218,763
Global Poll	150,000	120,000	45,514	45,514
Corporate Organising & Research	25,000	0	24,218	0
Freedom of Association, Peace & Democracy, TUR	90,000	0	0	0
	<u>686,000</u>	<u>453,000</u>	<u>421,713</u>	<u>282,093</u>

	<u>1,642,321</u>	<u>1,325,590</u>
Surplus from 2015 Allocated to Frontlines and Priorities		<u>220,000</u>
	<u>1,642,321</u>	<u>1,545,590</u>
		<u>-96,731</u>

INTERNATIONAL TRADE UNION CONFEDERATION (ITUC)

INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERNAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

We have reviewed the accompanying internal financial statements (balance sheet and income and expenditure account) of the INTERNATIONAL TRADE UNION CONFEDERATION, which show a balance sheet total of 11.712.531,43 EUR and a result of 140.881(,00) EUR for the year ended on 31 December 2016, after allocation of the surplus to the Funds.

Officers' Responsibility for the Financial Statements

The officers are responsible for the preparation and fair presentation of these financial statements in accordance with in Belgium applicable accounting standards, and for such internal control as the officers determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Although ITUC is not held by a legal framework of accounting and audit of accounts, we performed, by analogy, our review in accordance with International Standard on Review Engagements (ISRE) 2400.

Auditor's Responsibility

Our responsibility is to express a conclusion on the accompanying internal financial statements. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2400, *Engagements to Review Historical Financial Statements*. ISRE 2400 requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared in all material respects in accordance with in Belgium applicable accounting standards. This Standard also requires us to comply with relevant ethical requirements.

A review of financial statements in accordance with ISRE 2400 is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these financial statements.





Partners

Lerousse & C° scprl
Réviseurs d'entreprises

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that these financial statements do not present fairly, in all material respects the equity, financial position and results of the INTERNATIONAL TRADE UNION CONFEDERATION as at 31 December 2016, in Belgium applicable accounting standards.

Brussels, 12 April 2017

CDP LERUSSE & Co
REGISTERED AUDITORS
REPRESENTED BY
PIERRE LERUSSE,
PARTNER

INTERNATIONAL TRADE UNION CONFEDERATION
31 December 2016
GENERAL FUND - INCOME AND EXPENDITURE ACCOUNT

	Budget 2016 EUR	Actual 2016 EUR
A. INCOME		
<u>Item</u>		
I Affiliation fees (for the year)	12,322,703	12,625,267
II Other income: external project funds	1,749,500	1,325,590
III Other income: special activities	141,404	141,678
	<u>1,890,904</u>	<u>1,467,268</u>
IV Extra-budgetary income for offices:		
ITUC/GUFs Washington Office	75,000	96,288
Moscow Office for the NIS	12,000	12,000
Sarajevo Office	89,000	154,100
Hong Kong Office	0	
Pan-European Regional Council (PERC)	40,000	40,000
	<u>216,000</u>	<u>302,388</u>
TOTAL INCOME:	<u><u>14,429,607</u></u>	<u><u>14,394,923</u></u>
B. EXPENDITURE		
1 <u>ITUC Frontlines and priorities 2016</u>	1,749,500	1,642,321
<u>ITUC Head office</u>		
2 ITUC World Congress	250,000	256,660
3 Conferences, meetings, travel and activities	610,000	898,823
4 Office rent and upkeep	1,230,755	1,247,075
5 Other office expenses	232,500	259,888
6 Salaries, social charges, etc.	6,196,137	6,199,628
7 Incidental staff expenditure	203,010	175,896
8 Press and publications	337,000	321,899
9 Furniture and equipment (IT investments)	285,089	269,437
10 Unforeseen expenses	5,000	
	<u>9,349,491</u>	<u>9,629,306</u>
<u>ITUC Offices</u>		
11 Geneva Office	609,000	503,749
12 ITUC/GUFs Washington Office	237,000	181,990
13 Moscow Office for the NIS	33,944	39,835
14 Sarajevo Office	89,000	154,100
15 Hong Kong Office	0	
	<u>968,944</u>	<u>879,674</u>
<u>Regional organisations and structures</u>		
16 African Regional Organisation	630,511	630,511
17 Asian and Pacific Regional Organisation	729,611	760,241
18 American Regional Organisation	456,787	456,787
19 Arab Sub-regional Organisation	398,046	398,046
20 Pan-European Regional Council (PERC)	40,000	40,000
21 Joint exchange rate fund	48,424	25,074
	<u>2,303,379</u>	<u>2,310,659</u>
<u>Council of Global Unions</u>		
22 Council of Global Unions (CGU)	37,696	12,082
TOTAL EXPENDITURE:	<u><u>14,409,010</u></u>	<u><u>14,474,042</u></u>
Excess of income over expenditure/ (Excess of expenditure over income)	<u>20,597</u>	<u>-79,119</u>
Surplus from 2015 Allocated to Frontlines and Priorities		<u>220,000</u>
TOTAL		<u>140,881</u>


P. L. ERWIN
Regional Auditor

INTERNATIONAL TRADE UNION CONFEDERATION

BALANCE SHEET AS AT 31 DECEMBER 2016

EUR

FUNDS

General Fund (Note 1)		3,439,684.43
Reserve Fund (Note 1)		3,705,000.00
Solidarity Fund (Note 2)		875,823.72
Organising Fund (Note 1)		292,532.01
Building fund		2,887,273.00
Other Funds: Staff Superannuation Fund (Note 3)		272,724.23
Other Funds: ITUC-PERC (Note 3)		239,494.04
		<u>11,712,531.43</u>

EMPLOYMENT OF FUNDSFixed assets

ITUBI	2,776,069.00	
Cost of improvements to leased property	1,552,844.00	
Cost of improvements to leased property (depreciation)	(926,739.00)	
Movable property	804,366.00	
Movable property (depreciation)	(765,656.00)	
Fixed assets: hardware	166,191.00	
Fixed assets (depreciation): hardware	(139,257.00)	
		<u>3,467,818.00</u>

Current assets

Short term investments	7,145,774.00	
Cash at bank	4,631,978.00	
Guarantee deposits	13,967.00	
Debtors	1,416,761.00	
		<u>13,208,480.00</u>

Current liabilities

Development aid funds (Note 4)	1,003.09	
Creditors	2,363,574.72	
Provisions (Note 5)	2,599,188.76	
		<u>4,963,766.57</u>

Net current assets

8,244,713.43
11,712,531.43

The notes on the next 2 pages form part of these accounts.


P. LERUSSO
Registered Auditor

INTERNATIONAL TRADE UNION CONFEDERATION

Explanatory notes forming part of the accounts for the year ended 31 December 2016

Note 3. OTHER FUNDS

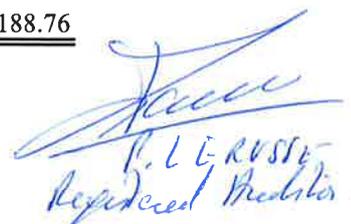
	<u>Staff</u> <u>Superannuation</u> <u>Fund</u> EUR	<u>ITUC-</u> <u>PERC</u> EUR	<u>Total</u> EUR
Income from ITUC	52,387.45	40,000.00	92,387.45
Income from affiliation fees (PERC)		44,640.17	44,640.17
Other external income (PERC)		136,155.53	136,155.53
Expenditure	<u>(28,682.44)</u>	<u>(213,902.93)</u>	<u>(242,585.37)</u>
Net income/(expenditure)	23,705.01	6,892.77	30,597.78
Balance at beginning of year	<u>249,019.22</u>	<u>232,601.27</u>	<u>481,620.49</u>
Balance at end of year	<u><u>272,724.23</u></u>	<u><u>239,494.04</u></u>	<u><u>512,218.27</u></u>

Note 4. CURRENT LIABILITIES

	<u>2016</u> EUR
<u>Development Aid Funds</u>	
Balance at beginning of year	97,734.09
Income	<u>1,545,590.00</u>
Expenditure	<u>1,643,324.09</u> <u>(1,642,321.00)</u>
Balance at end of year	<u><u>1,003.09</u></u>

Note 5. PROVISIONS

	<u>2016</u> EUR
4th ITUC World Congress (2018)	788,030.65
3rd World Women's Conference (2017)	90,000.00
Risk on unpaid affiliation fees	521,638.13
Home Leave staff and contracts	23,857.10
Travel & Removal expenses staff recruited abroad	181,218.00
ONSS "déduction structurelle" 2012- 2016	835,836.58
Early retirement	128,608.30
Provision for legal assistance/lawyers	<u>30,000.00</u>
Balance at end of year	<u><u>2,599,188.76</u></u>



P. L. E. Russe
Registered Auditor



International Trade Union Confederation

EXECUTIVE BUREAU

Brussels, 26 April 2017

Agenda item 3:

Financial Reports

a) ITUC Financial reports for 2016

(ii) **Internal Auditors' Report for 2016**

1. We submit herewith the report of the ITUC Internal Auditors, elected by Congress, who met in Brussels from 3-4 April 2017.

2. The Executive Bureau is invited to recommend that the General Council endorse the **Internal Auditors' Report for 2016**.

INTERNATIONAL TRADE UNION CONFEDERATION
AUDITORS' REPORT FOR 2016

INTRODUCTION

1. The auditors elected by the ITUC 3rd Congress (Berlin, June 2014) according to article XXXV of the Constitution are:

Kjell Ahlberg	-	LO Sweden
Freda Oosthuysen	-	COSATU South Africa
Robert Roach	-	AFL-CIO United States

The following report is based upon the examination of the ITUC balance sheet and income and expenditure accounts for 2016 by CDP Partners Belgium and of various other ITUC documents and reports and discussions with management and the Secretariat.

AUDITORS' TERMS OF REFERENCE

2. We based our work and proceedings on the Terms of reference as they exist in the ITUC. We consider it our duty

- i. to examine the financial management of the ITUC and in relation to its constitutional obligations, to report on such matters as they deem appropriate;
- ii. to recommend action to the ITUC Congress or the Governing bodies on any matters with financial implications for which in their view rules have not been, or not adequately been, laid down.

Further to these duties, we shall

- iii. have free access at all convenient times to all books, records and other documentation which are, in our opinion, necessary for the performance of the audit;
- iv. receive a copy of the chartered accountants' report, notes and comments before commencing our own task.

AUDITORS' OBSERVATIONS AND RECOMMENDATIONS

A meeting was held with Mr. Willy Gillisjans, CDP Partners, who presented an unqualified auditor's report. We reviewed it and the additional management letter sent with the accounts. It was brought to our attention that the tax issue from last year in Maison Syndicale Internationale SPRL, has been eliminated. Concerning ITUC, a provision for social security was set up due to uncertainty of the legal status of ITUC. This is a prudent and cautious way to handle the uncertainty on which we approve.

It has come to our knowledge that the tax-declaration of MSI SPRL was late. The issue is taken care of, although MSI had to pay an additional amount of € 1,250.

GENERAL FUND

INCOME AND EXPENDITURE ACCOUNT

3. The 2016 budget forecasted a surplus of EUR 20,597 in the General Fund. Following the permission by the General Council to use EUR 220,000 from 2015 surplus for Frontlines and Priorities in 2016, the actual expenditure exceeded income, resulting in a deficit of EUR 79,119. The figures for the year are as follows :

	<u>Budget</u>	<u>Actual</u>	<u>Difference</u>
Income	14,429,607	14,394,923	-34,684
Expenditure	<u>14,409,010</u>	<u>14,474,042</u>	<u>+65,032</u>
	+ 20,597	-79,119	-99,716
With Surplus from 2015 re-allocated		+220,000	+220,000
		+140,181	+120,284

4. Affiliation fees for 2016 amounted to EUR 12,625,267 against a forecast of EUR 12,322,703. The difference between the forecast and the actual was EUR 302,564 (2.5 %). The remaining affiliation fees balance from prior years (2014 and before) has been reduced to EUR 54,761, from 36 affiliates.

5. Other income amounted to EUR 1,467,268 against a budget of EUR 1,890,904. The negative difference related to income from external project funds (actual EUR 1,325,590 vs. budget EUR 1,749,500) and financial investments. The actual financial income amounted to EUR 136,395, but no income was forecasted in the budget. We endorse previous recommendations that the interest produced by financial investments be accounted in the budget.

6. Overall, income was EUR 34,684 (0,2 %) under budget.

7. The total expenditure for the year 2016 was EUR 65,032 above the budget. The expenditure for resolutions amounted to EUR 1,642,321 (6.1% under the budget).

8. There have been continuously improvements in budget monitoring system as key staff has access to a database providing necessary information about activities and projects. We

were also informed that in addition to the new accountancy software operational since 2015, a new budget monitoring system will be implemented in 2017.

9. Income from external project funds has an important role in financing the Head office, given that staff costs (salaries, social charges, etc.) amounting to EUR 6,199,628 net are partially covered by grants.

10. The excess of expenditure over income for 2016 gives the total deficit of EUR 79,119, which will be transferred to the General Fund. The excess of expenditures over income includes EUR 220,000 additional expenditure on Frontlines and Priorities from 2015 surplus approved by last General Council, in addition to the original 2016 approved budget.

BALANCE SHEET

11. The Reserve Fund balance (EUR 3,705,000) remained untouched throughout the year. The total sum of all funds amounted to EUR 11,773,848 at the end of 2016. We strongly underline the need of fulfilling previous decisions of the Executive Bureau, stating that the fund should be maintained at a level equal to four month's budgeted expenditure of the Confederation. The Reserve Fund balance is not at that level in the annual report for 2016. We recommend that during 2017 the fund shall be equal to three months budgeted expenditures and that the four-month level should be corrected in a longer term.

12. The market value of the ITUC financial investment portfolio amounted to EUR 7,145,744 on 31 December 2016 (EUR 7,121,689 in 2015). The structure of the portfolio has remained unchanged over the year.

AFFILIATION FEES

13. At the end of the year 2016, there was an amount of EUR 831,112 of outstanding fees to be received (against EUR 954,479. At the end of 2015). This amount represents 6.5 % of the total amount of affiliation fees for 2016. Twelve affiliates' due of totally EUR 537,971 represents 65% of the total outstanding amount.

14. There were totally 155 affiliates in arrears:

- 83 affiliates had dues exceeding EUR 1,000.
- 36 affiliates with dues from 2014 and before.

15. The fee income has developed during the last two years as shown below.

	2016		2015		
Band	Invoices	Payments	Invoices	Payments	%
Total	€12,625,266.98	€12,674,445.36	€12,495,135.86	€12,123,958.30	4.5%

16. The position of ITUC affiliation fees has been reported regularly to the Executive Bureau and appropriate measures have been taken.

17. The General Council has previously approved the principle of defining affiliation fees in 5 bands, based on the GNP per capita of each country. The ITUC Secretariat has followed previous recommendations to review and adjust the band system, which was endorsed by the General Council in October 2013. An additional decision made by the General Council in

December 2014 clarified that increase in bands be limited to one band only for the current four year period, i.e., from 2014 to 2017. It was also decided that a payment schedule be designed to allow successive increases of 33% a year, from 2015 to 2017 for severely impacted affiliates, until the level of payment of their new band is reached.

FINANCIAL STATEMENTS SOLIDARITY FUND

18. The Solidarity Fund Management Board approved an expenditure of EUR 893,960 while the estimated income was EUR 900,000. The actual net expenditure in 2016 was EUR 147,301 lower than the income.

19. The total balance of the Solidarity Fund (General+Earmarked) amounted to EUR 875,824 at the end of the year 2016. The balance of the General Fund was EUR 448,852. As there are no more accumulated surpluses available we endorse previous recommendations to increase the voluntary contributions, otherwise the Solidarity Fund cannot continue financing projects on the current level. We also notice that some of the earmarked funds has a purpose that is no longer valid and recommend management to investigate and re-classified these funds.

REGIONAL ORGANISATIONS

20. We acknowledge the receipt of audited financial reports from the regional organisations.

21. The Executive Bureau has decided to approve the creation of a Joint Exchange Rate Fund for ITUC-AP, TUCA and the ITUC to manage exchange rate fluctuations in ITUC allocations to the Regional Organisations. The fund was created in 2014 and its first operational year was 2015. This method needs to be monitored during the year 2017 and in the future.

22. We underline the continuous dependency of the Regional Organisations on the allocation provided by the ITUC. We believe however that the dependency noted will decrease, since organising activities, according to approved activity plans, are being successfully conducted.

ITUC - ASIA PACIFIC

23. As in previous years, the balance of ITUC-AP Solidarity Fund continues on a high level, compared to the expenditure of the fund. We underline that the use and the activation of the fund must be a target for ITUC-AP on the next years in attention of its affiliates for development and formation inside our trade unions.

ITUC - AFRICA

The ITUC-Africa auditors call for attention in their recommendations that ITUC-Africa must encourage affiliates to pay their dues on time. We urge ITUC-Africa management to take into consideration that recommendation, so it want affect the daily operations.

TUCA

24. At the time for the audit of ITUC, we have not received the auditor's report.

CONCLUSION

25. We wish to thank the General Secretary, the Deputy General Secretaries and the Director of Finance and his staff for their assistance during our audit.

In 2015 there have been changes in accounting principles which will secure a more justified picture of the financial results. There is still room for improvement in this direction and we are confident that this work will continue in the future.

There are still some investigation to be performed regarding historical data, to obtain complete knowledge about the value of some bookings in the ITUC balance.

We noted that there is a lot of manual work that has to been done, to perform accurate and updated reports on the financial situation. We recommend management to take necessary measures to increase efficiency in reporting for better quality in decisions and financial forecasts.

Unfortunately, all the internal auditors could not be present at the time for auditing. The comments in this report has been communicated to all auditors.



Kjell Ahlberg

AUDITOR

Brussels, 04 April 2017

ITUC NOTES TO FINANCIAL REPORTS

**REPORTS OF THE EXTERNAL AND
INTERNAL AUDITORS**

YEAR 2017



International Trade Union Confederation
EXECUTIVE BUREAU

London, United Kingdom, 24 May 2018

Agenda item 4:

Financial Reports

(a) ITUC Financial Reports for 2017

(i) Financial Report for 2017

1. In line with Article XXIII(b) of the ITUC Constitution, the annual financial report of the Confederation is submitted to the General Council for adoption. According to Article XXV(d), it is the role of the Executive Bureau to prepare the General Council's decisions concerning finances and the annual budget.

2. The ITUC balance sheet and income and expenditure account for the year 2017 are audited by the public accountant Willy Gillisjans, Belgium.

Since the financial year 2015, the accounting method is accruals basis: transactions are recognised when they occur, and reported in the financial statements of the periods to which they relate. Affiliation fees invoiced in 2017 are recorded as income for 2017, even if not yet paid, and outstanding fees which are long overdue must be covered by a provision. For donors' projects, accrued income is recorded for the accounting period based on contract conditions and not on payment terms.

General Fund – Income and expenditure account

3. The income and expenditure statement for 2017 shows an excess of income over expenditure of EUR 95,784.

4. The table below provides a comparison of budgeted and actual income and expenditure for the year 2017.

	<u>Budget 2017</u>	<u>Actual 2017</u>
<u>Income</u>	<u>EUR</u>	<u>EUR</u>
Affiliation fees	12,384,317	12,684,530
Income for offices	216,000	266,496
Other income	<u>2,778,975</u>	<u>3,984,681</u>
	15,379,292	16,935,707
<u>Expenditure</u>		
Frontlines and Priorities	2,638,975	3,888,377
Head office	9,235,236	9,655,191
Other offices	980,900	877,377
Regional organisations	2,410,457	2,381,759
Council of Global Unions	<u>37,696</u>	<u>37,219</u>
	15,303,264	16,839,923
<u>Surplus (Deficit) for the year</u>	<u>76,028</u>	<u>95,784</u>

5. The total of affiliation fees invoiced for the year was EUR 12,529,132. However, a significant amount of these fees is still outstanding at the end of the year (6.3%). The provision to cover the risk of long outstanding fees (more than 4 quarters) was adjusted to EUR 366,241.

6. The Project Income amounted to EUR 3,848,377 compared to budget EUR 2,638,975, covering the costs of Frontlines and Priorities linked to resolutions adopted by Congress (see point 8 below). Project income was significantly over the budgeted amount, mostly because uncertainties about the renewal of significant grants at the time of preparing the budget (October 2016) led us to make the project income budget rather conservative. It must also be noted that over EUR 1.6 million of project income is indeed pass-through funding that goes to regional and sub-regional organisations.

7. Other income: A minor increase in the market value of the ITUC investments was noted. The total amount received for interest and dividends on investments and a loan to ITUBI (International Trade Union Building Investment) was EUR 136,304.

8. The ITUC Frontlines and Priorities: Points of action and activities were initially budgeted to EUR 2,638,975, based on confirmed funding by external donors at the time of preparing the 2017 budget. Due to the importance of the European Union TUDCN funding for the Global Coherence and Organising priorities, and to difficulties in recording precisely which share of TUDCN funding goes to which priority (The EU budget is designed by nature of costs rather than by objective), the actual expenses for Global Coherence may be overestimated and those for Organising underestimated in the report, the total being accurate. This issue will be solved from 2018 on with the introduction of a new set of activity codes, independent from the EU budget line codes, for TUDCN project.

9. The total expenses of the Head Office are 4.5% higher than budgeted. Some specific budget lines show significant deviation from actual figures, as follows:

- a. Conferences, meetings, travel and activities: higher travel costs than budgeted. An increasing number of activities funded by donors do put significant pressure on ITUC Travel budget, because ITUC staff travel is required to implement them, but most donors do not accept these costs. The accounting system was updated to capture this impact more precisely from 2017, in order to budget more accurately that impact in the future. The travel costs directly related to the implementation of project activities was over EUR 575,000 in 2017.
- b. Other office expenses: significant savings were achieved on two major expense items, telecommunications and printing/copying, by re-negotiating the terms of contracts at the time of renewal.
- c. Incidental staff expenditure: high cost than budgeted, in particular on training expenses and some costs for the interviews of several candidates based abroad.
- d. Press and publications: the actual figures show a negative difference compared to budget, mainly due to the fact the several publications and media production were not covered by projects.
- e. Unforeseen expenses: A significant amount had to be provisioned or written off in connection with long outstanding bad debts (over 5 years), as part of a detailed effort to clean long-outstanding creditors and debtors.

10. The ITUC offices outside Belgium operate in foreign currencies, creating an uncertainty in the budget. The continued volatility of the euro during the past year resulted in several budget deviations:

- a. Geneva office: expenses were 16% lower than budgeted, thanks to significant social security refunds as well as favourable exchange rate variations.
- b. Washington office: office expenses were 13.7% below budget, mostly due favourable exchange rate.
- c. Moscow: expenses were in line with budget.
- d. Sarajevo: expenses were well above budget, due to donor funding: external donors covered all activities and major office expenses.
- e. Hong Kong: The reconciliation of Solidarity Fund Earmarks pointed out to a negative balance due to a refund from the General Fund that should have been recorded in 2012 but was not.

11. A minor difference between budgeted and actual costs can be noted concerning the contributions to the regional organisations of ITUC, mainly explained by exchange rate variations between the euro and the US dollar and other local currencies, and because the TUCA and ITUC-AP contributions to the Joint Exchange Rate funds were not deducted and paid.

12. Balance Sheet – Funds

General Fund

13. This fund represents the accumulated surpluses and losses of the ITUC over the years.

Reserve Fund

14. The Reserve Fund has been established in accordance with the recommendations of the internal auditors and is to be kept at a level of four months' expenditure of the Confederation's budget for the following year. A transfer of EUR 631,000 from the General Fund has increased the balance of the Reserve Fund to EUR 4,336,000. Due to increase in budgets, this now represents only 3 months of 2018 expenses budget.

Solidarity Fund

15. The Solidarity Fund received income through contributions in 2017 to the amount of EUR 302,920, against EUR 587,233 in 2016, a worrying decrease of 48%. The total amount spent in 2017 was EUR 370,496. Income exceeded expenditure on the Earmarked solidarity funds, due to exceptional contributions to correct errors in the previous year (Hong Kong, Myanmar), and to the contributions for Turkey.

Superannuation Fund

16. The Staff Superannuation Fund consists of premiums and accumulated interests set aside for pension entitlements for representatives and staff members on external employment contract. It amounted to EUR 316,798 at 31 December 2017.

Reserve for Social and Legal Liabilities

17. After confirmation by the National Social Security Office of Belgium that we were indeed entitled to some deduction in social security costs we had been provisioning for many years, the 5-year provision that was until then updated every year was no longer needed and had to be written off. However, it was considered prudent allocating its balance to a reserve fund to cover social and legal liabilities.

ITUC – PERC

18. PERC (Pan European Regional Council) is a regional structure that is included for financial purposes in the accounting of the ITUC. However, it has to be considered as a separate entity, and a surplus of income over expenditure has to be kept in a separate fund. It stood at EUR 232,601 at the beginning of 2017. The final balance was EUR 238,033 at the end of 2017.

19. The Executive Bureau is requested to recommend to the General Council that it approve the financial report of the ITUC for the year 2017.

WILLY GILLISJANS
REGISTERED AUDITOR

INTERNATIONAL TRADE UNION CONFEDERATION (ITUC)

INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERNAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

We have reviewed the accompanying internal financial statements (balance sheet and income and expenditure account) of the INTERNATIONAL TRADE UNION CONFEDERATION, which show a balance sheet total of 12.018.960,58 EUR and a result of 95.784(,00) EUR for the year ended on 31 December 2017, after allocation of the surplus to the Funds.

Officers' Responsibility for the Financial Statements

The officers are responsible for the preparation and fair presentation of these financial statements in accordance with in Belgium applicable accounting standards, and for such internal control as the officers determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Although ITUC is not held by a legal framework of accounting and audit of accounts, we performed, by analogy, our review in accordance with International Standard on Review Engagements (ISRE) 2400.

Auditor's Responsibility

Our responsibility is to express a conclusion on the accompanying internal financial statements. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2400, *Engagements to Review Historical Financial Statements*. ISRE 2400 requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared in all material respects in accordance with in Belgium applicable accounting standards. This Standard also requires us to comply with relevant ethical requirements.

A review of financial statements in accordance with ISRE 2400 is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these financial statements.

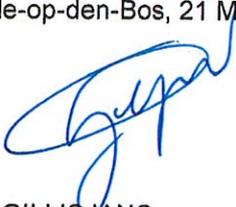
Willy GILLISJANS
Registered auditor
Donkereham 3 - B 1880 Kapelle-op-den-Bos
T +32 (0)15 71 18 82
willy.gillisjans@gmail.com
VAT BE 0505.679.905

WILLY GILLISJANS
REGISTERED AUDITOR

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that these financial statements do not present fairly, in all material respects the equity, financial position and results of the INTERNATIONAL TRADE UNION CONFEDERATION as at 31 December 2017, in Belgium applicable accounting standards.

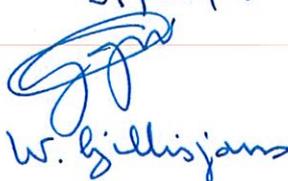
Kapelle-op-den-Bos, 21 May 2018



WILLY GILLISJANS
REGISTERED AUDITOR
MEMBER OF DDD & CO BEDRIJFSREVISOREN (REGISTERED AUDITORS)

INTERNATIONAL TRADE UNION CONFEDERATION
31 December 2017
GENERAL FUND - INCOME AND EXPENDITURE ACCOUNT

	Budget 2017 EUR	Actuals 2017 EUR
A. INCOME		
<u>Item</u>		
I Affiliation fees (for the year)	12,384,317	12,684,530
II Other income: external project funds	2,638,975	3,848,377
III Other income: special activities	140,000	136,304
	<u>2,778,975</u>	<u>3,984,681</u>
IV Extra-budgetary income for offices:		
ITUC/GUFs Washington Office	75,000	90,000
Moscow Office for the NIS	12,000	12,000
Sarajevo Office	89,000	124,496
Pan-European Regional Council (PERC)	40,000	40,000
	<u>216,000</u>	<u>266,496</u>
TOTAL INCOME:	<u><u>15,379,292</u></u>	<u><u>16,935,707</u></u>
B. EXPENDITURE		
1 <u>ITUC Frontlines and priorities 2017</u>	2,638,975	3,888,377
<u>ITUC Head office</u>		
2 ITUC World Congress	250,000	261,557
3 Conferences, meetings, travel and activities	630,000	1,023,594
4 Office rent and upkeep	1,338,380	1,180,998
5 Other office expenses	264,500	213,649
6 Salaries, social charges, etc.	5,956,356	6,075,644
7 Incidental staff expenditure	203,000	258,061
8 Press and publications	313,000	328,864
9 Furniture and equipment (IT investments)	275,000	261,491
10 Unforeseen expenses	5,000	51,333
	<u>9,235,236</u>	<u>9,655,191</u>
<u>ITUC Offices</u>		
11 Geneva Office	621,200	521,648
12 ITUC/GUFs Washington Office	241,800	208,639
13 Moscow Office for the NIS	28,900	12,001
14 Sarajevo Office	89,000	126,089
15 Hong Kong Office	0	9,000
	<u>980,900</u>	<u>877,377</u>
<u>Regional organisations and structures</u>		
16 African Regional Organisation	643,121	643,121
17 Asian and Pacific Regional Organisation	759,273	754,883
18 American Regional Organisation	511,235	511,235
19 Arab Sub-regional Organisation	406,008	406,008
20 Pan-European Regional Council (PERC)	40,000	41,190
21 Joint exchange rate fund	50,820	25,322
	<u>2,410,457</u>	<u>2,381,759</u>
<u>Council of Global Unions</u>		
22 Council of Global Unions (CGU)	37,696	37,219
TOTAL EXPENDITURE:	<u><u>15,303,264</u></u>	<u><u>16,839,923</u></u>
Excess of income over expenditure/ (Excess of expenditure over income)	<u><u>76,028</u></u>	<u><u>95,784</u></u>

21/05/18

W. Gillisjans

INTERNATIONAL TRADE UNION CONFEDERATION

BALANCE SHEET AS AT 31 DECEMBER 2017

EUR

FUNDS

General Fund (Note 1)		2,088,581.40
Reserve Fund (Note 1)		4,336,000.00
Solidarity Fund (Note 2)		847,760.56
Organising Fund (Note 1)		1,000,231.18
Building fund		2,887,272.89
Other Funds: Staff Superannuation Fund (Note 3)		316,798.34
Other Funds: ITUC-PERC (Note 3)		542,316.21
		<u>12,018,960.58</u>

EMPLOYMENT OF FUNDS

Fixed assets

ITUBI	2,717,109.70	
Cost of improvements to leased property	1,633,684.47	
Cost of improvements to leased property (depreciation)	(1,146,085.82)	
Movable property	784,977.04	
Movable property (depreciation)	(763,619.66)	
Fixed assets: hardware & software	178,238.58	
Fixed assets (depreciation): hardware & software	(143,408.44)	
		<u>3,260,895.87</u>

Current assets

Short term investments	7,131,688.80	
Cash at bank	6,068,675.15	
Guarantee deposits	13,966.97	
Debtors	<u>2,065,777.02</u>	
		15,280,107.94

Current liabilities

Development aid funds (Note 4)	57,734.09	
Creditors	4,696,652.64	
Provisions (Note 5)	<u>1,767,656.50</u>	
		6,522,043.23

Net current assets

8,758,064.71
12,018,960.58

The notes on the next 2 pages form part of these accounts.

21/05/18
Guyon
W. Gillisjans

INTERNATIONAL TRADE UNION CONFEDERATION

Explanatory notes forming part of the accounts for the year ended 31 December 2017

Note 1. FUNDS

	<u>GENERAL FUND</u>	<u>RESERVE FUND</u>	<u>ORGANISING FUND</u>
	<u>EUR</u>	<u>EUR</u>	<u>EUR</u>
Balance at beginning of year	3,431,797.40	3,705,000.00	202,630.23
Income (Fund)	16,935,707.00		0.00
Expenditure (Fund)	16,839,923.00		(260,399.05)
Excess of income over expenditure	95,784.00		(260,399.05)
Transfers to/from other funds*	-1,439,000.00	631,000.00	808,000.00
Balance at end of year	<u>2,088,581.40</u>	<u>4,336,000.00</u>	<u>1,000,231.18</u>

Note 2. SOLIDARITY FUND

	<u>General</u>	<u>Earmarked</u>	<u>Total</u>
	<u>EUR</u>	<u>EUR</u>	<u>EUR</u>
<u>Income</u>			
Contributions	302,919.68	323,118.18	626,037.86
<u>Expenditure</u>	<u>(370,495.76)</u>	<u>(283,605.26)</u>	<u>(654,101.02)</u>
Net income/(expenditure)	(67,576.08)	39,512.92	-28,063.16
Balance at beginning of year	<u>448,851.99</u>	<u>426,971.73</u>	<u>875,823.72</u>
Balance at end of year	<u>381,275.91</u>	<u>466,484.65</u>	<u>847,760.56</u>

21/05/18

 Mr. Gilsjans

INTERNATIONAL TRADE UNION CONFEDERATION

Explanatory notes forming part of the accounts for the year ended 31 December 2017

Note 3. OTHER FUNDS

	<u>Staff Superannuation Fund</u> EUR	<u>Reserve for Social & Legal Liabilities</u> EUR	<u>ITUC- PERC*</u> EUR	<u>Total</u> EUR
Income from ITUC	44,074.11	542,316.21	40,000.00	586,390.32
Income from affiliation fees (PERC)			46,739.65	0.00
Other external income (PERC)			20.19	0.00
Expenditure	<u>0.00</u>	<u>0.00</u>	<u>(81,327.91)</u>	<u>0.00</u>
Net income/(expenditure)	44,074.11	542,316.21	5,431.93	586,390.32
Balance at beginning of year	<u>272,724.23</u>	<u>0.00</u>	<u>232,601.27</u>	<u>272,724.23</u>
Balance at end of year	<u><u>316,798.34</u></u>	<u><u>542,316.21</u></u>	<u><u>238,033.20</u></u>	<u><u>859,114.55</u></u>

Note 4. CURRENT LIABILITIES

	<u>2017</u> EUR
<u>Development Aid Funds</u>	
Balance at beginning of year	97,734.09
Income	<u>3,848,377.00</u>
Expenditure	<u>3,946,111.09</u> <u>(3,888,377.00)</u>
Balance at end of year	<u><u>57,734.09</u></u>

Note 5. PROVISIONS

	<u>2017</u> EUR
4th ITUC World Congress (2018)	1,034,230.65
3rd World Women's Conference (2017)	25,000.00
Risk on unpaid affiliation fees	366,240.57
Home Leave staff and contracts	41,159.61
Travel & Removal expenses staff recruited abroad	148,436.28
ONSS "déduction structurelle" 2012- 2016	0.00
Early retirement	83,117.44
Risk on project advances to partners	39,471.95
Provision for legal assistance/lawyers	<u>30,000.00</u>
Balance at end of year	<u><u>1,767,656.50</u></u>

(*) Excluding Projects - PERC General Fund only

21/05/18


 W. Bjellisjans



International Trade Union Confederation

EXECUTIVE BUREAU

London, United Kingdom, 24 May 2018

Agenda item 4:

Financial Reports

a) ITUC Financial reports for 2017

(ii) **Internal Auditors' Report for 2017**

1. We submit herewith the report of the ITUC Internal Auditors, elected by Congress, who met in Brussels from 7 till 9 May 2018.

2. The Executive Bureau is invited to recommend that the General Council endorse the **Internal Auditors' Report for 2017**.

FIN/XL/cdu – 18 May 2018

INTERNATIONAL TRADE UNION CONFEDERATION
AUDITORS' REPORT FOR 2017

INTRODUCTION

1. The auditors elected by the ITUC 3rd Congress (Berlin, June 2014) according to article XXXV of the Constitution are:

Kjell Ahlberg	-	LO Sweden
Freda Oosthuysen	-	COSATU South Africa
Robert Roach	-	AFL-CIO United States

The following report is based upon the examination of the ITUC balance sheet and income and expenditure accounts for 2017 by Willy Gillisjans, Registered Auditor, and of various other ITUC documents and reports and discussions with management and the Secretariat.

AUDITORS' TERMS OF REFERENCE

2. We based our work and proceedings on the Terms of reference as they exist in the ITUC. We consider it our duty

- i. to examine the financial management of the ITUC and in relation to its constitutional obligations, to report on such matters as they deem appropriate;
- ii. to recommend action to the ITUC Congress or the Governing bodies on any matters with financial implications for which in their view rules have not been, or not adequately been, laid down.

Further to these duties, we shall

- iii. have free access at all convenient times to all books, records and other documentation which are, in our opinion, necessary for the performance of the audit;
- iv. receive a copy of the chartered accountants' report, notes and comments before commencing our own task.

AUDITORS' OBSERVATIONS AND RECOMMENDATIONS

REGIONAL ORGANISATIONS

3. We acknowledge the receipt of audited financial reports from the regional organisations. We noted that all internal audit reports were available in time, except for ATUC where the internal auditors reports is missing. We strongly recommend the all regional organisations present an internal auditors report.

4. We underline the continuous dependency of the Regional Organisations on the allocation provided by the ITUC. Last year we believed that the dependency noted will decrease. During 2017 the dependency of allocation from ITUC has increased.

ITUC - ASIA PACIFIC

5. As in previous years, the balance of ITUC-AP Solidarity Fund continues a high level, compared to the expenditure of the fund. We underline that the use and the activation of the fund must be a target for ITUC-AP on the next years in attention of its affiliates for development and formation inside our trade unions.

6. Unfortunately, there is no comparison with 2016 which make it difficult to have any comments on the development.

ITUC - AFRICA

7. In 2016 the ITUC-Africa auditors called for attention in their recommendations that ITUC-Africa must encourage affiliates to pay their dues on time. We have been informed that there have been improvements in this area, but it is still important to attend this question.

TUCA

8. At the time for the audit of ITUC, we have not received the translated auditor's report.

9. The financial situation for TUCA is worrying. We noted that there is a drop in affiliation fees and the loss for 2017 has increased. Cash Flow for the last two years is negative as well.

10. We strongly recommend ITUC to monitor the situation and prepare for eventual activities.

ATUC

11. At the time for the audit of ITUC, we have not received the internal auditor's report.

12. The financial situation for ATUC is worrying. We noted that there is a total dependency of the allocation from ITUC and there is a continues loss. The presentation of project revenue and expenditures is not transparent.

13. We strongly recommend ITUC to monitor the situation and take proper measures to handle the situation.

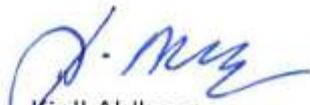
CONCLUSION

14. We wish to thank the Deputy General Secretary and the Director of Finance and his staff for their assistance during our audit and for the successful work.

15. The work with reporting and financial clarity, which started a few years ago, has been continued. In our opinion, there has been many improvements during 2017. We will encourage ITUC to continue the work to make financial reports just and pedagogical, and to be basis for decision makers.

16. The next step is implementing or developing internal control and policies, that support that. We are confident that this work will continue.

17. Unfortunately, all the internal auditors could not be present at the time for auditing. The comments in this report has been communicated to all auditors.



Kjell Ahlberg



Freda Oosthuysen

AUDITORS

Brussels, 09 May 2018