International Labour Organization

Financial Report and Audited Financial Statements for the Sixty-ninth Financial Period (2004-2005)

and Report of the External Auditor

International Labour Office Geneva

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Contents

[1] International Institute for Labour Studies (IILS).
Inter-American Vocational Training Research and Documentation Centre (CINTERFOR).
International Occupational Safety and Health Information Centre (CIS).

1. Financial report on the 2004-2005 accounts

General Fund

Financial results for 2004-2005 – Regular budget

1. The International Labour Conference at its 91st Session (June 2003) approved an expenditure budget for the 2004-2005 financial period amounting to US$529,590,000 and an income budget for the period for the same amount. At the budget rate of exchange for the period of 1.34 Swiss francs to the US dollar, the income budget amounted to 709,650,600 Swiss francs. This amount was subsequently adjusted to 709,658,485 Swiss francs following the admission of the Democratic Republic of Timor-Leste (4,969 Swiss francs) and Samoa (2,916 Swiss francs) on 19 August 2003 and 7 March 2005 respectively.

2. The overall results for the 2004-2005 financial period are summarized in Schedule 1.1.1 while the details of contributions paid by member States and expenditure are shown in the Schedule 1.2.1 and in Statement IV respectively. Valued at the budget rate of exchange and using the accrual method of accounting, total budgetary income for 2004-2005 amounted to $529,595,884. Expenditure under Part I of the budget during 2004-2005 amounted to US$528,715,000 as budgeted, after the absorption of US$1,057,827 of the US$1,473,500 in additional expenditure items which were approved by the Governing Body. A further US$360,537 of expenditure relating to the additional items could not be absorbed under Part I and was charged against Part II in accordance with the decision taken by the Governing Body in November 2003. [1] The excess of income over expenditure for the biennium 2004-2005, at the budget rate of exchange, thus amounted to US$520,347. When revalued at the rate of exchange in effect at the close of the financial period (1.31 Swiss francs to the dollar), the excess of income over expenditure amounted to US$532,263.

3. Arrears of contributions received in 2004 were in the first instance, transferred to the Working Capital Fund to reimburse the shortfall of income for the 2002-2003 biennium. This transfer amounted to 14,964,475 Swiss francs (US$11,423,263 at December 2005 rate of exchange). In accordance with article 18, paragraph 1, of the Financial Regulations, a provision for delays in the payment of contributions in the amount of 100 per cent of the outstanding contributions at 31 December 2005 has also been made. Since the total contributions outstanding at 31 December 2005 amounted to 174,753,584 Swiss francs as compared with the total contributions outstanding at 31 December 2003 of 141,810,523 Swiss francs, the provision required at 31 December 2005 was 32,943,061 Swiss francs (US$25,147,375 at December 2005 rate of exchange) more than that which was required at 31 December 2003. The net shortfall of income after adjustments for the replenishment of the Working Capital Fund for the 2002-2003 deficit and the provision for delays in the payment of contribution is US$36,038,375 (47,210,271 Swiss francs).

4. In accordance with article 21.1(a) of the Financial Regulations, the Working Capital Fund was drawn upon to finance budgetary expenditure pending receipt of contributions. The balance of this Fund standing at 34,350,670 Swiss francs, was, as a consequence, fully

[1] GB.288/9/1.

exhausted. The Director-General accordingly had recourse to internal borrowing for the balance of the net shortfall (12,859,601 Swiss francs). In accordance with article 21.2(a) of the Financial Regulations, arrears of contributions received in 2006 will be used to reimburse the Working Capital Fund and internal borrowings.

5. Other funds forming part of the General Fund totalled $172 million, and consisted, inter alia, of the Working Capital Fund, the Income Adjustment Account, Capital Funds relating to land and buildings, the Building and Accommodation Fund, Programme Support Accounts, and the Terminal Benefits Fund. Details of these funds are given in Schedules 1.1.2 and 1.1.3.

Other funds managed by the ILO

6. Other funds managed by the ILO totalled some $125 million at 31 December 2005. The major part of this amount ($115 million) related to funds held for extra-budgetary technical cooperation activities. Compared with 2002-2003, expenditure on extra-budgetary technical cooperation activities increased by 25 per cent and totalled $319 million in 2004-2005, of which $7 million was financed by the United Nations Development Programme, and $312 million by other donors. [2] Expenditure on activities financed by the United Nations Development Programme decreased by 59 per cent while expenditure on activities financed by other donors increased by 31 per cent. Details of funds held for extra-budgetary technical cooperation activities are given in Schedule 3.1, while details of other funds managed by the ILO are given in Schedule 2.1.

Land and buildings

7. The construction of the ILO premises in Lima and Santiago were completed in September 2004 and June 2005 respectively. The construction of Dar es Salaam Office began in April 2005 and was still ongoing at the end of the 2004-2005 biennium.

[2] Including trust fund deposits by governments, funds placed at the disposal of the ILO by certain government agencies for multi-bilateral programmes and associate expert schemes, activities financed through United Nations organizations including the United Nations Population Fund, and funds placed at the disposal of the ILO by a number of non-governmental agencies.

2. Report of the External Auditor 2004-2005

Contents:

Executive summary

– An unqualified audit opinion on the financial statements
– 12 recommendations from our review of the implementation of IRIS
– 4 recommendations to improve ILO's governance arrangements
– 4 recommendations on Internal Audit
– 7 recommendations for improvements in the management of external collaborator and short-term contracts
– 4 further recommendations on financial matters

Overall results of the audit

1. This report represents the findings and recommendations arising from the work carried out by my staff on the audit of financial statements. Our audit yielded satisfactory results and revealed no weaknesses or errors which we considered material to the accuracy, completeness or validity of the financial statements as whole. As a result, I have placed an unqualified opinion on the financial statements of the International Labour Organization for the financial period 2004-2005.

2. Despite a number of transitional problems relating to data transfer and system interfaces in connection with the new finance system, the Treasurer and Financial Comptroller and his team were able to provide draft financial statements for audit by the required deadline of 31 March 2005. We commend the finance team for their significant efforts during the accounts closure and preparation period.

3. We audited the accounts of the International Labour Organization in accordance with the Financial Regulations and in conformity with the Common Auditing Standards of the Panel of External Auditors of the United Nations, the Specialized Agencies and the International Atomic Energy Agency. The scope and approach of the audit were communicated to management in a detailed audit strategy, key aspects of which are set out at Annex 1 to this report.

Main audit findings

On management matters

Implementation of the Integrated Resource Information System (IRIS)

4. In our long form report for 2002-2003 we reported our interim audit findings on management's preparations for the implementation of the Integrated Resource Information System (IRIS). IRIS has been one of the ILO's largest change projects in recent years and has provided a focus to streamline and integrate financial systems and processes within an environment of sound and secure controls. Using specialist IT expertise, we reviewed the implementation of IRIS in order to provide the Governing Body with an independent assessment of progress; and to provide management with observations and recommendations which could inform the future establishment of IRIS in field offices.

5. There had been improvements to the overall management and governance of the IRIS project since our last report; and we welcome the role which the new Programme, Finance and Administrative Committee's (PFAC) Information and Communications Technology Subcommittee can play in providing further improved oversight of the project planning, costing and delivery schedule of future IT projects, and of the further phases of IRIS. The original project budget was established at US$20 million, with further budget approvals totalling US$31.9 million to recognise additional and transitional costs. The overall implementation costs of IRIS to date now stand at some US$50 million, not including time spent by some regular staff on the IRIS project. We believe it is important that the cost of staff resources should be clearly identified and monitored as part of the decision processes and financial management of major projects in the future.

6. We reviewed the management processes for deciding to implement IRIS in April 2005 and identified that there had been no pre-determined criteria on which to make this decision, although management had taken account of a number of key considerations that informed their decision. We believe that greater attention could have been paid to ensuring greater user involvement during the design and testing stages of IRIS, which might have minimised some of the problems encountered in the initial months after its implementation. We further believe that there is need to consider the training needs of IRIS users, to ensure that they are able to obtain full benefit from the improved functionality provided by the system.

7. In relation to system management and operations, we identified the need for management to obtain assurance over the physical security environment of its out-sourced infrastructure provider, by obtaining an independent and recognised standard assurance report. We also identified improvements which could be made in the software management of IRIS, through the use of recognised industry standards to ensure that changes to the software environment follow a documented and systematic approach. Similarly we identified the need to properly document the ILO's business continuity plans so as to provide improved assurance to management on the completeness and practicality of these arrangements, particularly in relation to IT systems in the field. IRIS provides an opportunity for improvements in controls and we have recommended that management obtain independent assurance on the effective operation of these controls, now that the implementation in Headquarters has been completed.

8. In order to ensure that the ILO obtains best value from the IRIS implementation, we encourage management to undertake a post-project evaluation, to identify good practice and areas for improvement which can be used to inform future IT projects. This evaluation could also be used to inform the Governing Body of the extent to which the project's

objectives have been met and identify areas which may still need attention. We noted that, while many improvements to business processes have been made, there is still scope for improvement and we encourage management to assess remaining processes which may need review to ensure that the benefits of IRIS can be maximised.

Governance arrangements

9. Sound governance arrangements are necessary to support effective financial management and to ensure proper accountability over the use of the Organization's funds. We carried out a review of ILO's governance arrangements and have reported on these in the context of current best practice and the developments in the United Nations system. Our recommendations are intended to encourage and inform the work of the ILO's Task Team on Improvements in Management and Accountability.

10. In this context, we have recommended that the ILO should establish an independent and expert audit oversight committee to complement and enhance the oversight provided by the Programme, Financial and Administrative Committee (PFAC) on the effectiveness of internal controls and to critically review the responses of management to outputs from internal and external audit work. We have also recommended that the ILO should consider the adoption of an improved financial reporting framework, recognising the recommendations made by the United Nations System's High-Level Committee on Management for the adoption of International Public Sector Accounting Standards, which we believe would provide greater transparency and improved and more frequent financial reporting to the Governing Body. We have also made recommendations to support the ILO's Task Team in introducing a formal process to require key staff to declare and register any personal interests which might be seen to conflict with their ILO responsibilities.

11. Internal audit plays an important role in providing assurance to the Director-General on the effectiveness of the ILO's internal control framework. We examined the work of the Office of Internal Audit and Oversight (IAO) and identified a number of areas where we believe improvement is needed to provide the necessary level of assurance to management and the Governing Body, and to obtain value for the costs incurred. Our recommendations draw attention to the need for: improved audit needs assessment; the acquisition of appropriate skills and specialist IT audit support to meet the challenges of auditing internal controls with IRIS; and the development of improved and more comprehensive risk-based planning, which should be formally accepted or approved by the Director-General.

External collaborator and short-term contracts

12. The ILO engages staff to deliver its programmes using a number of different contract mechanisms. In 2004-2005 the ILO spent more than US$70 million on the resourcing of short-term and external collaborator contracts. Our field visits over the last few biennia have demonstrated that there is scope to enhance the way in which these resources are controlled and utilised. As part of our audit we collected data from field offices and Headquarters to assess the use and management of these contracts. From this analysis we identified a number of areas where improvements could be made by:

- Reinforcing existing guidance to managers and considering alternative arrangements, such as out-sourcing or call-off contracts for staff regularly employed on a short-term basis;
- Carrying out more systematic evaluation of the performance of external collaborators, in order to share findings and minimise the risk of duplication of work or outputs;

- Compiling a database of high quality external collaborators, to support a greater element of competition and ensure best value; and

- Utilising IRIS to create improved monitoring and exception reporting, in order to secure improved control.

On financial matters

13. Our audit identified problems in the interface between IRIS and automated bank reports, leading to significant delays in the reconciliation of bank balances during the second half of 2005. The absence of these bank reconciliations seriously weakened the internal financial controls during this period and we have recommended that these and other key control account reconciliations be maintained on a timely basis.

14. During audit visits to ILO's field offices in 2005, we noted problems encountered by offices which were unable to agree their local accounting records to ILO's General Ledger. We also noted a reduction in the application of verification controls to field office transactions, and we have recommended that sufficient resources be made available to ensure that this valuable control remains effective. Weaknesses in these controls reduced the assurance which management were able to obtain in relation to field office transactions during 2005.

15. We reviewed suspense accounts and staff advances and have suggested continuing review and oversight of these areas by management.

Detailed report findings

Management matters:

- IRIS
- Governance arrangements
- Internal audit
- External collaborator and short-term contracts

Financial matters:

- Accounting records
- Bank reconciliations
- Field accounting records
- Verification
- Suspense accounts and staff advances
- Other financial matters

Follow-up to previous audit recommendations

On management matters

Implementation of IRIS

- Introduction and background to Project IRIS and our audit approach
- Observations and recommendations to inform future IT developments and improve the ILO's arrangements by:
  - Enhancing project governance mechanisms to offer greater assurance to the Governing Body
  - Assessing and recommending improvements in project management
  - Review of user training and support following implementation
  - Assessment of system management, operations and controls
  - Comprehensive post project evaluation and business process review

Introduction

16. In April 2005, the International Labour Organization (ILO) implemented and began using the Integrated Resource Information System, IRIS. IRIS is a fully integrated system linking key business processes such as human resources and procurement to the underlying financial system. IRIS replaced the old legacy systems which had been developed in the 1960s and 1970s and which had become increasingly inflexible and difficult to maintain, and which lacked the capacity to integrate with other systems needed to run a large modern enterprise.

17. The main benefits of IRIS were identified as providing support for organisational change and reform; improving integration of field and Headquarters; providing management support; improving access to information; and better aligning information technology applications with the ILO business processes. IRIS has been one of the ILO's largest change projects in recent times and has provided a focus to streamline and integrate financial systems and processes in an environment of sound and secure controls.

Background to our audit approach

18. We carried out a review of the key areas of implementation to identify scope for improvement in ILO's project management of information technology (IT) developments. The review follows on from our audit findings in 2002-2003, where we identified a lack of clarity in the scoping of IRIS at the outset of the project, and that it lacked a clear identification of intended benefits. At the same time, we identified a lack of rigour in the project risk management, and delays and cost over-runs from the initial estimates. We also identified concerns in relation to the staffing of the IRIS implementation and the provision for training.

19. For 2004-2005, we focused on reviewing the overall governance and project management in this final stage of Headquarters implementation. We reviewed the user training and support for IRIS; and its system management and operation. And, finally, we reviewed the ILO's evaluation processes applied to Project IRIS. Our audit observations and recommendations are intended to benefit the ILO in securing improvement for the next phase of Project IRIS, its field implementation. This report also provides assurance to the Governing Body on the overall implementation of the first phase of IRIS and any residual risks.

20. Our audit work was undertaken with the assistance of an IT audit specialist with wide experience of project implementation; and involved discussions with key project personnel, a review of relevant documentation provided by the ILO, and the application of substantive audit procedures used in our audit opinion of the financial statements.

Project governance

21. As we identified in the previous External Auditor's Report, the IRIS project initially lacked a clear and realistic identification of costs and benefits which is essential to the effective management of a project. Since these observations were made, the governance of IRIS has evolved and improved during the project lifecycle. In February 2004, the Director-General prudently commissioned an independent external review to assess progress to date. The conclusions of this report were disclosed to the March 2004 Governing Body in document reference GB.289/PFA/3(Add). The external review resulted in a revision of the IRIS management structure and the introduction of an improved governance framework and project governance charter, which substantially improved the previous arrangements.

22. A new Senior Executive Project Sponsor, reporting directly to the Director-General, was appointed to oversee the implementation of the project, with a project board and a reformed stakeholders' committee replacing the Executive Sponsors and Project Owners Committee. This new arrangement provided clearer lines of responsibility and authority for the achievement of the project's objectives. Future IT projects should ensure that clear and effective arrangements are established from the outset.

23. Although two independent quality assurance reviews had taken place during the pre-implementation phase of IRIS, formal project milestones were limited and there were no processes to evaluate and follow-up the findings of the independent assessments. It is good management practice to obtain assurance through regular review and reporting against key performance targets during a project lifecycle; and ideally the results of such monitoring should be reported to the Governing Body.

24. The Programme, Financial and Administrative Committee's Information and Communications Technology Subcommittee met for the first time in November 2005. We welcome this development as a very positive step in the governance of IT in the ILO. We would encourage this Committee to meet regularly, both to provide effective oversight at a strategic level and to monitor the delivery of significant projects on an on-going basis. We also believe that this Committee should review the effectiveness of project implementation by ensuring that management undertake post-implementation reviews and measure the extent to which projects meet their intended budgets, timescales and benefits.

Recommendation 1: We recommend that the ILO ensures that effective governance arrangements are in place at the start of all major projects, and that these provide for independent assessments. We further recommend that, for all future IT projects, the Information and Communications Technology Subcommittee of PFAC consider reviewing and monitoring project progress against clear plans and milestones.

Project management

Implementation costs

25. The original budgeted cost for the implementation of the financial modules of IRIS was US$20 million. Following the addition of the human resource modules and a subsequent review of the project, the estimated cost was revised to a budget of US$40.0 million for the design and building of the system. A further US$11.9 million was estimated as necessary for transition and contingency funding. Management currently estimate the total development cost at US$39.9 million, with a further US$9.8 million having been spent since mid-November 2004 on transition and operating costs. No specific estimate has yet been prepared for the cost of the system's implementation in ILO's field network. Management have advised that they plan to use existing resources for this purpose. As we have previously reported, it is not possible to provide a complete analysis of the total costs of the IRIS project, since there have been a number of indirect costs, such as time spent by some regular budget staff on IRIS issues, which have not been charged to the project. The total costs charged to IRIS at the time of this report amounted to some US$49.8 million.

26. The provision of adequate resources to upgrade and maintain IRIS will be essential to ensure that it can continue to meet the ILO's needs. The original proposals for the Organization's Programme and Budget 2006-2007 included an allocation for IRIS upgrades; however in the final approval stage these provisions were excluded. It is important that the Programme and Budget includes provision for these upgrades in the future. A total cost-of-ownership study commissioned by management in mid-2004 estimated the normal ongoing costs of IRIS at US$8 million a year, excluding any provision for system upgrades. The cost studies which have been undertaken to date are reflected in the programme budgeting for 2006-2007, being partly met by anticipated savings.

27. ILO has not however yet addressed the cost of upgrades and the budget for the implementation of IRIS at field offices, and we believe early estimates of these costs are important. Future projects should ensure that a clear cost structure and analysis of full staff costs, including indirect staffing, annual maintenance and system upgrades, are included in project proposals.

Recommendation 2: We recommend that the ILO ensures that the full costs are realistically forecast at the outset of a project, with an analysis of on-going maintenance and upgrading; and that a more detailed cost analysis is provided to the Information and Communications Technology Subcommittee of PFAC.

Implementation criteria and user acceptance

28. The ILO originally planned to implement IRIS at headquarters in early 2004 and to begin the implementation in field offices by the end of that year. The planning for this implementation lacked a robust risk-based assessment; and underestimated the challenges which the ILO would face in implementing such a large scale project. The use of IRIS at Headquarters began in April 2005 and there has been some functionality provided to field offices. Field offices currently have access to IRIS's Strategic Management Module and we understand that the process of implementation in the field will be in progress by the end of 2007. The ILO currently has a number of task forces dedicated to reviewing the strategy and user needs for implementation in the field. This approach is prudent, as the decision to implement IRIS in the field will present more complicated challenges and risks for the ILO which will require careful consideration and management.

29. As we identified in our previous report, we recommend that the future progress of implementation in the field should be taken forward against a clear cost-benefit analysis of the efficiency gains which are expected to result from field operation. There are clearly additional risks in establishing IRIS in the field, and these will include the complexity of providing training and ensuring effective, secure communications across the field network. Field operation will alter the nature of the relationship between Headquarters and local offices, by providing for improved integration and monitoring of the work outside Geneva.

30. We found that the project team had no pre-determined criteria for the activation of IRIS, although we noted a range of procedures which were followed to assess readiness, including the performance of parallel payroll runs, formal status reports and work plan summaries. No formal document was signed off to evidence the decision to go to live running, but a meeting of the senior IRIS Board approved the implementation of the project in April 2005. We would encourage the ILO to establish formal implementation criteria for future projects against which progress can be judged and decisions can be taken for live running.

31. A fundamental element in successful project implementation is user acceptance testing. This helps to ensure that the system meets the specified objectives and users' requirements. User acceptance testing involves the engagement of users in detailed testing of the functionality and performance of the system, against identified operational requirements established in advance. While recognising a degree of user involvement and attention given to payroll acceptance testing, we believe that greater user involvement at both the design and testing stages of IRIS would have reduced some of the initial implementation problems in areas such as cash management, interfund balances and exchange rate accounting.

32. The IRIS project team developed possible scenarios of how IRIS would process data; and this was then demonstrated through presentations to the relevant user community to obtain feedback. This approach did not cater for the wider range of user scenarios which can only be anticipated through users being more directly involved in formal acceptance testing. In consequence, there was a risk that process designs might not meet user requirements. After IRIS went live, and because of the large numbers of issues raised by users, the IRIS project team introduced a number of measures to ensure that users were more closely involved in identifying and highlighting issues, so as to stabilise and improve the IRIS system.

Recommendation 3: We recommend that, as a matter of good management practice, future IT projects should include implementation criteria, and formal procedures for system approval by the users and by senior management.

Recommendation 4: We recommend that greater attention be paid to assessing the adequacy of parallel running and user acceptance testing prior to implementation.

User training and support

33. The project plan underestimated the training requirements of IRIS users and there proved to be insufficient training instructors to meet these training needs, particularly in the initial period after implementation. As a result the level of staff awareness and the capabilities of some users were not fully developed, especially in the period immediately following implementation. In consequence, users were slow to identify and utilise the improved functionality provided by IRIS. While recognising subsequent improvements in this area, we note the importance of the ILO evaluating its approach to training to ensure that all users of the system have received the necessary levels of training to meet their needs and that an adequate level of resource is available to ensure this can be delivered.

34. The implementation of any new system will require significant initial support to resolve system problems and to maintain users' confidence. The ILO provided support to IRIS users after implementation through a centralised support function, consisting of staff nominated in each department to complement the IRIS project team. We found that the level of involvement of these staff with the IRIS project varied and, as a consequence, there was a greater than anticipated dependence on the IRIS project team to resolve problems. A significant proportion of Project IRIS staff time was diverted therefore to resolving user queries. The ILO has continued to refine this support process by establishing a more structured helpdesk service for IRIS, resourced by individuals with experience in the various business modules of the system.

35. The ILO has recognised the importance of knowledge transfer from the IRIS project team through the involvement of regular staff during the project process, who have now returned to their business units. As the ILO move towards implementation in field offices, it is important for management to continue to ensure that knowledge and skills are transferred and retained within the ILO's regular staffing.

Recommendation 5: We recommend that the ILO should evaluate its approach to the training and development of IRIS users, to ensure that user needs are met and that sufficient resources are made available to fulfil this need.

Recommendation 6: We recommend that the ILO continues to ensure that adequate system support and knowledge transfer mechanisms are in place for future IT projects.

System management and operation

Hardware management

36. The ILO carried out a formal outsourcing exercise, which included ITCOM (the ILO's in-house IT unit), for maintenance and infrastructure support for IRIS. As a result of this exercise, the ILO entered into a five year contract with an external provider, with the service being monitored under a Service Level Agreement (SLA) with regular review meetings and monthly performance reports against agreed service levels.

37. The ILO has not yet formally assessed the provider's control and systems environment to ensure it continues to offer the appropriate degree of assurance to management. We would encourage the ILO to obtain this assurance by requesting regular statements which meet recognised assurance standards, such as ISO or independent assurance statements like SAS70. These requirements represent commonly accepted elements in IT outsourcing arrangements and should be specifically included in the SLA.

Software management

38. Software maintenance and changes to IRIS have been controlled through a Change Control Board (CCB), consisting of the Project IRIS team and user representatives, with changes being implemented and tested by the Change Control Lead. The project team followed a well defined process to analyse; identify; investigate; resolve and track requested changes in IRIS. In common with other large implementation projects, the number of requests generated outweighed the available resources, and management mitigated this effectively through enhanced prioritisation and oversight of change requests.

39. The ILO has not yet embedded the processes of software change control as part of its policies and procedures, or in the general IT operations of ITCOM. This has been acknowledged by the ILO and an IT governance strategy is being developed to provide greater assurance in this area. These developments will focus on the use of accepted, industry standard IT project methodologies, such as the internationally recognized framework of Control Objectives for Information and Related Technology, COBIT. We would encourage the development of these methodologies to provide greater assurance that processes follow a documented, systematic and structured approach.

System security and disaster planning

40. Security of business systems and processes are important in maintaining effective operations, adequate internal controls and the integrity of data. Establishing a strong information security environment is therefore an important consideration in the

implementation of any new system. We found that the ILO had not yet formalised detailed IT security policies and procedures relating to IRIS. In addition we identified a need for on-going review of security access responsibilities assigned to users, particularly those initially assigned at the development stage.

41. Although there are a number of technical measures in place to prevent loss of service, the ILO has not yet articulated a systematic contingency and recovery plan to document the arrangements for providing continuity of service in the event of disaster or disruption. The absence of a formal plan for business continuity arrangements presents risks for the ILO's operations. We believe it is important that the ILO develops a comprehensive risk-based continuity plan. This is particularly important in the context of IRIS's eventual implementation at field offices, where there are security or physical risks and where adequate arrangements are of particular importance. Our audit visits to field office have already identified weaknesses in existing business continuity arrangements in relation to data back-up, security and system continuity arrangements.

Internal controls

42. IRIS provides an environment for the application and evidencing of clear internal controls, and offers opportunity to improve the internal control framework of the Organization as a whole. Due to the relatively recent establishment of IRIS and the priorities of addressing initial implementation issues, the ILO has not yet undertaken a comprehensive process to verify the operation of controls in the new system. We believe it is important for the ILO to validate the operation of internal controls within IRIS to provide assurance on their effective operation. Internal Audit has undertaken some preliminary work but this has not yet provided the assurance to management which we feel would be appropriate and prudent during the initial period of a new IT system. Given that this assessment has not yet been done, and because IRIS was only implemented from April 2005, our financial audit did not seek to place significant reliance on these new controls, and we sought alternative substantive evidence to support our audit opinion.

Recommendation 7: We recommend that the ILO obtains standard assurance reports on the system control environment as an integral part of the service level agreement with the external IRIS infrastructure provider.

Recommendation 8: We recommend that the ILO develops and implements an accepted good practice methodology for software development and control, for example as offered by COBIT.

Recommendation 9: We recommend that the ILO establishes formal IT security policies to cover IRIS, including a structured and comprehensive business continuity and disaster recovery plan.

Recommendation 10: We recommend that management seek independent assurance on the effectiveness of the new internal control framework and systems within IRIS.

Project evaluation of IRIS

Post project evaluation

43. The ILO has not yet carried out any formal and objective assessment of the project management process. An objective project management review can identify areas for improvement and opportunities for sharing good practice, which can then be used to enhance project management of the field implementation phase of IRIS and help aid the management of other IT system implementations in the ILO.

17. Cash and term deposits consist of the following (in thousands of US dollars):

	2004-05	2002-03
Cash on hand and current accounts	34,129	24,075
Term deposits	194,863	255,025
Total	**228,992**	**279,100**

18. Summary of investments, at cost or market value whichever is lower (in thousands of US dollars):

	2004-05		2002-03	
	Cost	Market	Cost	Market
General Fund	23,306	23,473	22,500	22,544
Investment held in trust (SHIF)	34,976	35,663	39,271	40,349
	58,282	59,136	61,771	62,893
Other funds managed by the ILO:				
International Institute for Labour Studies (IILS)	5,231	7,054	5,284	6,010

19. Other accounts receivable consist of the following (in thousands of United States dollars)

	2004-05	2002-03
Staff advances	9,164	8,596
External offices' imprest suspense	1,222	2,111
Current account with Turin Centre	382	114
Miscellaneous tax receivable	2,100	1,685
Accrued interest	489	653
Other receivable held in trust (SHIF)	745	717
Other miscellaneous	2,589	1,904
Total	**16,691**	**15,780**

20. Land and buildings held by the Organization and Capital Funds related thereto are shown in the following table in US dollars. Further details on additions to land and buildings made during the financial period are given in the Financial Report.

	Cost		Capital Funds	
	2004-05	**2002-03**	**2004-05**	**2002-03**
Headquarters land and buildings:				
Cost (Swiss francs 158,182,227)	120,749,792	121,678,636		
Capital Funds:				
Net repayments against loan principal				
2004-2005 (Swiss francs 84,136,516)			64,226,348	
2002-2003 (Swiss francs 76,731,917)				59,024,552
ILO Regional Office, Lima	2,880,692	1,925,518	2,880,692	1,925,518
ILO Office, Brazil	406,174	406,174	406,174	406,174
ILO Regional Office, Abidjan	2,417,065	2,417,065	2,417,065	2,417,065
ILO Office, Dar es Salaam	915,517	51,803	915,517	51,803
ILO Subregional Office, New Delhi	566,731	566,731	566,731	566,731
ILO Office, Buenos Aires	676,680	676,680	676,680	676,680
ILO Subregional Office, Santiago	1,906,986	19,068	1,906,986	19,068
ILO Office, Islamabad	1,918,420	1,918,420	1,918,420	1,918,420
ILO Office, Brussels	449,217	449,217	449,217	449,217
Total	**132,887,274**	**130,109,312**	**76,363,830**	**67,455,228**

21. In addition to the capital accounts shown above the value, at cost, of furniture and equipment at headquarters, in external offices and on regular budget technical cooperation projects on 31 December 2005, amounted to $34.9 million (31 December 2003, $36.8 million). The ILO also had custody of equipment for projects financed by the United Nations Development Programme and the United Nations Population Fund on 31 December 2005, amounting to $6.9 million (31 December 2003, $7.1 million). This equipment is to be handed over to governments upon completion of these projects.

22. Borrowings payable consist of the loan made to the ILO from the Fondation des Immeubles pour les Organisations Internationales (FIPOI) for the headquarters building.

In July 1996, the Swiss authorities decided to waive interest on all loans made by FIPOI to international organizations for the construction of their buildings and standardize the loan repayment period to 50 years, both measures effective from 1 January 1996. As at 1 January 2004, there were 22 instalments left to be paid until year 2025. The balance of the loan outstanding at 31 December 2005 was 74,045,710 Swiss francs. Of this amount, 3,702,300 Swiss francs was payable in 2006, and the balance was payable in subsequent years. The corresponding US dollar amounts, at the UN monthly accounting rate of exchange for December 2005, were $56,523,443, $2,826,183 and $53,697,260.

23. Unliquidated obligations are set up in accordance with article 17(1) of the Financial Regulations.

24. Other accounts payable consists of the following (in thousands of United States dollars) –

	2004-05	2002-03
UN Joint Pension fund payable	4,031	1,012
Thrift benefits fund payable	174	71
Suppliers	624	–
Provisions	287	281
Other miscellaneous	1,901	933
Total	**7,017**	**2,297**

25. The following amounts were payable to member States:

	Ref.	(In US dollars)				
		Balance as at 1 January 2004	**Transfers in**	**Transfers out**	**Revaluations**	**Balance as at 31 December 2005**
Undistributed surpluses:	(a)					
1982-83		2,544		(1,323)	41	1,262
1990-91		38,479		(2,818)	(165)	35,496
1992-93		21,345		(3,234)	(15)	18,096
1998-99		56,635		(19,772)	473	37,336
2000-01		2,342,542		(2,157,799)	80,948	265,691
Total		2,461,545		(2,184,946)	81,282	357,881
Undistributed net premium:	(b)					
1990-91		29,230		(2,141)	(125)	26,964
1992-93		7,934		(1,203)	(6)	6,725
1994-95		48,400		(4,794)	(150)	43,456
1996-97		18,290		(507)	(116)	17,667
1998-99		186,718		(65,186)	1,560	123,092
2000-01		1,484,247		(1,367,192)	51,289	168,344
2002-03		248,459		(127,959)	15,686	136,186
2004-05			1,625,063			1,625,063
		2,023,278	1,625,063	(1,568,982)	68,138	2,147,497
Incentive Fund	(c)	283,503	1,852,187	(325,213)	36,050	1,846,527
Working Capital Fund amounts	(d)	20,558	183		(171)	20,570
Total amounts payable to member States		**4,788,884**	**3,477,433**	**(4,079,141)**	**185,299**	**4,372,475**

(a) Surpluses shall be used to reduce contributions of Members in the following way: Members which paid their ordinary contributions in the financial period in which the surplus accrued shall have their share of the surplus deducted from their contributions assessed for the second year of the succeeding financial period; other Members shall not be credited with their share until they have paid the contributions due from them for the financial period in which the surplus accrued. When they have done so, their share of the surplus shall be deducted from their contributions assessed for the first year of the next financial period for which a budget is adopted after such payment.

(b) Any net premium earned on the forward purchase of US dollars for the financial period is distributed in the following manner: one-half to the Incentive Fund (see (c) below) and one-half to member States. The one-half share of any net premium distributed to member States is apportioned between them on the basis of the proportion of each member State's assessed contributions for the biennium in which the net premium was earned to the total of the assessed contributions for the biennium of all member States. The amounts so established are then used to reduce the contributions of the member States in the same way as are surpluses (see (a) above).

The net premium (in US dollars) earned on the forward purchase of US dollars for the financial period 2004-05 was distributed as follows:

	2004-05	**2002-03**
Premium earned (payable) on the forward purchase of US dollars [1]	5,168,337	2,168,594
Exchange gains (losses) arising on revaluation of:		
Income [2]	43,246,372	94,708,909
Expenditure [2]	(22,824,067)	(49,202,438)
Forward purchase of US dollars [2]	(14,882,594)	(42,376,479)
Assets and liabilities [3]	(8,009,007)	(7,858,297)
Budgetary surplus [4]	(11,916)	(39,715)
Revaluation of the provision for delays in the payment of contributions	563,001	3,096,344
Net premium	3,250,126	496,918
Distribution of the net premium:		
One-half to the undistributed net premium account for distribution to member States	1,625,063	248,459
One-half to the Incentive Fund (see Information Annex III)	1,625,063	248,459

[1] The difference between the actual cost of purchasing dollar requirements forward under forward contracts and the value of the forward purchase contracts at the budget rate of exchange.

[2] Exchange gains (losses) arising from the revaluation of income, expenditure and forward purchase of US dollars represent the difference between the value of Swiss franc-linked transactions at the budget rate of exchange and the same transactions valued at the prevailing UN monthly accounting rate of exchange.

[3] The revaluation of non-US dollar General Fund asset, liability and fund balances and reserves at the UN monthly accounting rate of exchange.

[4] The difference between the budgetary surplus (deficit) valued at the budget rate of exchange and at the UN monthly accounting rate at the end of the financial period.

(c) The Incentive Fund established to encourage early payment of member States' assessed contributions is financed by 60 per cent of all interest earned on temporarily surplus Regular Budget funds and by one-half of the net premium earned on the forward purchase of US dollars. Details of the amounts standing to the credit of member States under the Incentive Fund are given in Information Annex III.

(d) Represents the shares of the Working Capital Fund of member States which left the ILO and have since rejoined. These shares will be payable to the member States concerned when the contributions for the prior period of membership have been paid.

26. Special accounts are summarized below (in thousands of United States dollars):

Special Accounts	Balance as at 01.01.2004	Receipts	Disbursements	Balance as at 31.12.2005
ILO/ISSA	110	13,409	12,592	927
Invalidity and Assistance Fund	11	-	-	11
World Food Programme	81	-	-	81
ILO Administrative Tribunal	-	3,208	3,208	-
ITU Administration of SHIF	156	554	456	254
Language Training	221	378	286	313
Interpretation Services	170	1,308	1,406	72
Other miscellaneous activities funded by gifts & voluntary contributions	2,080	6,152	4,413	3,819
Total Special Accounts	**2,829**	**25,009**	**22,361**	**5,477**

27. Cash, term deposits and investments held in trust on behalf of SHIF are summarized below:

	2004-05	2002-03
Investments	34,976,009	39,270,699
Interfund balance	2,111,276	5,238,794
Other	745,330	716,559
Total	**37,832,615**	**45,226,052**

28. The balances of appropriations from prior biennium surpluses are detailed below:

	(In 000 US dollars)				
	Balance as at 1 January 2004	Interest Income	Expenditure	Revaluations	Balance as at 31 December 2005
Appropriation from:					
1990-91 cash surplus	604	19	(96)	1	528
1992-93 cash surplus	2,971	79	(169)	(13)	2,868
2000-01 surplus	44,223	454	(36,130)	1,760	10,307
Total	**47,798**	**552**	**(36,395)**	**1,748**	**13,703**

VII. Other funds managed by ILO and Extra-budgetary technical cooperation

29. The International Institute for Labour Studies (IILS)

The International Institute for Labour Studies was established in 1960 as an autonomous facility of the ILO. Its mandate is to promote policy research and public discussion on emerging issues of concern to the ILO and its constituents – labour, business and government. Its programme is funded principally through a contribution from the ILO Regular Budget and income from its endowment fund.

30. The Inter-American Vocational Training Research and Documentation Centre (CINTERFOR)

The Inter-American Vocational Training Research and Documentation Centre was established in 1963 as a technical unit of the ILO, with headquarters in Montevideo, Uruguay. It acts as the coordinating body for a network of vocational training institutions of ILO Member States from America and Spain. Its programme is funded principally through a contribution from the ILO Regular Budget and contributions from other countries in the region.

31. The International Occupational Safety and Health Information Centre (CIS)

The International Occupational Safety and Health Information Centre was established in 1959 as a technical unit of the ILO, with headquarters in Geneva, Switzerland. Its mandate is to collect and disseminate all relevant information concerning occupational safety and health (OSH) being published throughout the world. Its programme is funded principally through a contribution from the ILO Regular Budget and income derived from sales of information services and copyrights.

32. Extra-budgetary technical cooperation

These are accounts established with specific terms of reference or under specific agreements to record receipts and expenditures of voluntary contributions for the purpose of financing wholly or in part the cost of technical cooperation activities consistent with the Organization's aims and policies.

6. Information annexes

Annex I - Strategic Objectives: Distribution of appropriation and expenditure for 2004-05
(in United States dollars)

Strategic Objectives	Appropriation (1)	Expenditure
Standards, fundamental principles and rights at work	70,766,259	70,687,194
Employment	125,931,103	125,511,652
Social protection	72,717,717	72,582,784
Social dialogue	128,511,870	128,159,182
Total	397,926,949	396,940,812

(1) To improve the comparability of 2004-05 expenditure, appropriations have been adjusted to reflect the transfers of the postal budget and the resources for the Executive Director's Office, Regions as presented in the footnote to Information Annex I of the 2006-07 Programme and Budget.

Annex II. Regular budget expenditure in 2004-05 by object of expenditure
(in US dollars)

	1 Staff costs	2 Travel on official business	3 Contractual services	4 General operating expenses	5 Supplies and materials	6 Furniture and equipment	7 Acquisition and improvement of premises	8 Fellowships, grants and field projects	9 Other items	Total
PART I - ORDINARY BUDGET										
Policy-making organs										
International Labour Conference	8,570,601	83,555	1,094,152	1,351,965	193,620	11,158	-	9,187	-	11,314,238
Governing Body	2,395,469	2,283,094	-	46,583	-	-	-	-	-	4,725,146
Major regional meetings	256,987	120,823	114,276	116,799	6,796	-	-	-	-	615,681
Legal services	2,933,039	51,292	50,075	-	1,268	27,242	-	-	-	3,062,916
Relations, meetings and document services	40,937,083	56,597	1,863,271	592,655	154,293	258,260	-	21,898	-	43,884,057
Strategic Objectives										
Technical programmes										
Standards and fundamental principles and rights at work	26,046,680	1,178,509	641,335	83,826	466	147,356	-	996,614	-	29,094,786
Employment	31,254,724	1,670,645	2,372,985	98,069	22,351	193,782	-	2,448,359	-	38,060,915
Social protection	23,293,923	1,107,458	1,303,535	73,929	24,477	122,220	-	1,053,100	-	26,978,642
Social dialogue	27,951,455	1,986,268	1,966,787	111,397	14,864	107,409	-	8,974,565	-	41,112,745
Policy integration	11,326,710	530,668	648,082	47,669	22,256	157,106	-	931,094	-	13,663,585
Follow-up to the World Commission	242,391	98,546	178,936	12,076	-	-	-	75,285	-	607,234
Gender equality	1,643,854	150,329	215,302	892	8,562	19,249	-	141,094	-	2,179,282
International Institute for Labour Studies	1,436,723	19,952	408,868	10,597	8,756	18,064	-	2,825,952	-	4,728,912
International Training Centre of the ILO, Turin	-	-	-	-	-	-	-	6,108,196	-	6,108,196
External relations and partnerships	3,544,441	119,106	249,531	721,107	27,311	53,839	-	35,400	-	4,750,735
Communication and public information	15,456,065	284,401	2,995,732	316,723	1,329,969	477,730	-	59,828	-	20,920,448
Technical meetings	324,641	864,067	197,913	-	1,290	-	-	6,290	-	1,394,201
Regions and technical cooperation										
Development cooperation	3,097,761	71,627	3,148	9,328	-	2,723	-	-	-	3,184,587
Field programmes in Africa	32,563,108	2,840,484	131,302	6,315,123	316,215	837,472	-	5,562,875	7,407	48,573,986
Field programmes in the Americas	26,341,692	1,672,099	879,937	4,400,280	294,898	1,180,930	-	5,037,867	-	39,807,703
Field programmes in Arab States	6,968,060	529,059	86,843	494,336	29,104	199,543	-	1,622,684	-	9,929,629
Field programmes in Asia and the Pacific	31,301,855	1,841,062	863,933	4,024,295	412,739	500,851	-	3,934,777	-	42,879,512
Field programmes in Europe and Central Asia	12,197,927	463,951	225,872	2,159,071	126,515	230,188	-	655,571	-	16,059,095
Support Services										
Information technology and communications	8,917,696	28,580	187,300	1,895,734	-	421,665	-	63,506	-	11,514,481
Internal administration	18,467,355	115,574	483,226	14,898,591	1,223,904	156,978	-	46,510	-	35,392,138
Management services										
General management	5,603,062	716,294	152,689	349,094	18,531	20,219	-	3,625	-	6,863,514
Executive Director's Office, management and administration	493,515	8,365	-	-	-	-	-	688	-	502,568
Human resources development	14,492,073	207,770	844,019	256,386	56,958	159,108	-	2,242,962	-	18,259,276
Financial services	13,212,187	30,608	247,270	1,156	308	25,086	-	6,987	-	13,523,602
Programming and management	3,343,191	116,984	34,869	-	4,342	2,489	-	6,514	-	3,508,390
Internal audit and oversight	1,381,649	27,929	-	-	1,174	19,497	-	13,399	-	1,443,648
Evaluation	256,148	-	-	-	-	-	-	-	-	256,148
Other budgetary provisions	1,210,207	54,495	-	614,653	4,308	14,332	5,525,821	13,601,695	2,789,493	23,815,004
Total Part I	**377,462,272**	**19,330,191**	**18,441,188**	**39,002,334**	**4,305,275**	**5,364,496**	**5,525,821**	**56,486,522**	**2,796,900**	**528,715,000**
PART II - UNFORESEEN EXPENDITURE										
Unforeseen expenditure	-	-	-	-	-	-	-	-	360,537	360,537
PART III - WORKING CAPITAL FUND										
Working Capital Fund	-	-	-	-	-	-	-	-	-	-
TOTAL	**377,462,272**	**19,330,191**	**18,441,188**	**39,002,334**	**4,305,275**	**5,364,496**	**5,525,821**	**56,486,522**	**3,157,437**	**529,075,537**

Annex III - Distribution of the Incentive Fund amounts established in 2004-05 under the incentive scheme for the early payment of member States' assessed contributions (in Swiss francs)

Member States	Assessed contributions during 2004-05	Incentive amounts earned in 2004-05: 60 % of Interest on budgetary surpluses 2004	Incentive amounts earned in 2004-05: 60 % of Interest on budgetary surpluses 2005	Incentive amounts earned in 2004-05: 50% of 2004-05 net premium (1)	Incentive amounts earned in 2004-05: Amounts to be distributed in 2006 and 2007	Percentage of total 2004-05 incentive amounts earned to 2004-05 assessed contributions
Afghanistan	39,031	9	14	295	318	0.81
Albania	28,386	-	3	19	22	0.08
Algeria	514,496	51	527	3,418	3,996	0.78
Angola	10,645	2	8	83	93	0.87
Armenia	14,194	-	1	6	7	0.05
Australia	11,336,668	1,573	11,034	85,514	98,121	0.87
Austria	6,358,470	893	5,896	47,120	53,909	0.85
Bahamas	88,706	12	90	674	776	0.87
Bahrain	170,317	18	197	1,243	1,458	0.86
Bangladesh	70,966	9	68	506	583	0.82
Barbados	67,417	-	9	34	43	0.06
Belarus	131,286	16	104	851	971	0.74
Belgium	7,742,288	56	1,623	7,830	9,509	0.12
Belize	7,096	-	-	5	5	0.07
Bosnia and Herzegovina	24,838	1	14	83	98	0.39
Botswana	78,062	8	51	422	481	0.62
Bulgaria	106,447	11	113	739	863	0.81
Burkina Faso	14,194	2	14	106	122	0.86
Burundi	7,096	-	-	2	2	0.03
Cameroon	60,320	-	43	167	210	0.35
Canada	18,929,929	2,494	19,504	143,362	165,360	0.87
China	12,645,974	115	4,227	19,524	23,866	0.19
Colombia	1,252,533	-	356	1,382	1,738	0.14
Cuba	255,474	-	213	827	1,040	0.41
Cyprus	269,667	35	259	1,963	2,257	0.84
Czech Republic	1,358,981	186	1,269	9,977	11,432	0.84
Denmark	5,169,805	731	4,981	39,161	44,873	0.87
Dominica	7,096	1	-	23	24	0.34
Dominican Republic	202,251	18	209	1,287	1,514	0.75
Ecuador	152,575	18	121	967	1,106	0.72
Egypt	709,650	-	106	410	516	0.07
El Salvador	141,931	-	126	489	615	0.43
Eritrea	7,096	1	8	54	63	0.89

Annex III - Distribution of the Incentive Fund amounts established in 2004-05 under the incentive scheme for the early payment of member States' assessed contributions (in Swiss francs)

Member States	Assessed contributions during 2004-05	Incentive amounts earned in 2004-05: 60 % of Interest on budgetary surpluses 2004	60 % of Interest on budgetary surpluses 2005	50% of 2004-05 net premium (1)	Amounts to be distributed in 2006 and 2007	Percentage of total 2004-05 incentive amounts earned to 2004-05 assessed contributions
Estonia	78,062	10	82	583	675	0.86
Ethiopia	28,386	4	27	212	243	0.86
Fiji	28,386	3	27	187	217	0.76
Finland	3,715,021	505	3,673	27,945	32,123	0.86
France	44,008,982	1,262	39,515	187,553	228,330	0.52
Germany	64,897,547	5,388	37,825	292,999	336,212	0.52
Ghana	31,934	5	-	133	138	0.43
Greece	3,764,696	20	-	542	562	0.01
Grenada	7,096	1	-	30	31	0.44
Guatemala	198,703	18	184	1,215	1,417	0.71
Guinea	21,290	-	16	63	79	0.37
Honduras	35,482	4	27	203	234	0.66
Hungary	865,774	13	843	3,626	4,482	0.52
Iceland	234,185	31	234	1,747	2,012	0.86
India	2,686,027	333	2,916	20,342	23,591	0.88
Indonesia	1,202,858	9	202	1,017	1,228	0.10
Ireland	2,270,881	226	-	6,133	6,359	0.28
Italy	35,047,975	1,175	4,471	49,243	54,889	0.16
Jamaica	42,579	1	8	56	65	0.15
Japan	137,328,178	14,917		404,874	419,791	0.31
Jordan	67,417	6	68	416	490	0.73
Kazakhstan	184,509	25	163	1,322	1,510	0.82
Kenya	60,320	6	3	171	180	0.30
Kiribati	7,096	1	-	23	24	0.34
Korea, Republic of	12,848,224	206	-	5,584	5,790	0.05
Kuwait	1,089,314	140	61	4,043	4,244	0.39
Lao People's Democratic Rep.	7,096	1	8	48	57	0.80
Latvia	88,707	10	103	670	783	0.88
Lebanon	127,737	4	-	98	102	0.08
Lesotho	7,096	1	7	50	58	0.82
Liberia	7,096	1	-	18	19	0.27
Libyan Arab Jamahiriya	702,554	-	12	46	58	0.01
Lithuania	145,478	1	-	38	39	0.03

Annex III - Distribution of the Incentive Fund amounts established in 2004-05 under the incentive scheme for the early payment of member States' assessed contributions (in Swiss francs)

Member States	Assessed contributions during 2004-05	Incentive amounts earned in 2004-05: 60 % of Interest on budgetary surpluses 2004	2005	50% of 2004-05 net premium (1)	Amounts to be distributed in 2006 and 2007	Percentage of total 2004-05 incentive amounts earned to 2004-05 assessed contributions
Luxembourg	553,527	77	504	4,035	4,616	0.83
Malaysia	1,539,941	220	1,351	11,202	12,773	0.83
Mali	14,194	2	13	94	109	0.77
Malta	102,899	15	96	772	883	0.86
Mauritania	7,096	-	-	10	10	0.14
Mauritius	78,062	11	76	591	678	0.87
Mexico	10,481,539	271	6,655	33,172	40,098	0.38
Moldova, Republic of	10,645	-	7	26	33	0.31
Mongolia	7,096	-	-	2	2	0.03
Morocco	319,343	12	252	1,309	1,573	0.49
Myanmar	70,966	7	57	424	488	0.69
Namibia	46,128	-	14	70	84	0.18
Nepal	28,386	-	27	105	132	0.47
Netherlands	12,071,157	1,569	11,187	85,978	98,734	0.82
New Zealand	1,625,100	231	1,512	12,146	13,889	0.85
Nicaragua	7,096	-	6	23	29	0.41
Nigeria	386,760	66	230	2,695	2,991	0.77
Norway	4,669,501	549	4,490	32,317	37,356	0.80
Oman	461,273	57	445	3,276	3,778	0.82
Paraguay	99,351	12	65	590	667	0.67
Poland	2,955,695	347	3,171	21,730	25,248	0.85
Portugal	3,282,134	26	193	1,441	1,660	0.05
Qatar	344,180	30	56	1,040	1,126	0.33
Romania	415,145	52	364	2,812	3,228	0.78
Rwanda	7,096	-	-	9	9	0.13
Saint Lucia	14,194	-	-	2	2	0.01
Saint Vincent and the Grenadines	7,096	1	-	16	17	0.24
San Marino	17,742	2	3	52	57	0.32
Saudi Arabia	4,467,251	482	-	13,087	13,569	0.30
Singapore	2,749,896	333	2,470	18,632	21,435	0.78
Slovakia	329,988	40	313	2,296	2,649	0.80
Slovenia	574,817	77	558	4,270	4,905	0.85
South Africa	2,462,488	368	1,932	17,474	19,774	0.80

Annex III - Distribution of the Incentive Fund amounts established in 2004-05 under the incentive scheme for the early payment of member States' assessed contributions (in Swiss francs)

Member States	Assessed contributions during 2004-05	Incentive amounts earned in 2004-05: 60 % of Interest on budgetary surpluses 2004	2005	50% of 2004-05 net premium (1)	Amounts to be distributed in 2006 and 2007	Percentage of total 2004-05 incentive amounts earned to 2004-05 assessed contributions
Spain	17,753,116	2,181	15,334	118,682	136,197	0.77
Sri Lanka	117,092	15	110	823	948	0.81
Swaziland	14,194	2	14	100	116	0.82
Sweden	7,132,308	969	6,596	51,894	59,459	0.83
Switzerland	8,700,316	1,224	8,224	65,137	74,585	0.86
Syrian Arab Republic	415,146	60	-	1,637	1,697	0.41
Tanzania, United Republic of	35,483	3	-	74	77	0.22
Thailand	1,770,578	287	1,448	13,412	15,147	0.86
Trinidad and Tobago	134,834	15	145	982	1,142	0.85
Turkey	2,856,344	345	2,050	17,318	19,713	0.69
Ukraine	322,891	2	251	1,044	1,297	0.40
United Arab Emirates	1,539,941	174	176	5,415	5,765	0.37
United Kingdom	41,102,963	2,227	36,096	200,485	238,808	0.58
Viet-Nam	131,285	5	14	186	205	0.16
Zimbabwe	53,224	6	-	173	179	0.34
TOTAL	**512,098,068**	**42,959**	**248,168**	**2,128,833**	**2,419,960**	**0.473**

(1) Equivalent to 1,625,063 US dollars at the December 2005 United Nations accounting rate of exchange of 1.31 Swiss francs to the US dollar (see note 25 (b) to Statement II). Distributed on the basis of the incentive points earned by each eligible member State during 2004-05 to the total incentive points earned by all eligible member States during 2004-05 under the incentive points system use for the annual distribution of interest credited to the Incentive Fund.

Annex IV - Extra-budgetary technical cooperation expenditure by beneficiary country (in United States dollars)

Countries or Territories	United Nations Development Programme (UNDP)	IPEC	Others (including Deposit funds)	TOTAL
Africa				
Regional		17,213,201	25,725,247	42,938,448
South Africa	43,847	10,836	2,028,031	2,082,714
Angola	40,577			40,577
Bénin	(552)	156,458	274,757	430,663
Burkina Faso	26,452	145,985	183,215	355,652
Burundi	374,491			374,491
Cameroon		245,048	42,399	287,447
Chad	(33,849)			(33,849)
Comoros	69,246			69,246
Congo	37,864		7,531	45,395
Ivory Cost		12,200	50,290	62,490
Egypt		42,042	20,000	62,042
Eritrea			75,438	75,438
Ethiopia			578,700	578,700
Gabon			251,188	251,188
Gambia	506,404			506,404
Ghana		436,212	986,015	1,422,227
Guinea	24,650			24,650
Guinea-Bissau	(323)			(323)
Kenya	102,406	575,455	114,922	792,783
Lesotho			82,621	82,621
Libyan Arab Jamahiriya			22,975	22,975
Madagascar		493,556	4,847,642	5,341,198
Malawi		15,975	78	16,053
Mali	101,138	33,300	700,513	834,951
Morroco		689,734	1,287,631	1,977,365
Mauritius	1,582			1,582
Mauritania	153,108			153,108
Mozambique	40,796		8,991	49,787
Niger		53,540	1,032,392	1,085,932
Nigéria			511,120	511,120
Uganda		42,972	1,678,283	1,721,255
Central African Republic		104,882		104,882
Democratic Republic of Congo			26,325	26,325
Rwanda			24,443	24,443
Sao Tome and Principe			377,400	377,400
Sénégal	995,226	862,801	415,623	2,273,650
Sierra Leone			48,146	48,146
Somalia			2,181,801	2,181,801
Sudan	19,008		132,573	151,581
United Republic of Tanzania	199,959	3,139,371	185,142	3,524,472
Togo	(11,394)	140,860	262,499	391,965
Zambia	(6,244)	38,205	1,420,489	1,452,450
Zimbabwe			180,577	180,577
Total, Africa	**2,684,392**	**24,452,633**	**45,764,997**	**72,902,022**
Asia and the Pacific Region				
Regional		9,175,251	16,169,897	25,345,148
Afghanistan			4,438,491	4,438,491
Bangladesh	1,180,403	4,701,877	1,949,086	7,831,366
Cambodia		874,468	4,616,288	5,490,756

Annex IV - Extra-budgetary technical cooperation expenditure by beneficiary country
(in United States dollars)

Countries or Territories	United Nations Development Programme (UNDP)	IPEC	Others (including Deposit funds)	TOTAL
China		1,482,326	3,161,635	4,643,961
Republic of Korea			71,410	71,410
Fiji			12,525	12,525
Solomon Islands	100,369			100,369
India		6,405,287	1,777,426	8,182,713
Indonesia		2,147,476	5,347,440	7,494,916
Japan			4,259	4,259
Malaysia	108,241		31,310	139,551
Mongolia		609,415		609,415
Nepal		3,959,731	732,403	4,692,134
Pakistan	31,203	4,702,962	103,900	4,838,065
Papua New Guinea	44,509		339,253	383,762
Philippines	83,765	1,542,870	244,289	1,870,924
Lao People's Democratic Republic		123,512	1,254,989	1,378,501
Samoa	99,754			99,754
Sri Lanka		729,349	4,020,826	4,750,175
Thaïland	281,006	7,303	77,189	365,498
Timor-Leste	1,205,256		202,581	1,407,837
Tonga	5,697			5,697
Viet Nam		349,648	2,212,339	2,561,987
Total, Asia and Pacific	**3,140,203**	**36,811,475**	**46,767,536**	**86,719,214**
America				
Regional		15,867,459	11,026,500	26,893,959
Antigua and Barbuda			23,027	23,027
Argentina			2,754,537	2,754,537
Aruba			29,409	29,409
Barbados			13,002	13,002
Belize		(1,381)	294,442	293,061
Bolivia			1,135,504	1,135,504
Brasil		3,358,445	1,458,853	4,817,298
British Virgin Islands			31,442	31,442
Chile		206,930	250,087	457,017
Colombia	2,796	604,101	1,219,329	1,826,226
Costa Rica		1,159,554	415,568	1,575,122
Dominica			8,937	8,937
El Salvador		5,107,987		5,107,987
Ecuador		1,088,332		1,088,332
Grenada			19,304	19,304
Guatemala		1,275,674		1,275,674
Guyana			278,858	278,858
Haïti	(6,134)	264,659	144,494	403,019
Honduras		630,331	386,778	1,017,109
Jamaica		139,118		139,118
Mexico		1,371,439	573,932	1,945,371
Nicaragua		664,229	397,685	1,061,914
Panama		687,314		687,314
Caribbean		48,904		48,904
Dominican Republic		3,154,472		3,154,472
Saint Lucia			52,096	52,096
Saint-Kitts-and-Nevis			25,773	25,773
Trinidad and Tobago			26,324	26,324
Uruguay			527,693	527,693
Total, America	**(3,338)**	**35,627,567**	**21,093,574**	**56,717,803**

Annex IV - Extra-budgetary technical cooperation expenditure by beneficiary country
(in United States dollars)

Countries or Territories	United Nations Development Programme (UNDP)	IPEC	Others (including Deposit funds)	TOTAL
Arab States				
Regional		195,077	66,483	261,560
Palestinian Territory			120,287	120,287
Iraq	36,230		670,150	706,380
Jordan	51,301	341,297	1,304,491	1,697,089
Kuweit			106,956	106,956
Lebanon		19,565	25,535	45,100
Oman			16,869	16,869
Yémen	52,171	509,592	485,276	1,047,039
Total, Arab States	**139,702**	**1,065,531**	**2,796,047**	**4,001,280**
Europe				
Regional		2,739,290	9,128,380	11,867,670
Albania		83,088	2,701	85,789
Azerbaïdjan	18,691			18,691
Belarus			539,947	539,947
Bosnia and Herzegovina			171,987	171,987
Bulgaria			146,167	146,167
Cyprus			27,410	27,410
Croatia	303,865			303,865
France			748	748
Hungary			24,249	24,249
Italy			9,342	9,342
Latvia			60,907	60,907
Luxembourg			39,858	39,858
Moldavia	11,818			11,818
Portugal		9,301	21,097	30,398
Russie, Fédération de		318,023	1,023,324	1,341,347
Serbia and Montenegro			1,412,989	1,412,989
Sweden			29,081	29,081
Switzerland			158,998	158,998
Tadjikistan			74,863	74,863
Turkey		1,491,114	243,174	1,734,288
Ukraine	75,439	150,943	983,594	1,209,976
Uzbekistan			84,788	84,788
Total, Europe	**409,813**	**4,791,759**	**14,183,604**	**19,385,176**
Inter-regional projects	89,325	23,830,928	54,455,938	78,376,191
UNDP Administrative Operational Support Costs	495,701			495,701
Unallocated	34,411		213,872	248,283
TOTAL GENERAL	**6,990,209**	**126,579,893**	**185,275,568**	**318,845,670**