



Governing Body

341st *bis* Session, Geneva, 21 May 2021

Minutes of the 341st *bis* Session of the Governing Body of the International Labour Office

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▶ Programme, Financial and Administrative Section

1. The Programme, Financial and Administrative Section of the Governing Body met on 21 May 2021. It was chaired by Mr Pandey, Permanent Representative of India to the United Nations Office and other international organizations in Geneva, on behalf of the Chairperson of the Governing Body. Ms Menne and Mr Lacasa Aso were the Worker and Employer spokespersons, respectively.

Programme, Financial and Administrative Segment

1. **Programme and Budget for 2020–21: Financial report and audited consolidated financial statements for the year ended 31 December 2020 (GB.341bis/PFA/1)**
2. **A representative of the Director-General** (Treasurer and Financial Comptroller) made brief introductory comments on the financial statements for the year ended 31 December 2020.¹ He confirmed that the Officers of the Board of the International Training Centre of the ILO in Turin had met on 14 May 2021 and had approved the Turin Centre's financial statements for the year ended 31 December 2020, which were consolidated with those of the ILO.
3. The general purpose financial statements (Statements I–IV) incorporating the full scope of ILO activities – those funded through assessed contributions, those funded from extrabudgetary sources, and controlled entities – had been prepared in compliance with International Public Sector Accounting Standards (IPSAS) on a full accrual basis and reflected the financial activity for 2020. The first section of the statements provided a financial report on the activities and challenges in 2020 and a summary of the financial highlights and performance for the year. The second section contained the Statement of Internal Control, which provided details on the level of assurance and measures taken on the Office's internal control framework. With respect to the regular budget, Statement V-A provided an interim report of the financial performance of the Office against Member States' assessed contributions. Statement V was prepared on a modified accrual basis, in line with the provisions of the Financial Regulations. The table contained in note 24 to the financial statements provided a reconciliation of the results presented under Statement II and Statement V.
4. The Office had engaged extensively with the External Auditor throughout the audit process. It had accepted the recommendations contained in the long-form audit report and was working on their implementation. The Office's summarized responses to the recommendations were included in the body of the report.
5. **The External Auditor** (Chairperson of the Commission on Audit of the Philippines), presenting his report for the year ended 31 December 2020, said that it highlighted, first, that the comprehensive audit had concluded that the financial statements fairly presented the financial position of the ILO for the financial year ended 31 December 2020, in accordance with IPSAS. He commended ILO management, especially the

¹ ILC.109/FIN/2020.

Treasurer and Financial Comptroller and his team, for consistently preparing quality financial statements and for receiving an unmodified audit opinion since its adoption of IPSAS.

6. Second, the report showed that significant achievements had been registered in programme and project implementation and delivery amid the pandemic. However, it also pointed out some opportunities for improvement, particularly the need for robust compliance with established programme management processes and procedures, and for enhanced governance directives and guidance for regular budget technical cooperation (RBTC), development cooperation, tagging of COVID-19-responsive projects, seminars, implementation agreements and the Programming Internal Governance Manual, to ensure that projects were delivered within the given period and budget. The report also emphasized the need to integrate lessons learned into project proposals, promote capacity-building and foster a knowledge management culture.
7. Third, the report covered the review of the control environment in decentralized offices, specifically in the ILO Country Office for Algeria, Libya, Mauritania, Morocco and Tunisia (CO-Algiers) and the ILO Country Office for Turkey (ILO-Ankara). The audit had underscored opportunities for improvements in country offices' control environment and in programme/project implementation and monitoring activities.
8. During his mandate as External Auditor covering the years 2016 to 2020, his office had delivered quality external audit services by providing reliable attestations on the Organization's financial statements and value-adding operations audits. Management tools, systems and policies adopted or implemented during this period to help improve accountability and transparency and operational efficiency and effectiveness in the Organization included: the adoption of the Finance Manual, which provided the sets of rules in financial transactions processing and recording; the establishment of the Internal Control Framework and issuance of the Statement on Internal Control, which provided assurance on the working effectiveness of the control environment within the ILO; and the enhancement, innovation and improvement of important governance frameworks and processes such as enterprise risk management, ethics, results-based management, resource mobilization, programme management, travel management, procurement management and human resource management.
9. **The Chairperson of the Independent Oversight Advisory Committee (IOAC)** reported on the IOAC's review of the financial report and audited consolidated financial statements for the year ended 31 December 2020 and the report of the External Auditor. During its review of the Office's Statement of Internal Control, the IOAC had noted the areas identified by management in 2020 as needing improvement, as well as progress made on issues identified in previous years. It particularly welcomed the efforts made in relation to ethics and digital governance. The financial statements for the year ended 31 December 2020 had been presented in accordance with IPSAS, and the Office's explanations of the year's results, contained in the financial report, would assist readers in understanding ILO operations in 2020.
10. She welcomed the Office's monitoring of the delivery rate of the regular budget, which in 2020 had been lower than usual for the first year of a biennium. The drop in assessed contributions and rise in uncollectible amounts, while not significant, may indicate a trend stemming from the impact of the COVID-19 pandemic on Member States' financial capacities. She was pleased to note that the Office had again achieved an unmodified audit opinion on its consolidated financial statements and that the external audit plan had been fully executed.

11. The External Auditor's explanation that the major changes in the assumptions used in the valuation of after-service health insurance were consistent with other United Nations entities in Geneva was satisfactory. She welcomed the External Auditor's thorough review of programme and project implementation and delivery during the pandemic, and highlighted the need to improve compliance with processes and procedures, strengthen coordination and knowledge-sharing among the Office's departments, and improve compliance with policies and management controls in the country offices reviewed by the External Auditor. The IOAC recommended that the Governing Body forward the audited consolidated financial statements and the External Auditor's report to the International Labour Conference for consideration and adoption.
12. **The Worker spokesperson** noted with satisfaction the External Auditor's unmodified audit opinion on the consolidated financial statements. Those statements revealed a surplus of US\$56.3 million that resulted in large part from a slowdown in regular budget expenditure during the COVID-19 pandemic. She noted the positive results of the Turin Centre's transition to distance learning and its global campaign to promote its activities, and welcomed the funding partners' commitment to supporting the ILO's response to the pandemic. It was to be hoped that the ILO would continue to produce hard copies of some publications in the light of its decision to derecognize inventory of publications. She took note of the Office's commitment to following up the matters requiring further work or continued monitoring.
13. The key audit findings on programme management, policies and processes would be useful in maintaining coherence in the delivery of the ILO's objectives. She welcomed the updated guidance documents on strategic management and implementation planning, the strengthening of internal coordination by means of robust terms of reference for Outcome Coordination Teams, and improvements to online collaborative workspaces. The Office must consider the internet connectivity challenges encountered in some locations when updating the procedure document for seminars, workshops and events funded by the ILO. Lastly, she welcomed the Office's follow-up to the recommendations made in previous reports. Her group supported the draft decision.
14. **The Employer spokesperson** drew attention to the critical need for targeted effort in workforce planning and skills development, including to improve diversity in constituents' skills and experience. Those efforts should be subject to ongoing monitoring, and the Governing Body should receive reports on all aspects of diversity. His group supported the draft decision.

Decision

15. **The Governing Body took note of the External Auditor's report and forwarded the consolidated financial statements for the year ended 31 December 2020 and the External Auditor's report thereon to the Conference for consideration and adoption at its 109th Session.**

(GB.341bis/PFA/1, paragraph 4)

2. Dissolution of the Voluntary Thrift Benefit Fund for ILO staff members (GB.341bis/PFA/2)

16. **The Employer spokesperson** said that his group supported the draft decision on the dissolution of the Voluntary Thrift Benefit Fund for ILO staff members.

17. **The Worker spokesperson** recalled the background to the establishment of the Voluntary Thrift Benefit Fund and the conclusions reached by the external study. Noting that the proposed actions set out in paragraph 14 of the document should not lead to a negative impact on any remaining members, she supported the draft decision.

Decision

18. The Governing Body

- (a) **approved the dissolution of the Voluntary Thrift Benefit Fund for ILO staff members in accordance with Article 8 of the Statute of the Fund;**
- (b) **noted the modalities for the distribution of the assets of the Fund as set out in document GB.341bis/PFA/2; and**
- (c) **decided to transmit the following draft resolution to the International Labour Conference at its 109th Session (2021) for possible adoption:**

The General Conference of the International Labour Organization, meeting at its 109th Session, 2021,

Recalling its resolution concerning the establishment of a Voluntary Thrift Benefit Fund for ILO officials, adopted at its 78th Session, 1991, in which it decided that the interest earned on the Terminal Benefits Fund beginning with the year 1991 and up to a total amount of US\$4,875,000 would be paid into the Voluntary Thrift Benefit Fund, established to provide a capital sum to officials upon retirement,

Noting that the Governing Body of the International Labour Office has approved the dissolution of the Voluntary Thrift Benefit Fund, in accordance with Article 8 of the Statute of that Fund,

Noting the modalities for the distribution of the Fund's assets decided by the Director-General,

Decides that the remaining funds in Plan B of the Fund (amounting to CHF2,533,571 as at 18 March 2021), which will be returned to the Office after having covered all expenses and charges related to the dissolution process, shall be credited, notwithstanding article 11 of the Financial Regulations, to the Terminal Benefits Fund.

(GB.341bis/PFA/2, paragraph 16)

3. Programme and Budget for 2018–19: Regular budget account and Working Capital Fund as at 31 December 2019

(GB.341/PFA/5)

19. **The Chairperson** recalled that no consensus had been reached at the 341st Session (March 2021) of the Governing Body on the Office's proposal set out in document GB.341/PFA/5.
20. **A representative of the Director-General** (Treasurer and Financial Comptroller) said that, in accordance with Article 11, paragraphs 6 and 7 of the Financial Regulations, the Incentive Fund and one half of the net premium distributed to Member States were to be credited, where eligible, in the second year of the next following financial period. Under the current circumstances, that could be determined as 2023. However, in the light of the unavoidable 12-month delay in approving the 2018–19 Financial Statements due to the cancellation of the 2020 session of the Conference, the Office intended to apply the applicable credits to eligible Member States from January 2022. The 2020–21

financial results would be considered in 2022; any credits arising from that period would then be available for distribution from January 2023 onwards, back in line with the schedule applied prior to the COVID-19 pandemic.

21. **The Employer spokesperson** recognized and supported the need for an increase of the Working Capital Fund, given the exceptional circumstances outlined in the document. However, he asked to hear other opinions prior to commenting on the draft decision.
22. **The Worker spokesperson** took note of the deficit at the end of the 2018–19 financial period, caused by arrears in Member States' contributions, and the Office's resulting financial decisions. She urged Member States to settle their arrears as soon as possible. Recognizing the risk of the rolling cash shortage to the Office's long-term financial stability, her group supported the draft decision.
23. **Speaking on behalf of the Government group**, a Government representative of Chile said that adopting the draft decision was not the solution to the much larger issue of cash flow stability. Instead, he proposed deferring the item to a future session of the Governing Body to allow for a full discussion.
24. **Speaking on behalf of the Asia and Pacific group (ASPAG)**, a Government representative of Japan recognized the cause of the current financial difficulties, but did not agree with the proposed derogation of the Financial Regulations to fill the gap, which would damage compliance with the Organization's Financial Rules and Regulations, further exacerbating the problem. His group did not support the draft decision and said that the Governing Body should discuss sustainable solutions for cash flow stability, reviewing good practices in other organizations and comparing effective measures. However, the group did support the proposal to apply the credit from the net premium to Member States' assessed contributions as soon as possible.
25. **Speaking on behalf of the group of industrialized market economy countries (IMEC)**, a Government representative of the United Kingdom of Great Britain and Northern Ireland noted the explanations provided by the Office, but said that the current proposal was different from previous decisions to derogate from the Financial Regulations in order to top up the building and accommodation fund to finance renovations to the ILO's headquarters building. Expressing concern regarding the accumulated effect of unpaid assessed contributions, she asked about the measures taken by the Office to collect all contributions on time. While she recognized the constraints caused by the depletion of the Working Capital Fund, diverting the net premium was not the solution and would only reduce Member States' urgency to make their payments on time. Her group therefore did not support the draft decision and agreed with the proposal to discuss the matter further. However, the group supported the proposal to apply the credit from the net premium to Member States' assessed contributions as soon as possible.
26. **The Employer spokesperson** said that his group aligned itself with the majority of the previous speakers. The Working Capital Fund should be discussed by the Governing Body in the future, with the objective of seeking stability in the Organization's financing.
27. **The Worker spokesperson** said that, while her group stood by its earlier comments, it would join with the majority in not supporting a derogation from the financial regulations in the case at hand. Although no proposal on that item would be submitted to the upcoming International Labour Conference, discussion of the matter could continue in order to seek a way forward in future.

28. **The representative of the Director-General** (Treasurer and Financial Comptroller) said that he had taken note of the comments made and that the relevant documents would be prepared for a discussion on the stability of the Organization's finances by the Governing Body. Responding to the question raised by IMEC, he said that, each financial period, the Office sent letters to Member States detailing their individual position regarding financial contributions, arrears and amounts due. Information on financial contributions was published on the ILO website on a frequent basis.

Decision

29. **The Governing Body took note of the information provided in document GB.341/PFA/5 and its Appendices, but did not approve the draft decision proposed in paragraph 20.**

Personnel Segment

4. **Matters relating to the Administrative Tribunal of the ILO: Withdrawal of the recognition of the Tribunal's jurisdiction by the Universal Postal Union (GB.341bis/PFA/4(Rev.1))**

30. **The Employer spokesperson** took note of the withdrawal of recognition of the jurisdiction of the Administrative Tribunal of the ILO by the Universal Postal Union (UPU). The factors behind the UPU's decision to recognize another tribunal could provide a useful focus for reflection: more flexible document submission modalities; shorter time frames for review of submission and adoption; possibility to submit amicus curiae briefs and apply for the revision of judgments; clearer scope of administrative and liability limitations; and the possibility of sanctions in the event of manifest abuses of process. The Employers' group supported the draft decision.
31. **The Worker spokesperson** noted with regret the decision by the UPU to formally withdraw from the jurisdiction of the Administrative Tribunal of the ILO and to recognize the jurisdiction of the United Nations Appeals Tribunal. She noted the intent expressed by the Director-General of the UPU to execute any judgment rendered in relation to the three complaints concerning the UPU pending before the Tribunal, and to pay any outstanding costs due to the Tribunal. She trusted that the draft resolution concerning amendments to the procedure to revoke a declaration of acceptance of the Tribunal's jurisdiction, approved by the Governing Body in March 2021, would be submitted to the 109th Session of the International Labour Conference. The Workers' group supported the draft decision.

Decision

32. **The Governing Body:**
- (a) **took note of the decision of the Universal Postal Union (UPU) and its Provident Scheme to discontinue its recognition of the jurisdiction of the Administrative Tribunal;**
 - (b) **confirmed that the UPU and its Provident Scheme will no longer be subject to the competence of the Tribunal with effect from the date of this decision; and**

(c) requested the Director-General to follow up with the UPU regarding the payment of any outstanding costs.

(GB.341bis/PFA/4(Rev.1), paragraph 6)