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External audit plan

Summary: In this document, the Director-General transmits to the Governing Body the External Auditor's summary of the annual audit plan for the year ending 31 December 2024, for information.

Author unit: Comptroller and Auditor General of India (External Auditor).

Related documents: [GB.347/PFA/9\(Rev.1\)](#).

► Summary of the annual audit plan for the year ending 31 December 2024

1. The consolidated financial statements of the International Labour Organization (ILO) are subject to an external audit each year in accordance with Chapter IX of the Financial Regulations of the International Labour Office. The Comptroller and Auditor General of India has been appointed by the Governing Body as the External Auditor of the ILO for a term of four years commencing on 1 April 2024, covering the 79th and 80th financial periods ¹ The year ending 31 December 2024 is the first year of this mandate.

Audit mandate

2. The External Auditor's mandate is established in Chapter IX of the ILO Financial Regulations, specifically articles 36 and 38, which set forth the scope of audits, compliance with accepted auditing standards and the submission of audit reports to the Governing Body.
3. Article 36 outlines the right of the External Auditor to make observations on the efficiency of the financial procedures, internal controls and overall administration and management of the Organization.
4. Article 38 mandates the External Auditor to issue a report reflecting the audited financial statements for each calendar year, detailing findings and recommendations for examination by the Governing Body before submission to the Conference.

Overall audit objectives

5. Our overall audit objectives are:
 - to express an independent opinion as to whether:
 - the financial statements present fairly, in all material respects, the financial position of the ILO as of 31 December 2024, and the results of its financial performance, its cash flows and the comparisons of budget to actual amounts for the year then ended in accordance with International Public Sector Accounting Standards;
 - the financial statements have been prepared in accordance with the stated accounting policies;
 - the accounting principles have been applied on a basis consistent with that of the preceding financial period;
 - the transactions that have come to our notice during the audit of the financial statements have, in all significant respects, been made in compliance with the Financial Regulations and legislative authority;
 - to make observations with respect to the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of the Organization (article 36 of the Financial Regulations).

¹ GB.347/PFA/9(Rev.1).

Audit approach and methodology

6. In line with the International Standards on Auditing and the International Standards of Supreme Audit Institutions, we will apply a risk-based audit approach. This approach consists of the following phases:

Risk assessment

7. Material misstatements: Conduct risk assessments of material misstatements at the financial statement and assertion levels, based on a comprehensive understanding of the ILO and its internal control environment.
8. Risk maturity: Assess the risk maturity of the Organization, including the Governing Body's risk management framework and the extent to which risks are identified, assessed, managed and monitored.

Audit planning

9. Prioritization of areas: Identify and prioritize areas that require objective assurance, such as key risks, risk management processes and compliance with internal policies.
10. Stakeholder assurance: Address areas that stakeholders have identified as requiring enhanced audit focus.

Execution and communication

11. Audit fieldwork: Perform audit testing based on identified risks, covering compliance, efficiency and control assessments.
12. Stakeholder discussions: Present audit findings to ILO management, ensuring mutual agreement on recommendations and facilitating the resolution of deficiencies.

Integration with the Office of Internal Audit and Oversight

13. The audit will incorporate the work performed by the Office of Internal Audit and Oversight, coordinating efforts in order to ensure a comprehensive and cost-effective audit plan.

Audit scope

14. Our audit work for the year ending 31 December 2024 will focus on the topics set out below.

Financial and compliance audit of the ILO, headquarters

Objective

15. The primary objective of the financial audit of the ILO, conducted at headquarters, is to provide the Auditor's assurance on the ILO's annual financial statements through a comprehensive evaluation of the accounting processes and financial disclosures. The audit will ensure compliance with relevant accounting standards, including International Public Sector Accounting Standards, International Standards on Auditing and other applicable financial regulations and guidelines.

Audit approach and methodology

16. The audit will be conducted using a risk-based approach, whereby areas identified as having a higher risk of material misstatement will receive enhanced audit procedures. Sampling

techniques will be utilized to perform substantive tests on financial transactions and balances, ensuring statistical validity. Internal controls will be reviewed and tested to assess their effectiveness in preventing and detecting fraud or errors. Audit procedures will include analytical reviews of financial statements to identify discrepancies and trends, as well as physical verification of significant assets. Engagement with key stakeholders, such as the Office of Internal Audit and Oversight and finance personnel, will also be undertaken to ensure a comprehensive understanding of the ILO's financial operations.

Audit deliverables and reporting

17. Upon completion of the audit, the deliverables will include an audit report/management letter expressing an opinion on the ILO's financial statements, along with any recommendations for improvement. The audit report/management letter will highlight internal control deficiencies and other findings of significance, as well as proposed corrective actions.

Performance audit of the ILO's human resources management, headquarters

Objective

18. The audit will focus on the ILO's recruitment and human resources practices in alignment with its Human Resources Strategy 2022–25, which emphasizes gender equality, inclusion and respect for diversity. Specifically, the audit will review recruitment practices over the past three years to address discrepancies in the representation of Member States, particularly in light of the under-representation of 61 Member States and the over-representation of countries such as Italy and France. It will evaluate the effectiveness of the system of desirable ranges used to manage representation, with a view to aligning recruitment practices with the stated diversity goals. The audit will also assess the adequacy of formal recruitment guidelines, noting concerns raised by the Governing Body at its 344th Session (March 2022) with regard to gaps in guidelines in some United Nations organizations. Expenditure on staff costs, totalling US\$526.6 million and representing 55 per cent of the ILO's total expenses for the year ending 31 December 2023, will also be scrutinized.

Audit approach and methodology

19. The audit will employ both substantive and compliance testing approaches, using a combination of document review, stakeholder interviews and data analysis. Key performance audit areas include recruitment and appointment, performance appraisal and, also, staff entitlement and benefit programmes.
20. With regard to recruitment and appointment, the audit will review a sample of hires to determine whether they align with diversity goals and desirable range quotas for under-represented States. In examining performance appraisals, the audit will evaluate the consistency, objectivity and adherence to performance evaluation guidelines to ensure fairness.
21. Staff entitlements and benefits will be assessed for appropriate allocation, in compliance with policies and to identify any potential inefficiencies or misappropriations. Additionally, the audit will examine other key areas such as the risk of unauthorized disclosure of confidential personal information.

Audit deliverables and reporting

22. The audit will result in the production of an audit report that outlines findings and recommendations on recruitment practices and human resources policy alignment with the ILO's diversity and inclusion objectives. A management letter will be issued to communicate any observed deficiencies, including with regard to recruitment, performance appraisal or entitlements, along with specific, actionable recommendations for corrective action.
23. The final audit report will be presented to ILO management in order to contribute to enhancing human resources policies, strengthening diversity initiatives and ensuring robust internal control mechanisms.

Performance audit of implementation of the Development Cooperation Strategy (2020–25), headquarters

Objective

24. The audit will focus on assessing the ILO's Development Cooperation Strategy (2020-25), which plays a crucial role in achieving policy outcomes and advancing the Sustainable Development Goals. With 44 per cent of the Strategy's total revenue in 2023 funded through voluntary contributions and approximately 700 active projects under its management, the audit will evaluate the efficiency and alignment of development cooperation initiatives with the ILO's strategic goals. Specifically, the audit will review the processes related to enhancing services to constituents, fostering policy coherence, mobilizing funding and the management of financial resources from various funding streams, including the regular budget, extrabudgetary resources and the Regular Budget Supplementary Account. Furthermore, the audit will focus on the effectiveness of the ILO's diversification strategies for extrabudgetary funding, particularly in South–South and triangular partnerships.

Audit approach and methodology

25. A risk-based approach will be employed in order to evaluate the performance and management of development cooperation projects. The audit will involve an in-depth review of financial records in order to ensure proper allocation and transparency of funds sourced from both regular and voluntary contributions. The assessment will also include a review of partnerships under the Development Cooperation Strategy, with an emphasis on evaluating the coherence between donor priorities and the ILO's mission. Particular attention will be given to the findings of the 2019 independent evaluation report on funding through the ILO's public–private partnerships from 2008 to 2018, which highlighted various challenges including gaps in funding strategy and inconsistencies in aligning with core ILO objectives. The audit will employ a combination of document analysis, stakeholder interviews and other methods to determine the efficiency of project implementation, coherence of partnerships and effectiveness in meeting constituent needs.

Audit deliverables and reporting

26. The audit will result in a management letter and an audit report on the ILO's management of development cooperation projects and funding strategies. The report will include specific findings on how well current practices align with the Development Cooperation Strategy (2020–25), focusing on areas such as partnership efficiency, resource mobilization and the audit of field offices.

Financial and compliance audit of regional and country offices

27. The ILO has a presence across 107 countries in five regions (namely, Africa, the Americas, the Arab States, Asia and the Pacific, and Europe and Central Asia), each with a Regional Director. In all of these regions there are regional offices and, at the country level, there are country offices and Decent Work Teams.
28. A systematic methodology has been adopted to evaluate and select regional and country offices based on three key criteria, namely, expenditure levels, recency of the previous audit and transparency scores.
29. As per our strategic plan, three teams are deployed to conduct the audit of regional and country offices of the ILO. It is proposed that the following regional and country offices be covered during the current audit cycle (2024–25): ILO Regional Office for Africa (RO-Africa); ILO Country Office for Ethiopia, Djibouti, Somalia, Sudan and South Sudan, and for the Special Representative to the African Union and the United Nations Economic Commission for Africa (CO-Addis Ababa); ILO Regional Office for Asia and the Pacific (RO-Asia and the Pacific); ILO Country Office for Indonesia and Timor-Leste (CO-Jakarta); ILO Country Office for Viet Nam (CO-Hanoi).

Audit materiality

30. Our audit requires us to determine a specific amount of materiality for each engagement. This amount is also used to evaluate the significance of any uncorrected misstatements noted during the audit.
31. We will set our overall materiality level after the completion of the interim financial audit and communicate it to management.

Our deliverables

32. At the conclusion of the audit, we will provide the following reports to the Governing Body:
 - **Independent Auditor’s report:** expresses the audit opinion on the financial statements of the year ending 31 December 2024;
 - **Report of the External Auditor to the Governing Body (the “long-form report”):** provides detailed observations on financial procedures, internal controls and management practices.
33. In addition, we will provide management with the following reports during the course of our audit:
 - **Management letters:** outline recommendations for improving systems of internal control.

Planned fieldwork for the 2024 audit

34. In line with our risk-based audit methodology, our planned work for the 2024 audit will consist of the activities described in the table below.

Period	Audit areas/activities
November–December 2024	ILO headquarters - Interim financial and compliance audit - Performance audit of the implementation of the Development Cooperation Strategy (2020–25) - Performance audit of the ILO’s human resources management
November–December 2024	RO-Africa CO-Addis Ababa Financial and compliance audit of the Regional Office and the Country Office
January 2025	RO-Asia and the Pacific CO-Jakarta CO-Hanoi Financial and compliance audit of the Regional Office and the Country Office
March–April 2025	ILO headquarters Year-end financial and compliance audit

Audit management and quality assurance

35. In order to ensure the quality and impact of the audit process, an internal review mechanism will be in place to evaluate the practicality and value addition of all proposed recommendations, while maintaining adherence to international audit standards. This quality assurance framework will align with the International Standards on Auditing and the International Standards of Supreme Audit Institutions in order to ensure consistency, reliability and adherence to best practices.
36. The recommendations, aimed at enhancing governance and strengthening internal controls, will be thoroughly discussed during the exit conference in order to foster mutual agreement and alignment with the ILO’s objectives.
37. The reporting process will embody the principle of “no surprises”, featuring an elaborate framework that allows management to respond to the audit findings at each stage of the process, thereby facilitating an open dialogue and ensuring that any concerns are addressed in a timely manner.

Comptroller and Auditor General of India