

► **Financial report and audited consolidated financial statements for the year ended 31 December 2023**

and Report of the External Auditor



► **Financial report and audited
consolidated financial statements for
the year ended 31 December 2023**

and Report of the External Auditor



Attribution 4.0 International (CC BY 4.0)

This work is licensed under the Creative Commons Attribution 4.0 International. To view a copy of this licence, please visit <https://creativecommons.org/licenses/by/4.0/>. The user is allowed to reuse, share (copy and redistribute), adapt (remix, transform and build upon the original work) as detailed in the licence. The user must clearly credit the ILO as the source of the material and indicate if changes were made to the original content. Use of the emblem, name and logo of the ILO is not permitted in connection with translations, adaptations or other derivative works.

Attribution – The user must indicate if changes were made and must cite the work as follows: *Financial report and audited consolidated financial statements for the year ended 31 December 2023*, Geneva: International Labour Office, 2024. © ILO.

Translations – In case of a translation of this work, the following disclaimer must be added along with the attribution: *This is a translation of a copyrighted work of the International Labour Organization (ILO). This translation has not been prepared, reviewed or endorsed by the ILO and should not be considered an official ILO translation. The ILO disclaims all responsibility for its content and accuracy. Responsibility rests solely with the author(s) of the translation.*

Adaptations – In case of an adaptation of this work, the following disclaimer must be added along with the attribution: *This is an adaptation of a copyrighted work of the International Labour Organization (ILO). This adaptation has not been prepared, reviewed or endorsed by the ILO and should not be considered an official ILO adaptation. The ILO disclaims all responsibility for its content and accuracy. Responsibility rests solely with the author(s) of the adaptation.*

Third-party materials – This Creative Commons licence does not apply to non-ILO copyright materials included in this publication. If the material is attributed to a third party, the user of such material is solely responsible for clearing the rights with the rights holder and for any claims of infringement.

Any dispute arising under this licence that cannot be settled amicably shall be referred to arbitration in accordance with the Arbitration Rules of the United Nations Commission on International Trade Law (UNCITRAL). The parties shall be bound by any arbitration award rendered as a result of such arbitration as the final adjudication of such a dispute.

Queries on rights and licensing should be addressed to the ILO Publishing Unit (Rights and Licensing) at rights@ilo.org. Information on ILO publications and digital products can be found at: www.ilo.org/publns.

ISBN 978-92-2-039638-4 (print)
ISBN 978-92-2-039639-1 (web PDF)
ISSN 0074-6681

Also available in:

French: ISBN 978-92-2-039640-7 (print), ISBN 978-92-2-039641-4 (web PDF);
Spanish: ISBN 978-92-2-039642-1 (print), ISBN 978-92-2-039643-8 (web PDF).

The designations employed in ILO publications and databases, which are in conformity with United Nations practice, and the presentation of material therein do not imply the expression of any opinion whatsoever on the part of the ILO concerning the legal status of any country, area or territory or of its authorities, or concerning the delimitation of its frontiers or boundaries.

The opinions and views expressed in this publication are those of the author(s) and do not necessarily reflect the opinions, views or policies of the ILO.

Reference to names of firms and commercial products and processes does not imply their endorsement by the ILO, and any failure to mention a particular firm, commercial product or process is not a sign of disapproval.

► Contents

| | Page |
|--|-------------|
| 1. Financial report on the 2023 accounts | 5 |
| 2. Statement of Internal Control for the year ended 31 December 2023 | 23 |
| 3. Approval of the consolidated financial statements for the year ended 31 December 2023 | 31 |
| 4. Audit opinion of the External Auditor to the Governing Body of the International Labour Office..... | 33 |
| 5. Consolidated financial statements for the year ended 31 December 2023 | 39 |
| Statement I | 40 |
| Statement II | 41 |
| Statement III..... | 42 |
| Statement IV | 43 |
| Statement V-A..... | 44 |
| Statement V-B..... | 45 |
| Statement V-C..... | 46 |
| 6. Report of the External Auditor to the Governing Body on the financial operations of the International Labour Organization for the year ended 31 December 2023 | 91 |
| 7. Appendix | 161 |

► 1. Financial report on the 2023 accounts

Introduction

1. The 2023 consolidated financial statements have been prepared in accordance with International Public Sector Accounting Standards (IPSAS). They cover all operations under the direct authority of the Director-General which include the regular budget, extrabudgetary funded activities, the Inter-American Centre for Knowledge Development in Vocational Training (CINTERFOR), the International Training Centre of the ILO (Turin Centre), the Administrative Tribunal of the ILO and the ILO Staff Health Insurance Fund (SHIF) activities.
2. The Financial Regulations specify a biennial financial period; however, for general purpose financial reporting in accordance with IPSAS, annual financial statements are presented. For the purpose of actual versus budget comparisons, in Statements V-A to V-C the final annual budget amounts for 2023 represent one half of the approved biennial budgets. Statement V-A also provides a reconciliation of the 2022–23 budgetary period, as required under article 23(2) of the ILO's Financial Regulations.
3. The financial statements prepared under IPSAS use full accrual-based accounting, which requires the recognition of transactions and events when they occur. In particular, revenue from voluntary contributions to development cooperation is recognized when the ILO delivers the services specified in the agreement with the donor, rather than when cash is received or pledged. Expenses are recognized when services or goods are received or delivered rather than when cash is paid. The value of future employee benefits such as accumulated leave, repatriation entitlements, and after-service health insurance (ASHI) is recognized in the financial statements in the period when these benefits are earned by ILO staff rather than when they are paid.
4. Reporting general purpose financial statements on an IPSAS basis has no impact on the preparation or reporting of the ILO regular budget result, which continues to be presented on a modified cash basis in accordance with the Financial Regulations. As the basis of the budget and the financial statements differ, a reconciliation between the budget and the IPSAS statement of financial performance is presented in note 22 to the financial statements.

Financial highlights for 2023

5. The table below summarizes the financial situation of the ILO in 2023 as compared to 2022 and 2021 (the final year of the previous biennium):

| (US\$ thousands) | 2023 | 2022 | 2021 |
|---------------------------------|------------------|-----------------|------------------|
| Revenue | 921 014 | 878 557 | 889 241 |
| Expenses | (952 987) | (887 250) | (888 686) |
| Foreign exchange gains/(losses) | 31 237 | (12 230) | (48 841) |
| Surplus (deficit) | (736) | (20 923) | (48 286) |
| Assets | 2 948 263 | 2 600 717 | 2 621 825 |
| Liabilities | (3 120 748) | (2 598 963) | (3 325 612) |
| Net assets | (172 485) | 1 754 | (703 787) |

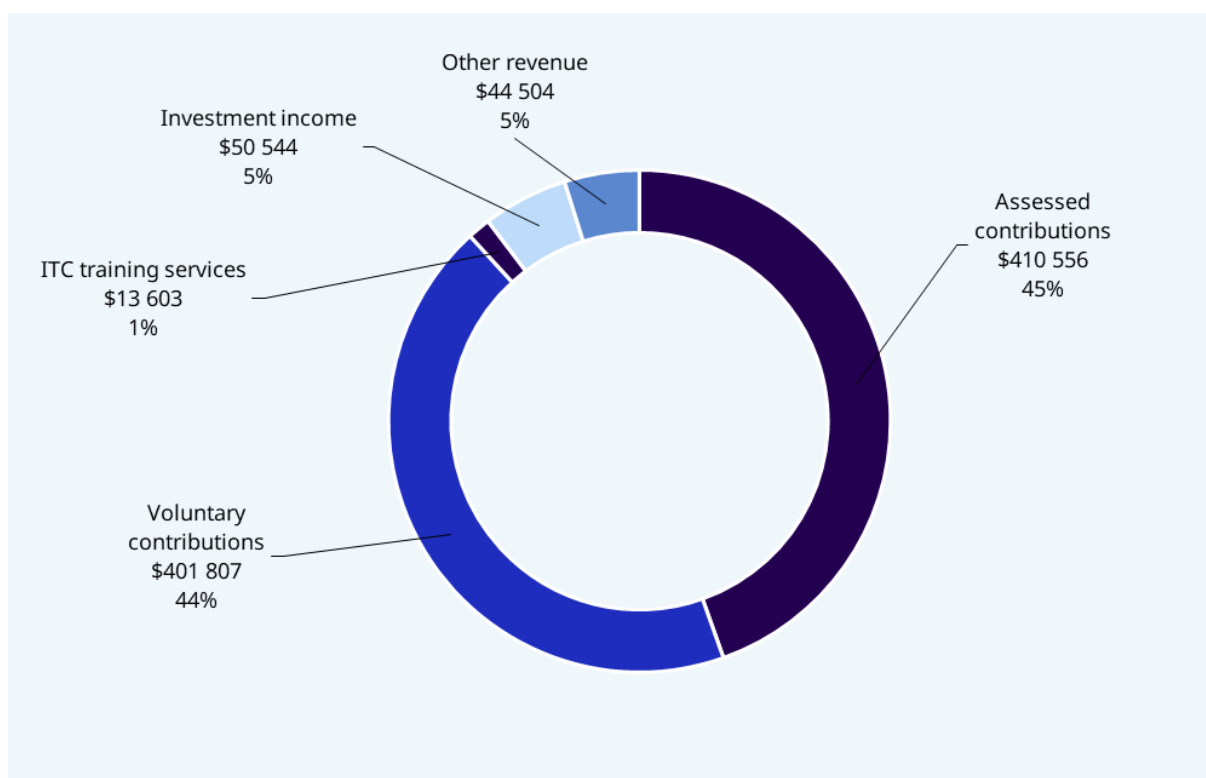
6. The net result of 2023 is indicative of increased activity and resource mobilization following the end of the global COVID-19 pandemic, coupled with increased investment income as financial markets continue recovery. The decrease in net assets of the Organization at the end of 2023 is mainly attributable to actuarial losses on the ASHI liability, partially offset by increases in the fair value of land and buildings.
7. An analysis of revenue and expenses is provided below in the “Financial performance” section of this report. Further information on the most significant movements in assets and liabilities is provided in the “Financial position” section. The consolidated statement of changes in net assets (Statement III) provides the details of the movements in net assets.

Financial performance

Revenue

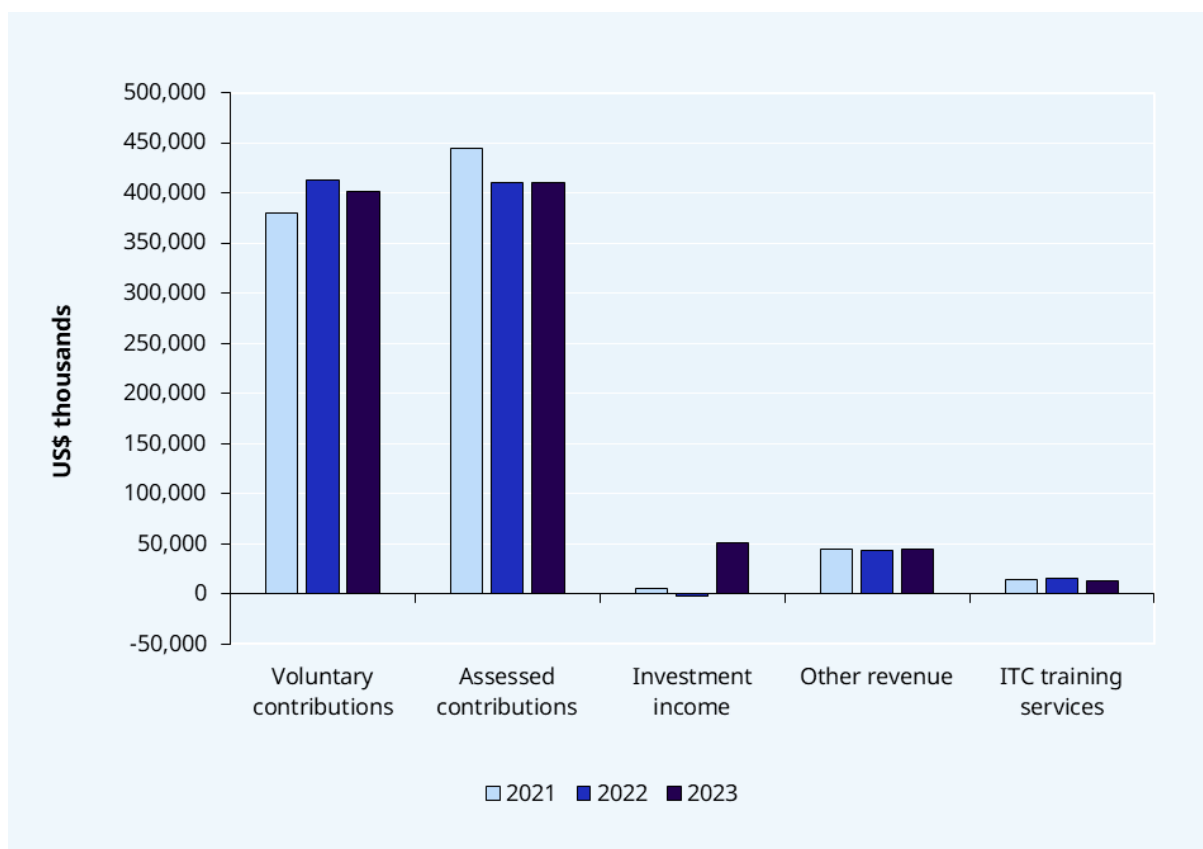
8. Revenue in 2023 totalled US\$921.01 million, an increase of US\$42.45 million compared to a total of US\$878.56 million in 2022. Sources of revenues in 2023 were as follows:

► **Figure 1. Revenue by source, 2023 (US\$ thousands)**



9. The two principal sources of revenue for the Organization were voluntary contributions and assessed contributions from Member States, representing 89 per cent of total revenue. Figure 2 below provides a three-year comparison of revenues by category:

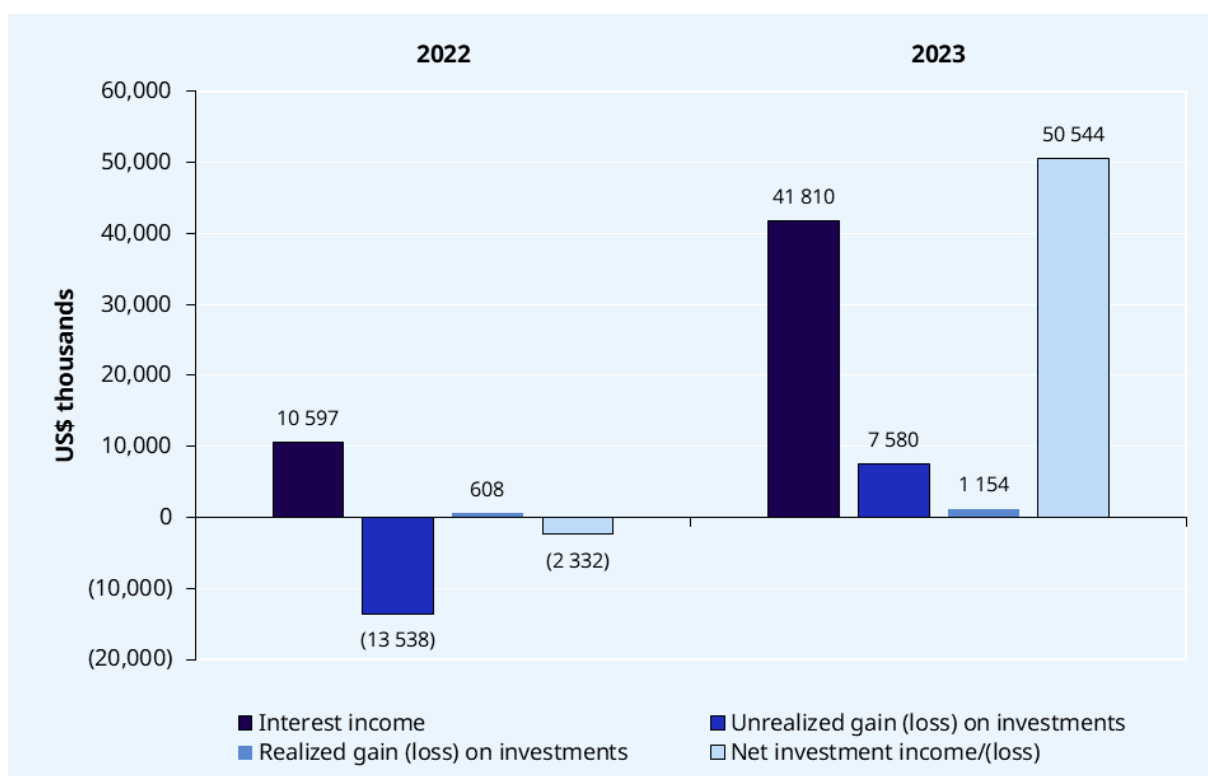
► **Figure 2. Revenue, three-year comparison**



10. Revenue in 2023 from assessed contributions increased by US\$0.79 million compared to 2022. Under IPSAS, the revenue for contributions from Member States assessed in Swiss francs is recognized at the beginning of each financial year and is impacted by fluctuations in amounts assessed as well as currency rates between the Swiss franc and the US dollar. Assessed contributions revenue is presented in the financial statements net of the change in the allowance for doubtful collection of contributions.
11. Assessed contributions in Swiss francs remained constant over the prior year at CHF383.74 million for each year of this biennium. However, exchange rate fluctuations in 2023 led to a decrease in gross revenue by US\$3.64 million as compared to the previous year. This decrease was offset by a smaller increase in allowance for doubtful collections as compared to the prior year.
12. Revenue from voluntary contributions stayed robust, experiencing only a slight decrease of US\$10.70 million compared to 2022. Contributions to development cooperation projects of the ILO and training activities of the Turin Centre are normally subject to performance conditions in the donor agreements and are therefore recognized as deferred revenue liabilities until the performance conditions are met through programme delivery and revenue can be recognized. Details on voluntary contribution activities are provided in the “Operational activities” section of this report.
13. Other revenue includes revenue from staff and retiree contributions to the SHIF, sales and royalties, and other miscellaneous revenue. The increase of US\$1.25 million over the prior year is attributed mainly to SHIF benefit contribution increases. Training service revenue for the Turin Centre in euro was consistent with the prior year, while differences in the exchange rate and elimination of inter-company transactions with the ILO upon consolidation resulted in an overall decrease of US\$1.76 million over the prior year.

14. In 2023 the return on investments was significantly impacted by the rapid increase in interest rates in developed markets resulting from central banks' actions to combat inflation. This increase in central bank rates was the quickest increase in more than 20 years, which has resulted in a comprehensive increase in the average yield of ILO investments during 2023. As a result investment income increased from a loss of US\$2.33 million in the prior year to a gain of US\$50.54 million. ILO investment portfolios that were negatively impacted by the market fluctuations in 2022, have also moderately recovered during 2023, contributing positively to the overall result.
15. The following figure presents a comparison of the components of investment income for the current year compared to the prior year:

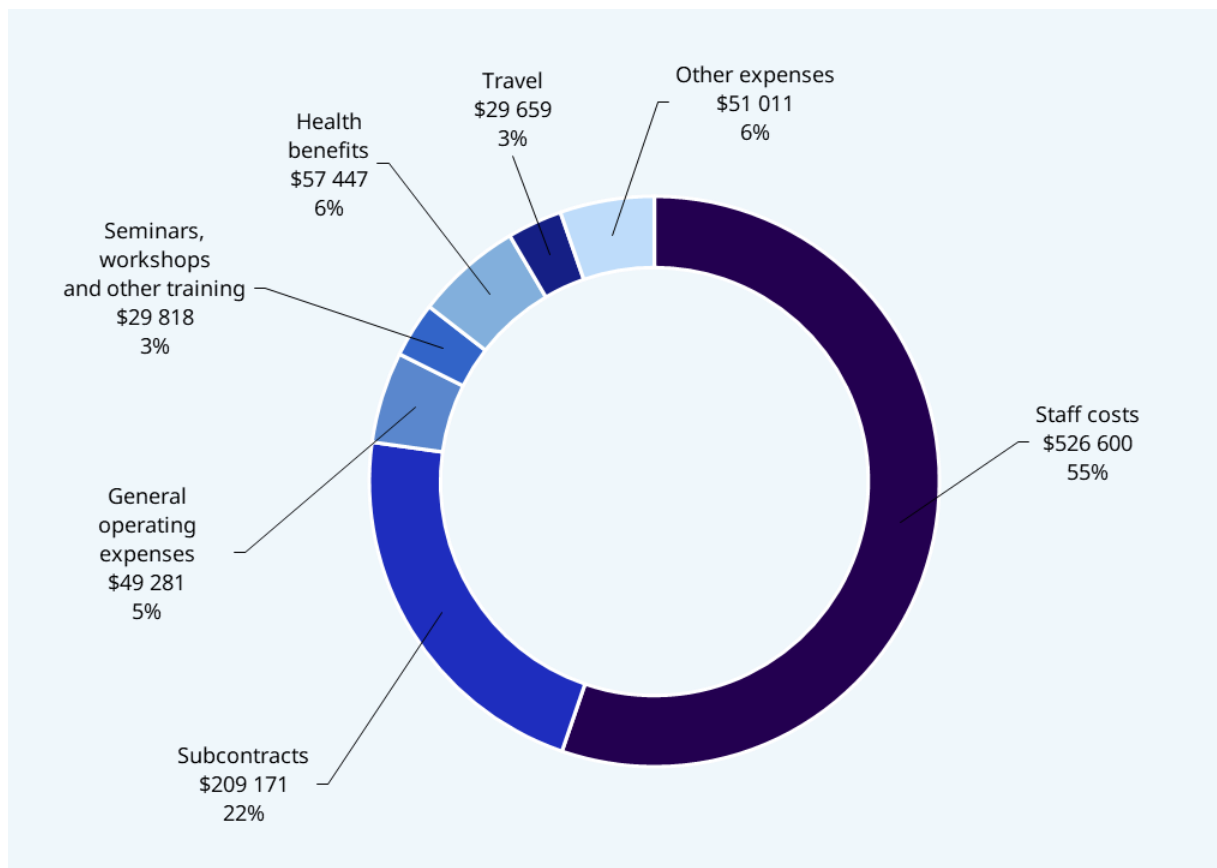
► **Figure 3. Components of net investment income/(loss), two-year comparison**



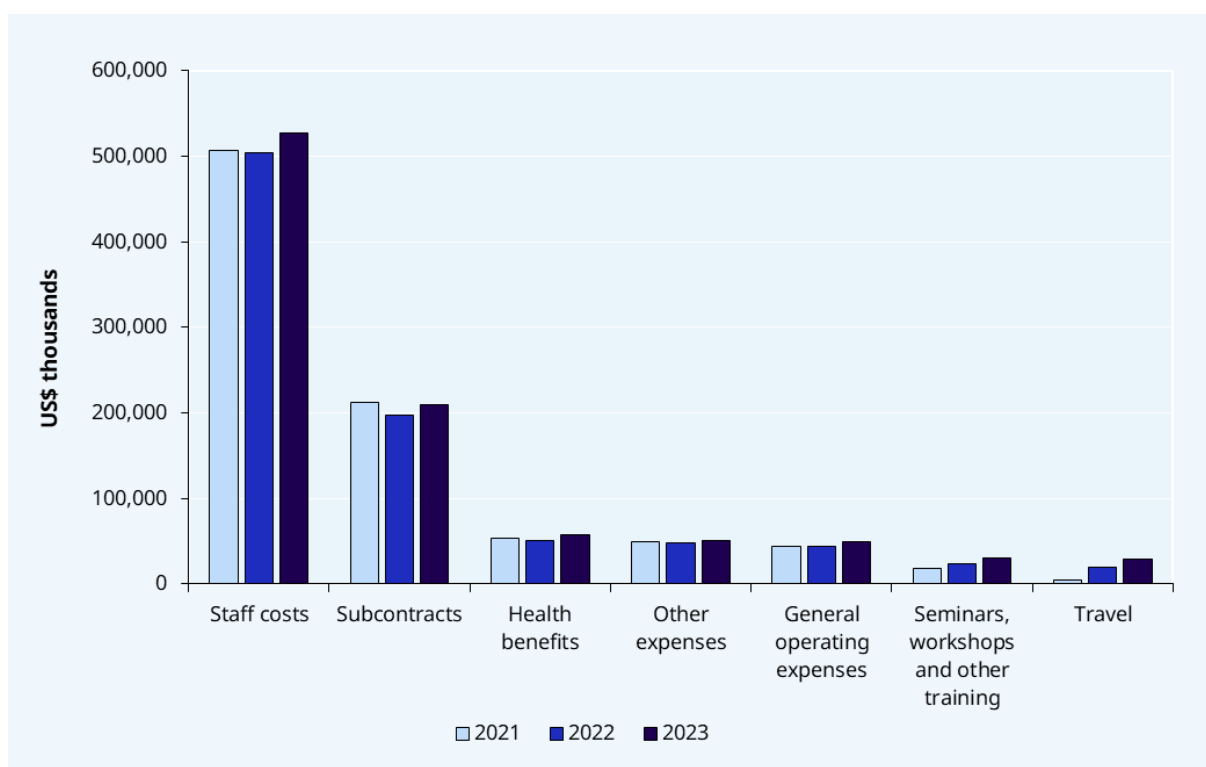
Expenses

16. Expenses in 2023 totalled US\$952.99 million, an increase of US\$65.74 million compared to a total of US\$887.25 million in 2022. Distribution of expenses in 2023 were as follows:

► **Figure 4. Expenses in 2023 (US\$ thousands)**



17. The two most significant categories of expenses for the Organization were staff costs (salaries and related benefits) and subcontracts representing a combined 77 per cent of total expenses. Figure 5 below provides a three-year comparison of expenses by category:

► **Figure 5. Expenses, three-year comparison**

18. By type of expenditure, the most significant increases in 2023 were US\$22.31 million (4.4 per cent) in staff costs, US\$11.82 million (6.0 per cent) in subcontracts, and US\$9.96 million (50.6 per cent) in travel.

Foreign exchange gains/losses

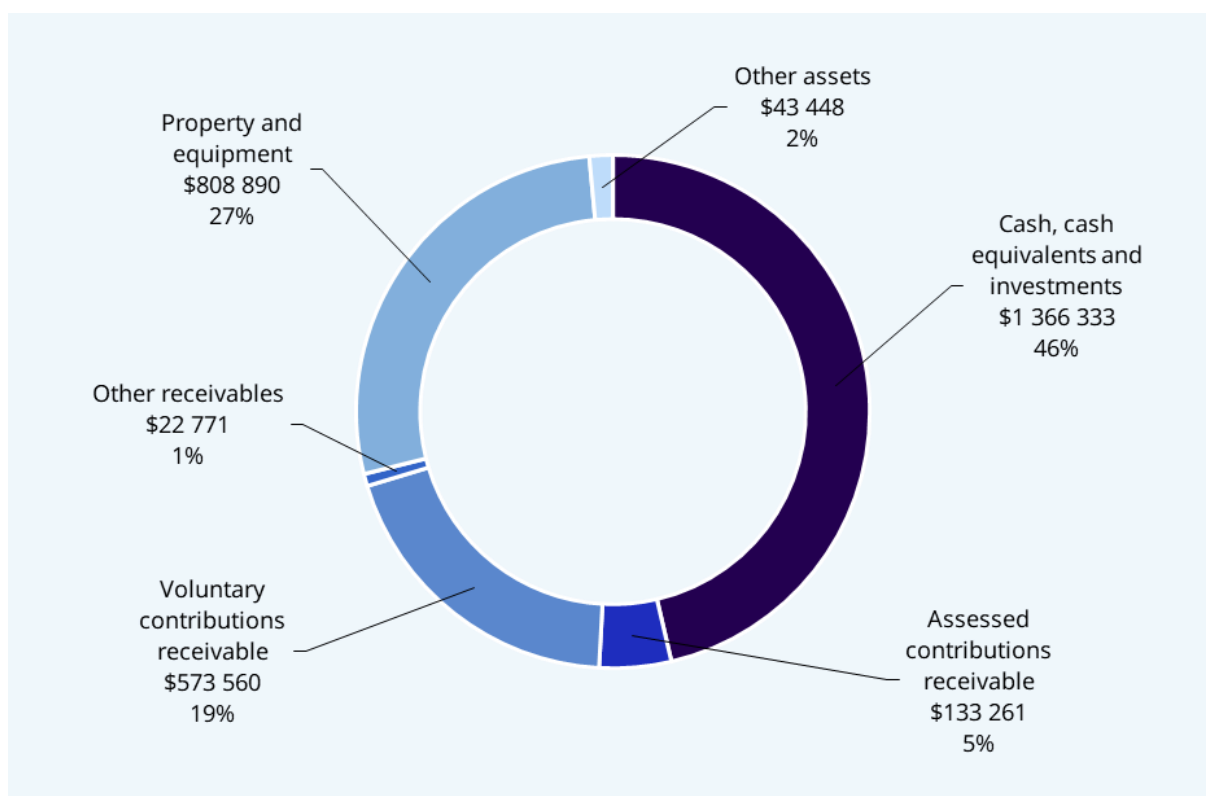
19. In 2023, the net gain on foreign exchange of US\$31.24 million consisted of US\$22.63 million unrealized gains from the revaluation of assets and liabilities held in currencies other than the US dollar and US\$8.61 million net realized exchange losses.
20. The net gain on foreign exchange is mainly due to the strengthening of the Swiss franc against the US dollar over the year, which amounted to some 9.5 per cent. The gains were generated mainly by cash and investments held in Swiss francs, as well as assessed contributions receivable which are due in Swiss francs partially offset by unrealized losses on outstanding regular budget forward purchases.
21. In accordance with the Financial Regulations and decisions of the International Labour Conference, exchange movements relating to the regular budget are managed through the net premium account, netting gains and losses and providing protection to Member States. They are not recorded as a revenue or expense item in Statement V but are accumulated in the net premium account that is returned to the Member States at the end of each biennium (see note 16 to the financial statements).

Financial position

Assets

22. Assets as at 31 December 2023 totalled US\$2,948.26 million, an increase of US\$347.54 million compared to a total of US\$2,600.72 million as at 31 December 2022. Categorization of assets were as follows:

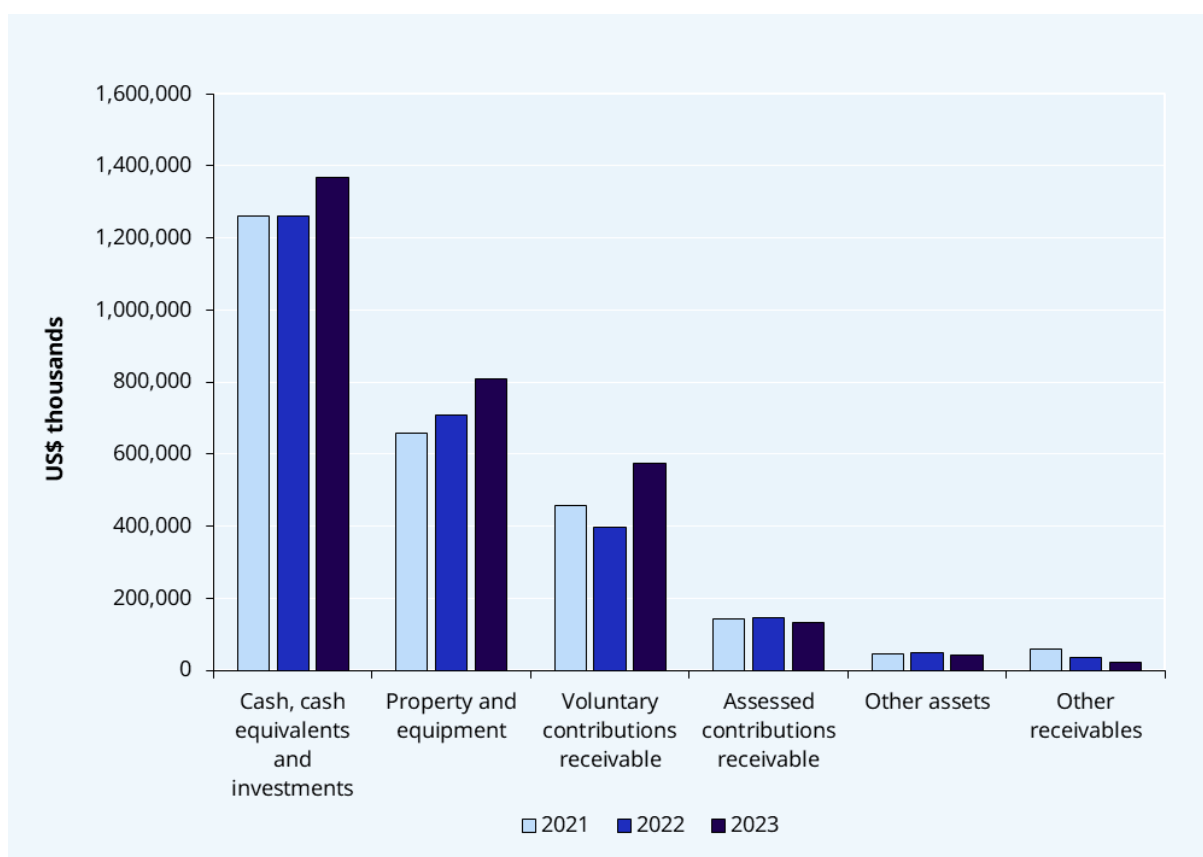
► **Figure 6. Assets (US\$ thousands)**



23. The combined category of cash, cash equivalents and investments totalling US\$1,366.33 million (US\$1,261.97 million as at 31 December 2022) represents nearly half of the total assets as at 31 December 2023. Of this amount, US\$508.97 million (US\$514.32 million at 31 December 2022) corresponds to funds held on behalf of donors for development cooperation projects. The other significant asset categories were property and equipment, totalling US\$808.89 million, or 27 per cent, and amounts receivable through assessed and voluntary contribution revenues, combined totalling US\$706.82 million, or 24 per cent.

24. Figure 7 below provides a three-year comparison by asset category:

► Figure 7. Assets, three-year comparison



Cash, cash equivalents and investments

25. Cash, cash equivalents and investments balances increased by US\$104.36 million by the end of 2023 mainly due to high return on investments by US\$50.53 million, revaluation of CHF holdings by US\$42.06 million due to strengthening of the Swiss franc against the US dollar, receipt from the sale of land and buildings of US\$21.67 million, netted off other cash outflows from operating activities.
26. There has been no impairment of investment assets held during this period in any of the resources invested. The investments in unit funds and bonds in the investment portfolios are held in highly rated assets, in line with the Organization's investment policy that has the primary objective of preservation of capital. The ILO's cash deposits and investments are widely spread in order to avoid an over-concentration of funds. The ILO continues to actively monitor all credit ratings for its cash and investment holdings and investment counterparties to enable it to act promptly should action be required.

Property and equipment

27. Land and buildings with a combined market value of US\$795.43 million account for 98 per cent of the total property and equipment value as at 31 December 2023. Market value of the properties is a point-in-time estimate calculated by an independent valuer in accordance with international valuation standards. Valuations are based on local currencies where the properties are located and are therefore also subject to exchange rate fluctuations when converted to US dollars for financial reporting.

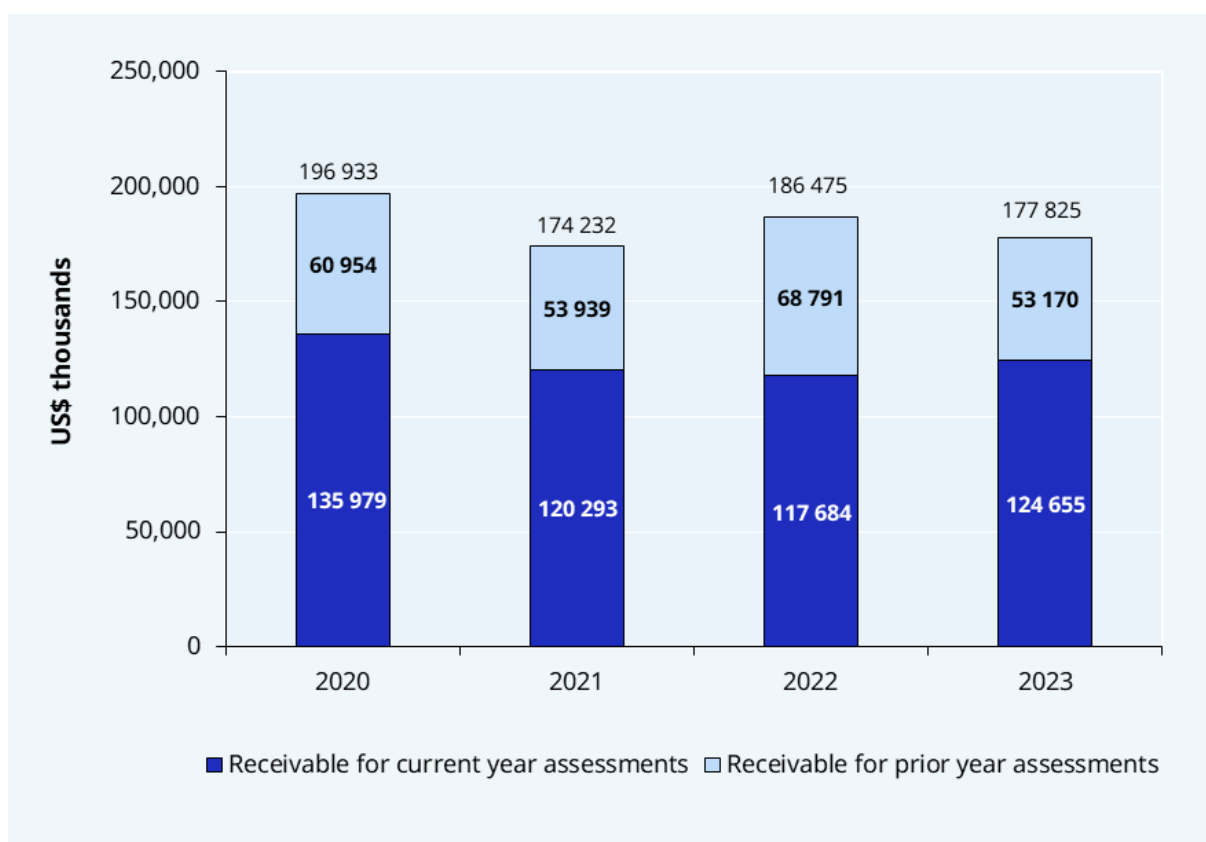
28. The total value of land increased by US\$43.10 million, almost entirely attributable to land located in Geneva. The value of the Geneva land increased by US\$43.02 million, of which US\$36.96 million represents foreign currency gains due to the strengthening of the Swiss franc against the US dollar. In local currency, the market value of the land increased by CHF5.06 million (US\$6.06 million). The remaining land holdings in Lima, Abidjan and Santiago had a combined market value increase of US\$0.08 million.
29. The total value of buildings increased by US\$56.75 million, mainly due to an increase in the value of the Geneva headquarters building by US\$57.06 million, of which US\$32.43 million represents foreign currency gains. Additional capital investments in the ongoing renovation project combined with current market conditions resulted in an increase in local currency value of CHF20.57 million (US\$24.63 million). The remaining regional buildings had a combined market value decrease of US\$0.31 million.
30. The remainder of this category is made up of leasehold improvements, mainly at the Turin Centre, and capitalized office fixtures and equipment assets.

Voluntary contributions receivable

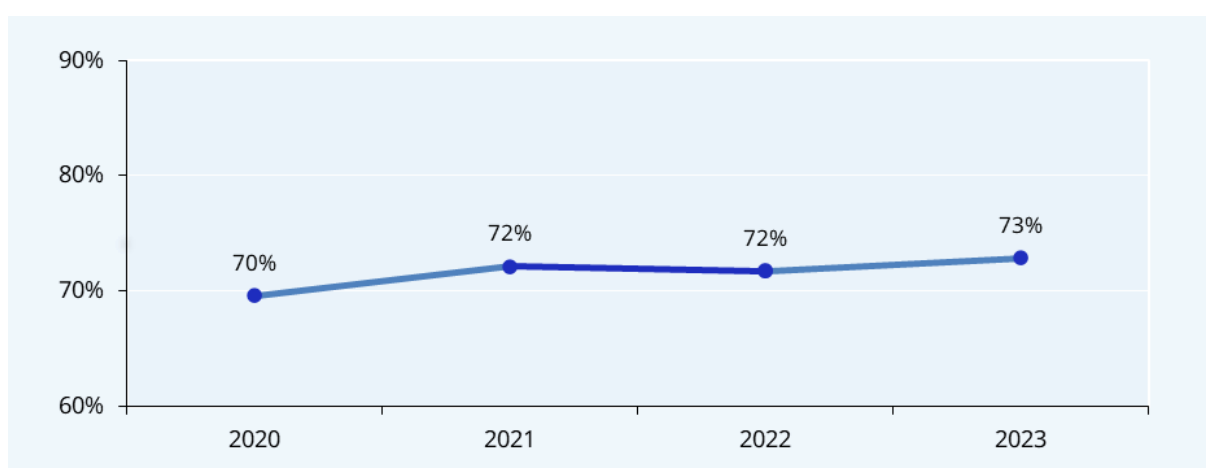
31. Voluntary contributions receivable from donors are amounts supported by enforceable agreements that are subject to specific performance conditions; accordingly, these amounts are also treated as a deferred revenue liability until such performance conditions have been met.
32. New approvals of voluntary funding reached an unprecedented level in 2022–23 to address global challenges, which led to a substantial increase in voluntary contributions receivable, amounting to US\$175.53 million of which US\$158.13 million relate to two substantial donor agreements approved toward the end of the year. There have been no impairments of voluntary contribution receivables during this period. Additional details are provided in the “Operational activities” section of this report.

Assessed contributions receivable

33. Member State contributions are assessed, and outstanding receivables are recorded, in Swiss francs, converted to US dollars for presentation in the financial statements. In 2023, the amount of gross assessed contributions receivable decreased by CHF23.63 million to a balance of CHF148.48 million, the lowest level over the past five years. This increased collection however was partially offset in 2023 by US dollar exchange rate fluctuation that increased the converted value of these receivables resulting in an overall decrease of only US\$8.65 million.
34. Figure 8 below summarizes the gross assessed contributions receivable balances and their components at the end of each of the last four years, before impairment allowance and discounting of long-term financial arrangements:

► **Figure 8. Gross assessed contributions receivable**

35. The trend in the collection rate in Swiss francs for current year assessed contributions for the same years is reflected in figure 9 below:

► **Figure 9. Assessed contributions collection rate (in the year of assessment)**

36. In the financial statements, assessed contributions receivable are presented net of the change in allowance for doubtful collection of contributions. In 2023, IPSAS 41 – Financial Instruments became effective, resulting in a change in the methodology used to estimate this allowance. Under the previous methodology, the allowance was based primarily upon assessment of Member States that had lost their right to vote under the ILO's Constitution as at the reporting date. The new accounting standard requires a forward-looking estimate of potential impairment,

and the new allowance methodology is based primarily upon previous collection statistics as an indication of future expectations.

37. Adoption of the new accounting standard included transition provisions that required the new impairment model to be applied retrospectively, that is applying the new standard to the allowance calculated in the prior year under the previous methodology, while recognizing any difference in the opening net assets in the current year. The new methodology resulted in a decrease in the allowance previously recognized on assessed contributions receivable by CHF1.45 million (US\$1.58 million at the beginning of the year exchange rate), which resulted in an increase to net assets recognized in 2023.
38. Applying the impairment model to the receivables outstanding at the end of 2023 yielded an increase of CHF0.91 million to the allowance, but the new ending balance with the US exchange rate changes resulted in a total increase of US\$5.20 million.
39. The following table summarizes the movement in the allowance for doubtful collection of assessed contributions receivable:

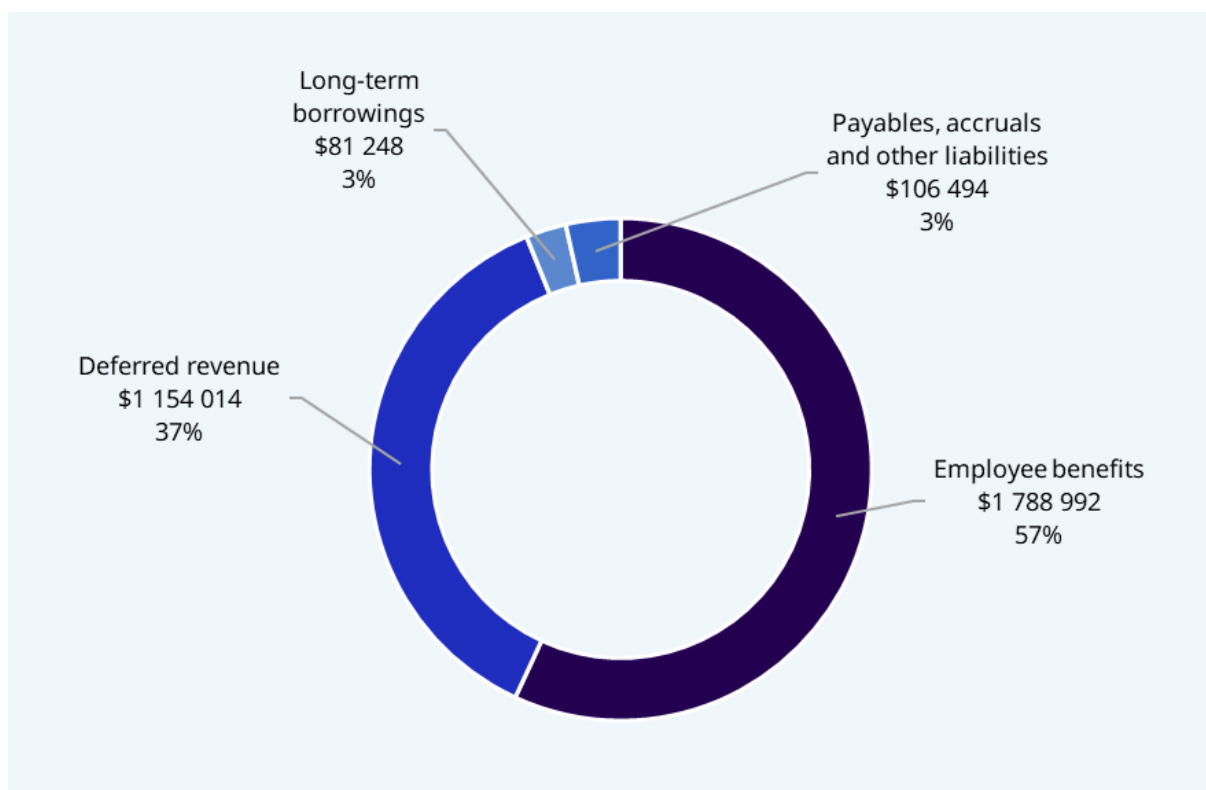
| (in thousands) | 2023 CHF | 2023 US\$ |
|--|---------------|---------------|
| Original allowance from 2022 | 37 362 | 40 479 |
| IPSAS 41 opening net assets adjustment | (1 454) | (1 576) |
| Revised 2022 IPSAS 41 allowance | 35 908 | 38 903 |
| Change in 2023 allowance | 918 | 1 100 |
| Change due to exchange rate | | 4 100 |
| Allowance at 31 December 2023 | 36 826 | 44 103 |

Other receivables and current assets

40. Other receivables decreased by US\$12.72 million, which is the net of an increase of US\$8.95 million related to higher accrued interest, investment income and withholding taxes receivable offset by a reduction of US\$21.67 million related to the collection of the final instalment from the sale of the vacant plot of land in 2021. Other assets decreased by US\$6.24 million mainly due to the decrease in the prior year derivative assets and prepaid expenses.

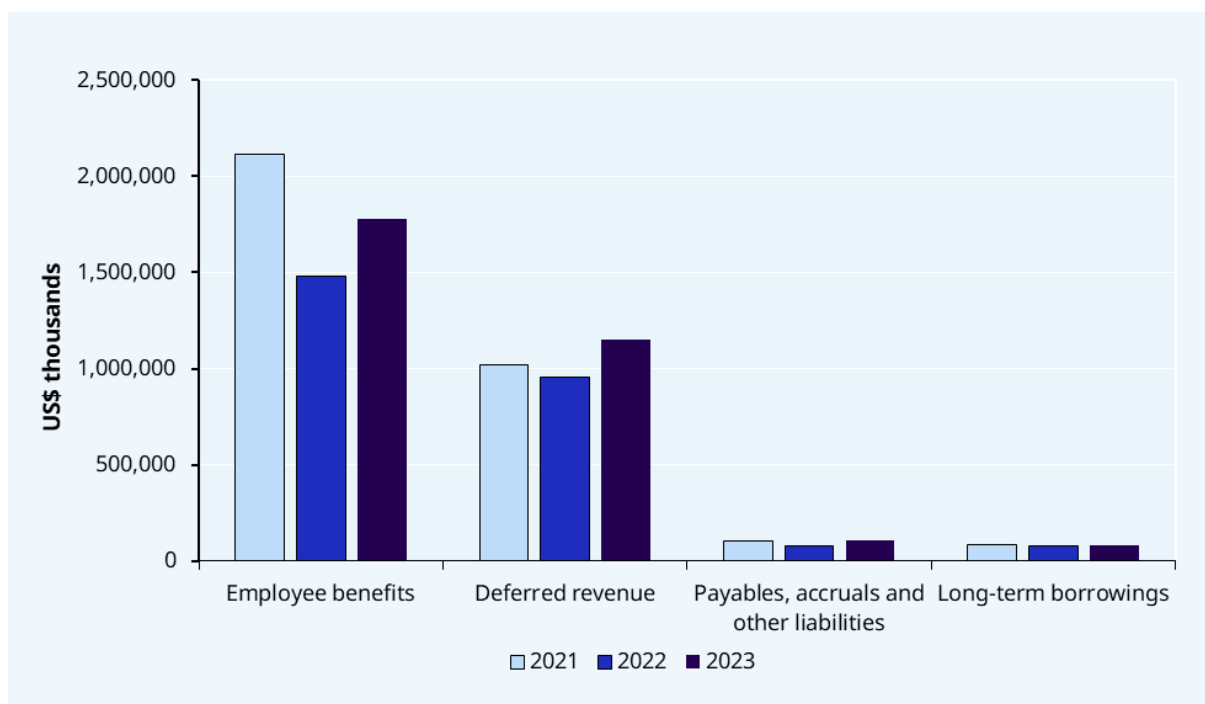
Liabilities

41. Liabilities as at 31 December 2023 totalled US\$3,120.75 million, an increase of US\$521.79 million compared to a total of US\$2,598.96 million as at 31 December 2022. Categorization of liabilities were as follows:

► **Figure 10. Liabilities** (US\$ thousands)

42. The most significant liabilities of the Organization were the future employee benefits accrued by staff members and retirees, representing 57 per cent of the total liabilities as at 31 December 2023. Deferred revenue, another significant liability component, primarily relates to voluntary contributions received and receivable for both the ILO development cooperation and Turin Centre activities, for which associated performance obligations have not yet been achieved. The balance of the Organization's liabilities is made up of long-term borrowings, derivatives for forward purchases in liability positions, and various operational payable and accrual amounts.
43. Figure 11 below provides a three-year comparison by liability category:

► Figure 11. Liabilities, three-year comparison



Employee benefits

After-service health insurance (ASHI)

44. The ASHI liability at US\$1,693.82 million, accounts for 95 per cent of the total employee benefits liability and represents the estimated cost of the employer's share of future healthcare premia in respect of all current retirees, as well as all active staff members with projected eligibility for ASHI in both the ILO and the Turin Centre. It is a point-in-time estimate calculated by an independent actuary taking into consideration the current discount rates, trends in healthcare costs, mortality rates, the demographic make-up of the insured population, inflation and other assumptions. It is based on an approach developed by the actuarial profession and endorsed by accounting standard-setters as being the most accurate method for projecting the amount of the Organization's future obligation.
45. The ASHI liability increased by US\$294.70 million in 2023, which is the combination of net actuarial losses of US\$239.87 million and annual service and interest costs of US\$54.83 million. The changes in 2023 compared to those of the prior year are detailed below:

| Actuarial (gains)/losses (US\$ thousands) | 2023 | 2022 |
|---|----------------|------------------|
| (Gain)/loss due to experience | (24 506) | (50 021) |
| Financial assumption changes: | | |
| (Gain)/loss due to change in discount rate | 172 700 | (804 422) |
| (Gain)/loss due to change in future increase in medical cost trend | 80 519 | 109 572 |
| (Gain)/loss due to change in per capita medical claims cost | – | 31 080 |
| (Gain)/loss due to change in future increase in administration cost | – | (920) |
| (Gain)/loss due to change in salary increase rate | (280) | – |
| (Gain)/loss due to change in inflation | 9 469 | 760 |
| Total (gains)/losses due to financial assumption changes | 262 408 | (663 930) |

Demographic assumption changes:

| | | |
|--|--------------|---------------|
| (Gain)/loss due to change in mortality rates | 3 268 | – |
| (Gain)/loss due to change in retirement rates | (1 302) | – |
| (Gain)/loss due to change in probability of marriage at retirement | – | 12 778 |
| (Gain)/loss due to change in pre-retirement withdrawal rates | – | 5 482 |
| (Gain)/loss due to change in age differences between spouses | – | 1 805 |
| Total (gains)/losses due to demographic assumption changes | 1 966 | 20 065 |

Total actuarial (gains)/losses recognized in net assets

| | | |
|--|---------------|---------------|
| Current service cost | 47 448 | 80 034 |
| Past service cost | (3 152) | – |
| Interest cost | 40 591 | 16 202 |
| Net retiree benefits paid | (30 062) | (26 179) |
| Net ASHI expense recognized in the statement of financial performance | 54 825 | 70 057 |

Total (decrease)/increase in ASHI liability**294 693 (623 829)****Actuarial assumptions**

46. Financial assumptions used in the actuarial valuation are based on market expectations at the end of the reporting period. The most significant financial assumption change in 2023 was a decrease in discount rates after the significant increase experienced in the prior year. This is a market-based assumption driven by anticipated long-term interest rate decreases after successive increases in the previous periods. As the ASHI liability is calculated as the present value of expected future cash flows for each of the major currencies in which the benefits are paid, the resulting obligation is highly sensitive to fluctuations in the discount rates used in the valuation each year.
47. The medical cost trend actuarial assumption is used both to predict a long-term expected increase in healthcare costs and to estimate the length of time for the current medical inflation trend to align with the future expectations. The assumption is influenced by the currency of benefit payments and economic environments in those locations. In 2023, current medical costs increased resulting in a higher short-term medical inflation that exceeded the anticipated long-term decrease, resulting in an actuarial loss for the year.
48. A slight decrease in the inflation rates used by the actuary to project retirees' pension payment amounts led to a projected decrease in future retiree contributions and an actuarial loss. A minor increase in the UNJSPF salary scale, which is used in the assumptions for active staff contributions, resulted in an actuarial gain.
49. There were two demographic assumption changes affecting the ASHI liability in 2023 related to post-retirement mortality improvement over time and retirement rates based on the same assumptions used in the valuation of the United Nations Joint Staff Pension Fund.

Current year costs

50. Current service and interest costs are annual expenses representing the projected benefits earned by plan participants and the interest costs attributable to the future benefit obligation during the current year.
51. In 2023, the plan rules were amended to allow for an increase in the contribution rates of retirees and their dependents. This event has been accounted for as a plan amendment and has resulted in past service cost recognized in the consolidated statement of financial performance in 2023. Past service cost represents the change in the present value of the ASHI obligation for employee service in prior periods resulting from a plan amendment. Past service cost is negative when the resulting present value of the defined benefit obligation decreases.
52. In accordance with IPSAS 39 – Employee Benefits, no plan assets have been offset against the liability; however, US\$65.79 million has been accumulated in a SHIF Guarantee Fund to cover future short-term liabilities of the SHIF, and US\$34.09 million has been accumulated to partially fund the future ASHI liability for staff of development cooperation projects.
53. The ASHI liability is considered unfunded. The ILO fulfils its immediate obligations in respect of the financing of health insurance for former officials from the regular budget, on a pay-as-you-go basis. Member States have preferred to maintain a pay-as-you-go basis to meet the obligations of this liability rather than including a provision in the programme and budget to accumulate a reserve aimed at limiting the growth in the ILO's unfunded ASHI liability.

Repatriation and end-of-service entitlements

54. The valuation of future repatriation and end-of-service entitlements is impacted by the same discount rate assumptions that contributed to actuarial losses in the ASHI liability, however in 2023 the effect on the liabilities was nearly completely offset by decreased travel, shipment and removal costs that are used in the financial actuarial assumptions.
55. An increase in the observed forfeiture rate for ILO repatriation grant entitlements when employees end their service with the Organization without repatriating to their home country resulted in an actuarial gain from demographic assumption changes for the year. However, higher actuarial experience losses from actual population movements resulted in an overall increase to the liabilities.
56. In accordance with IPSAS 39 – Employee Benefits, no plan assets have been offset against the liability; however, an amount of US\$53.16 million has been accumulated by the ILO in its Terminal Benefits Fund to fund future benefits.
57. The ILO liability also includes the future benefits attributable to staff of the Turin Centre for repatriation grants and end-of-service benefits, which are payable in euro and therefore subject to foreign exchange rate fluctuation. While the liability for these benefits stands at €9.18 million at the end of the year, it is funded by the Turin Centre currently at a level of €6 million, which includes a contribution of €1 million in 2023 made by the Centre.

Deferred revenue

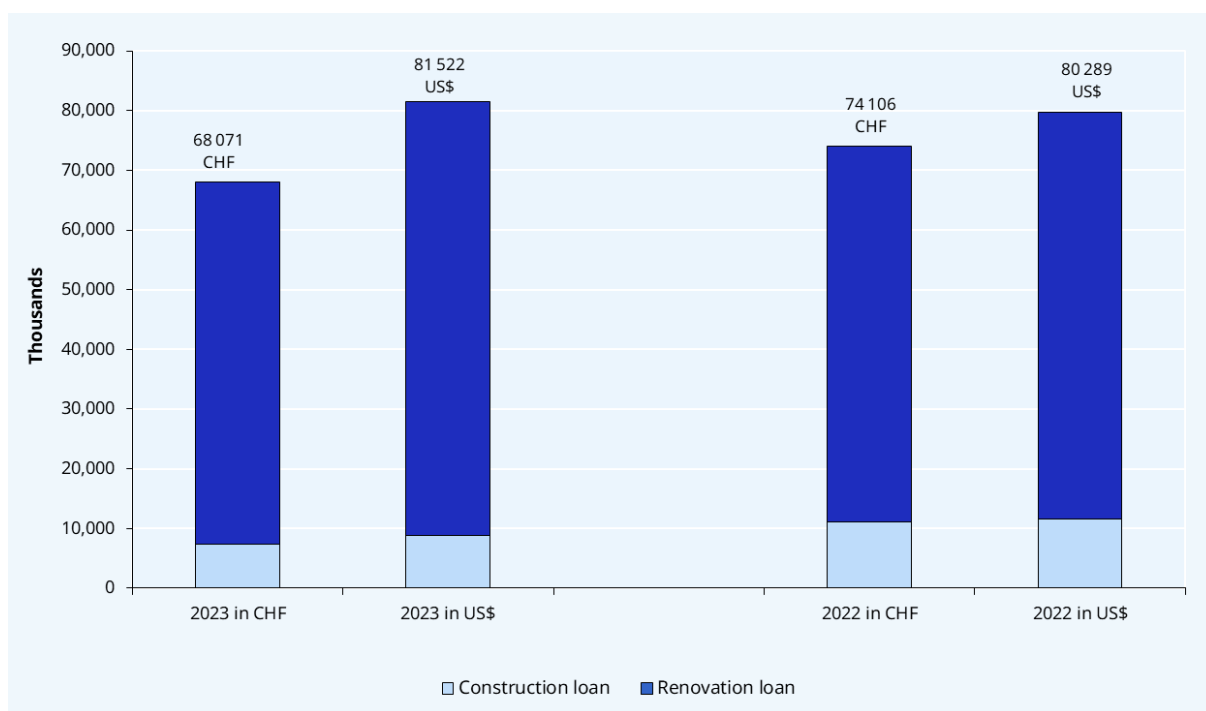
58. The amounts recognized as deferred revenue liabilities related to development cooperation activities under IPSAS are impacted by the timing differences between signing of donor agreements, receipt of funds from donors, and programming of the performance obligations by the development cooperation projects. The increase in deferred revenue by US\$196.23 million, representing a 20 per cent rise, can be attributed to the sustained high level of development

cooperation activities throughout 2023. Furthermore, the approval of two substantial donor agreements, totalling US\$158 million and received toward the end of the year, account for the significant increase in revenue deferral. The details on deferred revenue are provided in note 13 to the financial statements.

Long-term borrowings

59. Borrowings consist of two loans in Swiss francs made to the ILO from the Foundation for Buildings for International Organizations for the original construction and subsequent renovation of the ILO's headquarters building in Geneva. The original construction loan is repayable in annual instalments of CHF3.7 million, with the final payment due in 2025. Repayment of the renovation loan began in 2021, with annual instalments of CHF2.33 million.
60. The total nominal value of the borrowings in Swiss francs decreased in 2023 by CHF6.03 million from the annual instalment payments, however changes in the Swiss franc exchange rate created an overall increase of US\$1.45 million as compared to the previous year.
61. Figure 12 below summarizes the changes in nominal value of the long-term borrowings in Swiss francs and as reported in US dollars:

► Figure 12. Long-term borrowings, nominal value



Operational activities

Regular budget

62. The International Labour Conference, at its 109th Session (June 2021), approved an expenditure budget of US\$852.76 million for the 2022–23 financial period, and an income budget for the period of the same amount. Converted at the budget rate of exchange for the period of CHF0.90 to the US dollar, this resulted in total assessed contributions of CHF767.48 million.

63. The overall budgetary results for the 2022–23 financial period are summarized in Statement V-A with the details of contributions paid by Member States shown in note 29 to the financial statements.
64. The table below shows the expenditure and budget utilization percentages for the current and previous years:

► **Variance analysis by strategic outcome for 2020–24 (in US\$ thousands)**

| | 2022–23 Budget | 2022–23 Actual | 2022–23 Delivery | 2020–21 Budget | 2020–21 Actual | 2020–21 Delivery |
|---|-------------------|-------------------|---------------------|-------------------|-------------------|---------------------|
| Part I – Ordinary budget | | | | | | |
| A. Policymaking organs | 54 844 | 53 482 | 97.5% | 50 276 | 32 583 | 64.8% |
| B. Policy outcomes | 678 667 | 662 920 | 97.7% | 625 125 | 597 540 | 95.6% |
| C. Management services | 65 925 | 65 924 | 100.0% | 61 642 | 60 608 | 98.3% |
| D. Other budgetary provisions | 46 426 | 46 099 | 99.3% | 43 502 | 43 502 | 100.0% |
| Adjustment for staff turnover | (6 903) | 0 | 0.0% | (6 307) | 0 | 0.0% |
| Total Part I | 838 959 | 828 425 | 98.7% | 774 238 | 734 233 | 94.8% |
| Part II – Unforeseen expenditure | 875 | 0 | 0.0% | 875 | 0 | 0.0% |
| Part IV – Institutional investments and extraordinary items | 12 926 | 12 926 | 100.0% | 15 527 | 15 527 | 100.0% |
| Total Parts I, II and IV | 852 760 | 841 351 | 98.7% | 790 640 | 749 760 | 94.8% |

65. The biennial budget for 2022–23 was 7.9 per cent higher than that of the previous biennium 2020–21. Budgetary expenditure was 12.2 per cent higher than that of the previous biennium, resulting in a budget delivery rate of 98.7 per cent compared to 94.8 per cent in 2020–21. This improvement in 2022–23 reflects the recovery from the constraints of the global COVID-19 pandemic over the course of the biennium.
66. The resulting surplus for 2023 of US\$11.41 million at the budgetary rate of exchange is reported in Statement V-A for regular budget activities. Following revaluations, adjustments in respect of arrears of contributions received and reimbursement of previous deficit financing, the final deficit for budgetary purposes at the end of the year was US\$0.69 million. This deficit was financed in accordance with the Financial Regulations by the use of the Working Capital Fund, which was reimbursed from the collection of arrears of contributions at the beginning of 2024.
67. The differences between the net results determined on an IPSAS (full accrual) basis and those determined in accordance with the Financial Regulations are summarized in more detail in note 22 to the financial statements and in the appendix.

Turin Centre

68. The Turin Centre maintained similar levels of enrolment in 2023 for both face-to-face and blended-modality training, and an increase in online training enrolment as compared to the previous year. The Centre further increased its outreach activities and non-training services to constituents, with

a growth of 18.4 percent in the number of activities in 2023. These increases in training revenues were offset by decreases in voluntary contributions and other revenues, which resulted in a total revenue for 2023 only slightly less than the previous year. Expenditure of the Centre increased only slightly over the previous year, resulting in an overall net surplus position.

Voluntary contribution activities

69. Voluntary contribution activities include development cooperation projects and Regular Budget Supplementary Account (RBSA) projects, as well as gifts and grants. The voluntary contribution resource mobilization has maintained a high level similar to that of last year, with a minor reduction in expenditure from US\$402.24 to US\$398.59 million compared to the previous year.
70. In accordance with IPSAS, revenue from development cooperation contributions is recognized and matched by the Office when earned through project delivery; hence the delivery rate is consistently 100 per cent in financial terms. The net surplus of US\$6.67 million as shown in the segment reporting table in note 27 is attributable to the surplus in RBSA relating to non-conditional contributions received and recognized as revenue on the receipt of cash.

Subsidiary funds

71. The SHIF is a self-insured health insurance programme for active staff, retirees and dependants, which is maintained by the ILO. This programme is financed through contributions from insured persons and the ILO. The statement of financial performance reports the contributions received from insured persons as revenue and reports as expense the amount reimbursed for medical claims under the programme.
72. The SHIF had a technical deficit in 2023 with benefit payments exceeding contributions by US\$2.35 million, as compared to a technical surplus of US\$1.40 million in 2022. After accounting for investment income, revaluation, and other sundry expenses and recoveries, the SHIF had an overall net surplus for the year of US\$3.07 million compared to an overall net deficit of US\$4.58 million in the previous year.
73. Other subsidiary fund activity is largely related to movements in employee benefit liabilities, land and building assets, working capital funds, and investment income. Information on the net assets and annual results for all subsidiary funds of the ILO is included in the appendix.

► 2. Statement of Internal Control for the year ended 31 December 2023

Scope of responsibility

1. As Director-General of the International Labour Office (ILO), in accordance with the responsibility assigned to me by the Constitution of the International Labour Organization, the Governing Body, and the Financial Regulations, I have the responsibility and accountability for a sound system of internal control. In particular, article 30 of the Financial Regulations requires that I establish and maintain internal controls and ensure:
 - effective financial administration and the exercise of economy; and
 - effective custody of the physical assets of the Organization.

The purpose of the system of internal control

2. Internal control systems provide reasonable assurance regarding the achievement of objectives, compliance with regulations and policies, and reliable financial reporting. The ILO's Governing Body, the Director-General, the Treasurer and Financial Comptroller, senior management, and other significant personnel all play important parts in making this work effectively. The implementation of internal control is effected through the policies, procedures and operational processes applied at all levels, designed to identify and manage – rather than eliminate – the risks to these objectives.
3. My present statement applies for the year ended 31 December 2023. It also considers any relevant events up to the date of the approval of the Organization's consolidated 2023 financial statements.

The ILO's operating environment

4. The ILO operates in a global environment with a physical presence in over 140 locations and a total of 3,500+ staff members. The diverse operating locations, the unique tripartite structure, the engagement with multiple funding and delivery partners, and the diverse workforce all present the ILO with opportunities and potential risks.
5. This was the first full year since I took office in October 2022 as the 11th Director-General of the ILO. Against the background of innumerable and interlocking challenges ranging from the fallout of the COVID-19 pandemic, the rising cost of living, extreme weather events, geopolitical instability and conflicts, to a looming global debt crisis, I proposed the creation of a Global Coalition for Social Justice, which was fully endorsed by the Governing Body in November 2023. The mission of the Global Coalition is to foster multilateral cooperation and partnerships, accelerating progress towards the achievement of the Sustainable Development Goals. It will also serve as an umbrella framework for the United Nations Global Accelerator on Jobs and Social Protection for Just Transitions. I look forward to the full operationalization of the Coalition in the months to come.
6. Another important issue facing the ILO at the present time are the challenges and opportunities of digitalization and artificial intelligence, and the expected structural and substantive changes to the quantity and the quality of jobs, including the potential creation and transformation of new

jobs requiring new skills. The discussions at the Governing Body in March 2024 set the scene for the ILO to continue to be a thought leader and undertake more work in this area.

7. The Governing Body and International Labour Conference approved my Programme and Budget proposals for 2024–25 and its results framework in 2023. In support of the eight policy outcomes, the three specific enablers are designed to ensure continuous improvements in the governance and management of the Organization, commensurate with the level of performance and accountability that our constituents and contributors demand of us. Meanwhile, the organizational transition process continued in 2023 regarding the completion of the top management structure and the reshaping of the relevant policy and management functions. A series of initiatives was undertaken to enhance organizational effectiveness and improve operational modalities.
8. Within the overall operational framework of the Organization, ILO managers of departments and offices in headquarters, regional offices, decent work teams and country offices are required to review and monitor on an ongoing basis the exposure to all risks relating to their functions and activities, including those at the global level. They must continue to maintain a high level of internal control while ensuring efficient and effective delivery of the programme and project deliverables.

The ILO's risk management and internal control frameworks

9. The ILO's risk management framework contains the following features:
 - the Senior Management Team providing leadership and direction for embedding risk management in the ILO's ways of working, monitoring on a regular basis the Strategic Risk Register and directing action as required to address issues;
 - the alignment of the risk management framework to the Three Lines Model, in line with the ILO's Internal Control Framework and the model for management control across the UN system;
 - well-defined risk escalation processes for both strategic and operational risks, allowing for a top-down/bottom-up flow of risk information;
 - definitions of risk appetite and risk tolerance with specific conditions; and
 - a six-stage risk management process to plan, identify, evaluate, respond to, monitor and report risks, with detailed guidelines and tools provided in the risk management manual.
10. In 2023, three major outputs in the area of risk management were completed: the fraud risk assessment report; the business continuity plans in 75 locations worldwide; and the updated Strategic Risk Register.
11. The key elements of the ILO's Internal Control Framework continue to comprise of the following:
 - mapping of the ILO's existing rules, policies and procedures, as well as compliance monitoring tools, against a set of principles based on acknowledged best practice;
 - "Three Lines of Defence" for internal controls, in line with the reference model adopted by the UN High-level Committee on Management (HLCM), providing clarification on the roles and responsibilities in the implementation of internal controls.
 - emphasis on continuous improvement, identifying the necessary mechanisms for ongoing assessment and regular reporting of the overall effectiveness of internal control to ensure an appropriate level of assurance.

Review of internal control effectiveness

12. As specified in the ILO Internal Control Framework, my review of the effectiveness of the system of internal controls is mainly informed by:
- **Internal letters of representation**, completed and signed by members of the senior management team, regional directors, departmental directors at headquarters, external office directors and selected managers of major development cooperation programmes and projects. These provide a self-assessment of the accomplishment of their responsibilities for maintaining effective internal control and risk management on a day-to-day basis. Taking into consideration the evolving operational circumstances, the questions included in these disclosures were reviewed prior to the annual reporting cycle for 2023 and considered to continue to be fit for purpose since the last major update made in 2021.
 - **Independent audit and evaluation reports**, issued by the Chief Internal Auditor (including investigation reports), the External Auditor, the Evaluation Office, the Ethics Officer and, as relevant, the Joint Inspection Unit.
 - **Governing Body observations and guidance** on the strategic direction and internal control matters, including those contained in the reports of the Independent Oversight Advisory Committee (IOAC).

Significant internal control matters arising during the year 2023

13. The 2023 internal letters of representation were received from 348 directors and major programme and project managers. They were analysed and used as one of the key sources for providing assurance on the effective implementation of the ILO's internal controls during the year. No new control weaknesses were identified from these disclosures, though a few areas noted in past years continued to require attention. I have provided updates on the further actions taken around these topics in the sections below.
14. I have also considered the observations in the internal and external audit reports, the annual evaluation report and high-level evaluations, as well as the annual report of the IOAC to the Governing Body, pertaining to the year 2023. I took note of the areas of focus and observations made by these bodies, which contained reflections on good practices, lessons learned, and improvements required in the operational and oversight areas.
15. I also reviewed all the significant internal control matters that were reported over the past six years since the introduction of the statement of internal control in 2017 and noted the consistent and robust approach taken to identify them. Taking into consideration the positive opinion provided by the IOAC and the Governing Body on the process of preparing the statement, and based on my own observations, I have determined that the approach used was effective and have therefore continued applying it for my statement of 2023.
16. Based on the considerations above, I have deemed it necessary to report the following matters in 2023 to ensure that policies and procedures remain fit-for-purpose and their operational application continues to improve.
- **Accountability and capacity for the delivery of extrabudgetary development cooperation (XBDC) projects to be further strengthened.** A similar topic was initially included in the statement of internal control for 2021 based on the observations made in the Multilateral Organisation Performance Assessment Network (MOPAN) review and by the ILO's External Auditor, highlighting weaknesses in programme and project design and management practices, the ongoing challenge to ensure appropriate field capacity, and the need to

strengthen support on delivery to the field offices. While I noted in my statement of 2022 that the matter no longer represented significant risk for the Organization thanks to the well-established outcome-based work planning (OBW) reviews and the close monitoring and management of regular budget expenditure, I bring the topic back this year again with particular focus on the delivery of XBDC projects. The External Auditor, through the audits of eight field offices in 2023, reported some recurring challenges in the implementation of the XBDC projects, represented by delays in achieving project deliverables at both the expenditure and the results levels. While some delays were attributed to broader political and economic issues, changes in priorities or external constraints, others were attributed to internal control factors such as the absence of a procurement plan, recruitment delays, frequent changes in project staff, and so on. The high-level evaluations undertaken in 2023 also highlighted delays and higher costs experienced by those projects reviewed, often due to internal institutional blockages and capacity bottlenecks at the field level, and on the basis of ILO corporate procedures. In this connection, I report that a high-level evaluation on the implementation of the Development Cooperation Strategy (2020–25) has been commissioned in 2024 and look forward to any strategic and practical recommendations from this review in order to further improve the overall effectiveness of XBDC delivery through an enhanced accountability framework and capacity-building.

- **Effectiveness, efficiency and sustainability in the fulfilment of the internal audit and oversight (IAO) functions to be enhanced.** Internal audit and oversight functions are part of the third line of defence, playing a key role in the effectiveness of the internal control system. The matter concerning the IAO was also initially included in the statement of internal control for 2021 based on the IOAC's concern that internal audit activities were significantly curtailed due to the global pandemic and the lack of remote audit techniques, as well as the backlogs on investigation activities. While I noted in my statement of 2022 that the matter no longer represented significant risk for the Organization taking into account the significant improvement in the IAO's outputs and the provision of additional resources in my Programme and Budget proposals for 2024–25 to reinforce the IAO's capacity, I bring the topic back again this year due to the fact that the External Auditor conducted a comprehensive review of IAO functions in 2023 and made a series of recommendations for improvement. While recognizing the good practices contributing to the IAO's robust governance framework and overall effectiveness, the recommendations addressed issues such as: the updates of the audit and investigation charters, standard operating procedures and manuals; more detailed work planning; the formalization of confidentiality and conflict of interest declarations; the development of a quality assurance and improvement programme and an assurance map; the adoption of cost-effective measures to achieve audit targets; investing in information technology for forensic support; the development of a management implication report highlighting internal control weaknesses; more efficient use of the audit system; and so on. Furthermore, the IOAC also called for increased transparency and accountability through timely reporting of the progress made and final actions taken related to all allegations of wrongdoings, encouraging a supportive culture throughout the Office. I am pleased to report that the IAO has committed to and started the implementation of these recommendations, but it could be challenging given the size of the unit and the ongoing workload. I therefore intend to monitor closely, with the IAO, the implementation of these improvements and will report back in my future statements.

Internal control matters carried forward from previous years

17. In 2023, the Office continued to implement measures to address the internal control matters reported in the statements of the past years. Based on the feedback from the disclosures

submitted by directors and other managers in the internal letters of representation, and by referring to the relevant audit, oversight and evaluation reports, I have reassessed these matters and determined that, in some areas, further work or continued monitoring are still required despite progress made; while in other areas, significant results have been achieved to address the risks initially presented. Accordingly, these issues have been listed under two categories below – those that require further work or continued monitoring and those that are no longer deemed to be significant risks of internal control. Issues under the latter will not be reported as from the next financial year, unless they resurface in the future as an area of concern.

Matters requiring further work or continued monitoring

- **Performance management compliance (2017).** This topic has remained on the statements since 2017 and many measures have been implemented over the years for its improvement. In the 2023 disclosures contained in the internal letters of representation, 80 per cent of all managers reported a full compliance with the performance management cycles as of 31 December 2023, while others reported partial compliance with exceptions related to volume, competing priorities, reporting structure, staff absences, and some specific performance issues under discussion between the manager and staff concerned. The latest Office-wide performance appraisal compliance information as of 2 April 2024 showed that the overall compliance rates for appraisals of the 2023 End of Cycle and the 2024 Beginning of Cycle stood at 74 per cent and 63 per cent respectively, which are slightly lower compared to the same period last year as measured against the deadlines set. It should be noted that the Office has made significant efforts in 2023 to strengthen the quality and compliance of the performance management framework, including the delivery of workshops on effective performance management to managers, the development of an e-learning module for rollout in early 2024, and support and guidance provided for the management of underperformance through the work of the Reports Board and the establishment of individual performance improvement plans. Despite these efforts, the current level of compliance indicates that the Office still needs to take further measures to improve, in particular, on the accountability of managers and staff for taking performance matters seriously, including respecting reporting deadlines. I will therefore keep this subject for continued monitoring and reporting in my future statements.
- **Workforce planning and skills development (2018).** As mentioned in previous years, the effect of the change of the mandatory retirement age to 65 in 2018 has diminished after five years of implementation and the Office is now facing increased risk of losing key skills, competencies and experience with more upcoming retirements. The IOAC and the External Auditor have paid particular attention to workforce planning and skills development over the past few years and urged the Office to complete the skills mapping exercise as a key driver of change for the Organization's performance and for creating a diverse workforce with the right skills to face the future. In 2023, the Office relaunched Phase 1 of the exercise, focusing on the skills required to deliver on the policy outcomes. A robust skills taxonomy was developed and the skills assessment for the Phase 1 group was launched in November 2023 using a skills mapping tool. Statistical analysis, clarification of needs and gap analysis are being undertaken in the first quarter of 2024 in order to formulate proposals to address skills gaps. Meanwhile, Phase 2 of the exercise, focusing on leadership in the field and general service administrative support staff, will start in 2024. These measures, combined with the revision of generic job descriptions for the Technical Specialist and Evaluation job families and the review of duties for the General Administration and Office Support Assistants job family, represent ongoing progress being made. I will keep this subject for monitoring and will report further progress in my future statements, especially at the completion of the skills mapping exercise targeted at the end of the 2024–25 biennium.

- **The need for a strengthened ethics function to promote increased awareness on ethical conduct and the prevention of fraud and misconduct (2020).** Eighteen months after the appointment of a full-time Ethics Officer, I am pleased to report a productive year for the performance of the ethics function in 2023. As outlined in the Ethics Officer's 2023 annual report, submitted for the Governing Body's information for the first time, progress was made in the area of ethics, including a significant rise in requests for ethics advice and other interventions; the design, conduct and interpretation of an ethics survey for ILO staff; the preparation of the content for an online mandatory ethics training scheduled to be finalized and launched in 2024; and the successful coordination of the UN-ILO action plan on the prevention of and response to sexual exploitation and abuse (PSEA). The 2023 ethics survey highlighted areas of concern, which requires that the Ethics Officer dedicate sufficient time and effort to provide support to management in devising measures to address them. Noting all the positive progress made, however, I noted the IOAC and the Governing Body's concerns that the resources allocated to the Ethics Office for the coordination of the PSEA action plan may not have been appropriately evaluated and will undertake an assessment of the appropriateness of having the Ethics Officer as the PSEA focal point and review the budget and resources needed. I will therefore keep this subject for follow-up, in order to ensure that Ethics Office's core mandate, that is promoting ethical conduct and preventing fraud, misconduct and retaliation, is fully functional.
- **Oversight and control of implementing partnerships to be strengthened (2022).** Implementing partnership is an important contracting modality providing significant assistance in the delivery of the ILO's mandate in development cooperation programmes, projects and activities. The recommendations made by the External Auditor in 2021 for improvement of the performance evaluation of implementing partners and the need to enhance controls in the submission and receipt of deliverables are still being acted upon by the Office. In 2023, two cases of misconduct involving implementing partners were substantiated by the IAO, one of double-dipping and the other of sexual exploitation and abuse. In addition, the fraud risk assessment conducted by the Senior Risk Officer in 2023 identified implementation agreements as an area with the highest fraud risks caused by insufficient routine onsite supervision by technical staff, exposing the Office to fraud schemes such as unapproved departure from the agreed plan, beneficiary/input/output substitution, overcharging, and false reporting of activities. Despite the latest updates made in the procedures, guidelines and tools, I consider that more is to be done in this area to ensure robust oversight and monitoring of implementing partners through the due diligence and accountability of programme managers.
- **Policy on external collaboration contracts to be updated to "fit for purpose" (2022).** External collaboration contracts are contracts concluded with persons acting in their individual capacity to perform a specific task or set of tasks for the ILO. They are not employment contracts and remain outside the scope of the Staff Regulations. The Office policy on the use of external collaboration contracts dated back to 2011 and requires significant review and update. Over the years, both the internal audit and external audit reports highlighted issues pertaining to this contract modality. Most recently, in December 2023, the IAO finalized its report on external collaborator contracting and made a series of recommendations, the most important of which was on policy ownership and oversight. The IOAC supported these recommendations and urged the Office to prioritize the action plans to address them, bearing in mind the potential reputational risk of not implementing proper labour standards in these contracts. I am pleased to report that I have entrusted the ownership of this policy to the Treasurer and Financial Comptroller and the revision of the policy has already started in 2024 based on audit and oversight recommendations as well as stakeholder feedbacks. The revised policy is

targeted for publication by the end of 2024, addressing major control issues and providing guidelines and tools for more consistent application throughout the Office and more effective oversight.

Matters no longer deemed significant risk of internal control

- **ILO's cybersecurity controls to be further enhanced (2022).** This topic was included in my statement of 2022 based on the ILO's exposure to cybersecurity risks and in light of the report of the Joint Inspection Unit on "Cybersecurity in the United Nations system organizations" and the subsequent independent review of the ILO's cybersecurity framework and its resilience. As elaborated in the second progress report of the implementation of the Information Technology Strategy (2022–25), I am pleased to report that many of the recommendations of the high-level independent report were implemented in 2023, including: (a) the publication of an information security risk manual in line with the ILO enterprise risk framework and with the ISO 27001 standard for information security; (b) the development of role-based information security awareness training in collaboration with the International Training Centre emphasizing individual decision-makers such as project managers, financial approvers and field office directors; (c) the delivery of a cybersecurity incident drill, a tabletop cybersecurity incident exercise to selected ILO managers and an anti-phishing simulation campaign; (d) the testing of SharePoint disaster recovery plan to ensure restoration of data in case of a major incident affecting the production platform or the host data centre; (e) the full review of the development standards and processes used for the creation of IT applications; (f) the implementation of single sign-on for the Integrated Resource Information System (IRIS) with seamless and consistent access to business applications and improved security controls; and so on. Going forward, the Office will continue to address information security awareness and resilience, building on three pillars – governance, risk and compliance – to strengthen tactical and strategic decision-making. A communication programme for promoting policies relevant to information security and cyberresilience, and further training modules and exercises will be developed. Opportunities for expanding the applicability scope for standards and baselines such as the ISO 27001 standard on information security, cybersecurity and privacy protection will also be explored. As the Office has and will continue to enhance cybersecurity controls, I no longer consider this topic to be significant under this disclosure. It should be noted that the risk of cyberattacks and the resulting potential damage remains high; correspondingly, this is included as a key risk (No. 6) identified in the ILO's Strategic Risk Register for 2024–25.

Conclusion

18. Internal controls, no matter how well designed, have inherent limitations, including the possibility of premeditated circumvention and therefore can provide only reasonable but not absolute assurance. The effectiveness of internal controls may vary over time due to changes in conditions beyond the Office's control. I am accordingly committed to the continuous development of the system of internal control so as to address control issues in a timely manner.

19. Based on the above I conclude that to the best of my knowledge and information, the ILO has an effective system of internal control and there were no material weaknesses identified during the year ended 31 December 2023.

(Signed) Gilbert F. Hounbo
Director-General

Geneva, 12 April 2024

► 3. Approval of the consolidated financial statements for the year ended 31 December 2023

The consolidated financial statements are the responsibility of and have been prepared by management in accordance with the International Public Sector Accounting Standards and comply with the Financial Regulations of the International Labour Organization. They include certain amounts that are based on management's best estimates and judgements.

The financial governance of the Office includes the review of financial systems and internal controls by the ILO's Office of Internal Audit and Oversight, the External Auditor, and by the Governing Body and its subsidiary body, the Independent Oversight Advisory Committee. The External Auditor also provides an opinion on the Financial Statements which is provided in the following section.

In accordance with Chapter VII of the Financial Regulations and Financial Rule 1.40, the consolidated financial statements numbered I to V and the accompanying notes are hereby approved and submitted to the Governing Body of the International Labour Office.

(Signed) Adnan Chughtai
Treasurer and Financial Comptroller
Geneva, 28 March 2024

(Signed) Gilbert F. Hounbo
Director-General
Geneva, 28 March 2024

▶ 4. Audit opinion of the External Auditor to the Governing Body of the International Labour Office



REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City, Philippines

INDEPENDENT AUDITOR'S REPORT

To the Governing Body of the International Labour Office

Opinion

We have audited the consolidated financial statements of the International Labour Organization (ILO) and its controlled entity, the International Training Centre (ITC), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of financial performance, consolidated statement of changes in net assets, consolidated statement of cash flow, and statements of comparison of budget and actual amounts for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the ILO and its controlled entity, the ITC, as at 31 December 2023, and their financial performance, changes in net assets, cash flow, and comparison of budget and actual amounts for the year then ended, in accordance with International Public Sector Accounting Standards (IPSAS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA) and the International Standards of Supreme Audit Institutions (ISSAI). Our responsibilities under those standards are described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the ILO and its controlled entity, the ITC, in accordance with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the ILO financial report and audited consolidated financial statements for the year ended 31 December 2023 and report of the external auditor, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IPSAS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the ILO and its controlled entity, the ITC's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the ILO and its controlled entity, the ITC, or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the ILO and its controlled entity, the ITC's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs and ISSAIs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the ILO's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ILO's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Further, in our opinion, the transactions of the ILO and its controlled entity, the ITC, that have come to our notice or which we have tested as part of our audit have, in all significant respects, been in accordance with the Financial Regulations and legislative authority of the ILO and of the ITC.

In accordance with Paragraph 6 of the Appendix to the Financial Regulations of the ILO, we have also issued a long-form report on our audit of the ILO.

(Signed) Gamaliel A. Cordoba

Chairperson, Commission on Audit
Republic of the Philippines
External Auditor

Quezon City, Philippines
15 April 2024

► 5. Consolidated financial statements for the year ended 31 December 2023

International Labour Organization

Statement I

► Consolidated statement of financial position as at 31 December 2023 (US\$ thousands)

| | Note | 2023 | 2022 |
|---|------|------------------|------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 4 | 322 698 | 279 626 |
| Contributions receivable – Assessed | 5 | 130 109 | 141 680 |
| Contributions receivable – Voluntary | 6 | 253 625 | 211 839 |
| Derivative assets | 7 | 1 691 | 5 384 |
| Investments | 8 | 729 760 | 656 674 |
| Other receivables | 9 | 22 771 | 35 488 |
| Other current assets | 10 | 37 936 | 40 177 |
| | | 1 498 590 | 1 370 868 |
| Non-current assets | | | |
| Contributions receivable – Assessed | 5 | 3 152 | 3 969 |
| Contributions receivable – Voluntary | 6 | 319 935 | 186 191 |
| Investments | 8 | 313 875 | 325 668 |
| Property and equipment | 11 | 808 890 | 709 891 |
| Intangible assets | 12 | 3 821 | 4 130 |
| | | 1 449 673 | 1 229 849 |
| Total assets | | 2 948 263 | 2 600 717 |
| Liabilities | | | |
| Current liabilities | | | |
| Payables and accruals | | 60 525 | 49 247 |
| Deferred revenue | 13 | 821 131 | 771 643 |
| Employee benefits | 14 | 70 988 | 66 733 |
| Current portion of long-term borrowings | 15 | 7 228 | 6 539 |
| Due to Member States | 16 | 4 716 | 21 094 |
| Derivative liabilities | 7 | 10 907 | – |
| Other current liabilities | 17 | 5 675 | 6 796 |
| | | 981 170 | 922 052 |
| Non-current liabilities | | | |
| Deferred revenue | 13 | 332 883 | 186 143 |
| Employee benefits | 14 | 1 708 004 | 1 412 724 |
| Long-term borrowings | 15 | 74 020 | 73 257 |
| Due to Member States | 16 | 10 620 | 4 787 |
| Derivative liabilities | 7 | 14 051 | – |
| | | 2 139 578 | 1 676 911 |
| Total liabilities | | 3 120 748 | 2 598 963 |
| Net assets | | | |
| Reserves | 18 | 281 109 | 255 778 |
| Accumulated balances | 18 | (453 594) | (254 024) |
| Total net assets | | (172 485) | 1 754 |

The accompanying notes form an integral part of these consolidated financial statements.

International Labour Organization

Statement II

► Consolidated statement of financial performance for the year ended 31 December 2023
(US\$ thousands)

| | Note | 2023 | 2022 |
|---|------|----------------|-----------------|
| Revenue | | | |
| Assessed contributions | 24 | 410 556 | 409 766 |
| Voluntary contributions | 24 | 401 807 | 412 509 |
| ITC training services | 24 | 13 603 | 15 364 |
| Staff/retiree benefit contributions | | 25 219 | 23 842 |
| Sales and royalties | | 17 897 | 17 723 |
| Investment income/(loss), net | | 50 544 | (2 332) |
| Other income | | 1 388 | 1 685 |
| Total revenue | | 921 014 | 878 557 |
| Expenses | | | |
| Salaries, employee benefits and other personnel costs | 19 | 526 600 | 504 292 |
| Travel | 19 | 29 659 | 19 704 |
| Subcontracts | 19 | 209 171 | 197 348 |
| General operating expenses | 19 | 49 281 | 44 459 |
| Supplies, materials and small equipment | 19 | 13 597 | 8 729 |
| Depreciation and amortization | 19 | 13 924 | 12 477 |
| Seminars, workshops and other training | 19 | 29 818 | 23 625 |
| Staff development | 19 | 4 550 | 1 461 |
| Health benefits | 19 | 57 447 | 50 343 |
| Contributions and grants in aid | 19 | 15 938 | 20 522 |
| Finance expenses | 19 | 2 888 | 2 999 |
| Other expenses | 19 | 114 | 1 291 |
| Total expenses | | 952 987 | 887 250 |
| Foreign exchange gains/(losses) | | 31 237 | (12 230) |
| Net surplus (deficit) | | (736) | (20 923) |

The accompanying notes form an integral part of these consolidated financial statements.

International Labour Organization

Statement III

► Consolidated statement of changes in net assets for the year ended 31 December 2023 (US\$ thousands)

| | Note | Reserves | Accumulated balances | Total net assets |
|---|------|----------------|-------------------------|---------------------|
| Balance as at 31 December 2021 | 18 | 236 145 | (939 932) | (703 787) |
| Surplus (deficit) for the year 2022 | | (3 434) | (17 489) | (20 923) |
| Repayment of internal borrowing for financing of regular budget deficit | | 23 547 | (23 547) | – |
| New internal borrowing for financing of regular budget deficit | | (340) | 340 | – |
| Change of derivatives | | – | 227 | 227 |
| Change of revaluation surplus of land and buildings | | – | 27 495 | 27 495 |
| Actuarial gain (loss) of employee benefit liabilities | | – | 701 004 | 701 004 |
| Transfer of liabilities due to Member States of period 2022 | | – | (274) | (274) |
| Translation difference from consolidation of ITC | | (140) | (1 848) | (1 988) |
| Total 2022 movement | | 19 633 | 685 908 | 705 541 |
| Balance as at 31 December 2022 | 18 | 255 778 | (254 024) | 1 754 |
| Effect of adoption of new accounting standards | 3 | – | 1 509 | 1 509 |
| Balance as at 1 January 2023 | | 255 778 | (252 515) | 3 263 |
| Surplus (deficit) for the year 2023 | | 25 707 | (26 443) | (736) |
| Repayment of internal borrowing for financing of regular budget deficit | | 340 | (340) | – |
| New internal borrowing for financing of regular budget deficit | | (686) | 686 | – |
| Change of derivatives | | – | (4 601) | (4 601) |
| Change of revaluation surplus of land and buildings | | – | 78 809 | 78 809 |
| Actuarial gain (loss) of employee benefit liabilities | | – | (241 388) | (241 388) |
| Transfer of liabilities due to Member States of period 2023 | | – | (10 045) | (10 045) |
| Allocation of unrealized gain (loss) on investment portfolios | | (120) | 672 | 552 |
| Translation difference from consolidation of ITC | | 90 | 1 571 | 1 661 |
| Total 2023 movement | | 25 331 | (201 079) | (175 748) |
| Balance as at 31 December 2023 | 18 | 281 109 | (453 594) | (172 485) |

The accompanying notes form an integral part of these consolidated financial statements.

International Labour Organization

Statement IV

► Consolidated statement of cash flow for the year ended 31 December 2023 (US\$ thousands)

| | Note | 2023 | 2022 |
|---|------|-----------------|-----------------|
| Cash flows from operating activities | | | |
| Surplus (deficit) for the year | | (736) | (20 923) |
| Non-cash movements: | | | |
| Depreciation and amortization | | 13 924 | 12 477 |
| (Increase) decrease in contributions receivable – Assessed | | 13 964 | (2 732) |
| (Increase) decrease in contributions receivable – Voluntary | | (175 530) | 60 654 |
| (Increase) decrease in derivative instruments | | 24 051 | 507 |
| (Increase) decrease in investment portfolios | | (38 676) | 21 687 |
| (Increase) decrease in other receivables | | (7 795) | (3 782) |
| (Increase) decrease in other assets | | 2 241 | (4 849) |
| Increase (decrease) in payables and accruals | | 11 278 | (7 328) |
| Increase (decrease) in deferred revenue | | 196 228 | (63 217) |
| Increase (decrease) in employee benefits | | 58 116 | 68 385 |
| Increase (decrease) in due to Member States | | (10 545) | (16 257) |
| Increase (decrease) in other liabilities | | (1 121) | (267) |
| Increase (decrease) in borrowings | | 8 129 | (902) |
| Gain on disposal of assets | | 9 | 33 |
| Effect of exchange rates on cash and cash equivalents | | 13 867 | 1 153 |
| Transfer to liabilities due to Member States and donors from net assets | | (9 492) | (274) |
| Net cash flows from operating activities | | 97 912 | 44 365 |
| Cash flows from investing activities | | | |
| Proceeds from sale of investments | 8 | 1 502 657 | 1 138 508 |
| Purchase of investments | 8 | (1 525 275) | (1 180 870) |
| Additions of property and equipment | 11 | (32 695) | (35 483) |
| Proceeds from disposals of property and equipment | | 20 513 | 25 641 |
| Additions of intangible assets | 12 | (714) | (1 589) |
| Net cash flows from investing activities | | (35 514) | (53 793) |
| Cash flows from financing activities | | | |
| Repayment of borrowings | 15 | (6 677) | (6 066) |
| Net cash flows from financing activities | | (6 677) | (6 066) |
| Effect of exchange rates on cash and cash equivalents | | (12 649) | (2 695) |
| Net increase (decrease) in cash and cash equivalents | | 43 072 | (18 189) |
| Cash and cash equivalents, beginning of period | 4 | 279 626 | 297 815 |
| Cash and cash equivalents, end of period | 4 | 322 698 | 279 626 |

The accompanying notes form an integral part of these consolidated financial statements.

International Labour Organization

Statement V-A

► Statement of comparison of budget and actual amounts ¹ Regular budget for the year ended 31 December 2023 (US\$ thousands)

| | 2023 Original budget ² | 2023 Final budget ³ | 2023 Actual | 2023 Difference ⁴ | 2022-23 Original and final budget | 2022-23 Actual | 2022-23 Difference ⁴ |
|--|---|--------------------------------------|----------------|---------------------------------|--|-------------------|------------------------------------|
| Revenue | | | | | | | |
| Assessed contributions | 426 380 | 426 380 | 426 380 | – | 852 760 | 852 760 | – |
| Total revenue | 426 380 | 426 380 | 426 380 | – | 852 760 | 852 760 | – |
| Expenses | | | | | | | |
| Part I – Ordinary budget | | | | | | | |
| A. Policymaking organs | 27 422 | 29 627 | 28 265 | (1 362) | 54 844 | 53 482 | (1 362) |
| B. Policy outcomes | 339 334 | 376 066 | 360 319 | (15 747) | 678 667 | 662 920 | (15 747) |
| C. Management services | 32 962 | 36 135 | 36 134 | (1) | 65 925 | 65 924 | (1) |
| D. Other budgetary provisions | 23 213 | 23 564 | 23 237 | (327) | 46 426 | 46 099 | (327) |
| Adjustment for staff turnover ⁵ | (3 452) | (6 903) | – | 6 903 | (6 903) | – | 6 903 |
| Total Part I | 419 479 | 458 489 | 447 955 | (10 534) | 838 959 | 828 425 | (10 534) |
| Part II – Unforeseen expenditure | 438 | 875 | – | (875) | 875 | – | (875) |
| Part IV – Institutional investments and extraordinary items | 6 463 | 4 971 | 4 971 | – | 12 926 | 12 926 | – |
| Total expenses (Parts I, II and IV) | 426 380 | 464 335 | 452 926 | (11 409) | 852 760 | 841 351 | (11 409) |
| Surplus at budgetary rate of exchange | | | | | | 11 409 | |
| Revaluation of the budgetary surplus | | | | | | 888 | |
| Surplus at UN operational rate of exchange | | | | | | 12 297 | |
| Surplus resulting from the receipt of contributions in an amount higher than approved regular budget | | | | | | 13 099 | |
| Reimbursement of 2020–21 deficit financing ⁶ | | | | | | (26 082) | |
| Net surplus (deficit) ⁷ | | | | | | (686) | |

¹ Budget and actual information calculated at budgetary rate of exchange of US\$1.00 = CHF0.90

² Original budget represents one half of the biennial budget adopted by the International Labour Conference.

³ Final budget represents one half of the approved budget adopted by the ILC plus the balance remaining unspent at the end of the first year of the biennium.

⁴ Significant differences between budget and actual are explained in the accompanying financial report on the 2023 accounts.

⁵ Staff turnover is an undistributed adjustment to reduce the overall level of the budget in recognition of inevitable delays in recruitment. Managed underspending against appropriation lines offsets this undistributed adjustment.

⁶ As of 31 December 2021, in accordance with article 21.1(a) of the Financial Regulations, the deficit of CHF21.778 million, was covered by the Working Capital Fund. In accordance with article 21.2(a) of the Financial Regulations, arrears of contributions received in 2022 were used to reimburse the Working Capital Fund.

⁷ 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 nominal balance of this Fund standing at CHF35.000 million (US\$41.916 million), as a consequence, decreased to CHF34.427 million (US\$41.230 million). In accordance with article 21.2(a) of the Financial Regulations, arrears of contributions received in 2024 will be used to reimburse the Working Capital Fund.

The accompanying notes form an integral part of these consolidated financial statements.

International Labour Organization

Statement V-B

► **Statement of comparison of budget and actual amounts**
Inter-American Centre for Knowledge Development in Vocational Training (CINTERFOR)
for the year ended 31 December 2023 (US\$ thousands)

| | 2023 Original budget ¹ | 2023 Final budget ² | 2023 Actual | 2023 Difference | 2022-23 Original and final budget | 2022-23 Actual | 2022-23 Difference |
|--|---|--------------------------------------|----------------|--------------------|--|-------------------|-----------------------|
| Accumulated balance, beginning | 1 394 | 1 230 | 1 230 | – | 1 581 | 1 549 | (32) |
| Revenue | | | | | | | |
| Contribution from ILO regular budget | 1 161 | 1 161 | 1 161 | – | 2 323 | 2 323 | – |
| Contribution from host country and other countries in the region | 300 | 291 | 258 | (33) | 600 | 567 | (33) |
| Additional contributions from ILO | – | – | 263 | 263 | – | 263 | 263 |
| Other contributions | 125 | 94 | 564 | 470 | 250 | 720 | 470 |
| Sales of publications and services | 2 | 5 | – | (5) | 5 | – | (5) |
| Miscellaneous income | 8 | – | 99 | 99 | 15 | 114 | 99 |
| Total revenue | 1 596 | 1 551 | 2 345 | 794 | 3 193 | 3 987 | 794 |
| Expenses | | | | | | | |
| Expenditure | 1 784 | 1 606 | 2 281 | 674 | 3 568 | 4 242 | 674 |
| Total expenses | 1 784 | 1 606 | 2 281 | 674 | 3 568 | 4 242 | 674 |
| Net surplus (deficit) | (188) | (55) | 64 | 120 | (375) | (255) | 120 |
| Accumulated balance, ending | 1 206 | 1 175 | 1 294 | 120 | 1 206 | 1 294 | 88 |

¹ The original budget represents one half of the biennial budget adopted by the ILO Governing Body.

² Final budget represents one half of the approved budget adopted by the ILO Governing Body plus the balance remaining unspent at the end of the first year of the biennium.

The accompanying notes form an integral part of these consolidated financial statements.

International Labour Organization

Statement V-C

► Statement of comparison of budget and actual amounts International Training Centre of the ILO (ITC) for the year ended 31 December 2023

| | 2023 Original and final budget ¹ | 2023 Actual | 2023 Variance ² | 2022-23 Original and final budget | 2022-23 Actual | 2022-23 Variance |
|--|---|----------------|-------------------------------|---|-------------------|---------------------|
| (in € thousands) | | | | | | |
| Revenue | | | | | | |
| Voluntary contributions | 12 299 | 13 669 | 1 370 | 24 598 | 27 066 | 2 468 |
| Earned income | 15 202 | 20 594 | 5 392 | 30 130 | 40 143 | 10 013 |
| Use of surplus | - | 52 | 52 | - | 104 | 104 |
| Total budget revenue | 27 501 | 34 315 | 6 814 | 54 728 | 67 313 | 12 585 |
| Expenditure | | | | | | |
| Fixed expenditure | 25 878 | 29 392 | 3 514 | 51 414 | 57 357 | 5 943 |
| Institutional investment | 1 200 | 3 600 | 2 400 | 2 400 | 4 800 | 2 400 |
| Contingency | 300 | - | (300) | 600 | - | (600) |
| Total expenditure | 27 378 | 32 992 | 5 614 | 54 414 | 62 157 | 7 743 |
| Budget surplus ³ | 123 | 1 323 | 1 200 | 314 | 5 156 | 4 842 |
| (in US\$ thousands) | | | | | | |
| Net budget surplus ⁴ | 133 | 1 430 | 1 297 | 339 | 5 573 | 5 234 |

¹ Original budget represents approximately 50 per cent of approved budget for the biennium.

² Budget variances are explained in the accompanying financial report on the 2023 accounts.

³ As per ITC's Financial Regulations, article 7(4).

⁴ The revenue and expenditure of the ITC are consolidated using an average rate of US\$1 = €0.9252 for the reporting period (US\$1 = €0.9493 for 2022).

The accompanying notes form an integral part of these consolidated financial statements.

Note 1 – Objectives and activities

1. The International Labour Organization (ILO) was founded in 1919 to promote social justice and internationally recognized human and labour rights. In 1947, the ILO became the first specialized agency of the United Nations (UN) system based upon an agreement between the Organization and the UN adopted in accordance with Article 57 of the United Nations Charter.
2. The ILO formulates international labour standards in the form of Conventions and Recommendations. These include fundamental standards on freedom of association and collective bargaining, abolition of forced labour, equality of opportunity and treatment, and the elimination of child labour. Other standards regulate conditions across the entire spectrum of work-related issues. The ILO provides advisory services and technical assistance, primarily in the fields of: child labour; employment policy; training and skills development and vocational rehabilitation; enterprise development; social security; industrial relations; and labour statistics. It promotes the development of independent employers' and workers' organizations, and provides training and advisory services to those organizations. It serves as a centre of information on the world of work, and to this end conducts research, gathers and analyses statistics, organizes meetings, and publishes a range of information and training materials.
3. The ILO was established pursuant to its Constitution originally adopted in 1919 and is governed by the International Labour Conference which consists of representatives of all the Member States, and by the Governing Body elected by the Conference. The International Labour Conference of representatives of the Members is convened annually. Within the UN system, the ILO has a unique tripartite structure with workers and employers participating as equal partners with governments in the work of its governing organs.
4. The ILO's headquarters is in Geneva, Switzerland, and it maintains external offices in over 50 countries. In accordance with its headquarters agreement with the Government of Switzerland and the United Nations Convention on Privileges and Immunities for Specialized Agencies (1947 Convention) the Organization is exempt from most taxes and customs duties imposed by its Member States.
5. The financial statements consolidate all of the operations under the direct authority of the Director-General including the regular budget, reserves, extrabudgetary funded activities, the Inter-American Centre for Knowledge Development in Vocational Training (CINTERFOR) and the International Training Centre of the ILO (ITC) along with the Administrative Tribunal of the ILO and the ILO Staff Health Insurance Fund (SHIF).
6. Controlled entity: The ITC was established by the Governing Body of the ILO and the Government of Italy in 1964. The ITC is headquartered in Turin, Italy. The ITC provides training and related services to UN agencies, governments and non-governmental organizations designed to develop human resources and improve institutional capabilities. The ITC is financed from the ILO's regular budget and development cooperation projects, from the Government of Italy and from revenues earned by providing training services. The ITC produces separate financial statements at the same reporting date as the ILO.

Note 2 – Accounting policies

Basis of preparation and presentation

7. The consolidated financial statements of the ILO have been prepared in accordance with International Public Sector Accounting Standards (IPSAS) and comply with the ILO Financial Regulations.

8. The consolidated financial statements are prepared on an accrual basis.

Financial period

9. The Organization's financial period for budgetary purposes is a biennium consisting of two consecutive calendar years. The consolidated financial statements are prepared annually.

Financial statement presentation

10. The functional and presentation currency of the Organization is the United States (US) dollar. The consolidated financial statements are expressed in thousands of US dollars unless otherwise indicated.

Measurement uncertainty

11. The preparation of consolidated financial statements in accordance with IPSAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses for the year. Investments and derivatives, property, and employee benefit liabilities are the most significant items where estimates are used. Actual results could differ significantly from these estimates.

Significant accounting policies

Consolidation

12. The accounts of the ITC have been consolidated into the consolidated financial statements of the ILO. The functional currency of the ITC is the euro. For the purposes of consolidation, the balances of the ITC assets, liabilities and net assets are converted from the euro to the US dollar at the UN operational rate of exchange as at the reporting date. Revenues and expenses are converted from the euro to the US dollar using the average UN operational rate for the reporting period. Gains and losses on exchange resulting from the consolidation of ITC euro-based accounts into the ILO's US dollar-based consolidated financial statements are recognized in net assets.

Contingent asset

13. Contingent assets are probable assets that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Organization. They are disclosed in the notes to the consolidated financial statements.

Due to Member States

14. A liability is established to reflect the amounts payable to Member States for undistributed net surpluses, undistributed net premia at the end of each biennium, and the incentive fund at the end of each reporting period:
- At the end of the first year of each biennium a calculation is made of the amount that would have been due to Member States, and this amount is reflected as a component of accumulated fund balance.
 - At the end of the second year of each biennium the amount is recognized as a liability to Member States in accordance with the provisions of the Financial Regulations.

Employee benefits

15. The ILO recognizes the following categories of employee benefits:

Post-employment benefits

16. Post-employment benefits are employee benefits that are payable after the completion of employment. The ILO is a member organization participating in the United Nations Joint Staff Pension Fund (UNJSPF or the Fund), which was established by the United Nations General Assembly to provide retirement, death, disability and related benefits to employees. The Fund is a funded, multi-employer defined benefit plan. As specified in article 3(b) of the Regulations of the Fund, membership in the Fund shall be open to the specialized agencies and to any other international, intergovernmental organization which participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.
17. The Fund exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual organizations participating in the Fund. The ILO and the Fund, in line with the other participating organizations in the Fund, are not in a position to identify the ILO's proportionate share of the defined benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence, the ILO has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 39 – Employee Benefits. The ILO's contributions to the Fund during the financial period are recognized as expenses in the consolidated statement of financial performance.
18. The ILO's defined benefit plans comprise the after-service health insurance (ASHI) plan and repatriation entitlements, which include repatriation grant and end-of-service benefits along with travel and shipping costs upon termination. The benefits are established in accordance with the Staff Regulations of the ILO and the ITC, and the SHIF Regulations and Administrative Rules. Management of the SHIF is the responsibility of a Management Committee consisting of members representing both insured persons and the Director-General of the ILO. This insurance scheme is not subject to any outside regulatory framework.
19. The liability recognized for these plans is the present value of the defined benefit obligations at the reporting date. The ASHI liability and the repatriation entitlements are calculated by an independent actuary using the Projected Unit Credit Method. The principal actuarial risks faced by the plans are changes to discount rates, rates of future medical cost increases and longevity of members.
20. Interest cost and current service costs are recognized on the consolidated statement of financial performance as a component of staff costs. Actuarial gains or losses arising from changes in actuarial assumptions or experience adjustments are directly recognized in net assets.

Other employee benefits

21. Other employee benefits comprise first-time employee benefits (for example moving costs, subsidies at the beginning of appointment), regular monthly benefits (for example salaries and allowances), compensated absences (for example annual leave), and other short-term benefits (for example education grant and home leave) established in accordance with the Staff Regulations of the ILO and the ITC. An expense is recognized when employees render service to the Organization and current or non-current liabilities are recognized for any entitlements that have not been settled at the reporting date.

Financial instruments

Financial assets and liabilities

22. Financial assets of the ILO include cash and cash equivalents, investments, receivables, and derivative assets. Financial liabilities include payables and borrowings.
23. Financial assets and liabilities are recognized initially at fair value and subsequently measured at either amortized cost or fair value, depending on their classification. The classification of financial assets is defined based on the ILO's management model for the financial assets and the contractual cash flow characteristics of the financial assets. An allowance for expected credit losses is recognized for all financial assets not held at fair value through surplus or deficit based on the difference between the contractual cash flows and the cash flows that the ILO expects to receive. For receivables and financial assets deemed to be of low credit risk, the ILO applies a simplified approach that recognizes a loss allowance based on expected credit losses over the lifetime of the financial assets. The allowance is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Financial liabilities are subsequently measured at amortized cost, other than derivatives that are liabilities.

Borrowings

24. Interest and other expenses incurred in connection with the borrowing of funds to directly finance the acquisition or construction of assets are capitalized as part of the cost of the asset until the date the asset is available for its intended use.

Cash and cash equivalents

25. Cash comprises cash on hand and demand deposits; cash equivalents are short-term, highly liquid investments with maturity of less than 90 days from the date of acquisition and are readily convertible to known amounts of cash.

Derivative financial instruments

26. The ILO uses derivative financial instruments, such as forward purchase agreements, to hedge its foreign currency risks. These financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value at the end of the financial period. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are recognized on the consolidated statement of financial performance, except where hedge accounting is applied.
27. Before the start of the 2022–23 biennium, the ILO designated its regular budget forward purchase agreements for those two years as a cash flow hedge against the forecasted annual assessed contributions revenue transactions and applied hedge accounting. Accordingly, the effective portion of the gain or loss on the hedging instrument is recognized directly in net assets, and any ineffective portion is recognized immediately in the consolidated statement of financial performance. Amounts recognized in net assets are transferred to the consolidated statement of financial performance when the forecasted transaction occurs.
28. As the hedged transactions took place in each of the 2022 and 2023 years, the hedge was fully applied. The ILO has not designated a new hedging relationship for the next biennium and discontinued hedge accounting.

Investments

29. Realized and unrealized gains or losses arising from the change of market value of investments and revenue from interest and dividends are recognized in the consolidated statement of financial performance in the period in which they arise. Investments are classified as current or non-current assets according to the time horizon of the investment objectives. If the time horizon is less than or equal to one year, they are classified as current assets, and if it is more than one year, they are classified as non-current assets.

Payables and accruals

30. Payables and accruals are financial liabilities for goods or services that have been received but not paid by the reporting date. Payables and accruals are of a short-term nature and are recognized at cost as the effect of discounting is not considered material.
31. The liability for health insurance claims incurred but not yet received relating to SHIF is classified as an accrual. It is estimated based on the expenditure patterns over the past years and is adjusted on an annual basis.

Receivables

32. Specific accounting policies for receivables are detailed in the “Revenues and receivables from non-exchange transactions” section below.

Foreign currency transactions

33. Transactions carried out during the financial period in currencies other than the US dollar are converted to US dollars using the UN operational rate of exchange in effect on the date of each transaction. These rates approximate market rates.
34. Balances of monetary assets and liabilities maintained in currencies other than the US dollar are converted to US dollars at the UN operational rate of exchange applicable at the reporting date, which approximates the market rate. Exchange differences arising on the settlement of monetary items and unrealized gains or losses from revaluation of monetary assets and liabilities are recognized on the consolidated statement of financial performance except for gains and losses on exchange arising on effective cash flow hedges at the reporting date which are recognized in net assets.
35. Balances of non-monetary assets and liabilities carried at historical cost are converted using the UN operational rate of exchange at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the UN operational rate at the date when the fair value is determined. Exchange gains or losses from the revaluation of property are recognized in net assets.
36. Exchange gains and losses are presented on a net basis on the consolidated statement of financial performance as revenue if a gain or as an expense if a loss.
37. On the statement of comparison of budget and actual amounts for the regular budget (Statement V-A), revenue and expenses incurred in Swiss francs are reflected at a budgetary rate of exchange fixed by the International Labour Conference for the biennium.

Impairment of non-financial assets

38. Cash-generating assets are those held for the purpose of generating a commercial return. Non-cash-generating assets including land, buildings, equipment, intangible assets and leasehold improvements are not held for future sale. Impairment reviews are undertaken for all non-financial assets at least annually to determine if there is any impairment in their value. Provisions are established to recognize impairment, if necessary.

Intangible assets

39. Intangible assets are recognized at historical cost and amortized over their useful life using the straight-line method. Externally acquired software are recognized as intangible assets if their cost per user equalled or was greater than US\$5,000 for the International Labour Office and €4,000 for the ITC. Internally developed software are recognized as intangible assets if their cost equalled or was greater than US\$200,000 for the ILO and €40,000 for the ITC.

Leases

40. Lease agreements entered into for equipment or office premises are classified as operating leases unless they substantially transfer all of the risk and reward of ownership. Lease charges for operating leases are recognized on the consolidated statement of financial performance as general operating expenses, based on the terms of the agreements for the period concerned so as to reflect the time pattern of benefit to the ILO.

Property and equipment

41. Property and equipment include the followings classes of assets:
- **Equipment:** Equipment is recorded at historical cost and presented at depreciated cost. Equipment is capitalized and recognized as an asset if its cost exceeds or is equal to a threshold of US\$5,000.
 - **Land and buildings:** Land and buildings are valued at fair value based upon an external and independent valuation conducted annually. The net difference between historical cost and fair value for land and buildings is accounted for in a revaluation surplus which forms a separate component of net assets.
 - **Leasehold improvement:** Leasehold improvements are recorded at historical cost and presented at depreciated cost. Leasehold improvements are capitalized and recognized as an asset if their cost exceeds or is equal to a threshold of US\$50,000.
42. The value of heritage assets, including donated works of art, is not recognized as an asset on the consolidated statement of financial position.
43. Property and equipment are derecognized either on disposal or when they are permanently withdrawn from use and no future economic benefit or service potential is expected. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the consolidated statement of financial performance in the period of derecognition.
44. Depreciation of property and equipment is recognized over the estimated useful life of the assets using the straight-line method, except for land which is not subject to depreciation. Depreciation of buildings is calculated based on the fair value at the beginning of the reporting year using the remaining useful life at that date. When a building is revalued, any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the building and the net amount restated to the revalued amount. The estimated useful lives for property and equipment are as follows:

| Class | Estimated useful life (years) |
|---------------------------------|--|
| Buildings | |
| ILO headquarters (by component) | 15–100 |
| Field offices | 20–75 |
| Equipment | 5–10 |
| Leasehold improvements | Lower of estimated useful life (15–30) and term of lease |

Provisions and contingent liability

45. Provisions for contingent liabilities are recognized when, as a result of a legal or constructive obligation of the ILO arising from past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reasonably estimated. The amount of the provision is the best estimate of the expenditure required to settle the present obligation at the reporting date.
46. Contingent liabilities are disclosed where a possible obligation is uncertain but can be measured, or where the ILO has a present obligation but cannot reliably measure the possible outflow of resources.

Revenues and receivables from non-exchange transactions and deferred revenue

47. Revenues and receivables from non-exchange transactions are recognized as follows:

Assessed contributions

48. Prior to the beginning of each financial period the ILO assesses each Member State in accordance with article 13 of the ILO Constitution for its share of the regular budget. Contributions are calculated and payable in Swiss francs equal to the total amount of the Organization's regular budget for the biennial financial period, payable one half at the beginning of each year of the biennium. Revenue from assessed contributions is recognized as one half of the total on 1 January of each year of the biennium.
49. Assessed contributions adopted by the International Labour Conference but not recognized as revenue at the reporting date are disclosed as contingent assets since they possess the essential characteristics of an asset but do not satisfy the criteria for asset recognition, the inflow of resources being possible. In Statement II, the assessed contributions from Member States are presented net of the change in allowance for doubtful collection of contributions.
50. Receivables from Member States that have negotiated long-term financial arrangements with the ILO's Governing Body are measured initially at fair value after deducting any provision for impairment and collectability and subsequently valued at amortized cost using the effective interest rate methodology.
51. Assessed contributions received in advance represent amounts received from Member States for contributions related to future financial periods and are classified as deferred revenue.

Voluntary contributions

52. Voluntary contributions with no conditions are recognized as receivables and as revenue as of the reporting date. Voluntary contributions to development cooperation projects are normally subject to conditions related to performance. A receivable and a liability (deferred revenue) are initially recognized at fair value and subsequently measured at amortized cost as of the reporting date which is obtained through discounting as appropriate.

53. Funds received from donors subject to conditions are carried as a liability. Revenue is recognized when the conditions stated in the agreement have been met. Unexpended balances of funds held on behalf of donors at the reporting date are recognized as a liability (due to donors under deferred revenue).
54. Contributions received from donors for projects that form part of the Regular Budget Supplementary Account (RBSA) are normally unconditional and are recognized as revenue and a receivable as of the reporting date when the agreements are signed between the ILO and the donor. However, if conditions requiring specific performance are imposed by a donor to the RBSA, recognition of revenue is deferred until the performance requirement has been satisfied.
55. Contributions to the RBSA covering future periods are disclosed as contingent assets if the inflow of contribution to the ILO is probable at the reporting date.

Gifts and grants

56. The ILO receives non-conditional contributions in cash from Member States and non-governmental organizations. These gifts and grants are recognized as voluntary contribution revenue when an agreement is signed between the ILO and a donor or on the receipt of cash if no agreement is signed by both parties.

ITC training services

57. The ITC provides training services under contracts to governments and organizations including the ILO. Agreements related to training activities are subsidized by non-conditional voluntary contributions which provide support to the ITC's operations. These agreements are considered non-exchange transactions since both parties to such transactions do not receive approximately equal direct benefit. Training activities that include restrictions on their use are recognized as revenue upon signing of a binding agreement. Agreements for which the ITC has full control and that include conditions, including the implicit or explicit obligation to return funds if such conditions are not met, are recognized as assets and liabilities (deferred revenue) upon signature of a binding agreement. The liability is reduced, and revenue is recognized based on the proportion that expenses incurred bear to the estimated total expenses of the training activity.
58. Probable inflows of resources from voluntary contributions and training activities that have not been recognized as assets are disclosed as a contingent asset.

Contributions in kind

59. Goods in kind are recognized at fair value at the date of receipt. In-kind contributions of services are not recognized. The right to the use of land, office space and other facilities received from Member States are disclosed in the notes to the consolidated financial statements.

Programme support income

60. Voluntary contributions accepted by the ILO include a charge for services provided by the ILO covering costs of administrative and operational support services, generally calculated as a percentage of total direct project costs. Revenue from programme support services is considered a non-exchange transaction and is recognized when earned through performance.

Revenue from exchange transactions

61. Revenue from exchange transactions is recognized as follows:

- **Sales and royalties:** Revenue is recognized on the date earned. Revenue related to the provision of services is valued based upon the stage of completion measured based upon the total costs incurred by the Organization in delivering the services at the reporting date. Sales of publications are recognized when the publication has been shipped to the purchaser.
- **Investment income:** Interest income, earned based on a time-proportionate basis as it accrues taking into account the effective yield on the asset, gains and losses from sales of investments and changes of investment market value are recognized in the consolidated statement of financial performance in the period that they arise.
- **Staff/retiree benefit contributions** are recognized on the date the revenue becomes due in accordance with the Administrative Regulations of the SHIF.

Note 3 – New accounting standards

New accounting standards effective 1 January 2023

62. The International Public Sector Accounting Standards Board (IPSASB) has previously published several new and amended standards, which became effective in the financial reporting period starting 1 January 2023.
63. **IPSAS 41 – Financial Instruments** and a subsequent amendment replaced IPSAS 29 – Financial Instruments: Recognition and Measurement and provides a single classification and measurement approach for financial assets that reflects the management model for managing the assets and their contractual cash flow characteristics. The standard also introduces a forward-looking expected credit loss model to assess impairment of financial assets. The ILO's revised accounting policies in relation to financial instruments are provided in the "Significant accounting policies" section above.
64. Upon the adoption of IPSAS 41 and the application of the new impairment model, the ILO reduced the allowance for doubtful collection previously recognized on Assessed Contributions receivable by US\$1.58 million, which resulted in an increase to Net Assets – Accumulated Balances by the same amount as at 1 January 2023. The ITC's allowance for doubtful collection previously recognized on ITC training services voluntary contributions receivable increased by US\$0.07 million, which resulted in a corresponding decrease to Net Assets – Accumulated Balances by the same amount. The new standard has no other effect on the consolidated net assets. The table below summarizes the net effect of the adoption of the new impairment model:

| (US\$ thousands) | Allowance for impairment under IPSAS 29 at 31 December 2022 | Remeasurement | Expected credit loss under IPSAS 41 at 1 January 2023 |
|--|--|---------------|--|
| Allowance for doubtful collection of assessed contributions (note 5) | (40 479) | 1 576 | (38 903) |
| Allowance for doubtful collection of ITC training service voluntary contributions (note 6) | (25) | (67) | (93) |
| Net remeasurement adjustment to net assets as at 1 January 2023 | | 1 509 | |

65. The table below illustrates the classification of financial assets under IPSAS 41 and IPSAS 29 at the date of initial application, 1 January 2023. There were no differences in carrying amounts for financial assets or financial liabilities. For Cash and Cash Equivalents, and Short-term Deposit Investments there is a change in classification, but the actual measurement does not change in

practice as the fair value approximates their carrying amounts due to the short-term maturities of these instruments.

| Financial asset | Prior IPSAS 29 category | New IPSAS 41 category |
|---|---|---------------------------------------|
| Cash and Cash Equivalents | Fair value through surplus or deficit | Amortized cost |
| Receivables | Loans and receivables (subsequently measured at amortized cost) | Amortized cost |
| Derivatives | Held for trading (subsequently measured at fair value through surplus or deficit) | Fair value through surplus or deficit |
| Derivatives (designated cash-flow hedge, effective portion) | Held for trading (subsequently measured at fair value through net assets) | Fair value through net assets |
| Investments (short-term deposits) | Designated by the ILO as fair value through surplus or deficit upon initial recognition | Amortized cost |
| Investments (portfolios) | Designated by the ILO as fair value through surplus or deficit upon initial recognition | Fair value through surplus or deficit |

66. The following additional standards became effective 1 January 2023 but have no impact on the consolidated financial statements:

- **IPSAS 42 – Social Benefits.** This standard defines social benefits as cash transfers to individuals to mitigate the effect of social risks and address the needs of society as a whole and provides guidance for their accounting.
- **IPSAS 36 – Investments in Associates and Joint Ventures** was consequentially amended, through the issuance of IPSAS 41 – Financial Instruments.
- **IPSAS 19 – Provisions, Contingent Liabilities and Contingent Assets** was amended to provide requirements for governments when committing to provide future collective and individual services to address the needs of society as a whole.

New accounting standards issued but not yet effective

67. The following new standards have been published, but will not be effective until 1 January 2025 and 1 January 2026.

Standards becoming effective 1 January 2025

- **IPSAS 43 – Leases** replaces the current IPSAS for leases and sets updated principles for the recognition, measurement, presentation, and disclosure of leases. The most significant change will be for lessees under the new standard, which will require the recognition of a right-of-use asset and corresponding lease liability. The operating lease expenses currently recognized straight-line over the lease term will be replaced with depreciation of the asset and financing expenses relating to the unwinding of the liability over the lease term. There has been no significant change to the requirements for lessor accounting in the new standard. The ILO is currently assessing the impact of the new requirements and determining what the impact will be to the consolidated financial statements. The IPSASB is also in the process of issuing an amendment to this standard which may also impact how right-to-use premises received in-kind are treated. Currently these in-kind services are not recognized but disclosed in the notes to the consolidated financial statements.

- **IPSAS 44 – Non-current Assets Held for Sale and Discontinued Operations** was issued to specify the accounting for assets when they are made available for sale on commercial terms and the presentation and disclosure of discontinued operations. This standard has no expected impact on the consolidated financial statements.
- **IPSAS 45 – Property, Plant, and Equipment** replaces the current IPSAS for property and equipment tangible assets and incorporates updated measurement principles and bases for the initial and subsequent measurement of these assets. The new standard also establishes criteria for the recognition of heritage assets that are currently excluded from the current standard. The ILO is currently analysing the impact of this new standard on the consolidated financial statements.
- **IPSAS 46 – Measurement** defines measurement bases that are applied through individual IPSAS for the initial and subsequent measurement of assets and liabilities. Other IPSAS will continue to address which measurement bases are appropriate in each circumstance, where this standard details approaches to be applied to fairly reflect the cost of services, the operational capacity, or the financial capacity of assets and liabilities. IPSAS 46 was issued together with IPSAS 44 and IPSAS 45 above as the first two new standards incorporating the new measurement concepts. As a reference standard, when IPSAS 46 is first applied there will be many consequential amendments to other existing IPSAS, some of which may impact the ILO's consolidated financial statements. The ILO is currently in the process of analysing these potential impacts.

Standards becoming effective 1 January 2026

- **IPSAS 47 – Revenue** replaces IPSAS 9 – Revenue from Exchange Transactions, IPSAS 11 – Construction Contracts, and IPSAS 23 – Revenue from Non-Exchange Transactions (Taxes and Transfers). The standard sets out the accounting requirements to account for all public sector revenue transactions, specifically related to information about the nature, amount, timing and uncertainty of revenue and cash flows arising from revenue transactions. Analysis is ongoing, though currently the ILO does not anticipate significant changes to the current revenue recognition policies.
- **IPSAS 48 – Transfer Expenses** introduces accounting requirements for what was previously known as non-exchange expenses. Issued together with IPSAS 47 – Revenue, this standard establishes similar principles that the transfer provider is required to apply, specifically related to information about the nature, amount, timing and uncertainty of expenses and cash flows arising from transfer expense transactions. Analysis is ongoing, though currently the ILO does not anticipate significant changes to the current transfer expense recognition policies.
- **IPSAS 49 – Retirement Benefit Plans** establishes accounting and reporting requirements for the financial statements of retirement benefit plans, with participants comprising current and former public sector employees and other eligible members. This standard has no expected impact on the consolidated financial statements.

Note 4 – Cash and cash equivalents

68. Cash required for immediate disbursement is maintained in cash and bank accounts. Cash equivalent balances in deposit accounts are available at short notice. Cash and cash equivalents as at the reporting date are as follows:

| (US\$ thousands) | US\$ | CHF | € | Other | 2023 total | 2022 total |
|--|----------------|----------------|---------------|--------------|----------------|----------------|
| Cash | 95 442 | 133 155 | 33 972 | 8 972 | 271 541 | 274 571 |
| Cash equivalents | 15 229 | 35 928 | – | – | 51 157 | 5 055 |
| Total cash and cash equivalents | 110 671 | 169 083 | 33 972 | 8 972 | 322 698 | 279 626 |

69. Net interest revenue of US\$32.78 million was earned during the year through current accounts (US\$4.44 million) and short-term deposits (note 8, US\$28.34 million), and included in the net cash flows from operating activities in the consolidated statement of cash flow. Cash and cash equivalent balances of the ITC include restricted amounts of €15.54 million (US\$17.25 million) that must be used for training and advisory services and other specific purposes at the ITC.

Note 5 – Contributions receivable – Assessed contributions

70. Assessed contributions receivable as at the reporting date are as follows:

| (US\$ thousands) | 2023 | 2022 |
|--|----------------|----------------|
| Assessed contributions receivable (notes 28 and 29) | 177 825 | 186 475 |
| Less: Advance payments received from Member States with financial arrangements (note 29) | (327) | (147) |
| Less: Amortization of long-term financial arrangements | (134) | (200) |
| Less: Allowance for doubtful collection of contributions | (44 103) | (40 479) |
| Total net receivable – Assessed contributions | 133 261 | 145 649 |
| ■ Contributions receivable – Assessed contributions – Current | 130 109 | 141 680 |
| ■ Contributions receivable – Assessed contributions – Non-current | 3 152 | 3 969 |

71. As detailed in note 3, upon the adoption of IPSAS 41 and the application of the new impairment model, the ILO reduced the allowance for doubtful collection of contributions recognized in 2022, amounting to US\$40.48 million, by US\$1.58 million, which resulted in an increase to Net Assets – Accumulated Balances by the same amount as at 1 January 2023. The US\$5.20 million change in allowance between the revised 2023 opening allowance of US\$38.90 million and the 2023 closing allowance of US\$44.10 million is recognized in surplus or deficit and netted from assessed contributions revenue as explained in note 2.
72. Non-current contributions receivable represent amounts due from Member States with financial arrangements approved by the International Labour Conference net of amortization and provision.
73. An ageing of the assessed contributions receivable is as follows:

| (US\$ thousands) | 2023 | 2022 |
|--|----------------|----------------|
| Less than 1 year | 124 327 | 117 536 |
| 1–2 years | 20 416 | 38 651 |
| Over 2 years | 32 755 | 30 141 |
| Less allowance for doubtful debts and amortization | (44 237) | (40 679) |
| Total net receivable | 133 261 | 145 649 |

Note 6 – Contributions receivable – Voluntary contributions

74. As at the reporting date, voluntary contributions receivable are as follows (see also note 13 – Deferred revenue):

| (US\$ thousands) | 2023 | 2022 |
|--|----------------|----------------|
| Voluntary contributions receivable – Current | | |
| Development cooperation projects (all with conditions) | 247 589 | 207 050 |
| ITC training services | 6 036 | 4 789 |
| Subtotal voluntary contributions receivable – Current | 253 625 | 211 839 |
| Voluntary contributions receivable – Non-current | | |
| Development cooperation projects (all with conditions) | 318 621 | 185 288 |
| ITC training services | 1 314 | 903 |
| Subtotal voluntary contributions receivable – Non-current | 319 935 | 186 191 |
| Total voluntary contributions receivable | 573 560 | 398 030 |

ITC training services receivable is presented net of an allowance for doubtful accounts of US\$0.13 million (US\$0.03 million in 2022).

Note 7 – Derivative assets and liabilities

75. As at the reporting date the ILO has the following derivative assets:

| (US\$ thousands) | 2023 | 2022 |
|---|-----------------|--------------|
| Derivative assets | | |
| SHIF forward purchase agreement – Current | 1 691 | 422 |
| ILO regular budget forward purchase agreement – Current | – | 4 962 |
| Total derivative assets | 1 691 | 5 384 |
| Derivative liabilities | | |
| ILO ASHI investment derivative agreements | (5) | – |
| ILO regular budget forward purchase agreement – Current | (10 902) | – |
| ILO regular budget forward purchase agreement – Non-current | (14 051) | – |
| Total derivative liabilities | (24 958) | – |
| Total derivative net asset/(liability) position | (23 267) | 5 384 |

76. The risk related to financial assets held on behalf of SHIF in currencies other than the Swiss franc and US dollar (up to a 35 per cent level, with a tolerance of +/- 5 per cent) is hedged by purchasing forward purchase agreements in each of the other currencies in which investments are held. The contractual amount of currency sold forward within the next three months was US\$46.64 million.
77. Forward purchase agreements in the externally managed portfolio for ASHI are part of the overall portfolio management strategy. The contractual amount of currency sold forward within the next three months was US\$1.82 million.

ILO regular budget forward purchase agreement

78. The primary source of revenue to finance the Organization's regular budget activities is assessed contributions from Member States that are paid in Swiss francs. Derivative financial instruments in the form of forward purchase contracts are acquired for the purpose of ensuring that the amount of Swiss francs receivable from Member States for their assessed contributions for the following biennium are sufficient to meet the ILO's US dollar requirements for its regular budget.

The forward purchase contracts mature monthly and the monthly amounts are established based on the regular budget's forecast US dollar cash flow requirements over the biennium.

| Forward contracts (thousands) | Date traded | Swiss francs sold | US dollars bought |
|------------------------------------|-------------|-------------------|-------------------|
| Forward contracts maturing in 2022 | June 2021 | 154 702 | 173 500 |
| Forward contracts maturing in 2023 | June 2021 | 165 390 | 187 500 |
| Forward contracts maturing in 2024 | June 2023 | 153 858 | 175 400 |
| Forward contracts maturing in 2025 | June 2023 | 179 202 | 209 100 |

79. The changes in fair value of the derivatives during the reporting period are as follows:

| (US\$ thousands) | 2023 | 2022 |
|---|-----------------|-----------------|
| Fair value as at 1 January | | |
| Forward contracts maturing in 2022 | – | 2 898 |
| Forward contracts maturing in 2023 | 4 962 | 2 223 |
| Total | 4 962 | 5 121 |
| Change in fair value recognized in surplus (deficit) | | |
| Forward contracts maturing in 2022 | – | 10 152 |
| Forward contracts maturing in 2023 | 2 876 | 398 |
| Forward contracts maturing in 2024 | (10 902) | – |
| Forward contracts maturing in 2025 | (14 051) | – |
| Change in fair value recognized in net assets | | |
| Forward contracts maturing in 2022 | – | (2 114) |
| Forward contracts maturing in 2023 | (4 601) | 2 341 |
| Transferred to cash at maturity | (3 237) | (10 936) |
| Fair value as at 31 December | | |
| Forward contracts maturing in 2023 | – | 4 962 |
| Forward contracts maturing in 2024 | (10 902) | – |
| Forward contracts maturing in 2025 | (14 051) | – |
| Total | (24 953) | 4 962 |

80. The forward purchase agreements maturing in 2022 and 2023 were designated as cash flow hedges. Only changes in the value of the spot element of forward contracts are used to assess hedge effectiveness. The changes in the value of the spot element during the period are as follows:

| Net assets: Value of outstanding derivatives (US\$ thousands) | 2023 | 2022 |
|---|----------|--------------|
| Spot element recognized in net assets as at 1 January | | |
| Forward contracts maturing in 2022 | – | 2 114 |
| Forward contracts maturing in 2023 | 4 601 | 2 259 |
| Movement due to changes in the spot element | | |
| Forward contracts maturing in 2022 | – | 7 071 |
| Forward contracts maturing in 2023 | (5 249) | 2 341 |
| Contracts matured during the period and recognized in surplus (deficit) | 648 | (9 184) |
| Spot element recognized in net assets as at 31 December | – | 4 601 |

81. The cash flow hedges were highly effective in 2023. The changes in value of Swiss francs receivable from Member States assigned for US dollar requirements of the regular budget are as follows:

| Value of revenue denominated in Swiss francs (US\$ thousands) | 2023 | 2022 |
|--|------|---------|
| Change in value used to calculate hedge effectiveness for 2022 | - | (9 184) |
| Change in value used to calculate hedge effectiveness for 2023 | 648 | - |

82. The 2024–25 biennium ILO regular budget forward purchase agreements are not designated as cash flow hedges. Changes in the fair value of these derivatives since inception are recognized in surplus or deficit.

Note 8 – Investments

83. The Organization maintains six investment portfolios of identified financial instruments managed by external investment managers consisting principally of fixed income investments and unit funds. Investments include cash and cash equivalents as part of a portfolio investment which is intended to be kept for the long term and reinvested.
84. Investments are placed in line with the approved investment policy in consultation with the ILO's Investment Committee and their performance is evaluated on a fair value basis.
85. The fair value and historic cost as at the reporting date are as follows:

| (US\$ thousands) | 2023 | | 2022 | |
|--|------------------|------------------|----------------|----------------|
| | Fair value | Cost | Fair value | Cost |
| Investments – Current | | | | |
| ILO short-term deposit | 729 760 | 729 760 | 656 674 | 656 674 |
| Subtotal investment – Current | 729 760 | 729 760 | 656 674 | 656 674 |
| Investments – Non-current | | | | |
| Cash within the portfolios | 4 027 | 4 027 | 5 489 | 5 489 |
| Fixed income | | | | |
| Floating rate notes | 12 484 | 12 456 | 7 110 | 7 110 |
| Money market | 19 313 | 19 050 | 20 275 | 20 136 |
| Total fixed income investments | 31 797 | 31 506 | 27 385 | 27 246 |
| Unit funds | 278 051 | 268 233 | 292 794 | 290 161 |
| Subtotal investment – Non-current | 313 875 | 303 766 | 325 668 | 322 896 |
| Total investment | 1 043 635 | 1 033 526 | 982 342 | 979 570 |

86. The movement of the investments during the reporting period is as follows:

| (US\$ thousands) | 2023 | 2022 |
|--|------------------|----------------|
| Fair value at 1 January | 982 342 | 961 666 |
| Investment income/(loss), net | 46 096 | (2 394) |
| Net interest income transferred to cash and cash equivalents | (28 344) | (3 797) |
| Foreign exchange gains and (losses) | 29 757 | (8 742) |
| Finance expenses | (707) | (933) |
| Amounts transferred to receivables/derivatives | (8 127) | (5 820) |
| New investment during the period | 1 525 275 | 1 180 870 |
| Disposal of investments during the period | (1 502 657) | (1 138 508) |
| Fair value at 31 December | 1 043 635 | 982 342 |

Note 9 – Other receivables

87. Other receivables are as follows:

| (US\$ thousands) | 2023 | 2022 |
|---|---------------|---------------|
| Amounts receivable from land sale | – | 21 668 |
| US income taxes receivable | 4 800 | 4 557 |
| Accrued interest and investment income | 12 136 | 5 947 |
| VAT and other withholding taxes receivable | 4 079 | 1 701 |
| Other accrued income and amounts receivable | 1 756 | 1 615 |
| Total other receivables | 22 771 | 35 488 |

88. Amounts receivable in the prior year from the land sale relating to the disposition of the vacant land plot located in Geneva in 2020 were effectively settled through the last instalment received in January 2023 in accordance with the sale contract.

89. Other accrued income and amounts receivable are attributable to rental activities, Administrative Tribunal billings, and miscellaneous reimbursements due to the ILO.

90. An ageing of other receivables is as follows:

| (US\$ thousands) | 2023 | 2022 |
|-----------------------------|---------------|---------------|
| Less than 1 year | 19 677 | 32 704 |
| 1–2 years | 702 | 744 |
| Over 2 years | 2 392 | 2 040 |
| Total net receivable | 22 771 | 35 488 |

Note 10 – Other current assets

91. Other current assets as at the reporting date are as follows:

| (US\$ thousands) | 2023 | 2022 |
|-----------------------------------|---------------|---------------|
| Prepaid expenses | 30 066 | 31 805 |
| Staff advances | 6 525 | 6 743 |
| Other | 1 345 | 1 629 |
| Total other current assets | 37 936 | 40 177 |

Note 11 – Property and equipment

92. The movement of property and equipment by asset class during the reporting period is as follows:

| (US\$ thousands) | Land | Buildings | Leasehold | Equipment | Total |
|---|----------------|----------------|--------------|--------------|----------------|
| Net carrying amount 31 December 2021 | 336 570 | 311 213 | 6 709 | 4 648 | 659 139 |
| Additions | – | 30 244 | 3 992 | 1 247 | 35 483 |
| Depreciation | – | (9 945) | (566) | (1 243) | (11 754) |
| Disposals – carrying amount | – | – | – | (872) | (872) |
| Disposals – accumulated depreciation | – | – | – | 839 | 839 |
| Net revaluation recognized in net assets | 26 401 | 1 094 | – | – | 27 495 |
| Foreign exchange differences on translation | – | – | (390) | (50) | (439) |
| Subtotal 2022 movement | 26 401 | 21 393 | 3 036 | (79) | 50 752 |
| Closing balance 31 December 2022 | 362 971 | 332 606 | 9 745 | 4 569 | 709 890 |
| Gross carrying amount 31 December 2022 | 362 970 | 332 606 | 17 559 | 15 897 | 729 032 |
| Accumulated depreciation | – | – | (7 814) | (11 328) | (19 141) |

| (US\$ thousands) | Land | Buildings | Leasehold | Equipment | Total |
|---|----------------|----------------|--------------|--------------|----------------|
| Net carrying amount 31 December 2022 | 362 970 | 332 606 | 9 745 | 4 569 | 709 890 |
| Additions | – | 31 996 | 79 | 620 | 32 695 |
| Depreciation | – | (10 952) | (738) | (1 212) | (12 902) |
| Disposals - carrying amount | – | – | – | (239) | (239) |
| Disposals - accumulated depreciation | – | – | – | 230 | 230 |
| Net revaluation recognized in net assets | 43 099 | 35 711 | – | – | 78 810 |
| Foreign exchange differences on translation | – | – | 374 | 32 | 405 |
| Subtotal 2023 movement | 43 099 | 56 755 | (285) | (569) | 98 999 |
| Closing balance 31 December 2023 | 406 069 | 389 361 | 9 460 | 4 000 | 808 890 |
| Gross carrying amount 31 December 2023 | 406 069 | 389 361 | 18 333 | 16 410 | 830 173 |
| Accumulated depreciation | – | – | (8 873) | (12 410) | (21 283) |
| Net carrying amount 31 December 2023 | 406 069 | 389 361 | 9 460 | 4 000 | 808 890 |

Land and buildings

93. The Organization owns its headquarters building in Geneva, Switzerland, and the land upon which it was built along with an adjoining plot. In addition, the Organization owns land and buildings in Abidjan (Côte d'Ivoire), Lima (Peru) and Santiago (Chile). In Buenos Aires (Argentina), the Organization owns an apartment located in a building for which no separate land ownership exists. In Brasilia (Brazil), Dar es Salaam (United Republic of Tanzania) and Islamabad (Pakistan), it further owns buildings located on land to which the ILO has surface rights or leaseholds at a nominal cost (note 26).
94. In order to more accurately reflect the value of its land and buildings, an independent appraiser reviewed and updated the fair value of all properties as at 31 December 2023 based on international valuation standards as promulgated by the International Valuation Standards Council, including assumptions relating to current market conditions. The change in fair value of the land and buildings in 2023 includes US\$69.29 million revaluation gain due to currency rate fluctuation. The net difference between historical cost and land and buildings valued at fair value is recognized as a separate component of the net assets as shown in note 18.

| (US\$ thousands) | 2023 | 2022 |
|---------------------------------|----------------|----------------|
| Land | | |
| Headquarters – Geneva | 393 761 | 350 737 |
| Lima | 3 668 | 3 810 |
| Abidjan | 3 563 | 3 367 |
| Santiago | 5 077 | 5 056 |
| Total land | 406 069 | 362 970 |
| Buildings | | |
| Headquarters – Geneva | 364 766 | 307 703 |
| Lima | 11 614 | 12 038 |
| Brasilia | 1 815 | 1 666 |
| Abidjan | 3 489 | 3 598 |
| Dar es Salaam | 1 376 | 1 429 |
| Buenos Aires | 433 | 425 |
| Islamabad | 392 | 423 |
| Santiago | 5 476 | 5 324 |
| Total buildings | 389 361 | 332 606 |
| Total land and buildings | 795 430 | 695 576 |

95. Phase 2 of the headquarters building renovation project (renovation of the conference rooms and common areas) continued during 2023 and is scheduled to be completed in 2026. The related capital expenditures are presented as "Additions" to "Buildings" in the table in paragraph 92 above.

Leasehold improvements

96. The Organization has improvements on leasehold property in New Delhi (India), Bangkok (Thailand), Mexico City (Mexico) and buildings at the ITC.

Note 12 – Intangible assets

97. The movement of intangible assets by class during the reporting period is as follows:

| (US\$ thousands) | Software acquired externally | Software internally developed | Total |
|---|------------------------------|-------------------------------|--------------|
| Net carrying amount 31 December 2021 | 126 | 3 137 | 3 263 |
| Additions | – | 1 589 | 1 589 |
| Amortization | (42) | (680) | (722) |
| Disposals – carrying amount | (295) | – | (295) |
| Disposals – accumulated amortization | 295 | – | 295 |
| Subtotal 2022 movement | (42) | 909 | 867 |
| Closing balance at 31 December 2022 | 84 | 4 046 | 4 130 |
| Gross carrying amount 31 December 2022 | 1 019 | 8 112 | 9 131 |
| Accumulated amortization | (935) | (4 066) | (5 001) |
| Net carrying amount 31 December 2022 | 84 | 4 046 | 4 130 |
| Additions | – | 714 | 714 |
| Amortization | (23) | (999) | (1 022) |
| Disposals – carrying amount | (8) | – | (8) |
| Disposals – accumulated amortization | 8 | – | 8 |
| Foreign exchange differences on translation | – | (1) | (1) |
| Subtotal 2023 movement | (23) | (286) | (309) |
| Closing balance at 31 December 2023 | 61 | 3 760 | 3 821 |
| Gross carrying amount 31 December 2023 | 1 019 | 8 834 | 9 853 |
| Accumulated amortization | (958) | (5 074) | (6 032) |
| Net carrying amount 31 December 2023 | 61 | 3 760 | 3 821 |

Note 13 – Deferred revenue

98. Deferred revenue as at the reporting date is as follows:

| (US\$ thousands) | Current | Non-current | Total 31 Dec. 2023 | Total 31 Dec. 2022 |
|--|----------------|----------------|-----------------------|-----------------------|
| Assessed contributions received in advance | 57 866 | – | 57 866 | 41 842 |
| Voluntary contributions receivable for signed agreements | 251 316 | 318 621 | 569 937 | 396 426 |
| Due to donors | 508 967 | – | 508 967 | 514 320 |
| Deferred revenue for other signed agreements of the ITC | 1 494 | 14 262 | 15 756 | 3 760 |
| SHIF contributions received in advance | 800 | – | 800 | 759 |
| Other deferred revenue | 688 | – | 688 | 679 |
| Total deferred revenue | 821 131 | 332 883 | 1 154 014 | 957 786 |

99. The deferred voluntary contribution revenue represents the amount receivable pending the completion of the performance required by agreements between the Organization and the donors (see also note 6 – Contributions receivable – Voluntary contributions).

Note 14 – Employee benefits

100. The employee benefits liabilities at the reporting date are as follows:

| (US\$ thousands) | Current | Non-current | Total 31 Dec. 2023 | Total 31 Dec. 2022 |
|--|---------------|------------------|-----------------------|-----------------------|
| Agreed terminations | 3 349 | – | 3 349 | – |
| Education grant | 1 563 | – | 1 563 | 1 274 |
| Accumulated leave and home leave | 27 827 | 17 129 | 44 956 | 45 176 |
| Repatriation entitlements | 6 094 | 29 215 | 35 309 | 33 886 |
| ASHI liability | 32 155 | 1 661 660 | 1 693 815 | 1 399 122 |
| Total employee benefits liabilities | 70 988 | 1 708 004 | 1 778 992 | 1 479 458 |

Post-employment benefits

United Nations Joint Staff Pension Fund

101. The Fund's Regulations state that the Pension Board shall have an actuarial valuation made of the Fund at least once every three years by the Consulting Actuary. The practice of the Pension Board has been to carry out an actuarial valuation every two years. The primary purpose of the actuarial valuation is to determine whether the current and estimated future assets of the Pension Fund will be sufficient to meet its liabilities.
102. The ILO's financial obligation to the Fund consists of its mandated contribution, at the rate established by the United Nations General Assembly (currently at 7.9 per cent for participants and 15.8 per cent for member organizations) together with any share of any actuarial deficiency payments under article 26 of the Regulations of the Pension Fund. Such deficiency payments are only payable if and when the United Nations General Assembly has invoked the provision of article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Fund as of the valuation date. Each member organization shall contribute to this deficiency an amount proportionate to the total contributions which each paid during the three years preceding the valuation date.
103. The latest actuarial valuation for the Fund was completed as of 31 December 2021, and the valuation as of 31 December 2023 is currently being performed. A roll forward of the participation data as of 31 December 2021 to 31 December 2022 was used by the Fund for its 2022 financial statements.
104. The actuarial valuation as of 31 December 2021 resulted in a funded ratio of actuarial assets to actuarial liabilities of 117.0 per cent. The funded ratio was 158.2 per cent when the current system of pension adjustments was not taken into account.
105. After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as of 31 December 2021, for deficiency payments under article 26 of the Regulations of the Fund as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the plan. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as of the valuation date. At the time of this report, the General Assembly has not invoked the provision of article 26.

- 106.** Should article 26 be invoked due to an actuarial deficiency, either during the ongoing operation or due to the termination of the Fund, deficiency payments required from each member organization would be based upon the proportion of that member organization's contributions to the total contributions paid to the Fund during the three years preceding the valuation date. Total contributions paid to the Fund during the preceding three years (2020, 2021 and 2022) amounted to US\$8,937.68 million, of which 2.1 per cent was contributed by the ILO.
- 107.** During 2023, the ILO's contributions paid to the Fund amounted to US\$68.60 million (US\$64.60 million in 2022). Expected contributions due in 2024 are approximately US\$71.51 million.
- 108.** Membership of the Fund may be terminated by decision of the United Nations General Assembly, upon the affirmative recommendation of the Pension Board. A proportionate share of the total assets of the Fund at the date of termination shall be paid to the former member organization for the exclusive benefit of its staff who were participants in the Fund at that date, pursuant to an arrangement mutually agreed between the organization and the Fund. The amount is determined by the United Nations Joint Staff Pension Board based on an actuarial valuation of the assets and liabilities of the Fund on the date of termination; no part of the assets which are in excess of the liabilities are included in the amount.
- 109.** The United Nations Board of Auditors carries out an annual audit of the Fund and reports to the Pension Board and to the United Nations General Assembly on the audit every year. The Fund publishes quarterly reports on its investments and these can be viewed by visiting the Fund at www.unjspf.org.

After-service health insurance plan (ASHI)

- 110.** An actuarial valuation carried out for 2023 calculated the ILO's estimated liability for after-service medical benefits at the reporting date as described in the following paragraphs.
- 111.** Each year, the ILO reviews and selects assumptions and methods that will be used by the actuaries in the valuation to determine the expense and contribution requirements for the ILO's after-service medical care plans. The selection includes harmonized actuarial factors as applied across the UN system. For the 2023 valuation, the assumptions and methods used are as described below.

| Key financial assumptions | 2023 (%) | 2022 (%) |
|---------------------------------------|--|--|
| Discount rate | | |
| ILO | 2.34 | 2.88 |
| ITC | 3.38 | 3.93 |
| ISSA | 1.74 | 2.26 |
| Rate of future compensation increases | 3.10 + UNJSPF salary scale | 3.00 + UNJSPF salary scale |
| Rate of pension increases | 2.60 | 2.50 |
| Medical inflation | 6.00 decreasing by 0.46 per year to 2.80 in 2030 | 4.00 decreasing by 0.20 per year to 3.00 in 2027 |

- 112.** The discount rate is determined by reference to market yields at the reporting date on high-quality corporate bonds. Based on the plan duration, the discount rate has been determined for each major currency in which the SHIF incurs liabilities (Swiss franc, US dollar and euro). The final rate was determined by averaging the different discount rates, weighted by the benefits payments in the different currencies. The weighted average duration of the defined benefit obligation based on the plan census data and key assumptions is 20 years (19 years in 2022).

113. Should the key assumptions about medical cost trends or discount rates described above change, this would impact the measurement of the ASHI defined benefit obligation as follows:

| Sensitivity information for key assumptions (% of end of year liability) | 2023 (%) | 2022 (%) |
|--|----------|----------|
| Effect on defined benefit obligation | | |
| Healthcare cost trend rate +1 percentage point | 23.6 | 23.4 |
| Discount rate +1 percentage point | (17.4) | (17.3) |
| Healthcare cost trend rate -1 percentage point | (18.4) | (18.2) |
| Discount rate -1 percentage point | 23.5 | 22.5 |

114. The following table shows the change in present value of the defined benefit obligation during the reporting period.

| (US\$ thousands) | 2023 | 2022 |
|---|------------------|------------------|
| Defined benefit obligation, opening balance | 1 399 122 | 2 022 951 |
| Current service cost | 47 448 | 80 034 |
| Past service cost | (3 152) | – |
| Interest cost | 40 591 | 16 202 |
| Total costs recognized in the consolidated statement of financial performance | 84 887 | 96 236 |
| Net benefits paid | (30 062) | (26 179) |
| Actuarial (gain) loss due to experience | (24 506) | (50 021) |
| Actuarial (gain) loss due to financial assumption changes | 262 408 | (663 930) |
| Actuarial (gain) loss due to demographic assumption changes | 1 966 | 20 065 |
| Total actuarial (gain) loss recognized directly in the consolidated statement of changes in net assets | 239 868 | (693 886) |
| Defined benefit obligation, closing balance | 1 693 815 | 1 399 122 |

115. In 2023, the plan rules were amended to allow for an increase in the contribution rates of retirees and their dependants in 2024 and 2025. This event has been accounted for as a plan amendment and has resulted in past service cost recognized in the consolidated statement of financial performance in 2023. Past service cost is the change in present value of the obligation for employee service in prior periods resulting from a plan amendment. Past service cost is negative when the resulting present value of the defined benefit obligation decreases.
116. The following table presents the former and new applicable contribution rates:

| Category | Rate from January 2017 (%) | Rate from January 2024 (%) | Rate from January 2025 (%) |
|--|----------------------------------|----------------------------------|----------------------------------|
| Retirees or survivors | 3.55 | 3.64 | 3.73 |
| Automatically covered spouse | 1.07 | 1.10 | 1.13 |
| First automatically covered child | 0.36 | 0.37 | 0.38 |
| All other automatically covered children | 0.36 | 0.37 | 0.38 |

117. Expenses related to interest cost and current and past service costs for 2023 have been recognized net of benefits paid in the consolidated statement of financial performance as staff costs. Cumulative net actuarial losses of US\$593.19 million (US\$353.33 million as of 31 December 2022) have been recognized directly against net assets. In accordance with IPSAS 39, no plan assets have been offset against the liability; however, an amount of US\$65.79 million is available in a SHIF Guarantee Fund (US\$62.74 million as at 31 December 2022) to cover future liabilities of SHIF. In addition, an amount of US\$34.09 million has been accumulated to partially fund the ASHI liability (US\$29.84 million as at 31 December 2022).

118. The ILO finances its ASHI liability on a pay-as-you-go basis. The Programme and Budget for 2022–23 includes a provision of US\$30.10 million which covers the ILO's contribution to the SHIF in respect of the insurance of retired officials, invalidity pensioners, surviving spouses and orphans.

Repatriation entitlements

119. The repatriation entitlements at the reporting date are as follows:

| (US\$ thousands) | Current | Non-current | Total 31 Dec. 2023 | Total 31 Dec. 2022 |
|--|--------------|---------------|-----------------------|-----------------------|
| Travel and removal on separation | 1 418 | 5 473 | 6 891 | 6 987 |
| Repatriation grant | 3 507 | 16 011 | 19 518 | 19 133 |
| ITC end-of-service benefit | 1 169 | 7 731 | 8 900 | 7 766 |
| Total repatriation entitlements | 6 094 | 29 215 | 35 309 | 33 886 |

120. An actuarial valuation carried out for 2023 calculated the ILO's estimated liability for repatriation entitlements at the reporting date as described in the following paragraphs.
121. Each year, the ILO reviews and selects assumptions and methods that will be used by the actuaries in the valuation to determine the expense and contribution requirements for the ILO's repatriation entitlements. For the 2023 valuation, the assumptions and methods used are as described below.

| Key financial assumptions | 2023 (%) | 2022 (%) |
|--|------------------------------|------------------------------|
| Discount rate | ILO Repatriation grant: 4.90 | ILO Repatriation grant: 5.09 |
| | ITC Repatriation grant: 4.65 | ITC Repatriation grant: 4.86 |
| | ILO Travel and removal: 4.96 | ILO Travel and removal: 5.15 |
| | ITC Travel and removal: 3.52 | ITC Travel and removal: 3.78 |
| | End of service payment: 3.36 | End of service payment: 3.80 |
| Rate of future compensation increases: | 3.10 + UNJSPF salary scale | 3.00 + UNJSPF salary scale |
| Rate of future cost increases: | ILO rate: 1.2 | ILO rate: 1.2 |
| Repatriation travel and removal costs | ITC rate: 2.0 | ITC rate: 2.2 |
| Probability of benefit claim | ILO repatriation grant: 50 | ILO repatriation grant: 52 |
| | ITC Repatriation grant: 98 | ITC Repatriation grant: 98 |
| | ILO travel and removal: 66 | ILO travel and removal: 74 |
| | ITC travel and removal: 98 | ITC travel and removal: 98 |

122. The discount rates were determined for the currencies US dollar and euro by reference to the AA corporate bond yield curve in the respective currency as at 31 December 2023. The weighted average duration of the defined benefit obligation based on the plan census data and key assumptions is 6 years (unchanged from 2022). Should the key assumptions about discount rates described above change, this would impact the measurement of the defined benefit obligation as follows:

| Sensitivity information for key assumptions (% of end of year liability) | 2023 (%) | 2022 (%) |
|---|----------|----------|
| Effect on defined benefit obligation and combined service and interest cost components | | |
| Discount rate + 1 percentage point | (5.8) | (6.0) |
| Discount rate - 1 percentage point | 6.8 | 6.4 |

123. The following table shows the change in present value of the defined benefit obligation during the reporting period:

| (US\$ thousands) | 2023 | 2022 |
|---|----------------|----------------|
| Defined benefit obligation, opening balance | 33 887 | 42 195 |
| Current service cost | 1 417 | 1 566 |
| Interest cost | 1 488 | 823 |
| Total costs recognized in the consolidated statement of financial performance | 2 905 | 2 389 |
| Net benefits paid | (3 390) | (2 817) |
| Actuarial (gain) loss due to experience | 2 983 | (266) |
| Actuarial (gain) loss due to demographic assumption changes | (1 503) | (913) |
| Actuarial (gain) loss due to financial assumption changes | 67 | (6 007) |
| Total actuarial (gain) loss recognized directly in the consolidated statement of changes in net assets | 1 547 | (7 185) |
| Foreign currency exchange rate changes | 360 | (695) |
| Defined benefit obligation, closing balance | 35 309 | 33 887 |

- 124.** Expenses related to interest cost and current services costs for 2023 have been recognized net of benefits paid in the consolidated statement of financial performance as staff costs. Cumulative net actuarial gains of US\$18.55 million (US\$20.09 million as at 31 December 2022) have been recognized directly against net assets, of which US\$0.41 million actuarial losses are related to travel and transport benefits for employees funded through development cooperation projects and form part of the net Due to Donor balance rather than the net assets of the Organization.
- 125.** In accordance with IPSAS 39, no plan assets have been offset against the liability; however, an amount of US\$53.16 million has been accumulated by the ILO in the Terminal Benefits Fund (US\$51.97 million as at 31 December 2022) to fund future ITC end-of-service benefits and repatriation grants for both the ILO and the ITC.

Agreed terminations

- 126.** The ILO implemented exceptional measures during the year for a voluntary separation programme as the Office defined its new strategy and direction of its work under the Programme and Budget for 2024–25. Special arrangements were put in place to facilitate agreed terminations pursuant to article 11.16 of the Staff Regulations, where such terminations were in the interests of the efficiency of the work of the Office and had the consent of the officials concerned. A total of US\$8.97 million was recorded as expenditure under staff costs in 2023 for termination payments under this exceptional programme, of which US\$3.35 million remain unpaid liabilities at 31 December 2023. Termination agreements included continued payment by the Office of the employer contributions to the UNJSPF and SHIF; the liability at 31 December 2023 for these contributions was US\$0.99 million.

Note 15 – Borrowings

- 127.** Borrowings consist of two loans in Swiss francs made to the ILO from the Foundation for Buildings for International Organizations:

| (US\$ thousands) | Original construction loan | Renovation loan | 2023 Total | 2022 Total |
|---|----------------------------|-----------------|---------------|---------------|
| Nominal value beginning of period | 12 033 | 68 256 | 80 289 | 87 588 |
| Amounts repaid in the period | (4 096) | (2 581) | (6 676) | (6 066) |
| Exchange rate effect on CHF borrowings | 930 | 6 980 | 7 910 | (1 233) |
| Nominal value end of period | 8 867 | 72 655 | 81 522 | 80 289 |
| Remaining unamortized fair value discount | (274) | – | (274) | (493) |
| Carrying value end of period | 8 593 | 72 655 | 81 248 | 79 796 |

- 128.** The original construction loan from 1967 for the construction of the ILO headquarters building carried an interest rate based on market rates; this interest was subsequently waived by the Swiss Confederation in 1996. The loan is repayable in annual instalments of CHF3.70 million, with the final payment due in 2025.
- 129.** The renovation loan agreement was signed in April 2017 for the amount of CHF70.00 million to partially finance the subsequent renovation of the ILO headquarters building. Disbursements commenced to the ILO in 2017 and were received over the period of renovations, ending in 2020. The loan is repayable in annual instalments of CHF2.33 million that began in 2020. The annual interest rate is fixed at 0.5 per cent, commencing when the total loan was disbursed in 2020.
- 130.** The annual contractual payments in nominal value, excluding interest, are as follows:

| (US\$ thousands) | Original construction loan | Renovation loan | Total loans payable |
|--|-------------------------------|--------------------|------------------------|
| Payments due next year | 4 434 | 2 794 | 7 228 |
| Payments due from second to fifth year | 4 433 | 11 178 | 15 611 |
| Payments due after five years | – | 58 683 | 58 683 |
| Nominal value at 31 December 2023 | 8 867 | 72 655 | 81 522 |

Note 16 – Due to Member States

- 131.** The amount due to Member States at the reporting date is calculated as follows:

| (US\$ thousands) | 2023 | 2022 |
|---|---------------|---------------|
| Undistributed surpluses of prior periods | 83 | 75 |
| Undistributed net premia of prior periods | 4 905 | 571 |
| Undistributed 50 per cent of net premia | 3 956 | 12 436 |
| Subtotal | 8 944 | 13 082 |
| Incentive Fund | 6 392 | 12 799 |
| Total payable to Member States | 15 336 | 25 881 |
| ■ Due to Member States – Current | 4 716 | 21 094 |
| ■ Due to Member States – Non-current | 10 620 | 4 787 |

- 132.** In accordance with article 11 of the ILO Financial Regulations, the net premium due to Member States is determined on a biennial basis at the end of the second year of the biennium. The 2022 amount was included in the accumulated fund balance pending the biennial results.

Calculation of net premium and Incentive Fund

- 133.** The Financial Regulations provide for the distribution of elements of the net result of operations of the regular budget as follows:
- 134. Net premium** – Article 11(5) and (7) provides for distribution to Member States of one half of any net premium earned on the forward purchasing transactions between US dollars and Swiss francs to Member States apportioned on the basis of the proportion of the total of each Member State's assessed contributions during the biennium in which the net premium was earned and credited against assessed contributions payable in the next financial period. The remaining one half of the net premium is transferred to the Incentive Fund. The calculation of the various distributions of the net operational result in accordance with the Financial Regulations is done on a biennial basis. The balance due to Member States for the 2022–23 biennium is as follows:

| Exchange Equalization Account (EEA) calculation (US\$ thousands) | 2022-23 | 2020-21 |
|---|----------------|----------------|
| Premium earned on the forward purchase of US dollars | 5 270 | 18 762 |
| Exchange gains (losses) from revaluation from budgetary to UN operational rate of exchange | | |
| Revenue | (25 560) | 54 123 |
| Expense | 10 283 | (27 437) |
| Forward purchase of US dollars | 8 905 | (28 463) |
| Revaluation of assets, liabilities, reserves and fund balances at UN operational rate of exchange | 10 848 | 13 002 |
| Revaluation of provision for contribution arrears | (946) | (1 100) |
| Revaluation of regular budget surplus | (888) | (3 798) |
| Total EEA | 7 912 | 25 089 |

135. Incentive Fund – Article 11(4)–(6) provides for an Incentive Fund financed from 60 per cent of the interest earned on temporarily surplus regular budget funds and one half of any net premium earned on the forward purchasing transactions. The Incentive Fund is distributed to Member States that have paid their assessed contributions in full at the end of either the first or second year of the biennial financial period during which the net premium was earned.

136. Following the postponement of the 109th Session of the International Labour Conference from 2020 to 2021, which implied postponing the adoption of the ILO audited consolidated Financial Statements for the year ended 31 December 2019, the distribution of the 2018–19 incentive scheme and the 50 per cent of 2018–19 net premium was deferred to January 2022.

| Composition of Incentive Fund (US\$ thousands) | 2023 | 2022 |
|---|--------------|---------------|
| Interest earned in current year | 2 133 | 274 |
| Interest earned in prior years | 303 | 89 |
| Total interest earned | 2 436 | 363 |
| 50 per cent of net premium | 3 956 | 12 436 |
| Total available in Incentive Fund | 6 392 | 12 799 |

Note 17 – Other current liabilities

137. Other current liabilities at the reporting date are as follows:

| (US\$ thousands) | 2023 | 2022 |
|---|--------------|--------------|
| Pass-through funds held as administrative agent | 2 961 | 4 314 |
| Provisions for contingencies | 54 | 483 |
| Other | 2 660 | 1 999 |
| Total other current liabilities | 5 675 | 6 796 |

138. In some agreements, the ILO is the administrative agent responsible for passing through funds to implementing partners or other beneficiaries. A liability is established to reflect the funds received from the donor but not yet passed through to implementing partners or beneficiaries as at 31 December.

139. Provisions for contingencies are recognized for legal cases pending before the ILO Administrative Tribunal for which it is more likely than not that the ILO will be required to settle the obligation and the amount can be reliably measured. The movement of provisions for contingencies during the reporting period is as follows:

| (US\$ thousands) | 2023 | 2022 |
|--|------------|------------|
| Balance as at 1 January | 483 | 144 |
| Additional provisions raised during the period | – | 370 |
| Provisions used during the period | (371) | (15) |
| Unused provisions reversed during the period | (58) | (16) |
| Balance as at 31 December | 54 | 483 |

Note 18 – Reserves and accumulated balances

140. Net assets represent the value of the Organization's assets less its outstanding liabilities at the reporting date. Net assets consist of the following elements:

- **Reserves:** represent the balances of special funds established by the Governing Body, the International Labour Conference or the Financial Regulations and include:
 - (a) **Working Capital Fund:** to finance budgetary expenditure pending receipt of assessed contributions and, subject to prior Governing Body approval, to meet emergencies;
 - (b) **Income Adjustment Account:** to provide temporary internal funding when the Working Capital Fund proves insufficient to cover regular budget deficits;
 - (c) **Terminal Benefits Fund:** to finance payments of repatriation grant and end-of-service benefits. The ILO makes a defined contribution to the Fund as a percentage of compensation paid to eligible employees during the financial period;
 - (d) **Fidelity Guarantee Fund:** to finance losses due to theft or misappropriation;
 - (e) **Extrabudgetary reserve:** to finance costs incurred in connection with development cooperation projects not reimbursed by donors;
 - (f) **SHIF Guarantee Fund:** to meet solvency needs;
 - (g) **ASHI Liability Reserve:** established to partially fund the ASHI liability;
 - (h) **ITC's Working Capital Fund:** established in accordance with the Financial Regulations of the ITC.
- **Accumulated balances include:**
 - (a) **Employee benefits:** represent initial recognition of the employee liabilities and subsequent impact of changes in actuarial gains and losses;
 - (b) **Revaluation surplus of land and buildings:** represents the accumulated difference between the historic cost of land and buildings and the fair value as determined by the independent valuation;
 - (c) **Value of outstanding derivatives:** represents the portion of the unrealized gain or loss on the change in value of the forward purchase agreement that is used to meet the ILO's regular budget requirements for US dollars, acquired through the sale of Swiss francs obtained from Member States' assessed contributions and accounted for as cash flow hedge using hedge accounting that is attributable to changes in the spot US dollar to Swiss franc exchange rate;
 - (d) **Accumulated surpluses (deficits):** represent the accumulated surpluses and deficits from the Organization's operations after deducting funds returned to Member States in accordance with the Financial Regulations.

141. Reserves and accumulated balances as at the reporting date are as follows:

| (US\$ thousands) | 2023 | 2022 |
|---|------------------|------------------|
| Reserves | | |
| Working Capital Fund | 41 230 | 37 580 |
| Income Adjustment Account | 83 135 | 70 086 |
| Terminal Benefit Fund | 53 159 | 51 971 |
| Fidelity Guarantee Fund | 1 459 | 1 403 |
| Extra-budgetary Fund | 25 | 25 |
| SHIF Guarantee Fund | 65 795 | 62 743 |
| ASHI Liability Reserve | 34 086 | 29 840 |
| ITC's Working Capital Fund | 2 220 | 2 130 |
| Total reserves | 281 109 | 255 778 |
| Accumulated balances | | |
| Employee benefits | (1 138 604) | (897 213) |
| Revaluation surplus of land and buildings | 509 838 | 431 029 |
| Value of outstanding derivatives | - | 4 601 |
| Accumulated surplus | 175 172 | 207 559 |
| Total accumulated balances | (453 594) | (254 024) |
| Total net assets | (172 485) | 1 754 |

Note 19 – Expenses

142. The ILO has the following main categories of expenses as presented in Statement II:

- **Salaries, employee benefits and other personnel costs:** cover all entitlements for active officials of all grades as authorized by the Staff Regulations. Also include the current period interest cost and current service cost related to the ASHI liability;
- **Travel:** includes expenses related to official travel for staff and delegates to meetings;
- **Subcontracts:** expenses related to externally provided services for the delivery of outputs;
- **General operating expenses:** includes all charges for the operation, maintenance and security of ILO premises (owned, leased and donated); communication costs including postage, telephone and internet services; freight expense; and insurance;
- **Supplies, materials and small equipment:** covers the costs of consumables used in ILO day-to-day operations including office supplies, paper, books and other publications, computer and printer supplies, equipment and intangible assets which do not meet the capitalization policy, and vehicle fuel;
- **Depreciation and amortization:** covers the costs of depreciation of buildings, equipment and leasehold improvements and amortization of the costs of intangible assets including externally acquired and internally developed software;
- **Seminars, workshops and other training:** covers the costs of delivering training, including the costs of facilities, consultants, materials, subsistence payments and travel of officials and attendees to training-related events;
- **Staff development:** expenses related to staff training and development including rental of space, participant travel, and presenter fees and travel costs;
- **Health benefits:** all payments made by SHIF on behalf of active or former ILO officials or dependants;
- **Contributions and grants in aid:** covers expenses under regular budget development cooperation activities and contributions made to jointly funded bodies;
- **Finance expenses:** includes bank charges and custody fees paid in connection with the management of ILO bank accounts, disbursements and investments together with adjustments relating to discounting of non-current receivables and borrowings;

- **Other expenses:** expenses that cannot be reported under the classifications above.

Note 20 – Financial instruments

143. Financial instruments are categorized as follows:

| Financial assets and liabilities | Category |
|--|---------------------------------------|
| Cash and cash equivalents | Amortized cost |
| Receivables | Amortized cost |
| Derivative assets/liabilities (excluding designated cash-flow hedge) | Fair value through surplus or deficit |
| Derivative assets/liabilities (designated cash-flow hedge) | Fair value through net assets |
| Investments (short term deposits) | Amortized cost |
| Investments (portfolios) | Fair value through surplus or deficit |
| Payables | Amortized cost |
| Borrowings | Amortized cost |

144. Fair values are classified according to the following hierarchy:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

145. The fair values of cash, cash equivalents, investments – current and fixed-income investments (bonds) are determined using quoted prices in the active market (level 1). The fair value of fixed-income investments (floating rate notes and money market), unit funds and forward purchase agreements are provided by banks or investment portfolio managers based on price models using observable market prices (level 2).

146. The carrying amount of the ILO's financial instruments at amortized cost is a reasonable approximation of their fair value.

Financial risk management

147. The ILO's activities are exposed to a variety of financial risks: market risk, credit risk and liquidity risk. The ILO's investment management programme focuses on these risks and seeks to minimize potential effects on financial performance.

Market risk

148. Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Currency risk

149. Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

- 150.** The ILO is exposed to foreign exchange risk on revenues and expenses denominated in foreign currencies, predominately Swiss francs along with minor exposure to other currencies. The ILO's primary objectives in managing currency risk are to preserve cash flows and reduce variations in performance from the negative impact of exchange rate fluctuation.
- 151.** The ILO mitigates the currency fluctuation risk to its regular budget by naturally hedging through receipt of revenue in Swiss francs from assessed contributions in an amount sufficient to finance its current Swiss franc liabilities and entering into forward purchase agreements to finance its US dollar-based liabilities.
- 152.** The ILO also enters into forward purchase agreements to hedge the non-Swiss franc investments (excluding 35 per cent, with a tolerance of +/- 5 per cent, in US dollar investments) held on behalf of the SHIF against currency gains or losses, since the SHIF's liabilities are predominately Swiss franc and US dollar based.
- 153.** The ILO receives voluntary contributions to finance development cooperation projects in currencies other than US dollars. These funds are converted to US dollars to meet cash flow requirements. No currency exposure exists as the related development cooperation project budgets are adjusted to reflect the US dollars equivalent amount of the funds received.
- 154.** The table below shows the impact on surplus/deficit as of 31 December 2023, if the major currencies to which the Organization was exposed, weakened or strengthened by 5 per cent against the US dollar:

| (US\$ thousands) | CHF ¹ denominated | Euro ² denominated |
|---|---------------------------------|----------------------------------|
| 5 per cent depreciation of the foreign currency against US\$: | | |
| Impact on surplus/deficit: | | |
| Financial assets and liabilities other than derivative instruments | (20 213) | (1 867) |
| Derivative instruments | 19 498 | - |
| 5 per cent appreciation of the foreign currency against US\$: | | |
| Impact on surplus/deficit: | | |
| Financial assets and liabilities other than derivative instruments | 22 341 | 2 063 |
| Derivative instruments | (21 550) | - |
| ¹ The UN operational rate of exchange was US\$1 = CHF0.835 as at 31 December 2023. | | |
| ² The UN operational rate of exchange was US\$1 = €0.901 as at 31 December 2023. | | |

- 155.** The assets and liabilities held in Swiss francs and euro are generally matched to the underlying fund currency. Therefore, while there may be an impact in US dollar terms, the substantive effect in the underlying currency would be immaterial.
- 156.** The assets and liabilities held in other currencies are minor. The movements in exchange rates against the US dollar of these currencies would not have a material impact on the consolidated statement of financial position or consolidated statement of financial performance.

Interest rate risk

- 157.** Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates.
- 158.** The ILO is exposed to interest rate risk on surplus/deficit through its interest-bearing financial assets and fixed-income instruments, and through interest rate linked market value changes on the fixed income portions of its investment portfolios. The table below shows the estimated impacts of an increase or decrease in interest rates by 50 basis points:

| | (US\$ thousands) |
|--|------------------|
| 50 basis point increase in interest rates | |
| Impact on interest income | 5 168 |
| Impact on fair value of portfolios | (2 821) |
| Net effect | 2 347 |
| 50 basis point decrease in interest rates | |
| Impact on interest income | (5 168) |
| Impact on fair value of portfolios | 2 821 |
| Net effect | (2 347) |

- 159.** The ILO believes that it is not subject to significant interest rate risk. The ILO mitigates its interest rate risk by adjusting the maturities of investments in accordance with expected changes in global economic environment and diversifying asset classes within its portfolios.

Credit risk

- 160.** Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.
- 161.** The ILO is exposed to credit risk through its cash and cash equivalents, investments, accounts receivable and derivative assets. The maximum exposure to credit risk is the carrying value of these assets. For the purposes of financial reporting, the ILO calculates expected credit loss allowances associated with its financial assets.
- 162.** The ILO's investment policies limit the amount of credit exposure to any one counterparty and include conservative minimum credit quality requirements of investment grade.
- 163.** Cash deposits and investments are widely spread in order to avoid an over-concentration of funds with few institutions. The total percentage of ILO cash and investments that may be placed with a single institution or investments is determined according to its long-term credit rating. Funds are generally deposited or invested only with institutions maintaining a long-term credit rating of A or higher, except where local banking conditions require the use of banks with a lower international rating but a good record of performance locally.
- 164.** As at the reporting date, the rating of banks in which cash and short-term deposits are held and the rating of the investments are as follows:

| Credit rating ¹ | Cash and cash equivalents | | Investments | |
|----------------------------|-------------------------------------|--------------|-------------------------------------|--------------|
| | Carrying amount (US\$ thousands) | % | Carrying amount (US\$ thousands) | % |
| AA | 25 959 | 8.0 | 343 203 | 32.9 |
| A | 278 141 | 86.2 | 403 068 | 38.6 |
| BBB | 11 943 | 3.7 | – | – |
| <BBB | 5 395 | 1.7 | – | – |
| Not rated | 1 260 ² | 0.4 | 297 364 ³ | 28.5 |
| Total | 322 698 | 100.0 | 1 043 635 | 100.0 |

¹ The rating is based on long-term credit ratings by Fitch; where unavailable, equivalent ratings by Standard and Poor's and Moody's were utilized. The A rating category includes A+ and A-, the AA rating category includes AA+ and AA-.

² The ILO implements projects worldwide. A small part of the bank accounts operating outside of Geneva are held with banks not rated by reference to external credit ratings.

³ Investments by the ILO in unit funds which are not rated by credit rating agencies but have adequate disclosure on the underlying asset credit risk.

- 165.** The ILO manages its exposure to derivative counterparty credit risk by contracting primarily with reputable financial institutions (A rated). As at the end of the year, the ratings of derivatives counterparties were A and AA within a maximum exposure of US\$26.85 million.
- 166.** The ILO is not exposed to material credit risk related to account receivables as contributions are due primarily from large regulatory or governmental bodies. An allowance has been established to reflect receivables for which payment is not anticipated in the short-term.

Liquidity risk

- 167.** Liquidity risk is the risk that the ILO will encounter difficulties in meeting its financial obligations associated with financial liabilities.
- 168.** The ILO manages liquidity risk by continuously monitoring actual and estimated cash flows. The ILO's total current assets of US\$1,498.59 million are sufficient to settle its current financial liabilities of US\$981.17 million. On an ongoing basis, it is anticipated that the ILO will continue to have sufficient liquidity to meet its financial obligations.

Capital management

- 169.** The ILO defines the capital that it manages as the aggregate of its net assets which is comprised of accumulated balances and reserves. The ILO's objectives in managing capital are to safeguard its ability to continue as a going concern to fund its asset base and to fulfil its mission and objectives as established by its Member States and donors. The ILO's overall strategy with respect to capital management includes the balancing of its operating and capital activities with its funding on a biennial basis along with the hedging of its expense requirements in US dollars against its Swiss franc-based revenue from Member States' assessments.
- 170.** The ILO manages its capital structure in light of global economic conditions, the risk characteristics of the underlying assets and working capital requirements. The ILO manages its capital by reviewing on a regular basis the actual results against the budgets approved by Member States.

Note 21 – Operating leases

- 171.** The ILO enters into operating lease arrangements for the use of field and regional office premises and for the use of photocopying and printing equipment. Some of these leases contain renewal and escalation clauses based generally on local inflationary indices.
- 172.** The total amount paid by the ILO to other UN agencies for leases under cost-sharing agreements based on the reimbursement of actual cost incurred was US\$2.07 million in 2023 (US\$1.98 million in 2022).
- 173.** The total amount of lease and sublease expense recognized in 2023 was US\$13.02 million (US\$12.57 million in 2022).
- 174.** Future minimum lease rental payments and amounts receivable for non-cancellable leases for the following periods are:

| (US\$ thousands) | 2023 | 2022 |
|---|--------------|--------------|
| Within one year | (395) | (395) |
| Later than one year and not later than five years | – | (395) |
| Later than five years | – | – |
| Total minimum rental commitments – Lessee | (395) | (790) |

| (US\$ thousands) | 2023 | 2022 |
|---|--------------|--------------|
| Within one year | 3 394 | 3 070 |
| Later than one year and not later than five years | 1 697 | 4 605 |
| Later than five years | - | - |
| Total minimum rental receivable – Lessor | 5 091 | 7 675 |

175. The total amount of rent earned under contingent lease agreements in 2023 was US\$1.02 million (US\$0.76 million in 2022), comprising an ITC cost-sharing agreement with other UN agencies with the rent based on reimbursement of actual cost incurred, a profit-sharing agreement with the catering operator in the Geneva premises based on a percentage of revenue, and occupancy costs for leased office space in the Geneva headquarters building based on actual usage.

Note 22 – Statement of comparison of budget and actual amounts

176. The ILO does not publish a consolidated budget. Consequently, separate statements of comparison of budget and actual amounts are prepared for each of the published budgets: the regular budget adopted by the International Labour Conference; the budget of CINTERFOR adopted by the ILO Governing Body; and the budget of the ITC adopted by the ITC Board of Directors. The approved budgets are governed by the Financial Regulations and are prepared on a different basis than that of the consolidated financial statements.
177. IPSAS requires that where the consolidated financial statements and the budget are not prepared on a comparable basis, a reconciliation be presented identifying separately any basis, timing and entity differences.

Basis difference

178. The consolidated statement of financial position, consolidated statement of financial performance, consolidated statement of changes in net assets and consolidated statement of cash flow are prepared on a full accrual basis while the approved budgets are prepared on a modified accrual basis. In addition, the ILO regular budget is prepared using a fixed budget rate of exchange. In the preparation of the consolidated financial statements all foreign currency transactions are converted to US dollars using the UN operational rate on the date of each transaction.

Timing difference

179. Timing differences occur as the ILO regular budget and CINTERFOR's budget are prepared and approved on a biennial basis while the financial statements are prepared on an annual basis.

Entity difference

180. Entity differences occur since the published approved budgets include only certain of the funds managed by the Organization, while the consolidated financial statements provide information of all the funds and entities of the ILO.
181. The following table provides a reconciliation of the result in accordance with the Financial Regulations and with IPSAS:

| (US\$ thousands) | Regular budget | CINTERFOR | ITC | Other funds and elimination | Total |
|---|----------------|-----------|--------------|-----------------------------|----------------|
| Net result per budgetary basis (Statement V) | (686) | (255) | 5 573 | | 4 632 |
| Less: Timing differences | 340 | 320 | (4 143) | | (3 483) |
| Adjusted net result | (346) | 65 | 1 430 | - | 1 149 |

| (US\$ thousands) | Regular budget | CINTERFOR | ITC | Other funds and elimination | Total |
|--|-----------------|-------------|--------------|-----------------------------|-----------------|
| Reconciling items from budgetary basis to IPSAS basis: | | | | | |
| Treatment of exchange differences | 8 123 | (3) | (620) | | 7 500 |
| Provision for assessed contributions receivable | (13 850) | - | - | | (13 850) |
| Amortization of receivable from Member States with financial arrangement | 66 | - | - | | 66 |
| Recognition of property and equipment | (558) | (8) | (253) | | (819) |
| Recognition of intangible assets | (442) | - | - | | (442) |
| Accrual of employee benefits | 246 | - | - | | 246 |
| Provision for contingencies | 429 | - | - | | 429 |
| Unrealized gain/loss from forward purchase agreements | (25 314) | - | - | | (25 314) |
| Accrual for ITC training and other services | 512 | - | - | | 512 |
| Use of prior year surplus (ITC) | - | - | (56) | | (56) |
| Entity difference (ITC) | - | - | 2 667 | | 2 667 |
| Subsidiary funds | - | - | - | 27 177 | 27 177 |
| Total difference | (30 788) | (11) | 1 737 | 27 177 | (1 885) |
| Net result per IPSAS basis | (31 134) | 54 | 3 167 | 27 177 | (736) |

182. The following table provides a reconciliation between Statement V and Statement IV for the year ended 31 December 2023:

| (US\$ thousands) | Operating activities | Investing activities | Financing activities | Total |
|---|----------------------|----------------------|----------------------|---------------|
| Net surplus (deficit) on a budgetary basis (Statement V) | 4 632 | | | 4 632 |
| Timing difference | (3 483) | - | - | (3 483) |
| Basis difference | (30 467) | (1 261) | - | (31 728) |
| Entity difference | 127 230 | (34 253) | (6 677) | 86 300 |
| Net consolidated cash flows (Statement IV) | 97 912 | (35 514) | (6 677) | 55 721 |
| Effect of exchange rates on cash and cash equivalents | | | | (12 649) |
| Net decrease in cash and cash equivalents | | | | 43 072 |

Note 23 – Related party disclosures

183. Key management personnel during the period were the Director-General, Deputy Directors-General, Assistant Directors-General, Regional Directors, the Treasurer and Financial Comptroller and the Legal Adviser. The Governing Body consists of representatives of Member States and constituents elected by the ILO who serve without compensation from the ILO and are not considered key management personnel.
184. The aggregate remuneration paid to key management personnel includes salaries and all allowances established within the ILO Staff Regulations and approved by the Governing Body. Key management personnel are members of the UNJSPF to which the personnel and the ILO contribute and are also eligible for participation in the SHIF including the after-service medical insurance if they meet the eligibility requirements in the SHIF Regulations and Administrative Rules.

| Category | 2023 | | 2022 | |
|-------------------------|---------------|----------------------------------|---------------|----------------------------------|
| | Individuals * | Remuneration (US\$ thousands) | Individuals * | Remuneration (US\$ thousands) |
| Key management | 12.5 | 4 944 | 11.2 | 4 342 |
| * Full-time equivalent. | | | | |

- 185.** There were US\$0.07 million of new advances granted in 2023 and outstanding to key management personnel as of 31 December 2023.
- 186.** There were no loans or advances granted to key management personnel and their close family members which were not available to other categories of staff in accordance with ILO Staff Regulations.
- 187.** There were related party transactions involving key management personnel in 2023 totalling US\$0.14 million (US\$0.13 million in 2022). All such transactions are under terms and conditions that would apply in the normal course of operations.

Note 24 – Non-exchange transactions

- 188.** The primary source of revenue to the ILO is from non-exchange transactions including the assessed contributions paid by its Member States and voluntary in-kind contributions made by donors to its development cooperation projects and RBSA.

| (US\$ thousands) | 2023 | 2022 |
|---|----------------|----------------|
| Assessed contributions from Member States | 410 556 | 409 766 |
| Voluntary contributions to development cooperation projects, RBSA, and gifts and grants | 401 807 | 412 509 |
| ITC training services and other non-exchange revenue | 15 070 | 17 247 |
| Total revenue from non-exchange transactions | 827 433 | 839 522 |
| Receivables from assessed contributions (note 5) | 133 261 | 145 649 |
| Receivables from voluntary contributions (note 6) | 573 560 | 398 030 |
| Total receivables from non-exchange transactions | 706 821 | 543 679 |
| Liabilities recognized for conditional voluntary contributions (note 13) | 569 937 | 396 426 |
| Liabilities recognized for ITC training services (note 13) | 15 756 | 3 760 |
| Advance receipts from assessed contributions (note 13) | 57 866 | 41 842 |
| Total liabilities from non-exchange transactions | 643 559 | 442 028 |

Note 25 – Contingent assets and liabilities and commitments

Contingent assets

- 189.** As at the reporting date, the ILO has the following contingent assets:

| (US\$ thousands) | 2023 |
|---|----------------|
| Member State contribution assessed for 2024–25 * | 879 800 |
| Revenue from the Government of Italy for ITC operations covering future periods | 8 713 |
| Revenue from voluntary ITC training services covering future periods | 2 872 |
| Contributions to the RBSA covering future periods | 14 033 |
| Total contingent assets | 905 418 |
| * CHF800.62 million at the budget rate of exchange of US\$1 = CHF 0.91 adopted by the ILO for the 2024-25 biennium. | |

Contingent liabilities

- 190.** The ILO has contingent liabilities of US\$0.01 million for claims or legal actions related to the ILO Administrative Tribunal as at 31 December 2023 (US\$0.05 million as at 31 December 2022).

- 191.** A potential liability exists for the ITC relating to a contract with a third party. It is possible that the ITC will incur an actual financial liability by the occurrence of one or more future events which are not wholly within its control. As the ITC is not currently in a position to reliably measure the amount of the financial liability that may result from this, no liability or expenditure is recognized in the consolidated financial statements.

Commitments

- 192.** Outstanding contracts for renovation of the headquarters building totalled US\$90.84 million as at 31 December 2023 (US\$112.01 million as at 31 December 2022). The ITC had commitments for contracts related to future services of US\$3.34 million as at 31 December 2023 (US\$2.03 million as at 31 December 2022).
- 193.** Future minimum lease rental payments for non-cancellable leases are presented in note 21.

Note 26 – Contributions in kind

- 194.** The ILO receives contributions in kind from its Member States of the right to use land, office space and other facilities in its operations. The major contributions over extended periods include:

| In-kind contribution | Location of the ILO's controlled entity/external offices | Provided by |
|---|--|---|
| Right to use campus and facilities | ITC, Turin | City of Turin, Italy |
| Right to use land | Islamabad | Government of Pakistan |
| | Brasilia | Government of Brazil |
| | Dar es Salaam | Government of the United Republic of Tanzania |
| Right to use office space and other facilities | Budapest | Government of Hungary |
| | Beirut | Government of Lebanon |
| | Yaoundé | Government of Cameroon |
| | Kuwait City | Government of Kuwait |
| | Ankara | Government of Türkiye |
| | Abuja | Government of Nigeria |
| | Lisbon | Government of Portugal |
| | Madrid | Government of Spain |
| | Rome | Government of Italy |
| | Colombo | Government of Sri Lanka |
| | Dakar | Government of Senegal |
| | CINTERFOR, Montevideo | Government of Uruguay |

Note 27 – Segment reporting table

- 195.** Segment reporting is based on the information that is most useful to readers of the financial statements to evaluate the ILO's financial position and performance and make decisions about allocating resources.

- 196.** Segment reporting is presented in a format that distinguishes funds with approved budgets (Statements V-A, V-B and V-C), activities financed by voluntary contributions and other subsidiary funds (note 22).

► Consolidated statement of financial performance by segment for the year ended 31 December 2023 (US\$ thousands)

| | Funds with approved budgets: | | | | Voluntary contribution activities | Subsidiary funds | Intersegments transfers elimination | Total |
|---|------------------------------|--------------|---------------|-----------------|-----------------------------------|------------------|-------------------------------------|----------------|
| | Regular budget | CINTERFOR | ITC | Subtotal | | | | |
| Revenue | | | | | | | | |
| Assessed contributions | 410 556 | - | - | 410 556 | - | - | - | 410 556 |
| Voluntary contributions | - | 2 246 | 16 903 | 19 149 | 386 222 | 53 014 | (56 578) | 401 807 |
| ITC training services | - | - | 29 053 | 29 053 | - | - | (15 450) | 13 603 |
| Programme support income | - | - | - | - | - | 36 900 | (36 900) | - |
| Staff/retiree benefit contributions | - | - | - | - | - | 55 328 | (30 109) | 25 219 |
| Sales and royalties | - | - | 1 773 | 1 773 | 7 364 | 14 635 | (5 875) | 17 897 |
| Investment income | - | 62 | 921 | 983 | 11 784 | 37 777 | - | 50 544 |
| Other income | (34) | 30 | 1 102 | 1 098 | 2 | 291 | (3) | 1 388 |
| Total revenue | 410 522 | 2 338 | 49 752 | 462 612 | 405 372 | 197 945 | (144 915) | 921 014 |
| Expenses | | | | | | | | |
| Salaries, employee benefits and other personnel costs | 297 253 | 1 809 | 24 781 | 323 843 | 142 525 | 81 332 | (21 100) | 526 600 |
| Travel | 11 978 | 36 | 3 408 | 15 422 | 13 057 | 1 208 | (28) | 29 659 |
| Subcontracts | 44 995 | 133 | 8 320 | 53 448 | 157 271 | 3 455 | (5 003) | 209 171 |
| General operating expenses | 32 120 | 95 | 4 663 | 36 878 | 11 419 | 3 550 | (2 566) | 49 281 |
| Supplies, materials and small equipment | 6 417 | 1 | 959 | 7 377 | 5 806 | 420 | (6) | 13 597 |
| Depreciation and amortization | 1 846 | 3 | 1 017 | 2 866 | 1 | 11 057 | - | 13 924 |
| Seminars, workshops and other training | 10 362 | 193 | 2 735 | 13 290 | 24 619 | 210 | (8 301) | 29 818 |
| Staff development | 5 407 | 8 | - | 5 415 | - | - | (865) | 4 550 |
| Health benefits | - | - | - | - | - | 57 447 | - | 57 447 |
| Contributions and grants in aid | 43 061 | - | - | 43 061 | 5 477 | 36 443 | (69 043) | 15 938 |
| Programme support costs | - | - | - | - | 37 998 | 5 | (38 003) | - |
| Finance expenses | (66) | 5 | 68 | 7 | 413 | 2 468 | - | 2 888 |
| Other expenses | (183) | - | - | (183) | 3 | 294 | - | 114 |
| Total expenses | 453 190 | 2 283 | 45 951 | 501 424 | 398 589 | 197 889 | (144 915) | 952 987 |
| Foreign exchange gains/(losses) | 11 534 | (1) | (634) | 10 899 | (112) | 20 450 | - | 31 237 |
| Net surplus (deficit) | (31 134) | 54 | 3 167 | (27 913) | 6 671 | 20 506 | - | (736) |

► Consolidated statement of financial performance by segment for the year ended 31 December 2022 (US\$ thousands)

| | Funds with approved budgets: | | | | Voluntary contribution activities | Subsidiary funds | Intersegments transfers elimination | Total |
|---|------------------------------|--------------|---------------|----------------|-----------------------------------|------------------|-------------------------------------|-----------------|
| | Regular budget | CINTERFOR | ITC | Subtotal | | | | |
| Revenue | | | | | | | | |
| Assessed contributions | 409 766 | - | - | 409 766 | - | - | - | 409 766 |
| Voluntary contributions | - | 1 626 | 19 051 | 20 677 | 398 094 | 51 201 | (57 463) | 412 509 |
| ITC training services | - | - | 27 549 | 27 549 | - | - | (12 185) | 15 364 |
| Programme support income | - | - | - | - | - | 36 774 | (36 774) | - |
| Staff/retiree benefit contributions | - | - | - | - | - | 51 895 | (28 053) | 23 842 |
| Sales and royalties | - | - | 2 795 | 2 795 | 7 721 | 12 897 | (5 690) | 17 723 |
| Investment income | - | 17 | 182 | 199 | 1 559 | (4 090) | - | (2 332) |
| Other income | (33) | - | 732 | 699 | - | 1 091 | (105) | 1 685 |
| Total revenue | 409 733 | 1 643 | 50 309 | 461 685 | 407 374 | 149 768 | (140 270) | 878 557 |
| Expenses | | | | | | | | |
| Salaries, employee benefits and other personnel costs | 263 502 | 1 541 | 23 566 | 288 609 | 141 726 | 94 778 | (20 821) | 504 292 |
| Travel | 8 485 | 51 | 1 861 | 10 397 | 8 864 | 466 | (23) | 19 704 |
| Subcontracts | 25 390 | 171 | 10 080 | 35 641 | 163 827 | 1 721 | (3 841) | 197 348 |
| General operating expenses | 26 603 | 133 | 4 148 | 30 884 | 12 993 | 3 751 | (3 169) | 44 459 |
| Supplies, materials and small equipment | 2 441 | 14 | 921 | 3 376 | 4 964 | 453 | (64) | 8 729 |
| Depreciation and amortization | 1 644 | 3 | 746 | 2 393 | 1 | 10 083 | - | 12 477 |
| Seminars, workshops and other training | 5 606 | 36 | 1 855 | 7 497 | 22 367 | 88 | (6 327) | 23 625 |
| Staff development | 1 794 | 11 | - | 1 805 | 1 | - | (345) | 1 461 |
| Health benefits | - | - | - | - | - | 50 343 | - | 50 343 |
| Contributions and grants in aid | 43 269 | - | - | 43 269 | 9 814 | 35 697 | (68 258) | 20 522 |
| Programme support costs | - | - | - | - | 37 421 | 1 | (37 422) | - |
| Finance expenses | (102) | 4 | 60 | (38) | 255 | 2 782 | - | 2 999 |
| Other expenses | 855 | - | - | 855 | 8 | 428 | - | 1 291 |
| Total expenses | 379 487 | 1 964 | 43 237 | 424 688 | 402 241 | 200 591 | (140 270) | 887 250 |
| Foreign exchange gains/(losses) | (6 946) | (2) | 2 442 | (4 506) | (243) | (7 481) | - | (12 230) |
| Net surplus (deficit) | 23 300 | (323) | 9 514 | 32 491 | 4 890 | (58 304) | - | (20 923) |

Note 28 – Assessed contributions table – Summary

► Assessed contributions of Member States and amounts due by States for prior periods of membership in the ILO Summary for the year ended 31 December 2023 (in Swiss francs)

| Details | Balance due as at 1.1.22 ¹ | Assessed Contributions 2022–23 | Total Amounts due | Amount received or credited ² | | | Balance due as at 31.12.23 |
|--|---|--------------------------------------|----------------------|--|-------------|-----------------|----------------------------------|
| | | | | 2022 | 2023 | Total Income | |
| A. Assessed contributions for the financial period 2022–23: | | | | | | | |
| 2022 – Assessed with the budget | | 383 742 090 | 383 742 090 | 275 119 977 | 99 734 699 | 374 854 676 | 8 887 414 |
| 2023 – Assessed with the budget | | 383 742 090 | 383 742 090 | | 279 655 298 | 279 655 298 | 104 086 792 |
| Total assessed contributions for the financial period 2022–23 | | 767 484 180 | 767 484 180 | 275 119 977 | 379 389 997 | 654 509 974 | 112 974 206 |
| B. Assessed contributions for previous financial periods due from Member States | 152 806 178 | | 152 806 178 | 95 927 168 | 27 984 996 | 123 912 164 | 28 894 014 |
| C. Amounts due by States for prior periods of membership in the ILO | 6 615 689 | | 6 615 689 | - | - | - | 6 615 689 |
| Total assessed contributions and other amounts due for previous financial periods | 159 421 867 | | 159 421 867 | 95 927 168 | 27 984 996 | 123 912 164 | 35 509 703 |
| Total 2022–23 | 159 421 867 | 767 484 180 | 926 906 047 | 371 047 145 | 407 374 993 | 778 422 138 | 148 483 909 |
| Total 2020–21 | 171 267 413 | 790 640 000 | 961 907 413 | 392 695 734 | 409 789 812 | 802 485 546 | 159 421 867 |
| | | | | | | | 177 825 041 |
| | | | | | | | (327 928) |
| | | | | | | | 177 497 113 |

Balance due in US dollars at the United Nations rate of exchange for 31 December 2023 (0.835 Swiss francs to the dollar)

Less: prepayments of financial arrangements

Assessed contributions receivable in US dollars

¹ Excludes assessed contributions for 2022

² Includes credits to Member States in respect of:

| | <u>2022</u> | <u>2023</u> |
|--|-------------------|-------------------|
| The Incentive Scheme for 2020 and 2021 respectively | 74 293 | 11 560 667 |
| The Incentive Scheme for 2019 | 7 648 357 | |
| 50 per cent Net Premium for 2018–19 and 2020–21 respectively | 6 968 092 | 7 909 495 |
| 50 per cent Net Premium for prior years | 196 103 | |
| Surplus for prior years | 33 933 | |
| Total Credits | 14 920 778 | 19 470 162 |

Note 29 – Assessed contributions – Detailed table

► **Assessed contributions of Member States and amounts due by States for prior periods of membership in the ILO – Details for the year ending 31 December 2023 (in Swiss francs)**

| State | 2022-23 Assessed Contributions | | | | | | | Amounts due for previous financial periods | | | | Calender years of Assessment | Total due as at 31.12.2023 | |
|----------------------------------|--------------------------------|------------|------------------------------|------------|------------------------|------------|------------------------------|--|------------------------------|-----------|------------|------------------------------|----------------------------|------------------------------|
| | 2022 | | | | 2023 | | | Balance due as at 31.12.2023 | Balance due as at 01.01.2022 | Amounts | | | | Balance due as at 31.12.2023 |
| | Assessed Contributions | | Amounts Received or Credited | | Assessed Contributions | | Amounts Received or Credited | | | | | | | |
| | % | Amount | in 2022 | in 2023 | % | Amount | in 2023 | | | in 2022 | in 2023 | | | |
| Afghanistan (2) | 0.007 | 26 862 | 370 | - | 0.006 | 23 025 | - | 49 517 | 94 043 | - | - | 94 043 | 2018-23 | 143 560 |
| Albania | 0.008 | 30 699 | 30 699 | - | 0.008 | 30 699 | 30 699 | - | - | - | - | - | - | - |
| Algeria | 0.138 | 529 564 | 529 564 | - | 0.109 | 418 279 | 418 279 | - | - | - | - | - | - | - |
| Angola | 0.010 | 38 374 | 2 196 | 36 178 | 0.010 | 38 374 | 38 374 | - | 38 805 | - | 38 805 | - | - | - |
| Antigua and Barbuda (2) | 0.002 | 7 675 | 317 | - | 0.002 | 7 675 | - | 15 033 | 11 561 | - | - | 11 561 | 2020-23 | 26 594 |
| Argentina | 0.916 | 3 515 078 | 65 644 | - | 0.719 | 2 759 106 | - | 6 208 540 | 7 198 741 | 3 577 810 | 750 000 | 2 870 931 | 2021-23 | 9 079 471 |
| Armenia | 0.007 | 26 862 | 26 862 | - | 0.007 | 26 862 | 26 862 | - | - | - | - | - | - | - |
| Australia | 2.211 | 8 484 538 | 8 484 538 | - | 2.112 | 8 104 633 | 8 104 633 | - | - | - | - | - | - | - |
| Austria | 0.677 | 2 597 934 | 2 597 934 | - | 0.679 | 2 605 609 | 2 605 609 | - | - | - | - | - | - | - |
| Azerbaijan (1) | 0.049 | 188 034 | 188 034 | - | 0.030 | 115 123 | 115 123 | - | 1 132 540 | 283 135 | 283 135 | 566 270 | 1998-2005 | 566 270 |
| Bahamas | 0.018 | 69 074 | 69 074 | - | 0.019 | 72 911 | 72 911 | - | - | - | - | - | - | - |
| Bahrain | 0.050 | 191 871 | 191 871 | - | 0.054 | 207 221 | 207 221 | - | - | - | - | - | - | - |
| Bangladesh | 0.010 | 38 374 | 34 692 | 3 682 | 0.010 | 38 374 | 38 374 | - | 1 281 | 1 281 | - | - | - | - |
| Barbados | 0.007 | 26 862 | 26 862 | - | 0.008 | 30 699 | 30 699 | - | - | - | - | - | - | - |
| Belarus | 0.049 | 188 034 | 11 178 | 176 856 | 0.041 | 157 334 | 157 334 | - | - | - | - | - | - | - |
| Belgium | 0.822 | 3 154 360 | 3 154 360 | - | 0.828 | 3 177 385 | 3 177 385 | - | - | - | - | - | - | - |
| Belize | 0.001 | 3 837 | 3 837 | - | 0.001 | 3 837 | 3 837 | - | 11 644 | 11 644 | - | - | - | - |
| Benin | 0.003 | 11 512 | 11 512 | - | 0.005 | 19 187 | 11 420 | 7 767 | - | - | - | - | 2023 | 7 767 |
| Bolivia (Plurinational State of) | 0.016 | 61 399 | 1 569 | - | 0.019 | 72 911 | - | 132 741 | 126 502 | 20 | 126 482 | - | 2022-23 | 132 741 |
| Bosnia and Herzegovina | 0.012 | 46 049 | 46 049 | - | 0.012 | 46 049 | 46 049 | - | - | - | - | - | - | - |
| Botswana | 0.014 | 53 724 | 53 724 | - | 0.015 | 57 561 | 57 561 | - | - | - | - | - | - | - |
| Brazil | 2.949 | 11 316 554 | - | 11 316 554 | 2.014 | 7 728 566 | 7 728 566 | - | 21 956 036 | 727 193 | 21 228 843 | - | - | - |
| Brunei Darussalam | 0.025 | 95 936 | 95 936 | - | 0.021 | 80 586 | 80 586 | - | - | - | - | - | - | - |
| Bulgaria | 0.046 | 176 521 | 176 521 | - | 0.056 | 214 896 | 214 896 | - | - | - | - | - | - | - |
| Burkina Faso | 0.003 | 11 512 | 11 512 | - | 0.004 | 15 350 | 15 350 | - | - | - | - | - | - | - |
| Burundi | 0.001 | 3 837 | 226 | - | 0.001 | 3 837 | 132 | 7 316 | 1 175 | - | - | 1 175 | 2021-23 | 8 491 |
| Cabo Verde | 0.001 | 3 837 | 2 711 | 1 126 | 0.001 | 3 837 | 3 757 | 80 | - | - | - | - | 2023 | 80 |
| Cambodia | 0.006 | 23 025 | 23 025 | - | 0.007 | 26 862 | 26 862 | - | - | - | - | - | - | - |
| Cameroon | 0.013 | 49 887 | 1 455 | 48 432 | 0.013 | 49 887 | - | 49 887 | 86 722 | - | 86 722 | - | 2023 | 49 887 |
| Canada | 2.735 | 10 495 346 | 10 495 346 | - | 2.629 | 10 088 580 | 10 088 580 | - | - | - | - | - | - | - |
| Central African Republic | 0.001 | 3 837 | 3 655 | 182 | 0.001 | 3 837 | 3 837 | - | 16 384 | 8 192 | 8 192 | - | - | - |
| Chad (2) | 0.004 | 15 350 | - | - | 0.003 | 11 512 | - | 26 862 | 96 085 | - | - | 96 085 | 2016-23 | 122 947 |
| Chile | 0.407 | 1 561 830 | 1 561 830 | - | 0.420 | 1 611 717 | 1 611 717 | - | - | - | - | - | - | - |
| China | 12.010 | 46 087 425 | 44 954 826 | 1 132 599 | 15.261 | 58 562 880 | 52 562 880 | 6 000 000 | - | - | - | - | 2023 | 6 000 000 |
| Colombia | 0.288 | 1 105 177 | 1 105 177 | - | 0.246 | 944 006 | 944 006 | - | - | - | - | - | - | - |
| Comoros (2) | 0.001 | 3 837 | - | - | 0.001 | 3 837 | - | 7 674 | 479 343 | - | - | 479 343 | 1986-2023 | 487 017 |
| Congo (2) | 0.006 | 23 025 | - | - | 0.005 | 19 187 | - | 42 212 | 97 172 | - | - | 97 172 | 2017-23 | 139 384 |
| Cook Islands | 0.001 | 3 837 | 3 837 | - | 0.001 | 3 837 | 353 | 3 484 | - | - | - | - | 2023 | 3 484 |
| Costa Rica | 0.062 | 237 920 | 28 436 | 209 484 | 0.069 | 264 782 | 258 066 | 6 716 | 134 017 | 134 017 | - | - | 2023 | 6 716 |
| Côte d'Ivoire | 0.013 | 49 887 | 44 079 | 5 808 | 0.022 | 84 423 | 81 946 | 2 477 | - | - | - | - | 2023 | 2 477 |

| State | 2022-23 Assessed Contributions | | | | | | | Amounts due for previous financial periods | | | | Calender years of Assessment | Total due as at 31.12.2023 | |
|----------------------------------|--------------------------------|------------|------------------------------|---------|------------------------|------------|------------------------------|--|------------------------------|------------------------------|-----------|------------------------------|----------------------------|------------------------------|
| | 2022 | | | | | 2023 | | Balance due as at 31.12.2023 | Balance due as at 01.01.2022 | Amounts Received or Credited | | | | Balance due as at 31.12.2023 |
| | Assessed Contributions | | Amounts Received or Credited | | Assessed Contributions | | Amounts Received or Credited | | | | | | | |
| | % | Amount | in 2022 | in 2023 | % | Amount | in 2022 | | | in 2023 | | | | |
| Croatia | 0.077 | 295 482 | 295 482 | - | 0.091 | 349 205 | 349 205 | - | - | - | - | - | - | |
| Cuba | 0.080 | 306 994 | 9 161 | - | 0.095 | 364 555 | - | 662 388 | 320 790 | 7 114 | - | 313 676 | 976 064 | |
| Cyprus | 0.036 | 138 147 | 138 147 | - | 0.036 | 138 147 | 138 147 | - | - | - | - | - | - | |
| Czechia | 0.311 | 1 193 438 | 1 193 438 | - | 0.340 | 1 304 723 | 1 304 723 | - | - | - | - | - | - | |
| Democratic Republic of the Congo | 0.010 | 38 374 | 38 374 | - | 0.010 | 38 374 | 38 374 | - | 162 502 | 162 502 | - | - | - | |
| Denmark | 0.554 | 2 125 931 | 2 125 931 | - | 0.553 | 2 122 094 | 2 122 094 | - | - | - | - | - | - | |
| Djibouti | 0.001 | 3 837 | 3 837 | - | 0.001 | 3 837 | 291 | 3 546 | 7 791 | 7 791 | - | - | 3 546 | |
| Dominica (2) | 0.001 | 3 837 | 13 | - | 0.001 | 3 837 | - | 7 661 | 45 393 | - | - | 45 393 | 53 054 | |
| Dominican Republic | 0.053 | 203 383 | 203 383 | - | 0.067 | 257 107 | 257 107 | - | - | - | - | - | - | |
| Ecuador | 0.080 | 306 994 | 305 418 | 1 576 | 0.077 | 295 482 | 444 | 295 038 | 85 093 | 85 093 | - | - | 295 038 | |
| Egypt | 0.186 | 713 760 | 713 760 | - | 0.139 | 533 402 | 533 402 | - | - | - | - | - | - | |
| El Salvador | 0.012 | 46 049 | 46 049 | - | 0.013 | 49 887 | 49 887 | - | - | - | - | - | - | |
| Equatbrial Guinea | 0.016 | 61 399 | - | - | 0.012 | 46 049 | - | 107 448 | 127 762 | - | 103 215 | 24 547 | 131 995 | |
| Eritrea | 0.001 | 3 837 | 81 | 3 756 | 0.001 | 3 837 | 169 | 3 668 | - | - | - | - | 3 668 | |
| Estonia | 0.039 | 149 660 | 149 660 | - | 0.044 | 168 847 | 168 847 | - | - | - | - | - | - | |
| Eswatini | 0.002 | 7 675 | 7 675 | - | 0.002 | 7 675 | 7 675 | - | - | - | - | - | - | |
| Ethiopia | 0.010 | 38 374 | 38 374 | - | 0.010 | 38 374 | - | 38 374 | 40 559 | 40 559 | - | - | 38 374 | |
| Fiji | 0.003 | 11 512 | 9 714 | 1 798 | 0.004 | 15 350 | 15 350 | - | 1 779 | 1 779 | - | - | - | |
| Finland | 0.421 | 1 615 554 | 1 615 554 | - | 0.417 | 1 600 205 | 1 600 205 | - | - | - | - | - | - | |
| France | 4.429 | 16 995 937 | 16 995 937 | - | 4.320 | 16 577 658 | 16 577 658 | - | - | - | - | - | - | |
| Gabon | 0.015 | 57 561 | - | 57 561 | 0.013 | 49 887 | - | 49 887 | 59 298 | - | 59 298 | - | 49 887 | |
| Gambia (2) | 0.001 | 3 837 | 1 079 | - | 0.001 | 3 837 | - | 6 595 | 20 244 | - | - | 20 244 | 26 839 | |
| Georgia | 0.008 | 30 699 | 30 699 | - | 0.008 | 30 699 | 30 699 | - | - | - | - | - | - | |
| Germany | 6.093 | 23 381 406 | 23 381 406 | - | 6.114 | 23 461 992 | 23 461 992 | - | - | - | - | - | - | |
| Ghana | 0.015 | 57 561 | 55 262 | 2 299 | 0.024 | 92 098 | 92 098 | - | 67 795 | 67 795 | - | - | - | |
| Greece | 0.366 | 1 404 496 | 1 404 496 | - | 0.325 | 1 247 162 | 1 247 162 | - | 17 | 17 | - | - | - | |
| Grenada | 0.001 | 3 837 | 3 837 | - | 0.001 | 3 837 | 3 837 | - | - | - | - | - | - | |
| Guatemala | 0.036 | 138 147 | 138 147 | - | 0.041 | 157 334 | 157 334 | - | - | - | - | - | - | |
| Guinea | 0.003 | 11 512 | - | - | 0.003 | 11 512 | - | 23 024 | 31 240 | - | 24 210 | 7 030 | 30 054 | |
| Guinea-Bissau (2) | 0.001 | 3 837 | - | - | 0.001 | 3 837 | - | 7 674 | 294 901 | - | - | 294 901 | 302 575 | |
| Guyana | 0.002 | 7 675 | 7 675 | - | 0.004 | 15 350 | 15 350 | - | - | - | - | - | - | |
| Haiti | 0.003 | 11 512 | 11 512 | - | 0.006 | 23 025 | 23 025 | - | - | - | - | - | - | |
| Honduras | 0.009 | 34 537 | 1 639 | 32 898 | 0.009 | 34 537 | 30 672 | 3 865 | 7 459 | - | 7 459 | - | 3 865 | |
| Hungary | 0.206 | 790 509 | 790 509 | - | 0.228 | 874 932 | 874 932 | - | 55 138 | 55 138 | - | - | - | |
| Iceland | 0.028 | 107 448 | 107 448 | - | 0.036 | 138 147 | 138 147 | - | - | - | - | - | - | |
| India | 0.835 | 3 204 247 | 3 204 247 | - | 1.045 | 4 010 105 | 4 010 105 | - | - | - | - | - | - | |
| Indonesia | 0.543 | 2 083 720 | 2 083 720 | - | 0.549 | 2 106 744 | 2 106 744 | - | - | - | - | - | - | |
| Iran (Islamic Republic of) | 0.398 | 1 527 294 | 27 049 | - | 0.371 | 1 423 683 | - | 2 923 928 | 4 937 951 | - | 3 360 000 | 1 577 951 | 4 501 879 | |
| Iraq (1) | 0.129 | 495 027 | 495 027 | - | 0.128 | 491 190 | 491 190 | - | 2 643 352 | 1 119 503 | 304 770 | 1 219 079 | 1 219 079 | |
| Ireland | 0.371 | 1 423 683 | 1 423 683 | - | 0.439 | 1 684 628 | 1 684 628 | - | - | - | - | - | - | |
| Israel | 0.490 | 1 880 336 | 1 880 336 | - | 0.561 | 2 152 793 | 355 433 | 1 797 360 | - | - | - | - | 1 797 360 | |
| Italy | 3.309 | 12 698 026 | 12 698 026 | - | 3.190 | 12 241 373 | 12 241 373 | - | - | - | - | - | - | |
| Jamaica | 0.008 | 30 699 | 30 699 | - | 0.008 | 30 699 | 30 699 | - | - | - | - | - | - | |
| Japan | 8.568 | 32 879 022 | 32 879 022 | - | 8.037 | 30 841 352 | 30 841 352 | - | - | - | - | - | - | |
| Jordan | 0.021 | 80 586 | 80 586 | - | 0.022 | 84 423 | 84 423 | - | - | - | - | - | - | |

| State | 2022-23 Assessed Contributions | | | | | | | Amounts due for previous financial periods | | | | Calender years of Assessment | Total due as at 31.12.2023 | |
|----------------------------------|--------------------------------|-----------|------------------------------|-----------|------------------------|-----------|------------------------------|--|------------------------------|-----------|---------|------------------------------|----------------------------|------------------------------|
| | 2022 | | | | 2023 | | | Balance due as at 31.12.2023 | Balance due as at 01.01.2022 | Amounts | | | | Balance due as at 31.12.2023 |
| | Assessed Contributions | | Amounts Received or Credited | | Assessed Contributions | | Amounts Received or Credited | | | | | | | |
| | % | Amount | in 2022 | in 2023 | % | Amount | in 2022 | | | in 2023 | | | | |
| Kazakhstan | 0.178 | 683 061 | 683 061 | - | 0.133 | 510 377 | 510 377 | - | - | - | - | - | - | |
| Kenya | 0.024 | 92 098 | 92 098 | - | 0.030 | 115 123 | 6 128 | 108 995 | - | - | - | - | 2023 | 108 995 |
| Kiribati | 0.001 | 3 837 | 3 684 | 153 | 0.001 | 3 837 | 3 661 | 176 | 126 | 126 | - | - | 2023 | 176 |
| Kuwait | 0.252 | 967 030 | 967 030 | - | 0.234 | 897 957 | 897 957 | - | - | - | - | - | - | - |
| Kyrgyzstan (1) | 0.002 | 7 675 | 7 675 | - | 0.002 | 7 675 | 7 675 | - | 991 345 | 116 602 | 58 316 | 816 427 | 1994-2017 | 816 427 |
| Lao People's Democratic Republic | 0.005 | 19 187 | 19 187 | - | 0.007 | 26 862 | 740 | 26 122 | - | - | - | - | 2023 | 26 122 |
| Latvia | 0.047 | 180 359 | 180 359 | - | 0.050 | 191 871 | 191 871 | - | - | - | - | - | - | - |
| Lebanon (2) | 0.047 | 180 359 | 6 259 | - | 0.036 | 138 147 | - | 312 247 | 248 993 | - | - | 248 993 | 2020-23 | 561 240 |
| Lesotho | 0.001 | 3 837 | 3 837 | - | 0.001 | 3 837 | 3 837 | - | - | - | - | - | - | - |
| Liberia | 0.001 | 3 837 | 3 837 | - | 0.001 | 3 837 | 3 837 | - | - | - | - | - | - | - |
| Libya | 0.030 | 115 123 | 8 733 | 106 390 | 0.018 | 69 074 | - | 69 074 | 1 185 725 | 475 373 | 710 352 | - | 2023 | 69 074 |
| Lithuania | 0.071 | 272 457 | 272 457 | - | 0.077 | 295 482 | 295 482 | - | - | - | - | - | - | - |
| Luxembourg | 0.067 | 257 107 | 257 107 | - | 0.068 | 260 945 | 260 945 | - | - | - | - | - | - | - |
| Madagascar | 0.004 | 15 350 | 238 | 13 923 | 0.004 | 15 350 | - | 16 539 | 31 247 | 14 245 | 17 002 | - | 2022-23 | 16 539 |
| Malawi | 0.002 | 7 675 | 131 | - | 0.002 | 7 675 | - | 15 219 | 16 503 | 7 095 | 5 221 | 4 187 | 2021-23 | 19 406 |
| Malaysia | 0.341 | 1 308 561 | 1 308 561 | - | 0.348 | 1 335 423 | 1 335 423 | - | - | - | - | - | - | - |
| Maldives | 0.004 | 15 350 | 15 350 | - | 0.004 | 15 350 | 15 350 | - | - | - | - | - | - | - |
| Mali | 0.004 | 15 350 | 15 350 | - | 0.005 | 19 187 | 19 187 | - | - | - | - | - | - | - |
| Malta | 0.017 | 65 236 | 65 236 | - | 0.019 | 72 911 | 72 911 | - | - | - | - | - | - | - |
| Marshall Islands | 0.001 | 3 837 | 3 837 | - | 0.001 | 3 837 | 238 | 3 599 | 3 953 | 3 953 | - | - | 2023 | 3 599 |
| Mauritania | 0.002 | 7 675 | 7 675 | - | 0.002 | 7 675 | 7 675 | - | - | - | - | - | - | - |
| Mauritius | 0.011 | 42 212 | 42 212 | - | 0.019 | 72 911 | 72 911 | - | - | - | - | - | - | - |
| Mexico | 1.293 | 4 961 785 | 105 559 | 4 856 226 | 1.222 | 4 689 328 | 148 415 | 4 540 913 | - | - | - | - | 2023 | 4 540 913 |
| Mongolia | 0.005 | 19 187 | 476 | 18 711 | 0.004 | 15 350 | 14 483 | 867 | - | - | - | - | 2023 | 867 |
| Montenegro | 0.004 | 15 350 | 15 350 | - | 0.004 | 15 350 | 15 350 | - | - | - | - | - | - | - |
| Morocco | 0.055 | 211 058 | 211 058 | - | 0.055 | 211 058 | 211 058 | - | - | - | - | - | - | - |
| Mozambique | 0.004 | 15 350 | 15 350 | - | 0.004 | 15 350 | 15 350 | - | - | - | - | - | - | - |
| Myanmar | 0.010 | 38 374 | 38 374 | - | 0.010 | 38 374 | 38 374 | - | - | - | - | - | - | - |
| Namibia | 0.009 | 34 537 | 34 537 | - | 0.009 | 34 537 | 34 537 | - | - | - | - | - | - | - |
| Nepal | 0.007 | 26 862 | 441 | 26 421 | 0.010 | 38 374 | 36 446 | 1 928 | 27 828 | - | 27 828 | - | 2023 | 1 928 |
| Netherlands | 1.357 | 5 207 380 | 5 207 380 | - | 1.378 | 5 287 966 | 5 287 966 | - | - | - | - | - | - | - |
| New Zealand | 0.291 | 1 116 690 | 1 116 690 | - | 0.309 | 1 185 763 | 1 185 763 | - | - | - | - | - | - | - |
| Nicaragua | 0.005 | 19 187 | 19 187 | - | 0.005 | 19 187 | 19 187 | - | - | - | - | - | - | - |
| Niger | 0.002 | 7 675 | 287 | 7 388 | 0.003 | 11 512 | 9 802 | 1 710 | 12 772 | - | 12 772 | - | 2023 | 1 710 |
| Nigeria | 0.250 | 959 355 | 752 216 | - | 0.182 | 698 411 | - | 905 550 | 1 205 798 | 1 205 798 | - | - | 2022-23 | 905 550 |
| North Macedonia | 0.007 | 26 862 | 26 862 | - | 0.007 | 26 862 | 26 862 | - | - | - | - | - | - | - |
| Norway | 0.754 | 2 893 415 | 2 893 415 | - | 0.679 | 2 605 609 | 2 605 609 | - | - | - | - | - | - | - |
| Oman | 0.115 | 441 303 | 441 303 | - | 0.111 | 425 954 | 425 954 | - | - | - | - | - | - | - |
| Pakistan | 0.115 | 441 303 | 261 604 | 179 699 | 0.114 | 437 466 | 337 638 | 99 828 | 21 027 | 21 027 | - | - | 2023 | 99 828 |
| Palau (2) | 0.001 | 3 837 | - | - | 0.001 | 3 837 | - | 7 674 | 15 681 | - | - | 15 681 | 2017-23 | 23 355 |
| Panama | 0.045 | 172 684 | 172 684 | - | 0.090 | 345 368 | 230 604 | 114 764 | - | - | - | - | 2023 | 114 764 |
| Papua New Guinea (2) | 0.010 | 38 374 | 262 | - | 0.010 | 38 374 | - | 76 486 | 94 276 | - | - | 94 276 | 2019-23 | 170 762 |
| Paraguay (1) | 0.016 | 61 399 | 3 686 | 57 713 | 0.026 | 99 773 | 99 773 | - | 319 133 | 105 827 | 85 404 | 127 902 | 2002-03 + 2011-13 | 127 902 |
| Peru | 0.152 | 583 288 | 583 288 | - | 0.163 | 625 500 | 529 081 | 96 419 | 754 222 | 754 222 | - | - | 2023 | 96 419 |
| Philippines | 0.205 | 786 671 | 786 671 | - | 0.212 | 813 533 | 813 533 | - | - | - | - | - | - | - |
| Poland | 0.802 | 3 077 612 | 3 077 612 | - | 0.838 | 3 215 759 | 3 215 759 | - | - | - | - | - | - | - |
| Portugal | 0.350 | 1 343 097 | 1 343 097 | - | 0.353 | 1 354 610 | 1 354 610 | - | - | - | - | - | - | - |

| State | 2022-23 Assessed Contributions | | | | | | | Amounts due for previous financial periods | | | | Calendar years of Assessment | Total due as at 31.12.2023 | | |
|----------------------------------|--------------------------------|------------|---|--------|------------------------|------------|--------------------------------------|--|------------------------------|--------------------------------------|---------|------------------------------|----------------------------|------------------------------|--|
| | 2022 | | | | 2023 | | | Balance due as at 31.12.2023 | Balance due as at 01.01.2022 | Amounts | | | | Balance due as at 31.12.2023 | |
| | Assessed Contributions | | Amounts Received or Credited in 2022 or in 2023 | | Assessed Contributions | | Amounts Received or Credited in 2023 | | | Received or Credited in 2022 in 2023 | | | | | |
| | % | Amount | | | % | Amount | | | | | | | | | |
| Qatar | 0.282 | 1 082 153 | 1 082 153 | - | 0.269 | 1 032 266 | 1 032 266 | - | - | - | - | - | - | | |
| Republic of Korea | 2.268 | 8 703 271 | 8 703 271 | - | 2.575 | 9 881 359 | 8 644 527 | 1 236 832 | 703 891 | 703 891 | - | - | 2023 | 1 236 832 | |
| Republic of Moldova (1) | 0.003 | 11 512 | 11 512 | - | 0.005 | 19 187 | 19 187 | - | 545 868 | 136 467 | 136 467 | 272 934 | 1998-2004 | 272 934 | |
| Romania | 0.198 | 759 809 | 759 809 | - | 0.312 | 1 197 275 | 1 197 275 | - | - | - | - | - | - | - | |
| Russian Federation | 2.406 | 9 232 835 | 9 232 835 | - | 1.867 | 7 164 465 | 7 164 465 | - | - | - | - | - | - | - | |
| Rwanda | 0.003 | 11 512 | 11 512 | - | 0.003 | 11 512 | 33 | 11 479 | 11 860 | 11 860 | - | - | 2023 | 11 479 | |
| Saint Kitts and Nevis | 0.001 | 3 837 | 3 837 | - | 0.002 | 7 675 | 7 467 | 208 | 6 | 6 | - | - | 2023 | 208 | |
| Saint Lucia | 0.001 | 3 837 | 74 | - | 0.002 | 7 675 | 227 | 11 211 | - | - | - | - | 2022-23 | 11 211 | |
| Saint Vincent and the Grenadines | 0.001 | 3 837 | 3 837 | - | 0.001 | 3 837 | 146 | 3 691 | - | - | - | - | 2023 | 3 691 | |
| Samoa | 0.001 | 3 837 | 3 837 | - | 0.001 | 3 837 | 3 837 | - | - | - | - | - | - | - | |
| San Marino | 0.002 | 7 675 | 7 675 | - | 0.002 | 7 675 | 7 675 | - | - | - | - | - | - | - | |
| Sao Tome and Principe (2) | 0.001 | 3 837 | - | - | 0.001 | 3 837 | - | 7 674 | 212 603 | - | - | 212 603 | 1995-2023 | 220 277 | |
| Saudi Arabia | 1.173 | 4 501 295 | 4 501 295 | - | 1.185 | 4 547 344 | 4 547 344 | - | - | - | - | - | - | - | |
| Senegal | 0.007 | 26 862 | 728 | 26 134 | 0.007 | 26 862 | 24 304 | 2 558 | 28 341 | - | 28 341 | - | 2023 | 2 558 | |
| Serbia | 0.028 | 107 448 | 107 448 | - | 0.032 | 122 798 | 122 798 | - | - | - | - | - | - | - | |
| Seychelles | 0.002 | 7 675 | 7 675 | - | 0.002 | 7 675 | 7 675 | - | - | - | - | - | - | - | |
| Sierra Leone (1) | 0.001 | 3 837 | 2 935 | 902 | 0.001 | 3 837 | 1 566 | 2 271 | 240 142 | 14 050 | 13 300 | 212 792 | 1994-2019 + 2023 | 215 063 | |
| Singapore | 0.485 | 1 861 149 | 1 861 149 | - | 0.504 | 1 934 060 | 1 934 060 | - | - | - | - | - | - | - | |
| Slovakia | 0.153 | 587 126 | 587 126 | - | 0.155 | 594 800 | 594 800 | - | - | - | - | - | - | - | |
| Slovenia | 0.076 | 291 644 | 291 644 | - | 0.079 | 303 156 | 303 156 | - | - | - | - | - | - | - | |
| Solomon Islands (2) | 0.001 | 3 837 | 30 | - | 0.001 | 3 837 | - | 7 644 | 23 174 | - | - | 23 174 | 2015-2023 | 30 818 | |
| Somalia (1) | 0.001 | 3 837 | 3 837 | - | 0.001 | 3 837 | - | 3 837 | 389 055 | 32 509 | - | 356 546 | 1990-2019 + 2023 | 360 383 | |
| South Africa | 0.272 | 1 043 779 | 1 043 779 | - | 0.244 | 936 331 | 936 331 | - | - | - | - | - | - | - | |
| South Sudan | 0.006 | 23 025 | 23 025 | - | 0.002 | 7 675 | 7 675 | - | - | - | - | - | - | - | |
| Spain | 2.147 | 8 238 943 | 8 238 943 | - | 2.135 | 8 192 894 | 8 192 894 | - | - | - | - | - | - | - | |
| Sri Lanka | 0.044 | 168 847 | 168 847 | - | 0.045 | 172 684 | 172 684 | - | - | - | - | - | - | - | |
| Sudan (2) | 0.010 | 38 374 | 654 | - | 0.010 | 38 374 | - | 76 094 | 98 457 | - | - | 98 457 | 2019-23 | 174 551 | |
| Suriname | 0.005 | 19 187 | 768 | - | 0.003 | 11 512 | - | 29 931 | 15 874 | - | - | 15 874 | 2021-23 | 45 805 | |
| Sweden | 0.907 | 3 480 541 | 3 480 541 | - | 0.872 | 3 346 231 | 3 346 231 | - | - | - | - | - | - | - | |
| Switzerland | 1.152 | 4 420 709 | 4 420 709 | - | 1.135 | 4 355 473 | 4 355 473 | - | - | - | - | - | - | - | |
| Syrian Arab Republic | 0.011 | 42 212 | - | - | 0.009 | 34 537 | - | 76 749 | 82 919 | 54 823 | - | 28 096 | 2021-23 | 104 845 | |
| Tajikistan | 0.004 | 15 350 | - | 15 350 | 0.003 | 11 512 | 11 512 | - | 396 352 | 125 000 | 271 352 | - | - | - | |
| Thailand | 0.307 | 1 178 088 | 1 178 088 | - | 0.368 | 1 412 171 | 1 412 171 | - | - | - | - | - | - | - | |
| Timor-Leste | 0.002 | 7 675 | - | 3 595 | 0.001 | 3 837 | - | 7 917 | 4 | - | 4 | - | 2022-23 | 7 917 | |
| Togo | 0.002 | 7 675 | 1 645 | - | 0.002 | 7 675 | 763 | 12 942 | - | - | - | - | 2022-23 | 12 942 | |
| Tonga | 0.001 | 3 837 | 3 837 | - | 0.001 | 3 837 | 3 837 | - | 7 871 | 7 871 | - | - | - | - | |
| Trinidad and Tobago | 0.040 | 153 497 | 153 497 | - | 0.037 | 141 985 | 141 985 | - | - | - | - | - | - | - | |
| Tunisia | 0.025 | 95 936 | 95 936 | - | 0.019 | 72 911 | 72 911 | - | - | - | - | - | - | - | |
| Türkiye | 1.372 | 5 264 942 | 5 264 942 | - | 0.846 | 3 246 458 | 3 246 458 | - | - | - | - | - | - | - | |
| Turkmenistan | 0.033 | 126 635 | 126 635 | - | 0.034 | 130 472 | 130 472 | - | - | - | - | - | - | - | |
| Tuvalu (2) | 0.001 | 3 837 | - | - | 0.001 | 3 837 | - | 7 674 | 15 557 | - | 8 539 | 7 018 | 2020-23 | 14 692 | |
| Uganda | 0.008 | 30 699 | 1 273 | - | 0.010 | 38 374 | - | 67 800 | 31 557 | - | - | 31 557 | 2021-23 | 99 357 | |
| Ukraine | 0.057 | 218 733 | 218 733 | - | 0.056 | 214 896 | 214 896 | - | - | - | - | - | - | - | |
| United Arab Emirates | 0.616 | 2 363 851 | 2 363 851 | - | 0.635 | 2 436 762 | 2 436 762 | - | - | - | - | - | - | - | |
| United Kingdom | 4.569 | 17 533 176 | 17 533 176 | - | 4.377 | 16 796 391 | 16 796 391 | - | - | - | - | - | - | - | |
| United Republic of Tanzania | 0.010 | 38 374 | 38 374 | - | 0.010 | 38 374 | 38 374 | - | - | - | - | - | - | - | |

| State | 2022-23 Assessed Contributions | | | | | | | Amounts due for previous financial periods | | | | Calender years of Assessment | Total due as at 31.12.2023 | |
|--|--------------------------------|-------------|------------------------------|------------|------------------------|-------------|------------------------------|--|------------------------------|------------|------------|------------------------------|----------------------------|------------------------------|
| | 2022 | | | | 2023 | | | Balance due as at 31.12.2023 | Balance due as at 01.01.2022 | Amounts | | | | Balance due as at 31.12.2023 |
| | Assessed Contributions | | Amounts Received or Credited | | Assessed Contributions | | Amounts Received or Credited | | | | | | | |
| | % | Amount | in 2022 | in 2023 | % | Amount | in 2022 | | | in 2023 | | | | |
| United States | 22.000 | 84 423 260 | 3 056 317 | 81 366 943 | 22.000 | 84 423 260 | 1 439 111 | 82 984 149 | 85 531 289 | 85 531 289 | - | - | 2023 | 82 984 149 |
| Uruguay | 0.087 | 333 856 | 333 856 | - | 0.092 | 353 043 | 353 043 | - | - | - | - | - | - | - |
| Uzbekistan (1) | 0.032 | 122 798 | 122 554 | 244 | 0.027 | 103 610 | 103 610 | - | 746 916 | 297 516 | 224 700 | 224 700 | 2009-14 | 224 700 |
| Vanuatu | 0.001 | 3 837 | 65 | 3 772 | 0.001 | 3 837 | 3 429 | 408 | 8 077 | 8 077 | - | - | 2023 | 408 |
| Venezuela (Bolivarian Republic of) (2) | 0.728 | 2 793 643 | - | - | 0.175 | 671 549 | - | 3 465 192 | 18 152 560 | - | - | 18 152 560 | 2014-23 | 21 617 752 |
| Viet Nam | 0.077 | 295 482 | 295 482 | - | 0.093 | 356 880 | 356 880 | - | - | - | - | - | - | - |
| Yemen (2) | 0.010 | 38 374 | - | - | 0.008 | 30 699 | - | 69 073 | 230 836 | - | - | 230 836 | 2016-23 | 299 909 |
| Zambia | 0.009 | 34 537 | 32 888 | 1 649 | 0.008 | 30 699 | 30 699 | - | 8 958 | 8 958 | - | - | - | - |
| Zimbabwe | 0.005 | 19 187 | 490 | 18 697 | 0.007 | 26 862 | 26 862 | - | 4 267 | - | 4 267 | - | - | - |
| Total | 100.000 | 383 742 090 | 275 119 977 | 99 734 699 | 100.000 | 383 742 090 | 279 655 298 | 112 974 206 | 152 806 178 | 95 927 168 | 27 984 996 | 28 894 014 | | 141 868 220 |
| | | | | | | | | | | | | | | |
| Amounts due by States for prior periods of membership in the ILO: | | | | | | | | | | | | | | |
| Paraguay (3) | - | - | - | - | - | - | - | - | 245 066 | - | - | 245 066 | 1937 | 245 066 |
| Former Socialist Fed. Rep. of Yugoslavia (4) | - | - | - | - | - | - | - | - | 6 370 623 | - | - | 6 370 623 | 1989-2011 | 6 370 623 |
| Total amounts due by States for prior periods of membership in the ILO | - | - | - | - | - | - | - | - | 6 615 689 | - | - | 6 615 689 | | 6 615 689 |
| Total | 100.000 | 383 742 090 | 275 119 977 | 99 734 699 | 100.000 | 383 742 090 | 279 655 298 | 112 974 206 | 159 421 867 | 95 927 168 | 27 984 996 | 35 509 703 | | 148 483 909 |

(1) Financial arrangements. Member States listed in the following table have financial arrangements for the settlement of arrears of contributions or amounts due in respect of prior periods of membership.

| Member State | Session of Conference at which arrangement was approved | |
|---------------------|---|--------|
| Azerbaijan | 95th | (2006) |
| Iraq | 97th | (2008) |
| Kyrgyzstan | 106th | (2017) |
| Paraguay | 102nd | (2013) |
| Republic of Moldova | 93rd | (2005) |
| Sierra Leone | 108th | (2019) |
| Somalia | 108th | (2019) |
| Uzbekistan | 104th | (2015) |

(2) Member States which are two years or more in arrears and which have lost the right to vote under the provisions of article 13(4) of the Constitution. The arrears of contributions of these Member States equal or exceed the amount of the contributions due from them for the past two full years (2021–22). Each of these Member States had therefore lost the right to vote, in accordance with the provisions of article 13(4) of the Constitution of the Organisation.

(3) Paraguay owes CHF245,066 in respect of contributions to the ILO and other League of Nations organizations for the period prior to 1939. The 45th (1961) Session of the ILC decided that these arrears should be cancelled, effective on the date that payment is made of all Paraguay's arrears of contributions due since the date when it rejoined the Organization.

(4) Status of the former Socialist Federal Republic of Yugoslavia. The former Socialist Federal Republic of Yugoslavia was deleted from the list of ILO Member States on 24 November 2000.

► **6. Report of the External Auditor to the Governing Body
on the financial operations of the International Labour
Organization for the year ended 31 December 2023**



REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City, Philippines

To the Governing Body of the International Labour Office:

We have the honour to transmit the Report of the External Auditor on the Financial Operations of the International Labour Organization for the financial year 2023.

Our report contains the results of our audit of the 2023 financial statements, and our observations and recommendations on the review of operations of the ILO's Office of Internal Audit and Oversight (IAO) as well as on the review of control activities in eight ILO country offices. Value-adding recommendations were communicated and discussed with Management to further enhance efficient and effective management of the Organization. In addition, we provided a Capstone Report (Appendix B), which synthesizes the contribution of the Philippine Commission on Audit as External Auditor of the ILO for the periods 2016–2023.

Our audit was conducted in accordance with the International Standards on Auditing and the International Standards of Supreme Audit Institutions. We addressed the matters relative to the review of the Organization's financial statements that came to our attention during the audit that we believe the Governing Body of the Organization should be aware of. We will be pleased to elaborate on any of these key matters during the Governing Body meeting in June 2024.

We wish to express our appreciation for the cooperation and assistance extended to our auditors by the Director-General and his staff, and for the support and interest in our work as External Auditor by the Organization's Governing Body.

Yours sincerely,

(signed) **GAMALIEL A. CORDOBA**

Chairperson, Commission on Audit, Republic of the Philippines
External Auditor

Quezon City, Philippines
15 April 2024



Commission on Audit
Office of the Chairperson



23-086102091219

**Republic of the Philippines
COMMISSION ON AUDIT
Quezon City**



**Report of the External Auditor
to the Governing Body
on the financial operations of the
International Labour Organization**

**For the financial year ended
31 December 2023**

**REPORT OF THE EXTERNAL AUDITOR
TO THE GOVERNING BODY
ON THE FINANCIAL OPERATIONS OF
THE INTERNATIONAL LABOUR ORGANIZATION
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023**

Contents

Executive summary

Introduction

Overall results of the audit

Key audit findings

Summary of recommendations

A. Mandate, scope and methodology

Mandate

Audit scope and objectives

Methodology and auditor responsibilities

B. Audit results

1. Audit of financial statements

2. Review of the operations of the IAO

2.1. Governance

2.2. Management

2.3. Process

2.4. People

3. Governance in field offices

3.1. Decent Work Country Programmes (DWCP)

3.2. Development Cooperation (DC)

3.3. Human resource management

3.4. Travel management

3.5. External collaboration contracts and grant agreements

3.6. Procurement management

3.7. Asset management

3.8. Cash management

3.9. Fraud governance

3.10. Risk management

C. Implementation of External Audit Recommendations from previous years

D. Disclosures by Management

E. Acknowledgement

Appendix A. Status of implementation of external audit recommendations from previous years

Appendix B. The Capstone Report

List of acronyms

| | |
|------------|--|
| ACT/EMP | Bureau for Employers' Activities |
| ACTRAV | Bureau for Workers' Activities |
| ANA | Audit Needs Assessment |
| BUD/DC | Development Cooperation Budget Unit |
| BUDFIN | Budget and Finance Branch |
| CAE | Chief Audit Executive |
| CBCM | Community-based Complaint Mechanism |
| CIA | Chief Internal Auditor |
| CINTERFOR | Inter-American Centre for Knowledge Development in Vocational Training |
| CIPFA | Chartered Institute of Public Finance and Accountancy |
| CO | Country Office |
| COA | Commission on Audit |
| COSO | Committee of Sponsoring Organizations of the Treadway Commission |
| CPO | Country Programme Outcome |
| CSF | Critical Success Factors |
| Cs/RAS | Chiefs of Regional Administrative Services |
| DC | Development Cooperation |
| DG | Director-General |
| DWCP | Decent Work Country Programme |
| DWT | Decent Work Technical Support Team |
| ERM | Enterprise Risk Management |
| EVAL | Evaluation Office |
| ExCols | External Collaborators |
| FACILITIES | Facilities Management Unit |
| GB | Governing Body |
| GEND | Gender Equality and Non-discrimination |
| GP | Global Products |
| HQ | Headquarters |
| HR | Human Resources |
| HRD | Human Resources Development Department |
| IA | Implementation Agreement |
| IAO | Office of Internal Audit and Oversight |
| ICF | Internal Control Framework |
| ICSC | International Civil Service Commission |
| IG | Internal Governance |
| IGDS | Internal Governance Documents System |
| IIA | Institute of Internal Auditors |
| ILO | International Labour Organization |
| INFOTEC | Information and Technology Management Department |
| INI | Furniture and Equipment Management System |
| INTOSAI | International Organization of Supreme Audit Institutions |
| IOAC | Independent Oversight Advisory Committee |

| | |
|-------------|---|
| IP | Implementing Partners |
| IPPF | International Professional Practices Framework |
| IPSAS | International Public Sector Accounting Standards |
| IRIS | Integrated Resource Information System |
| ISA | International Standards on Auditing |
| IT | Information Technology |
| ITC-ILO | International Training Centre of the ILO |
| IWMS | Integrated Workplace Management System |
| JIU | Joint Inspection Unit |
| KPI | Key Performance Indicator |
| LTA | Long-term Agreement |
| MIC | Middle-income Country |
| MIR | Management Implication Report |
| OBW | Outcome-based Workplan |
| OCT | Outcome Coordinating Team |
| OPP | Organization Procurement Plan |
| PARDEV | Partnerships and Field Support Department |
| PO | Purchase Order |
| PRC | Procurement Review Committee |
| PROCUREMENT | Procurement Bureau |
| PSEA | Protection from Sexual Exploitation and Abuse |
| P&B | Programme and Budget |
| QAIP | Quality Assurance and Improvement Program |
| RAMC | Recruitment, Assignment and Mobility Committee |
| RBM | Results-based Management |
| RELMEETINGS | Official Meetings, Documents and Relations Department |
| RMM | Risk Management Manual |
| RO | Regional Office |
| SDG | Sustainable Development Goals |
| SEA | Sexual Exploitation and Abuse |
| SHIF | Staff Health Insurance Fund |
| SM/IP | Strategic Management Implementation Planning |
| SMART | Specific, Measurable, Achievable, Relevant and Time bound |
| SOP | Standard Operating Procedure |
| SRO | Senior Risk Officer |
| SUC | Staff Union Committee |
| SWAP | United Nations System-wide Action Plan |
| TOR | Terms of Reference |
| TR/CF | Treasurer and Financial Comptroller |
| UGI | Uniform Principles and Guidelines for Investigation |
| UN | United Nations |
| UNGM | United Nations Global Marketplace |
| USDOL | United States Department of Labor |

EXECUTIVE SUMMARY

Introduction

This Report of the External Auditor on the audit of the financial statements and operations of the **International Labour Organization (ILO)** is issued pursuant to paragraph 6 of the Appendix to the Financial Regulations of the ILO and is transmitted to the Governing Body.

This is the fourth and final audit report to the Governing Body by the Chairperson of the Commission on Audit of the Republic of the Philippines, under its new mandate as the External Auditor for the 77th and 78th financial periods that commenced on 1 April 2020 for a period of four years (2020–23), granted by the Governing Body during its 334th Session on 25 October to 8 November 2018.

The overall objective of the audit is to provide independent assurance to Member States, help enhance transparency and accountability in the Organization, and support the objectives of the Organization's work through the external audit process. We have detailed in this report our observations and provided recommendations to further improve the efficiency and effectiveness of management operations and add value to the ILO's governance.

Overall results of the audit

In line with our mandate, we audited the financial statements of the ILO in accordance with the Financial Regulations and in conformity with the International Standards on Auditing (ISA) issued by the International Auditing and Assurance Standards Board. We concluded that the financial statements present fairly, in all material respects, the financial position of the ILO for the financial year ended 31 December 2023, and its financial performance, changes in net assets, cash flows, and comparison of budget and actual amounts, in accordance with the International Public Sector Accounting Standards (IPSAS). As a result, we issued an unmodified audit opinion on the Organization's financial statements for the financial year ended 31 December 2023.

We also concluded that accounting policies were applied on a basis consistent with that of the preceding year, and that the transactions of the ILO that have come to our notice during the audit or that have been tested as part of the audit of the financial statements have, in all significant respects, been in accordance with the Financial Regulations and legislative authority of the ILO.

In addition to the audit of financial statements, we also conducted audits on the: (a) ILO Regional Office for Africa (RO–Africa); (b) ILO Regional Office for Latin America and the Caribbean (RO–Latin America and the Caribbean); (c) ILO Regional Office for Asia and the Pacific (RO–Asia and the Pacific); (d) ILO Country Office for Madagascar, Comoros, Mauritius, and Seychelles (CO–Antananarivo); (e) ILO Country Office for the United Republic of Tanzania, Burundi, Kenya, Rwanda, and Uganda (CO–Dar es Salaam); (f) ILO Country Office for Mexico and Cuba (CO–Mexico); (g) ILO Country Office for Pakistan (CO–Islamabad); and (h) ILO Decent Work Technical Support Team for East and South-East Asia and the Pacific and Country Office for Thailand, Cambodia and Lao People's Democratic Republic (DWT/CO–Bangkok). Likewise, we conducted an audit on the financial statements and operations of the International Training Centre of the ILO (ITC–ILO) in Turin, which is consolidated in the ILO financial statements.

Further, we reviewed the Office of Internal Audit and Oversight (IAO) in line with our mandate to make observations with respect to the efficiency of the financial procedures, accounting system, internal financial controls, and in general, the administration and management of the Organization. Improvement opportunities on the strategies, policies and procedures in programme delivery were

noted and recommendations were provided to further improve operational efficiency and achieve the Organization's objectives.

Key audit findings

The audit for the financial year resulted in the following key audit observations which need to be addressed by the ILO management:

a. Review of the operations of the IAO

IAO function and mandate delivery protect the ILO's assets, reputation, financial stability and ensure business continuity. The IAO objectively assesses the Organization's processes, systems, and controls, which helps identify potential risks and weaknesses in the operations. However, our audit noted the IAO's lack of attention and focus on reviewing the ILO's overall governance and risk management processes. There is also a need to conduct an assurance mapping to further ensure and justify adequacy of its coverage.

It is highlighted that internal audit and investigation charters are vital to the IAO's operations. It defines, at minimum, the IAO's purpose within the Organization. However, the charters that spell out the nature and scope of the work and management's expectations for results are outdated. Corresponding revisions of the Standard Operating Procedure (SOP) and the Internal Audit Manual are also needed as recognized in the IAO's strategy document.

Moreover, there is a necessity for the IAO's practices in upholding independence, confidentiality, and conflict of interest principles to be codified. Further improvements on the achievement of the IAO's targets is crucial as well as the concerns regarding the intake channels for reporting/receiving allegations, alongside the reporting process for internal audit and investigation functions. Furthermore, there is inadequacy on the stakeholder awareness of the IAO's function and value to enrich the IAO's understanding of their perceptions as input to decision-making and appropriate action.

On the other hand, IAO staff are generally competent, and capacity-building provided to staff is commendable but it is encouraged to evaluate potential support measures to enhance and expand audit coverage while acknowledging the constraints imposed by the existing staff.

b. Governance in field offices

Control gaps were observed in the audit of field offices. Some controls are not effectively operating as intended. Moreover, there is inadequacy of a robust compliance with established standards, policy, regulations and rules in the field offices.

Field officers and staff lacked sufficient training in identifying, assessing, and contextualizing risks. Hence, adherence to the Risk Management Manual (RMM) needs improvement.

Summary of recommendations

We provided recommendations, which are discussed in detail in this report. The main recommendations are as follows:

Review of the operations of the IAO

- a. develop a detailed workplan for the update of its Internal Audit Charter, considering the following elements:**
 - undertake an assessment of the Internal Audit Charter as to areas where the expected new standard may be applicable;

- address the recommendations resulting from the recent external quality assessment; and
 - consider the improvement opportunities noted, such as: (i) referring to other mandatory elements of the International Professional Practices Framework (IPPF); (ii) providing explicit provision that the Chief Internal Auditor (CIA) has unrestricted access to the Governing Body (GB); (iii) clarify the other duties and responsibilities of the GB and Independent Oversight Advisory Committee (IOAC); and (iv) indicating that the Charter needs to be periodically reviewed;
- b. take initiatives in updating the Investigation Charter and its underlying SOP to keep these governance documents up-to-date and uphold accountabilities by: (i) conducting a comprehensive review of the existing charter and SOP by identifying outdated or ineffective policy, assessing the alignment with current regulatory requirements, evaluating the policy's effectiveness in addressing the current investigative needs and challenges; and (ii) capturing the current and relevant policy updates established by ILO, and specifying relevant roles, and responsibilities for investigation function;
- c. complete the review and update of its current Internal Audit Manual to provide clear, comprehensive, and flexible written guidance for its internal audit activities. To do this, the IAO should develop a detailed workplan and consider the following elements in the Manual:
- the improvement opportunities identified in our review are as follows: (i) reflecting new developments since the last update; (ii) distinguishing between risk assessment at strategic and engagement levels; (iii) specifying standard timelines for each key audit step; (iv) providing guidelines on important internal audit activities, e.g. advisory engagements, use of external consultants and co-sourced arrangements, ethical standards, including independence and objectivity, rules on confidentiality and retention of working papers, among others; (v) specifying the related documentation and supervision requirements for each key audit step; (vi) cross-referencing each key audit step to the specific functionalities in TeamMate+; and (vii) including in the Manual the IAO's organizational structure, functional description and reporting relationships as well as a flowchart of the full internal audit cycle for easy reference and understanding; and
 - ensuring that it is periodically reviewed and updated to maintain its relevance in assuring the quality of audit work and promoting accountability;
- d. push through with its plan to develop and implement a comprehensive internal investigation process manual to guide the conduct of the investigation by internal and outsourced external investigators. This manual should provide clear and consistent guidelines on the conduct of investigations, safeguard the rights of individuals involved, and, more importantly, facilitate the documentation of the steps in the investigation, all to enhance accountability and transparency in the investigation process;
- e. develop and implement a specific workplan to provide details to the current Strategy Document identifying the detailed steps, necessary timing, and necessary resources to complete each key task. The following could be considered in the workplan: (i) prioritizing the implementation of the most critical tasks in its Strategy Document to ensure that unnecessary delays are avoided; and (ii) ensuring that all relevant conditions and factors are considered for each key task as indicated in the Strategy Document;
- f. consider giving more focus on conducting an overall review of the governance and risk management processes of the ILO, which would synthesize the findings from various

audits and assessments, allowing the IAO to identify areas for improvement and strengthen its ability to support the overall governance and risk management processes of the ILO;

- g. consider developing and implementing a comprehensive awareness programme across ILO, of the investigation function, procedures, and processes to avoid any misconceptions and achieve the overall objective of the investigation function. Further, we recommended that in developing the awareness programme, ILO considers that by implementing it, the ILO can effectively increase awareness of its function, encourage reporting of misconduct, and further promote a culture of transparency and accountability within the Organization;
- h. consider developing its specific and formal policies and procedures to guide the internal audit activity in implementing and ensuring compliance with the Institute of Internal Auditors (IIA) Code of Ethics, including independence and objectivity. These policies and procedures could be based on the IIA's Implementation Guides to the Code of Ethics and Standard 1100 – Independence and Objectivity;
- i. enhance the observance of the principles of confidentiality and proscription of conflict of interest in its investigation activities by establishing a formal declaration by both internal and external investigators to enhance further the integrity of the investigation function;
- j. develop and maintain a documented Quality Assurance and Improvement Program (QAIP) that covers all aspects of IAO activities. The QAIP should include both internal and external assessments, as well as a clear statement of purpose, scope, procedures, reporting, and follow-up. We also recommended that IAO explore a cost-effective implementation of its planned internal assessment to identify and address areas for improvement, thereby improving the quality of its function;
- k. consider initiating the development and maintenance of an assurance map for the ILO as part of its annual audit planning process to maximize the use of its limited resources and substantiate further the adequacy and propriety of its assurance coverage. By proactively creating and maintaining an assurance map, the IAO can achieve: (i) enhanced assurance coverage; and (ii) optimized resource allocations;
- l. explore cost-effective measures that will assist in substantially delivering its target audits while considering the lessons learned from its experiences during the 2020–21 and 2022–23 biennia, such as adopting audit technologies, and developing efficient remote auditing methods, among others;
- m. consider consolidating the intake channels of reporting wrongdoing to facilitate efficiency in reporting cases and ultimately upholding the integrity of the investigation function. This consolidation may require changes to some of the existing procedures governing the reporting of misconduct, under the ILO Staff Regulations;
- n. explore its current investment in information technology (IT) in providing dedicated forensic support, in terms of people and tools, to facilitate the efficient and/or effective conduct of the investigation;
- o. consider developing a Management Implication Report (MIR) for those investigations that affect internal control processes, as a standard investigative practice. This would allow the IAO to provide management with information and implications on the findings of investigations as lessons learned and to improve operational effectiveness and internal control;

- p. consider developing a formal guidelines mapping the use, maintenance, and operations of the IT application system, adopted by IAO, to ensure that input controls as well as proper housekeeping procedures for the system are implemented and reinforced, and that information stored in the system is complete, accurate and updated, with due consideration to: (i) providing strategies to ensure proper documentation of workflow state for proper and timely monitoring of reports; and (ii) defining user access roles and provisioning, among others, while also strengthening security controls by adopting best practices;
- q. explore some cost-effective strategies to address the delays, such as but not limited, to establishing a review process, prioritizing the workload, setting realistic deadlines, or cross-training an existing staff; and

Governance in field offices

- r. enhance its field offices' current governance mechanisms by strengthening process controls, making their monitoring controls and feedback loops function more effectively, and applying risk management more robustly in its decisions, to ensure achievement of organizational objectives.

A. MANDATE, SCOPE, AND METHODOLOGY

Mandate

1. The Commission on Audit (COA) is an independent audit body created by the Constitution of the Republic of the Philippines. The 125-year-old Supreme Audit Institution is an active member of the International Organization of Supreme Audit Institutions (INTOSAI) and the Panel of External Auditors of the United Nations (UN). The COA is extensively involved in setting accounting and auditing standards, building capacity, and sharing knowledge. It has had extensive experience in providing external audit services to international organizations for more than 40 years.
2. At its 334th Session from 25 October to 8 November 2018, the Governing Body of the ILO appointed the Chairperson of the COA of the Republic of the Philippines as External Auditor of the ILO for the 77th and 78th financial periods that commenced on 1 April 2020 for a period of four years (2020–23). Chapter IX of the ILO Financial Regulations elaborates on the terms of reference (TOR) governing external audit. The regulations require that the External Auditor report to the International Labour Conference through the Governing Body on the audit of the annual financial statements and on other information that should be brought to its attention regarding article 36, paragraph 2, and in the additional TOR.

Audit scope and objectives

3. Our audit is an independent examination of the evidence supporting the amounts and disclosures in the financial statements which consist of five statements: (a) Statement of Financial Position; (b) Statement of Financial Performance; (c) Statement of Changes in Net Assets; (d) Statement of Cash Flows; and (e) Statement of Comparison of Actual Amounts and Budget. It also includes an assessment of the ILO's compliance with Financial Regulations and legislative authority.
4. The audit was conducted primarily to enable us to form an opinion as to whether the financial statements presented fairly the financial position of the ILO as at 31 December 2023 and the results of its operations, cash flows, and comparison of actual amounts and budgets for the financial period, in accordance with IPSAS. This included an assessment as to whether the expenses recorded in the

financial statements had been incurred for the purposes approved by the governing bodies and whether revenue and expenses had been properly classified and recorded in accordance with the ILO Financial Regulations and legislative authority. The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent we considered necessary to support our audit opinion.

5. We also carried out a review of ILO operations with regard to article 36, paragraph 2 of the Financial Regulations which requires the External Auditor to make observations with respect to the efficiency of the financial procedures, accounting system, internal financial controls, and in general, the administration and management of the Organization. We focused on areas of fundamental importance to the capability, effective management and reputation of the ILO.

6. Overall, the audit intends to provide independent assurance to Member States, help increase transparency and accountability in the Organization, and support the objectives of the Organization's work through the external audit process.

Methodology and auditor responsibilities

7. We conducted our audit in accordance with the ISA. These Standards require that we plan and perform our audit to obtain reasonable assurance that the financial statements are free from material misstatement. The audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The audit also includes assessing the accounting principles used and the significant estimates made by management as well as evaluating the overall presentation of the financial statements.

8. A risk-based audit approach was adopted in the audit of the financial statements. This approach requires the conduct of risk assessment of material misstatements at the financial statements and assertion levels based on an appropriate understanding of the entity and its environment including its internal controls. In the review of internal controls, we adopted the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control Framework (ICF). The framework has been accepted by external auditors for its comprehensiveness, effectiveness, and universal principles of strong internal controls.

9. The auditor's responsibility is to express an opinion on the financial statements based on an audit. The audit is performed to obtain reasonable assurance, not absolute assurance, as to whether the financial statements are free of material misstatements including those caused by fraud or error.

10. During the financial year 2023, in addition to the audit of the financial statements, we also conducted audits on the: (a) RO-Africa; (b) RO-Latin America and the Caribbean; (c) RO-Asia and the Pacific; (d) CO-Antananarivo; (e) CO-Dar es Salaam; (f) CO-Mexico; (g) CO-Islamabad; and (h) DWT/CO-Bangkok. In addition, we conducted an audit on the financial operations of the ITC-ILO in Turin.

11. We coordinated with the IAO on the planned audit areas to avoid unnecessary duplication of efforts, and to determine the extent of reliance that can be placed on its work. We also collaborated with the IOAC to further enhance our audit work.

12. We continued to report audit results to ILO management through audit observation memoranda and management letters containing detailed observations and recommendations. The practice provides a continuing dialogue with management.

B. AUDIT RESULTS

13. This section of the report discusses our observations on financial and governance matters in line with article 36, paragraph 2, of the Financial Regulations, which mandated the External Auditor to make observations with respect to the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the management and operations of the Organization. ILO management was afforded the opportunity to comment on our audit observations. Value-adding recommendations were communicated to ILO management to help enhance the efficient and effective management of the Organization.

1. Audit of financial statements

14. We audited the financial statements in accordance with the ISA and we concluded that the financial statements present fairly, in all material respects, the financial position of the ILO for the financial year ended 31 December 2023, the results of its financial performance, the changes in net assets/equity, the cash flows, and the comparison of budget and actual amounts are in accordance with the IPSAS. As such, we issued an unmodified opinion on the ILO's financial statements. The statements audited were as follows:

- a. Statement I. Statement of financial position;
- b. Statement II. Statement of financial performance;
- c. Statement III. Statement of changes in net assets/equity;
- d. Statement IV. Statement of cash flow; and
- e. Statement V. Statement of comparison of budget and actual amounts.

15. In addition, we concluded that the accounting policies enumerated in Note 2 of the Notes to Financial Statements were applied on a basis consistent with that of the preceding year. We also concluded that the transactions of the ILO that have come to our notice during the audit or that have been tested as part of the audit of the financial statements have, in all significant respects, been in accordance with the ILO Financial Regulations and legislative authority.

16. We appreciate the efforts taken by ILO management to address several recommendations issued during the interim and year-end audits of the ILO 2023 financial statements to present fairly the balances of the affected accounts and improve the presentation and disclosures in compliance with IPSAS.

2. Review of the operations of the IAO

17. Our review of the ILO's IAO encompassed both the internal audit and investigation units, with the primary objective of assessing the efficient and effective fulfilment of the IAO's audit and investigation mandates. It was focused on four key areas: governance, management, process, and people to determine the extent of its compliance with the standards and guidelines, and adherence to successful practices. We assessed these areas by leveraging on document review, global stakeholder survey, and targeted interviews with the CIA, other IAO staff, and relevant ILO personnel. Through data analysis and collaborative discussions with IAO management, positive practices and improvement areas were identified, resulting in co-developed recommendations for optimized operations and practices.

18. Our review disclosed good practices contributing to the IAO's effectiveness. These included the establishment of charters for both the internal audit and investigation functions. The developed Internal Audit Manual and Standard Operating Procedure Investigations were also commended, as well as the

strategy document and biennial workplan for its activities and the continuing work on updating the Internal Audit Charter. The optimal organizational position of the IAO within the ILO structure, its continuous and direct interaction with the Independent Oversight Advisory Committee (IOAC), the technical capability and skills of its staff, and the use of TeamMate+ as an efficient tool for internal audit activities and the development of standardized templates for investigation activities were among the other identified good practices.

19. While recognizing the successful implementation of various activities by the IAO, we also identified several areas for improvement. Recommendations were provided to IAO management, focusing on the need for updated charters for the Internal Audit Unit and the Investigation Unit, along with corresponding revisions to the SOP and the Internal Audit Manual. Additionally, recommendations were made to formalize the IAO's policies on independence, confidentiality, and conflict of interest and enhance audit coverage and achievement of targets within the Internal Audit Unit. Concerns regarding the intake channels for reporting/receiving allegations were highlighted, alongside suggestions for enhancing the reporting process for internal audit and investigation functions. Finally, we compiled and communicated key information gleaned from the stakeholder survey to enrich the IAO's understanding of their perceptions as input to IAO's decision-making and appropriate action.

20. Overall, we noted that the internal audit and investigation processes follow established policies. The IAO's governance adheres to accountability and risk management principles but needs updated charters and internal process documents for better alignment with the ILO's strategic objectives, as recognized in the IAO's strategy document. Internal audit activities should also consider giving equal focus to reviewing the ILO's overall governance and risk management processes. Stakeholder awareness of the IAO's function and value is crucial and can be improved. The IAO's practices in upholding independence, confidentiality, and conflict of interest principles need to be codified. The review also encouraged evaluating potential support measures to enhance audit coverage while acknowledging the constraints imposed by available personnel. On the other hand, IAO staff are competent, although some skills may need to be augmented through use of the IAO's strategic partner, and capacity-building provided to staff is commendable.

21. The succeeding paragraphs discuss in detail the good and successful practices, and areas with potential for further improvement across governance, management, processes, and people.

2.1 Governance

22. The IAO exhibits a robust governance framework underpinned by the principles of accountability, proactive risk management, and strong internal control mechanisms. The internal audit and investigation charters, endorsed by the GB, established a comprehensive system outlining the mission, scope, responsibilities, and authorities of the internal audit and investigation units. Importantly, these charters are adaptable "living documents" with the potential for amendments, safeguarding their relevance.

23. Likewise, the IAO is committed to operational excellence and alignment with best practices. Their proactive development of SOP Investigations, coupled with the ongoing revision of the Internal Audit Manual, ensures adherence to IIA standards. The Strategy Document (2021–26) ensures transparency and aligns IAO objectives with ILO priorities. The risk-based approach to audit planning and submitting the biennial plan to the IOAC for review before communication with the Director-General (DG) underscores the IAO's dedication to systematic, risk-oriented oversight functions.

2.1.1 *Update of the Internal Audit Charter*

24. For the internal audit to operate at the highest levels, it must have clearly defined and articulated authority from the GB and senior management. This is achieved with a well-designed Internal Audit Charter.

25. Our review identified that the Internal Audit Charter, dating back to 2016, requires revision, and some external assessment recommendations from 2018 remain unaddressed by the IAO. Furthermore, our evaluation of the Charter against IIA Standards 1000 and 1010 and the Model Internal Audit Activity Charter highlighted several areas for improvement, as detailed below:

- The Charter references only the mandatory IIA Standards within the IPPF, omitting mention of the core principles, code of ethics, and definition of internal auditing. We emphasize that the IPPF consists of four mandatory elements essential for internal audit functions.
- The Charter lacks a clear statement on the CIA's unrestricted access to the GB. While the principle of access is granted via the ILO's Financial Rules, Chapter 14.30(iv) and (v) solidifying it in the Charter would be advantageous. Not only would it explicitly reinforce the IAO's independence to stakeholders, but it would also demonstrate the GB's commitment to upholding that independence.
- The Charter lacks a clear statement on the GB and IOAC's responsibilities supporting the IAO's authority. Adding these roles to the Model Charter would improve clarity and remind the GB and IOAC of their crucial duties to establish, maintain, and assure that the IAO has sufficient authority.
- The Charter needs to enhance further the definition and enforcement of the duties and responsibilities of the CIA and internal audit staff on independence and objectivity, despite their crucial importance in effective internal auditing. These two qualities are essential pillars of internal audit services.

26. Notably, a draft revision of the charter exists but awaits finalization and submission to the IOAC for review and subsequent DG/GB approval. Resource constraints, however, complicate this, demanding time and effort from the IAO, DG, IOAC, and GB. Furthermore, the CIA noted the impending January 2025 implementation of revised Global Internal Audit Standards, superseding the current IPPF. Aligning the IAO Charter with these updated Standards upon their effective date would optimize efficiency. While acknowledging the proposed Standards update, it is crucial to emphasize that the 2016 Charter currently in place requires revision.

27. We recommended that the ILO, through the IAO, should develop a detailed workplan for the update of its Internal Audit Charter, considering the following elements:

- a. **undertake an assessment of the Internal Audit Charter as to areas where the expected new standard may be applicable;**
- b. **address the recommendations resulting from the recent external quality assessment; and**
- c. **consider the improvement opportunities noted, such as: (i) referring to other mandatory elements of the IPPF; (ii) providing explicit provision that the CIA has unrestricted access to the GB; (iii) clarify the other duties and responsibilities of the GB and IOAC; and (iv) indicating the that the Charter needs to be periodically reviewed.**

28. **ILO Response:** IAO agrees with the recommendation. The IAO had already drafted a revised Charter. The Charter will be presented at the IOAC meeting in September 2024.

2.1.2 Update of the IAO Investigation Charter and SOP

29. Item 6 of the Uniform Principles and Guidelines for Investigation (UGI) provided that: “[e]ach Organization shall publish the mandate and/or terms of reference of its Investigative Office as well as an annual report highlighting the integrity and anti-fraud and corruption activities of its Investigative Office in accordance with its policies on the disclosure of information”. Also, Item 11 of the ILO Investigation Charter provided that: “[t]he Chief Internal Auditor is responsible for applying this Charter and keeping it up to date. This Charter is approved by the Governing Body, after consultations with the Director-General”.

30. During the review, it was related that the IAO had perceived several revisions of the Investigation Charter and the related SOP for Investigation. This intended initiative is a welcome exercise, even in conformance with the suggestions of the Joint Inspection Unit (JIU). However, we would like to point out some aspects that justify the necessity of hastening the update of the Charter and SOP. The current Investigation Charter was established during the 326th Session of the ILO GB in 2016. Meanwhile, the SOP dates to July 2018. Since then, there have been developments that would make the Charter and the SOP more relevant in conducting investigations, which include:

- The SOP requires revision to incorporate recent policy updates by the ILO. Notably, Internal Governance Documents System (IGDS) No. 69, version 4 (16 November 2021) expands the scope of CIA investigative responsibilities regarding proscribed practices. Additionally, IGDS No. 186 has been superseded by IGDS No. 551, version 2 (5 March 2021), establishing the new Office Directive on misconduct reporting and protection from retaliation. These updates necessitate revisions to the SOP for continued alignment with current policies.
- The Charter and SOP lack explicit definitions of the IOAC’s role within investigation processes. While the SOP acknowledges the IOAC as a subsidiary body to the GB, its specific functions remain unclear. The IAO clarifies that IOAC should advise the DG and GB on the scope, plan, resources, policies, performance, and independence of internal audits and investigations, as well as the CIA. However, this important role lacks clear articulation within the existing Charter and SOP.
- The existing SOP may not fully encompass current practices. Interviews revealed that additional considerations are employed during investigations, including complaint intake procedures, preventive suspension protocols, and post-investigation activities. While over-specificity in the SOP is undesirable, greater clarity on these aspects would benefit the IAO and its stakeholders.

31. As pointed out by the IAO, updating the Investigation Charter, as approved by the GB, requires significant effort from the IAO and senior management. While revisions are planned for the Charter and SOP, immediate attention is needed to address the increasing caseload and backlog from previous years. The IAO, a small team, is currently prioritizing the ongoing update of key documents. However, maintaining an updated policy would contribute to an effective investigation, staff rights protection, and data confidentiality.

32. **We recommended that the ILO, through the IAO, should take initiatives in updating the Investigation Charter and its underlying SOP to keep these governance documents up-to-date and uphold accountabilities by:**

- a. **conducting a comprehensive review of the existing Charter and SOP by identifying outdated or ineffective policy, assessing the alignment with current regulatory requirements, and evaluating the policy’s effectiveness in addressing the current investigative needs and challenges; and**

b. capturing the current and relevant policy updates established by the ILO, and specifying relevant roles and responsibilities for investigation function.

33. **ILO Response:** The IAO agrees with the recommendation. Although, it was explained that updating key documents may be time-consuming as other stakeholders are required to be consulted and is dependent upon available resources.

2.1.3 Update of the Internal Audit Manual

34. The IIA Standards mandate the Chief Audit Executive (CAE) (CIA in the case of the ILO) to effectively manage the internal audit function. This necessitates establishing and maintaining adequate policies and procedures, as stipulated in Standard 2040. The CAE may issue individual documents, training materials, or a central manual to ensure that internal audit staff are properly informed about internal audit policies and procedures. Periodic reviews, conducted by the CAE or a designated internal audit manager, ensure policy and procedure efficacy and alignment with emerging issues.

35. Upon review, a copy of the IAO Internal Audit Manual was provided, identified as a draft document. It was further noted that the Manual underwent revisions in 2008 and 2014 as part of the periodic review process. Additionally, the 2018 external assessment identified the need to update the Manual. However, it is observed that the periodic updating of the Manual has not been carried out consistently in subsequent years. Consequently, the Manual may no longer accurately reflect the current processes and procedures employed by the IAO and is based on an outdated version of the IIA's IPPF.

36. The review of the latest Manual identified areas for improvement and potential additions to enhance its usefulness and relevance for the IAO's internal audit activities. These improvements would address existing gaps and optimize the Manual's effectiveness in supporting internal audit functions, which include:

- The Manual should be periodically reviewed and updated to incorporate recent advancements, such as the revised Internal Audit Charter, the new ILO Risk Management Manual, ICFs, and any superseding IGDSs.
- The 2018 external assessment identified the need for the Manual to encompass the entirety of the audit lifecycle, spanning from the annual IAO-level risk assessment and planning process to the final engagement archiving procedures. To guarantee the comprehensiveness of risk assessment information, the Manual should explicitly differentiate between IAO-level and engagement-level planning, outlining the distinct information sources required for performing and updating risk assessments at each level.
- The Manual may establish standard timelines for key audit steps, notably report preparation and issuance, to ensure accountability and consistent performance assessment. Additionally, it should provide detailed guidance on crucial areas of internal audit function execution.
- The Manual can integrate references to relevant documentation, supervision needs, and corresponding TeamMate+ functionalities for key audit steps. These linkages can be appended as Practice Guides, echoing similar practices adopted by other UN agencies.
- The Manual may encompass the IAO's organizational framework, comprising its functional responsibilities and reporting hierarchies within the DG's Office, IOAC, and GB.
- To enhance clarity and accessibility, the IAO should consider incorporating flowcharts depicting the entire internal audit cycle and, if feasible, each critical audit step within the Manual.

37. The CIA recognizes the value of a principle-based Internal Audit Manual and considers its update by December 2024 a key strategic priority for the IAO. However, they acknowledge that, under relevant standards, a smaller or less mature audit unit may not require a formal Manual, explaining that policies and procedures may be published as separate documents or integrated as part of an audit management software. While the IIA Standards may not mandate an Internal Audit Manual, its adoption is highly recommended, particularly for an organization with a prominent global presence. Such a Manual fosters adherence to Standards, ensures consistent audit methodology, enhances audit quality and efficiency, improves communication and collaboration, and demonstrably affirms the IAO's professionalism and commitment to quality and continuous improvement.

38. While internal auditors had their own expertise, the Manual offers valuable insights and best practices to further refine their skills and enhance effectiveness. Nevertheless, the importance of maintaining an updated Manual by the IAO is underscored by the current reliance on an outdated document, partially supplemented by scattered TeamMate+ guidance, for internal audit procedures. An effective audit planning must be complemented by well-defined guidelines and procedures documented in the Manual. Furthermore, the Manual is a valuable tool for onboarding and training new and outsourced staff.

39. **We recommended that the ILO, through the IAO, should complete the review and update of its current Internal Audit Manual to provide clear, comprehensive, and flexible written guidance for its internal audit activities. To do this, the IAO should develop a detailed workplan and consider the following elements in the Manual:**

- a. **the improvement opportunities identified in our review are as follows: (i) reflecting new developments since the last update; (ii) distinguishing between risk assessment at strategic and engagement levels; (iii) specifying standard timelines for each key audit step; (iv) providing guidelines on important internal audit activities, e.g. advisory engagements, use of external consultants and co-sourced arrangements, ethical standards, including independence and objectivity, rules on confidentiality and retention of working papers, among others; (v) specifying the related documentation and supervision requirements for each key audit step; (vi) cross-referencing each key audit step to the specific functionalities in TeamMate+; and (vii) including in the Manual the IAO's organizational structure, functional description and reporting relationships as well as a flowchart of the full internal audit cycle for easy reference and understanding; and**
- b. **ensuring that it is periodically reviewed and updated to maintain its relevance in assuring the quality of audit work and promoting accountability.**

40. **ILO Response:** Although not mandatory by the IIA Standards, the IAO agrees with the recommendation and sees value in updating and maintaining the Internal Audit Manual, as highlighted in the IAO's strategy document. It committed to considering the improvement opportunities, as suggested, but it would adjust them to fit the IAO's requirements and the size of the audit team. The Manual's table of contents was prepared for discussion, and a TOR is being drafted. The IAO plans to outsource this activity.

2.1.4 Development of an internal process guideline for IAO investigation

41. Item 6 of the UGI provided that "[e]ach Organization shall publish the mandate and/or terms of reference of its Investigative Office as well as an annual report highlighting the integrity and anti-fraud and corruption activities of its Investigative Office in accordance with its policies on the disclosure of

information". In its initial Report (JIU/REP/2011/7, page 18), the JIU pointed out that: "[a]ll United Nations system organizations' internal oversight services rely on the Uniform Guidelines for Investigations adopted and updated at the 4th and 10th Conference of International Investigators respectively, to guide and orient their investigative work. These guidelines, however, are broad and principle based".

42. The IAO informed that the Investigation Unit had drafted an Internal Process Guidance document outlining the investigation process. With its accompanying templates, this Internal Guidance document aims to orient new and external investigators. The Investigation Unit intends to finalize and submit the draft to the CIA for approval and potential implementation by the end of the first quarter of 2024.

43. We gathered that the inherent diversity of cases investigated by the Investigation Unit presents a challenge in formulating a standardized process guideline. While each situation requires individual consideration, as acknowledged during interviews, the benefits of formal internal procedures for onboarding and operational efficiency are recognized. However, the unit's small size (Unit Chief and three investigators) raises questions about the feasibility and potential value of implementing such guidelines.

44. However, the absence of internal investigation guidelines for IAO matters poses significant risks to the Organization and the individuals involved. Unclear procedures may lead to inconsistent, ad hoc investigations, compromising fairness, transparency, and effectiveness. Conversely, clear and detailed guidelines, aligned with the ILO accountability principle, enhance transparency and accountability for all staff. Well-defined procedures clarify expectations, fostering harmony and collaboration toward organizational goals.

45. **We recommended that the ILO, through the IAO, should push through with its plan to develop and implement a comprehensive internal investigation process manual to guide the conduct of the investigation by internal and outsourced external investigators. This manual should provide clear and consistent guidelines on the conduct of investigations, safeguard the rights of individuals involved, and, more importantly, facilitate the documentation of the steps in the investigation, all to enhance accountability and transparency in the investigation process.**

46. **ILO Response:** The IAO agrees with the recommendation and submits that the internal process will not be publicly available and only for the investigator's use. It also assured us that the Investigation Unit, as a small unit, benefits from regular and constant communication to ensure that investigations are conducted in a consistent manner. The document outlining the internal investigation process has been drafted to supplement the IAO's Standard Operating Procedure Investigations. It has been reviewed by the CIA and shall be formally adopted in the near future.

2.1.5 Development of a workplan to implement the IAO Strategy Document

47. The CIA will develop an IAO Strategy Document which is aligned with leadership goals and expectations to ensure the internal audit function's effectiveness and value to the Organization. This document, in accordance with Standards 2000, is crucial for maintaining relevance amid evolving conditions. As emphasized by the JIU, a formal strategy ensures responsiveness to stakeholders' needs through gap analysis and addresses the Organization's vision and mandate. This document balances cost and value, guides annual planning, and informs financial and human resource requirements. Implementing and maintaining an internal audit strategy is considered a leading practice.

48. The IIA's Practice Guide offers a structured framework for crafting an internal audit strategic plan, emphasizing the development of a workplan with detailed steps, timelines, and resource allocation for each strategic initiative. This aligns with the ILO's Strategy Document, which serves as a road map for optimizing the IAO's effectiveness within the broader ILO Strategic Plan, and Programme and Budget

(P&B). The IAO has identified seven critical success factors (CSFs) relating to positioning, personnel, and processes, along with 25 key tasks and associated key performance indicators (KPIs) to achieve these CSFs.

49. The Strategy Document implementation review revealed that, by 31 August 2023, five tasks were completed, and four were in progress. However, 16 tasks (68 per cent) faced delays and revised completion dates in 2024, originally set for 2021 or 2022. The CIA attributed these delays to human resource constraints at the IAO, COVID-19 disruptions, and a recent change in senior management, impacting the planned annual survey. While acknowledging the presented reasons, we identified areas for improvement in the development and execution of the IAO's Strategy Document. These enhancements hold the potential to contribute to the attainment of established targets, which include:

- Following the adoption of the Strategy Document, a detailed workplan can be developed. This plan, aligned with the IIA Practice Guide, would outline key tasks, their necessary timelines, and required resources. Such a plan would serve as a road map for the CIA, the IAO, and relevant ILO offices, clearly defining their expected actions in implementing the Strategy Document.
- Prioritize commissioning an independent Audit Needs Assessment (ANA) as a critical task as indicated in the Strategy Document. Per analysis and as pointed out by the CIA, four other key tasks are dependent upon its completion. Those tasks can only be initiated once the ANA is completed.
- The Strategy Document should reflect and address key challenges, notably the ongoing COVID-19 pandemic and resource constraints (one unfilled senior auditor position in 2022, i.e. 33 per cent of IAO audit resources, and early retirement of another senior auditor in 2023).

50. The IAO Strategy Document's effectiveness could be enhanced by a detailed workplan outlining concrete steps to achieve its objectives. Timely implementation of this workplan would amplify the IAO's impact on ILO goals and its organizational relevance.

51. **We recommended that the ILO, through the IAO, should develop and implement a specific workplan to provide details to the current Strategy Document identifying the detailed steps, necessary timing, and necessary resources to complete each key task. The following could be considered in the workplan:**

- a. **prioritizing the implementation of the most critical tasks in its Strategy Document to ensure that unnecessary delays are avoided; and**
- b. **ensuring that all relevant conditions and factors are considered for each key task as indicated in the Strategy Document.**

52. **ILO Response:** The IAO agrees with the recommendation, and the workplan has been drafted to address the remaining elements of the strategy.

2.1.6 Focus on the overall governance and risk management process of the ILO

53. The IIA Standards, Standards 2100 and 2110, require a comprehensive evaluation of an organization's governance, risk management, and internal controls to ensure alignment with objectives. In the context of the ILO, the IAO's Internal Audit Charter mandates recommendations for enhancing these critical areas, promoting effective stewardship and accountability.

54. We determined that the IAO has conducted numerous internal audits of the Organization's controls, commended improvements, and promoting continuous efficiency. Notably, they performed a headquarters-level audit on ethics in governance (2014) and a wider-scope audit of the ITC-ILO's

governance in 2014, followed by a digital governance audit in 2021. However, a review of the ILO's governance and risk management processes remains outstanding.

55. The CIA acknowledges that a dedicated assessment of the ILO's governance and risk management has not been conducted. However, the CIA emphasizes that the IAO's activities inherently address various governance elements, including financial oversight, compliance testing, and periodic review of structures and policies. The IAO collaborates with the External Auditor, Ethics Officer, and Senior Risk Officer (SRO) when considering the necessity to review risk management or governance.

56. We acknowledge the various efforts of the IAO in contributing to the improvement of the ILO's governance, risk management, and control processes, but we underscore that an overall or high-level review of the ILO's governance and risk management process is beneficial and should be considered. Such reviews are more structured and focused since the audit work will be directed at specific questions and issues on a strategic level. The distinct processes and procedures that comprise the ILO's governance and risk management, as well as the results of the related audits and informal assessments performed thereon, will be analysed under one lens. Conducting such assessments further reinforces the IAO's fulfilment of its mandatory role of adding value to the ILO.

57. **We recommended that the ILO, through the IAO, should consider giving more focus on conducting an overall review of the governance and risk management processes of the ILO, which would synthesize the findings from various audits and assessments, allowing the IAO to identify areas for improvement and strengthen its ability to support the overall governance and risk management processes of the ILO.**

58. **ILO Response:** The IAO agrees with the recommendation. The IAO included an audit of "internal governance and risk management" in its 2024–25 audit plan following the risk assessment performed in the fourth quarter of 2023. Given the broad scope of governance and risk management, the audits may be conducted in separate phases.

2.1.7 Improvement of awareness on IAO's investigation function

59. In its 2020 Report (JIU/REP/2020/1), the JIU provided one of the suggestions to the organizations for enhancing the investigation function, stating that: "[t]o address misconceptions about the mandate and scope of the investigation function, it was suggested to improve communication about what the investigation function does and what its responsibilities include. Providing greater clarity and raising awareness in the United Nations system about the investigation function being an administrative function and investigations being a fact-finding exercise would be helpful. Currently, expectations by complainants and victims are often too high and thus remain unfulfilled, since personnel in general very often have erroneous conceptions with regard to the authority of the investigation function". Also, one of the best practices indicated in the Best Practice Guide for Inter-Agency Based Complaint Mechanism, is that: "all staff working with beneficiaries must receive regular and thorough trainings on PSEA issues and their own agency's PSEA policies and procedures. Building the capacity of CBCM member agency staff on PSEA is a strong step toward behaviour change and a demonstrated prevention strategy".

60. The mandate of the IAO emanated from the primary responsibilities of the CIA, as provided under article 30(d) of the ILO Financial Regulations and the ILO Financial Rules (Chapter XIV). Accordingly, the IAO's mission is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. The IAO is also responsible for the conduct of ILO investigation activities concerning allegations of fraud, presumption of fraud, or attempted fraud. The IAO shall also be available to receive complaints or information directly from individual staff members concerning the possible existence of waste, abuse of authority, or other irregular activities. In the Report of the CIA for the year ended 31 December 2021, it was reported that, as part of its outreach, the IAO

conducted a joint/misconduct awareness-raising session with the RO–Africa for the benefit of staff in the ILO DWT for West Africa and Country Office for Senegal, Cabo Verde, Gambia, Guinea and Guinea-Bissau.

61. We determined that senior management and external stakeholders acknowledged the IAO function as crucial, yet its perceived relevance and criticality require improvement. Responding to our questionnaire, a small minority of IAO stakeholders perceived the IAO function as not critical. It was also gathered from the survey that some of the offices and units of the ILO had no idea or knowledge of the appropriateness of the IAO's scope of work to meet management's needs. This indicated that the awareness-raising activity of the IAO on investigation may be improved.

62. Inquiries regarding the IAO's investigation unit activities revealed limited internal awareness-raising efforts, primarily through Human Resources Development Department (HRD) and ITC–ILO capacity-building initiatives. While acknowledging the potential for improvement, the IAO emphasized that promoting transparency and accountability is a management responsibility, not an oversight. Consequently, it recommended an Office-led initiative to develop and implement a comprehensive training package incorporating ethics and internal control elements.

63. Given its investigative expertise, the IAO should play an active role in communicating its authority, responsibilities, and procedures related to investigations within the ILO. This increased transparency on the current level of awareness of its investigation function would yield several benefits, such as:

- **Misconceptions about IAO's investigative role:** Clarifying its function as a critical administrative tool solely focused on fact-finding would dispel misconceptions and prevent misattribution.
- **Deterrent effect:** Awareness of IAO's investigative capacity can discourage fraud, abuse of authority, and other irregularities.
- **Enhanced support:** Recognizing IAO investigations as essential administrative processes can foster greater financial and administrative support from the ILO.
- **Improved effectiveness:** Transparency in IAO's investigative procedures can enhance their overall effectiveness.

64. **We recommended that the ILO, through the IAO, should consider developing and implementing a comprehensive awareness programme across the ILO, of the investigation function, procedures, and processes to avoid any misconceptions and achieve the overall objective of the investigation function. Further, we recommended that in developing the awareness programme, the ILO considers that by implementing it, the ILO can effectively increase awareness of its function, encourage reporting of misconduct, and further promote a culture of transparency and accountability within the Organization.**

65. **ILO Response:** The IAO sees the benefit in a strategic approach to raising awareness on, not just anti-fraud but also ethics and promoting a respectful workplace and the responsibility of ILO officials in this respect. It does not, however, have the resources to implement the recommendation. Moreover, in the IAO's view, a strategic approach to awareness-raising falls under the responsibility of management as this will require a senior manager to champion across the board coordination and allocation of resources and this should be elevated to the Office level. With this, discussions with HRD, TR/CF and the Ethics Officer need to be undertaken to progress this recommendation.

2.2. Management

66. The IAO operates as a distinct unit within the ILO. This structure promotes the effective execution of its responsibilities and aligns IAO objectives with the larger strategic goals of the ILO. The IAO reports directly to the IOAC on its work and falls under the administrative authority of the DG. This autonomy is reinforced by direct access to both the IOAC and the GB, private IOAC interactions, and routine consultations with the CIA. The IOAC closely monitors the IAO's progress to ensure it aligns with its workplan.

67. The GB receives an annual internal audit report prepared by the CIA. This report details the IAO's activities and highlights key findings from audits and investigations conducted throughout the year. For transparency, this report is made publicly accessible via the ILO website. The CIA formally confirms the IAO's operational independence, assuring the absence of management or stakeholder influence. This affirmation is included in the annual internal audit report to the GB. Confidentiality is paramount to the investigative unit of the IAO, with strict measures like document classification and selective or redacted report distribution. Potential conflicts of interest are rigorously addressed, as demonstrated by a case where the CIA, as the IAO head, was recused due to a possible conflict.

2.2.1 Codification of specific policies on the Code of Ethics, Independence, and Objectivity

68. The IIA emphasizes the importance of independence and objectivity in internal audit practice, deeming them pillars of effective service. They codify this in the Code of Ethics, outlining principles and expectations for individuals and organizations, including integrity, objectivity, confidentiality, and competency. Furthermore, the ILO and International Civil Service Commission (ICSC) reinforce these principles through organizational-level policies and standards of conduct.

69. Commendably, the CIA and IAO staff are aware of and adhere to these standards, policies, and procedures. However, it is underscored that these existing guidelines on ethics, conduct, behaviour, and conflicts of interest only pertain to the responsibility of the CIA and IAO staff as ILO employees and as international civil servants, but not necessarily as internal auditors performing internal audit functions. Our review showed that policies and procedures to guide the internal audit activity in implementing and ensuring compliance with the IIA Code of Ethics, including independence and objectivity, are not fully and formally established.

70. We further noted that because of the above condition, the best practices contained in the Implementation Guide to the Code of Ethics are likewise not adopted, or at the very least formally documented, including: (a) requiring internal auditors to acknowledge in writing that they have reviewed, understood, and agreed to observe the code of conduct and ethics policy specific to the internal audit activity; (b) requiring internal auditors to complete a form disclosing potential conflicts of interest and impairments to objectivity, which must be considered when assigning internal auditors to engagements; (c) requiring internal auditors to sign a declaration of their independence annually and before the start of each assignment; (d) conducting regular training or briefings about how internal auditors should address impairments to objectivity; and (e) including in the third-party provider contracts the obligation to acknowledge and comply with the mandatory guidance of the IPPF in cases of outsourced or co-sourced works, including that auditors must be objective and independent and that potential impairments to objectivity must be declared.

71. The CIA believes that the IAO, being a small team, may not formally adopt policies and procedures related to the IIA Code of Ethics. Accordingly, IAO staff comply with the IIA Code of Ethics by being familiar with its ethical requirements and through their professional bodies. Additionally, the CIA and IAO staff consult the IIA Code of Ethics for guidance as needed. IAO staff are bound by the Standards for Conduct of the International Civil Service, ILO's ethics policy, as well as providing an

annual statement concerning registering any financial interest, and the CIA signs an annual statement that there has been no conflict of interest in procurement actions. However, regardless of size or complexity, internal audit functions, as per Standard 2040, must establish and enforce policies and procedures upholding the IIA Code of Ethics, particularly independence and objectivity. While formats and content may vary, ethical adherence remains paramount. Mere reference to the IIA Code of Ethics is insufficient, as it is not entity specific.

72. Upholding the Code of Ethics, particularly in terms of objectivity and independence, is fundamental for CIA and IAO internal audit functions. Clear written guidelines outlining required actions and responsibilities are essential. The absence of such policies and procedures for implementing and ensuring IIA Code compliance, particularly regarding independence and objectivity, creates ambiguity and hinders operationalizing its provisions in practice.

73. **We recommended that the ILO, through the IAO, should consider developing its specific and formal policies and procedures to guide the internal audit activity in implementing and ensuring compliance with the IIA Code of Ethics, including independence and objectivity. These policies and procedures could be based on the IIA's Implementation Guides to the Code of Ethics and Standard 1100 – Independence and Objectivity.**

74. **ILO Response:** The IAO accepted the recommendation. The Conflict of Interest Statement has been implemented and is now part of IAO's reporting process. Relevant procedures have been drafted and need to be discussed and adopted.

2.2.2 *Enhancement of confidentiality and conflict of interest in investigation*

75. Item 7 of the UGI provided that: "[t]he Investigative Office shall take reasonable measures to protect as confidential any non-public information associated with an investigation, including the identity of parties that are the Subject of the investigation and of parties providing testimony or evidence. The manner in which all information is held and made available to parties within each Organization or parties outside of the Organization, including national authorities, is subject to the Organization's rules, policies, and procedures". This was echoed in the ILO's SOP Investigations, which specifically required the CIA to uphold confidentiality and the proscription of conflicts of interest in investigating.

76. The current practice regarding confidentiality and conflict of interest during investigation assignments was acknowledged, but opportunities for improvement were identified. Specifically, formal declarations by investigators through dedicated templates and stricter mechanisms for external investigators under the Long-term agreement (LTA) modality were recommended to enhance adherence to these principles. While existing TOR address these aspects, a formal undertaking document for external investigators could further strengthen the process.

77. It was explained that the IAO's existing policy on confidentiality and conflict of interest was deemed sufficient for internal staff, given their ongoing commitment to these principles. However, a formal declaration was acknowledged as valuable for added clarity. For external investigators, the existing TOR were considered adequate for policy application, but stricter adherence to confidentiality and conflict of interest principles was deemed necessary due to their external status.

78. The paramount importance of confidentiality and conflict of interest avoidance for investigative integrity cannot be overstated. Confidentiality breaches jeopardize subjects' rights and undermine the core objective of uncovering factual truths. Similarly, conflicts of interest compromise the investigator's independence and the Office's overall standing. Therefore, scrupulous adherence to these principles throughout the investigation is crucial to ensure the outcome's validity and safeguard its integrity. While

acknowledging IAO investigators' commitment and the absence of past breaches, we propose a formal declaration as a reinforced reminder of the gravity of these principles.

79. **We recommended that the ILO, through the IAO, should enhance the observance of the principles of confidentiality and proscription of conflict of interest in its investigation activities by establishing a formal declaration by both internal and external investigators to enhance further the integrity of the investigation function.**

80. **ILO Response:** The IAO agrees with the recommendation and acknowledges that a formal declaration is not explicit when taking on each case and is based on the integrity of the investigator, of which there is no doubt. The IAO committed that it would consider adding a diary entry or a template for each case when it is formally assigned with a standard form of words covering a reminder of confidentiality and a declaration of no known conflict of interest.

2.2.3 Development and maintenance of a formal QAIP

81. IIA Standard 1300 requires the CAE/CIA to establish and maintain a comprehensive QAIP. This program, encompassing internal and external assessments, aims to provide reasonable assurance of internal audit effectiveness in achieving organizational objectives. Internal assessments scrutinize purpose, objectives, authority, reporting structure, risk assessment methodology, workplan, resources, and communication/reporting practices. External assessments, conducted every five years by independent evaluators, delve deeper, assessing compliance with IIA Standards, overall effectiveness, independence from management, competence, resource allocation, and communication/reporting efficacy.

82. The same standard also requires the CAE/CIA to implement and maintain the QAIP. The CAE/CIA must also be responsible for reporting the results of the QAIP to the audit committee and the GB. In our review of the IAO Charter, we noted provisions under Item 15(m) stating that the CIA must establish a QAIP covering all IAO activities. When requested, we were informed that a formal QAIP has yet to be established by the IAO, but in practice, there have been continuous improvements. As to external and internal assessment, we acknowledge that the IAO is implementing external assessment while being faced with challenges in the implementation of internal assessment. We nevertheless noted that in the 2021–26 IAO Strategy Document, the conduct of an internal assessment has been planned and targeted but has not yet been implemented or completed to date.

83. The CIA informed that the IAO has had difficulty implementing a regular internal assessment programme because of resource and time constraints (e.g. an unfilled senior auditor position during most of 2022 and half of 2023, representing 33 per cent of the IAO audit team). Accordingly, the IAO had planned to implement an internal assessment this year, but time constraints and the recent retirement of a staff member made it impossible to devote enough time and resources to get the programme started and keep it running. Overall, it was recognized that a QAIP is an essential tool for ensuring that the IAO operates effectively and provides value to the Organization. By implementing and maintaining a QAIP, the IAO can improve its audits' quality, independence, objectivity, efficiency, effectiveness, and reputation.

84. A QAIP is an essential tool for ensuring that the internal audit activity operates effectively and in accordance with the highest professional standards. By implementing and maintaining a QAIP, organizations can ensure that their internal audit activities provide value-added services and help identify and manage risks. Also, organizations need to ensure that their internal audit functions are subject to regular internal assessments to help mitigate promptly the identified risks, as the external assessment is only performed once every five years.

85. **We recommended that the ILO, through the IAO, should develop and maintain a documented QAIP that covers all aspects of IAO activities. The QAIP should include both internal and external assessments, as well as a clear statement of purpose, scope, procedures, reporting, and follow-up. We also recommended that IAO explore a cost-effective implementation of its planned internal assessment to identify and address areas for improvement, thereby improving the quality of its function.**

86. **ILO Response:** The IAO has, in practice, been implementing a Quality Assurance Programme but agrees with the recommendation and acknowledges that there is value in documenting a QAIP. As such, the IAO drafted a QAIP framework in February 2024 that needs to be further discussed and finalized.

2.2.4 *Improvement in internal audit coverage*

87. IIA Standard 2010 requires the CAE to establish a risk-based plan to determine the priorities of the internal audit activity, consistent with the organization's goals. It further provides that such a plan of engagements must be based on a documented risk assessment undertaken at least annually. The input of senior management and the board must be considered in this process. Under Standard 2050, the CAE should likewise share information, coordinate activities, and consider relying upon the work of other internal and external assurance and consulting service providers to ensure proper coverage and minimize duplication of efforts.

88. The *Implementation Guide to Standard 2050* notes that one way to coordinate assurance coverage is to create an assurance map by linking identified significant risk categories with relevant sources of assurance and rating the level of assurance provided for each risk category. The comprehensive map exposes gaps and duplications in assurance coverage, enabling the CAE to evaluate the sufficiency of assurance services in each risk area. The internal audit activity needs to consider areas of inadequate coverage when developing the internal audit plan.

89. We noted that consistent with the requirements of the IIA Standards, the IAO adopts a risk-based approach in conducting its audits. For the 2020–21 and 2022–23 biennia, the IAO conducted its risk assessment of ILO auditable areas to inform its audit plan, considering the maturity of ILO's risk management processes. For 2024–25, the IAO has revised its risk assessment methodology wherein both quantitative and qualitative assessments, complemented by a resource gap analysis, will be used to determine internal audit priorities, and develop the internal audit plan. Additionally, the work of the other assurance providers, e.g. external auditors, and inputs from stakeholders are considered by the IAO when producing the final audit plan.

90. While the risk assessment methodology of the IAO to inform its biennial audit coverage has its strengths, we believe that it can be bolstered further by preparing an assurance map, a tool to determine all areas of operations and which specific controls are in place to mitigate particular risks. Considering the limited resources of the IAO, an assurance map can assist in: (a) identifying duplication and overlap in assurance coverage; (b) enhancing the effectiveness of assurance providers, especially the IAO, by ensuring that the right resources are focused on the right risks; and (c) detecting any gaps in assurance coverage that need to be addressed. The CIA can likewise use the assurance map to communicate the reasoning behind the internal audit plan to the senior management and the IOAC.

91. The IAO informed that it did not prepare an assurance map, but it ensures that its planned audits address the right risks. It stressed that its risk assessment process is its key mechanism in determining which risks to audit and prioritize. Also, the mitigating factors or controls that should be in place, specifically on common ILO field office processes, are duly considered in audit planning. The CIA also pointed out that building an assurance map requires second-line functions to coordinate and work

together, and the risk management function typically leads this process. It was recognized in ILO, however, that an internal audit function would be vital in providing inputs to such an exercise.

92. While the IAO raises valid points, we noted that not all the activities of and benefits derived from an assurance mapping exercise are encompassed in the present methodology of the IAO. Assurance mapping is a holistic, integrated approach to risk and assurance. The ILO shall conduct this exercise to map overall risk and assurance roles across the Organization. This comprehensive view informs the IAO where to allocate its limited resources for optimal audit coverage. The IIA Practice Guide on Coordination and Reliance: Developing an Assurance Map emphasizes that internal audit is well-positioned to initiate and maintain a holistic assurance map due to its broader perspective. As internal audits often operate with limited resources, directing their work to have the maximum impact on organizational goals and objectives is crucial.

93. **We recommended that the ILO, through the close coordination of the IAO with other assurance providers, should consider initiating the development and maintenance of an assurance map for the ILO as part of its annual audit planning process to maximize the use of its limited resources and substantiate further the adequacy and propriety of its assurance coverage. By proactively creating and maintaining an assurance map, the IAO can achieve: (a) enhanced assurance coverage; and (b) optimized resource allocations.**

94. **ILO Response:** Conducting an assurance mapping exercise was considered in 2017 by the IAO, SRO, and the Treasurer and, after considering the experience of another UN agency, concluded it would not provide the necessary cost/benefit at that time. However, the IAO and the SRO will revisit an assessment as to the feasibility of the assurance mapping exercise in 2024. Such an exercise would need senior management support for it to be effective as it will be resource-intensive. It, therefore, may be helpful to address the recommendation to the Office. The CIA will discuss the recommendation with the SRO.

2.2.5 Improvement in the achievement of the target in the audit plan

95. According to the Internal Audit Charter, the IAO's mission is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. The same Charter also states one of the roles of the IAO, which is to: "[s]ubmit an annual report to the Director-General, copying the IOAC, for presentation to the Governing Body, reflecting the results of audit work performed, and reporting on the results of corrective actions taken by management to address matters arising in previous audit reports. Any significant risk exposures, control issues and governance issues identified by the IAO shall be included in the annual report". In addition, IGDS No. 195, ILO Accountability Framework: Key standards and Mechanisms, partly states that: "ILO officials are accountable for using all resources available to them to achieve results in the most efficient and effective way possible within the applicable rules and procedures and in support of the principles and long-term interests of the Organization".

96. The IAO continually updates its risk-based audit plan based on a continuous risk assessment. This allows them to respond nimbly and dynamically to changes throughout the year, making periodic changes to the audit plan as needed. For the 2020–21 biennium, the IAO identified and planned 20 auditable areas (17 related to the ILO and 3 to the ITC–ILO), of which 7 (35 per cent) were finalized and reported during the biennium; 6 (30 per cent) were conducted and completed within the biennium, which was in various stages of reporting and audit reports subsequently issued in 2022; 5 (25 per cent) were postponed and rolled over to the next biennium; and, after taking into account the audits that were dropped and added, there was a net reduction of 2 audits (10 per cent) against the planned 20. While for the biennium 2022–23, the IAO identified 16 auditable areas, wherein 10 (63 per cent) were covered and reported in 2023; 3 audits were finalized and issued in early 2024; and 4 (25 per cent) are

being carried forward into the 2024/25 biennium audit plan. In addition, the IAO undertook, completed, and issued five advisories in the biennium.

97. It was gathered from the IAO that some audit engagements set for the biennium were rolled over to the following planning cycle due to various reasons. Also, numerous factors contributed to targets not being fully met and auditable areas being postponed for each biennium, which include staff turnover leaving the IAO short of one senior auditor out of three, extended audit timelines, global conditions and travel restrictions, outsourcing challenges, and resource constraints. In reflecting on the causes of these circumstances, the IAO has garnered valuable insights that were considered successful practices. Moreover, the IAO explained that it focuses on high-risk areas and tries to cover those with medium risks, primarily if they have not been audited for some time.

98. Prompt and thorough audits of critical areas and clear communication of findings empower management to mitigate threats and inform sound decision-making proactively. This aligns with the IAO's mission to safeguard and optimize organizational value through objective, risk-based assurance, guidance, and insightful analysis.

99. **We recommended that the ILO, through the IAO, should explore cost-effective measures that will assist in substantially delivering its target audits while considering the lessons learned from its experiences during the 2020–21 and 2022–23 biennia, such as adopting audit technologies, and developing efficient remote auditing methods, among others.**

100. **ILO Response:** The IAO notes the recommendation. The IAO completes its plan within available resources. A rollover into the next biennium is normal as audits started in the last quarter of the biennium may not be finalized and issued until early the following biennium. The IAO considers that there is a need to clearly define what is deemed as delivered versus planned and the time frame over which completion is to be measured to allow proper analysis of out-turn versus planned. The IAO has revised its KPIs to help ensure consistency in reporting.

2.3 Process

101. On a procedural level, the IAO has implemented effective systems and methods for conducting internal audits and investigations. Within the internal audit function, the integration of TeamMate+ software offers a structured and consistent approach. This tool standardizes planning, execution, reporting, follow-up, and administrative functions through templates. TeamMate+ centralizes audit engagement documentation, promoting uniformity and providing a historical reference. Additionally, it facilitates collaboration with the Investigation Unit by streamlining information exchange.

102. The IAO demonstrates a refined investigative process built upon the existing SOP and augmented by internally developed tools. Templates for essential documents such as the Case Opening Form, Investigation Diary, Plan, and Report ensure structured case file documentation. The Intake Committee demonstrates a proactive approach, filtering complaints before formal case initiation – a potentially beneficial model for broader ILO adoption. The IAO's exclusive investigative mandate within the ILO is noteworthy. With sufficient resources, the IAO holds the potential to function as a central reporting hub for all allegations of wrongdoing.

2.3.1 Consolidation of intake channels for investigation functions in the ILO

103. In the 2020 Report (JIU/REP/2020/1), the JIU reiterated its previous recommendation that executive heads of UN system organizations should develop comprehensive guidance and communication tools for all personnel on what, how, where, and to whom to report misconduct or wrongdoing, including harassment and retaliation, in all the working languages of the organization.

Item 1.3 of the IAO's Standard Operating Procedure Investigations provided that the "IAO has sole responsibility for conducting investigations within ILO".

104. During the review, it was gathered from the ILO processes on the reporting and investigating of alleged wrongdoings and follow-up actions on substantiated cases that reporting of wrongdoing could be made through different channels. For harassment, including sexual harassment, reporting should come through HRD, and an Independent External Investigator will investigate. For retaliation cases, reporting will be made through the Ethics Officer for initial assessment, and the IAO will investigate if subsequently referred by the Ethics Officer. For sexual exploitation and abuse (SEA) cases, this can be reported to the CIA or through external reporting under the Inter-Agency CBCM. Fraudulent and other proscribed practices could be reported either to the CIA or to the Treasurer and Financial Comptroller (TR/CF), which will be forwarded to the IAO for investigation.

105. The ILO's existing investigative framework, derived from established policies and procedures, presents challenges in handling certain cases. For example, harassment complaints governed by the Staff Regulations mandate Staff Union involvement in all HRD processes, including investigations. This arrangement can lead to confusion, particularly in reporting misconduct, as the true nature of a case may not be readily apparent. Additionally, the technical complexity of investigations and the requirement for each channel to establish jurisdiction can hinder reporting efficiency and potentially discourage disclosure of wrongdoing.

106. The risk presented by the JIU (JIU/REP/2020/1), should also be mentioned, which we support: "[a]s already noted in the two previous JIU reports on this function in 2000 and 2011, the Inspector considers this a matter of serious concern, as it constitutes, among others, a major obstacle to the equal handling of reports of alleged misconduct and thus to the equal treatment of complainants and subjects of allegations alike". In summary, it poses an impediment to a culture of integrity. It was also pointed out by the JIU that: "the existence of multiple channels for reporting alleged misconduct offers flexibility and thus a multitude of opportunities and choices for the affected individuals and can therefore be considered a positive contribution to accountability and integrity, a number of interviewees pointed out that there was a widespread lack of understanding and clarity among personnel at large about where to report what".

107. **We recommended that the ILO, through the representation of the IAO, should consider consolidating the intake channels of reporting wrongdoing to facilitate efficiency in reporting cases and ultimately upholding the integrity of the investigation function. This consolidation may require changes to some of the existing procedures governing the reporting of misconduct, under the ILO Staff Regulations.**

108. **ILO Response:** The Office agrees that consolidation of the intake channels for reporting wrongdoing will facilitate ease and efficiency in reporting cases and undertakes to negotiate accordingly with the Staff Union regarding necessary changes to the Collective agreement on Anti-harassment policy and Investigation Procedure. However, it was stated that before any final decision is made, resource considerations of the IAO would need to be assessed and adjusted as appropriate.

2.3.2 *Provision of a dedicated forensic support in the conduct of investigation*

109. Pertinent provisions of the UGI require conducting the investigation expeditiously within the constraints of available resources. Also, it was provided that investigative activity includes the collection and analysis of documentary, video, audio, photographic, and electronic information or other material, interviews of witnesses, observations of investigators, and such other investigative techniques as required to conduct the investigation. In the 2020 Report (JIU/REP/2020/1), the JIU emphasized that "[r]elying only on reporting of allegations for initiating an investigation was not considered effective.

However, at the same time organizations voiced reservations on the basis of limited resources and the capacity that was needed for traditional investigation work. Notwithstanding these limitations, several interviewees agreed that proactive investigation work would be useful in the long run. The increased use of information and communications technology and enterprise resource planning systems and new technologies, such as data mining tools and analytics, means that proactive investigation work could be a useful complement to the traditional reactive investigations”.

110. We noted that IAO’s caseload has significantly increased, exceeding investigator capacity. From 2021 to 2022, cases jumped from 125 to 158, and by October 2023, 147 active cases burdened the understaffed Investigation Unit. Ideally, each investigator should handle 10 cases, but the current workload triples this, straining resources. Funding constraints necessitate a robust strategy to manage this surge and fulfil the IAO’s investigative mandate. While the IAO’s collaboration with the Information and Technology Management Department (INFOTEC) for IT and forensic support is helpful, its sustainability is questionable due to INFOTEC staff’s divided workload.

111. Nevertheless, the investigation unit’s experience with the IT facility as a tool to facilitate the investigation may support its current condition regarding the cases it is currently handling. The emergence of IT tools and lessons learned during the pandemic highlighted the importance of digital transformation of business processes. It is acknowledged that resource constraint is the root cause of the current condition. However, we were informed that forensic application is vital to the investigation, as recognized in the UGI and highlighted by the JIU. Data analytics and data mining from different forms of communication media can be time-consuming when done manually. Thus, being equipped with a consistent IT facility can hasten up their processes and can provide a better outlook for the investigation function within the ILO.

112. While resource constraints are duly considered in audit, we emphasize a more consistent and constant support to the IAO in terms of IT tools and people, which may not necessarily entail an investment of additional resources. As the JIU pointed out, the investigation function’s ultimate objective is to preserve the principles of accountability and integrity within the organizational processes. With the growing case backlogs, the ultimate effect would flow to the organization’s accountability level. This is brought by the fact that delays in the conduct of the investigation would affect its relevance and, ultimately, the integrity of the investigation process.

113. **We recommended that the ILO, through the IAO, should explore its current investment in IT in providing dedicated forensic support, in terms of people and tools, to facilitate the efficient and/or effective conduct of the investigation.**

114. **ILO Response:** The IAO supports the recommendation; however, the Office generally would not indicate support for this recommendation. It was reminded that with the overall zero-real-growth budget for 2024–25, the ILO has shown commitment to improving resources directed to oversight functions. It supported the IAO through the allotment of resources for it to address key issues and backlogs independently.

2.3.3 Development of a MIR

115. Item 9 of the UGI provided that: “[t]he Investigative Office shall make recommendations, as appropriate, to the Organization’s management that are derived from its investigative findings”. Items 125 and 126 of the IAO’s SOP Investigations stated that: “[i]n some instances, the Chief Internal Auditor may consider that a management implication report is warranted”. “A management implication report is prepared by IAO to convey to the Director-General and/or relevant managers issues identified in the course of an investigation and requiring management attention. It may also include recommendations for corrective action derived from investigation findings, including improving existing systems, policies,

and procedures, strengthening internal controls, or otherwise preventing similar incidents from recurring (lessons learned from the investigation)”.

116. The IAO Annual Reports comprehensively detail its investigation activities, including cases received, processed, and reported. While commendable, including lessons learned resembles a MIR but lacks formalization. Interviews confirmed that a stand-alone MIR is planned but currently prioritized behind clearing backlogged cases and managing the increasing caseload.

117. Since the IAO’s investigation reports are not widely distributed, the MIR is a crucial tool for communicating the findings and recommendations of investigations to management and other stakeholders. Nonetheless, as appropriate, weaknesses in internal controls identified during an investigation are reported to management via the investigation report’s covering minutes for consideration and action by management. However, an annual, broader-reaching MIR could further enhance risk management, internal controls, efficiency, effectiveness, decision-making, and stakeholder confidence.

118. Moreover, the ICF of the ILO underscores the crucial role of investigative findings in informing strategic control improvements. Its independent oversight function necessitates reporting investigation outcomes and analysing their implications for the Organization’s internal control processes, ultimately enhancing operational effectiveness.

119. **We recommended that the ILO, through the IAO, should consider developing a MIR for those investigations that affect internal control processes, as a standard investigative practice. This would allow the IAO to provide management with information and implications on the findings of investigations as lessons learned and to improve operational effectiveness and internal control.**

120. **ILO Response:** The IAO agrees with the recommendation and aims to issue a MIR that summarizes specific findings on internal control weaknesses.

2.3.4 Improvement on the use of TeamMate+ software

121. IIA Standards 1220 and 2330 define the minimum professional obligations for internal auditors. Standard 1220 mandates due professional care, emphasizing competent and prudent execution while acknowledging the inherent limitations of infallibility. It specifically requires consideration of technology-based audit and data analysis techniques. Standard 2330 further stipulates the documentation requirements for engagement results and conclusions, emphasizing sufficiency, reliability, relevance, and usefulness. Additionally, it mandates controlled access to such records by the CAE.

122. It is commendable that the IAO was able to deploy and integrate TeamMate+, an audit management software, in its operations and serve as a repository for documentation of all its audit engagements. TeamMate+ is a web-based application program built to assist audit teams in moving through the audit workflow efficiently and effectively. From establishing annual plans to planning audits, from fieldwork and execution to reporting, to closing the audit and follow-up, TeamMate+ is an end-to-end audit management and workflow solution. This program currently houses all the files of the Internal Audit Unit and is also used by the Investigation Unit for reference and monitoring of cases. The senior auditors of the Internal Audit Unit manage the program.

123. In the review of the TeamMate+ application, the following were noted: (a) lack of sign-offs on some audit reports and missing schedule inputs in audit files may hinder the system’s ability to map workflow states accurately; (b) several audit engagements remain open, and accessible within TeamMate+ despite being dropped due to redundancy, or other factors; (c) its password configuration requires strengthening to mitigate potential unauthorized access, in light of TeamMate+ being a web-

based application accessible beyond ILO premises and a repository for engagement files; and (d) user access roles and provisioning can be improved to provide the role of administrator only to those existing IAO staff.

124. The above conditions highlighted the need for established formal guidelines for the facility of TeamMate+, defining user access provisioning and ensuring alignment with the current roles that users are performing to prevent potential issues such as the non-segregation of incompatible duties. Due to the high volume and diverse workload, time constraints hinder the implementation of proper workflow state mapping. The Internal Audit Manual offers limited guidance on TeamMate+, primarily for creating new engagements and electronic working papers. Lacking detailed instructions for other aspects and a dedicated investigation-specific guideline, proper maintenance, and upkeep of TeamMate+ remain unassured. Formally established guidelines are essential for promoting adherence to standardized practices, potentially enhancing the IAO's operational effectiveness and reliability. Addressing documentation and policy gaps is crucial for solidifying a robust and secure audit management system.

125. We recommended that the ILO, through the IAO, should consider developing a formal guidelines mapping the use, maintenance, and operations of the IT application system, adopted by IAO, to ensure that input controls as well as proper housekeeping procedures for the system are implemented and reinforced, and that information stored in the system is complete, accurate and updated, with due consideration to: (a) providing strategies to ensure proper documentation of workflow state for proper and timely monitoring of reports; and (b) defining user access roles and provisioning, among others, while also strengthening security controls by adopting best practices.

126. **ILO Response:** IAO notes the recommendation and elaborates that it is a small audit function (three senior internal auditors to cover the activities of the ILO, the ITC-ILO and the Staff Health Insurance Fund) and will implement those elements that do not result in an unnecessary administrative burden. A Power BI dashboard, accessible within Microsoft Teams and connected to TeamMate+ database, is now used to track the status of work papers, thereby facilitating audit supervision. Auditors must ensure that the schedule is filled out to guarantee accurate tracking of the KPI measuring the timeliness of audit reports issuance. Last, IAO confirms that only active audits are assigned an 'open' status in TeamMate+.

2.3.5 Improvements in the preparation, review, and issuance of internal audit reports

127. As outlined by IIA Standard 2420 and the ILO Internal Audit Charter, internal audit communications must adhere to strict quality standards. They must be accurate, objective, clear, concise, constructive, and delivered in a timely manner proportionate to the issue's significance, enabling management to take appropriate corrective action. Specifically, the IAO's audit reports and improvement recommendations will be discussed with the audited entity's responsible manager and other relevant personnel.

128. The internal audit performance, based on the 20 sample engagements, revealed delays in report delivery, exceeding target timelines and prompting concerns. Analysis of sample engagements identified extended report preparation (up to 124 calendar days in 5 samples), lengthy review periods (up to 334 calendar days in 11 samples), and delays in transmitting draft reports (up to 368 calendar days in 5 samples) and final reports (up to 43 calendar days in 4 samples). Survey results further confirmed concerns about timeliness.

129. We acknowledge the CIA's proactive initiative by communicating with the IOAC and requesting the reclassification of a vacant P4 position to P5. These delays stemmed from workload, time constraints, and lack of management feedback, highlighting the imbalance in the IAO's structure.

Accordingly, the CIA manages the day-to-day operations and reviews the work of both the internal audit and investigation units. For the internal audit side, there is a lack of an audit manager who could perform first-level reviews and, thus, remove the burden of review from the CIA.

130. The long period of time it took for the preparation, review, and transmittal of internal audit reports and issuance of reports to the DG can have the following effect; hence, the importance of taking steps to properly manage the period for the preparation, review, and issuance of internal audit reports: (a) preventing the Organization from taking timely corrective action on identified control weaknesses and risks; (b) reducing the credibility and reliability of the internal audit function, which can make it more difficult to get management's buy-in and support for internal audit findings and recommendations; and (c) can lead to increased costs, such as the cost of lost opportunities due to delayed implementation of audit recommendations.

131. **While the approval of the P4 Senior Internal Auditor Position, which would become vacant, into a P5 Audit Manager position, is expected to improve on the delays in the completion of the reports, we recommended that the ILO, through the IAO, also explore some cost-effective strategies to address the delays, such as but not limited, to establishing a review process, prioritizing the workload, setting realistic deadlines, or cross-training an existing staff member.**

132. **ILO Response:** As stated previously, the IAO has revised its KPIs on the time taken to issue draft field audit reports, for headquarters (HQ) thematic audits. The IAO shall monitor the KPIs and fine-tune as necessary.

2.4 People

133. The IAO maintains a team that is skilled in the areas of internal auditing, investigation, and information systems. This seasoned staff, with experience levels spanning 11 to 33 years, offers in-depth familiarity with both industry standards and regulatory requirements. When specialized expertise is needed beyond their core capabilities, the IAO collaborates strategically with external subject matter experts. The IAO's dedication to building a multifaceted and proficient workforce demonstrates a commitment to overcoming the multifaceted challenges associated with their diverse assignments.

134. The IAO demonstrates a strong commitment to continuous professional development within its team. Their dedication to aligning with the rigorous standards established by the IIA, alongside those governing investigative best practices, is apparent in their staff's wide range of training and coursework. These include conferences, workshops, and specialized training courses in risk management, data analysis, artificial intelligence, and investigative techniques. These proactive measures guarantee the IAO remains current with industry trends. This ongoing, standards-driven development ensures the IAO can effectively address complex challenges.

135. Overall, our assessment of the IAO staff's competency and skill set in fulfilling their mandated internal auditing and investigation functions, reveals that they possessed technical capability and proficiency. The IAO's commendable support for staff capacity-building through various initiatives is noteworthy and identified as a good practice.

3. Governance in field offices

136. Our audit encompassed the operations and transactions of field offices during the period from 1 January to 31 December 2023. The primary objective was to evaluate the effectiveness of governance mechanisms and the accuracy and completeness of financial and management information. We assessed controls embedded within critical business processes, both in the general management of field offices and in the implementation of programmes and projects. Additionally, we verified compliance with ILO policies, regulations, rules and procedures, and legislative authority and conducted

tests on key controls and transaction details. Our audit covered the following regional offices (ROs): RO–Africa, RO–Asia and the Pacific, and RO–Latin America and the Caribbean. For the CO and DWT, we audited: CO–Antananarivo, CO–Dar Es Salaam, DWT/CO–Bangkok, CO–Islamabad, and CO–Mexico.

3.1 Decent Work Country Programmes (DWCP)

137. Our audit revealed several challenges faced by field offices in formulating and monitoring DWCPs. We identified critical areas for improvement such as: (a) absence of DWCPs in some countries; (b) the logical framework and theory of change supporting Country Programme Outcomes (CPOs) and indicators lack clarity; (c) data related to gender is inconsistently disaggregated, hindering the formulation of gender-sensitive indicators, baselines, and targets; (d) CPOs and indicators are not expressed in Specific, Measurable, Achievable, Relevant and Time bound (SMART) terms; (e) some countries exhibit an excessive number of CPOs per country priority and indicators for each CPO; (f) non-submission of DWCP annual progress report by the CO and DWT to RO; and (g) the suggested content and requirements for a DWCP were not completely adhered to. The absence of well-controlled DWCP results information for both planned and actual outcomes, achieving organizational objectives at the country level can become challenging. The observed gaps expose the programmes to vulnerabilities in their successful execution and the ability to produce optimal results information and outcomes.

3.2 Development Cooperation (DC)

138. We observed several challenges in the implementation of the DC projects. Specifically, in CO–Antananarivo and CO–Islamabad, we determined that there were delays in delivering project deliverables within the Operational Business Workflow (OBW). In addition, for CO–Antananarivo, we identified instances where expenditures and encumbrances occurred without proper sub-allocation. These challenges were primarily attributed to shifts in the political will of constituents – requests for postponement of planned activities due to internal constraints or changes in priorities. CO–Antananarivo also lacks a project risk register which would guide informed decisions about deploying limited resources. Moreover, we ascertained that there was no standardized method for project monitoring, and an error was detected in expense charging. In CO–Islamabad, certain risks identified were not addressed in the risk discussions and decisions. Considering that Pakistan is a middle-income country (MIC), only limited resources could be mobilized. This highlights the need to gather support from the RO–Asia and the Pacific and HQ. Furthermore, CO–Islamabad and DWT/CO–Bangkok lack a unit/office workplan that should serve as the basis for “output” determination. Similarly, the workplan in RO–Latin America and the Caribbean lacks important information.

139. For the RO–Africa, CO–Dar Es Salaam, RO–Latin America and the Caribbean, DWT/CO–Bangkok and CO–Mexico, we also observed some challenges in DC implementation. The delivery rate for DC projects was notably low. In the same instance, agreed-upon reports to donors faced delays. These delays were attributed to factors such as the absence of a procurement plan, recruitment delays, frequent changes in project staff, and broader political and economic issues. In addition, for CO–Mexico, several deliverables initially reported as “in progress” or “not started” were actually completed during 2022–23 and were attributed to an un-updated information in the system. Moreover, several deliverables were recorded twice in the system, resulting in discrepancies in reporting. Finally, it was observed that RO–Latin America and the Caribbean did not have the written strategy, policy, or guideline on mobilizing extrabudgetary resources.

3.3 Human resource management

140. We determined that the Human Resource (HR) Unit’s outcome-setting process lacked adherence to the SMART model. Additionally, we observed that the request for approval of a retreat was not

submitted to HQ-HRD for review, as required by the corresponding IGDS. Moreover, we noted the lack of established guidelines for local hire as to the number of days to complete each step of the recruitment process. We also identified issues related to Performance Appraisal Reports (PARs), including the absence of target dates for key milestones or deadlines, delayed drafting of End of Cycle reports and in Beginning of Cycle activities for officials on probation, and incomplete PARs. Lastly, we found opportunities for improvement in the crafting of agreed performance measures. These included unclear specific activities, the use of multiple action verbs in formulated measures, unquantified indicators, and the lack of specific timelines for each performance measure.

3.4 Travel management

141. We ascertained some barriers to efficient and effective staff travel. These include ability to comply with advance travel planning requirements with corresponding approved quarterly travel plans, adhering to the specified timeframes for travel requests, authorizations, ticket bookings, and claims, as well as enhancing the preparation and publication of mission reports in the Meet and Share platform.

3.5 External collaboration contracts and grant agreements

142. We identified several critical issues in RO-Africa, RO-Latin America and the Caribbean, RO-Asia and the Pacific, CO-Antananarivo, CO-Dar Es Salaam, DWT/CO-Bangkok, CO-Islamabad, and CO-Mexico such as non-maintenance of rosters of External Collaborators (ExCols), Purchase Orders (POs) unsupported by justification of fees, absence of specified time frames for output delivery or task completion, payments made to ExCols despite delays in some deliverables, payment upon contract signing, lack of a structured written policy for monitoring and evaluating ExCol outputs, the absence of formalized documentation for brief commentaries, absence of mechanisms to assess and consider potential conflicts of interest, and prior approval from the Official Meetings, Documents and Relations Department (RELMEETINGS) not sought for ExCol contracts with translators aged 65 and older. We also observed late submission of the Narrative and Financial Reports and Grantee Certification Form. Further, we determined that pertinent grant documents were not uploaded in the Integrated Resource Information System (IRIS), addenda exceeding the CO threshold of US\$50,000 was not approved by Budget and Finance Branch (BUDFIN) at HQ, as required, and several addenda were made revising the contract end dates and/or adding new products with consequent modifications in the payment terms.

3.6 Procurement management

143. We observed certain gaps within the RO-Africa, CO-Antananarivo, RO-Latin America and the Caribbean, CO-Islamabad and CO-Mexico. Specifically, we noted the failure of the field offices to prepare Contract Close-Out Checklists for some of their procurement activities. Additionally, we found that several procurements handled by CO-Antananarivo should have followed the informal competitive bidding process. However, waivers were granted by the Country Director, despite the insufficiency of information to adequately justify such waivers. Moreover, we observed in RO-Latin America and the Caribbean the need to utilize the United Nations Global Marketplace (UNGM) and to include those procurements of below US\$50,000 in the procurement plan and complete the essential procurement training for employees directly engaged in day-to-day procurement activities. In CO-Mexico, we noted the prevalent use of request for proposals (RFPs) as a solicitation method for contracts falling within the T2 threshold, particularly those requiring technical expertise; however, discrepancies arose between the actual processes observed and the prescribed procedures outlined in the procurement manual for this type of solicitation method and the lack of specific measures outlined in the procurement manual in the adoption of E-tendering.

3.7 Asset management

144. Our audits in RO–Africa, CO–Dar Es Salaam, RO–Asia and the Pacific, DWT/CO–Bangkok and CO–Mexico surfaced several instances of incomplete or inconsistent information in the INI. These discrepancies encompassed various data points, including asset duty station, item description, serial number, status, date of placement in service, assigned person, condition, and disposal certificates. In addition, at CO–Dar Es Salaam, the inventory report did not provide local currency values and exchange rates for most items. Notably, non-sensitive items with a cost not exceeding US\$1,000 were included in the inventory system, while damaged items were not reported to the Facilities Management Unit (FACILITIES). In the case of CO–Antananarivo, the relevant Furniture and Equipment Disposal Certificate lacked any Transfer of Ownership Agreement for items transferred. Additionally, damaged, and no longer usable items had not yet been properly disposed.

145. Moreover, we observed that a stolen laptop was written-off instead of the incident being reported to FACILITIES. In the case of RO–Latin America and the Caribbean, there were items that were inadvertently recorded in the INI, the disposal certificates were authorized by the Chiefs of Regional Administrative Services (Cs/RAS) in lieu of Regional Director, several disposed items were assigned to staff as gleaned in the INI and not reported to FACILITIES, and the laptop-to-staff ratio as prescribed by INFOTEC have not been observed. For CO–Islamabad, we noted that the balance in physical count report was not reconciled with the balance reported in both the INI and the Statement of Value of Furniture and Equipment, and the sale of some laptops were undertaken without formal and competitive written offers, as required.

3.8 Cash management

146. Our audits in RO–Africa, CO–Antananarivo, CO–Dar Es Salaam, RO–Asia and the Pacific, DWT/CO–Bangkok, CO–Islamabad and CO–Mexico revealed several areas requiring attention. These include the need to: (a) enhance the authorization and establishment process for petty cash; (b) ensure timely monthly replenishment of petty cash; (c) maintain an up-to-date list of signatories and proper documentation for the return of temporarily handed-over petty cash to the original fund holder; and (d) approve the staff member's request for petty cash.

3.9 Fraud governance

147. Our audits in RO–Africa, CO–Dar Es Salaam, RO–Asia and the Pacific, RO–Latin America and the Caribbean, CO–Islamabad and CO–Mexico revealed that some staff were not aware of the anti-fraud policies including the need to disclose financial interests. Moreover, some staff were not informed of their duties and responsibilities and management's expectations on their role in helping prevent and detect fraud, and some are yet to attend an anti-fraud policy and the ILO Code of Ethical Conduct seminar. Further, the roles of other ILO officials or bodies involved in governing proscribed practices were unclear to some staff. Finally, we noted of the pervasive need to enhance the fraud risk assessment in the field offices.

3.10 Risk management

148. Our audits revealed that the RO–Africa, RO–Asia and the Pacific, RO–Latin America and the Caribbean and CO–Mexico risk events assigned to staff exceeded the recommended limitation. In addition, for RO–Africa and CO–Mexico, the risk registers did not include assessment of recurring project risks. We also observed the need to build staff capacity on risk management. In the same vein, in CO–Antananarivo and CO–Islamabad, we observed varying interpretations and knowledge regarding risk management among staff. In addition, some COs' risk ratings do not reflect the correct scores.

Meanwhile, in CO–Dar Es Salaam and CO–Islamabad, the “risk of fraud and corruption, sexual exploitation and abuse and the safety, health, and welfare of staff” was not considered and included in the risk assessment particularly in Burundi and Uganda. This is inconsistent with the express instructions contained in the RMM.

149. In sum, and while we observed that the field offices audited generally have governance mechanisms in place that support the achievement of their intended outcomes, the observed gaps presented in the preceding paragraphs suggest the need to further strengthen process and monitoring controls and review. One significant gap observed in field offices governance, relate to the adherence or compliance of these offices to established regulations, rules, and policies. With varying observed root causes, ranging from lack of staff awareness to complexities of processes and requirements, the need to strengthen monitoring or review controls, process controls and the application of appropriate risk management actions have become pertinent.

150. We highlight that within a governance ecosystem, there exist defined roles and responsibilities and activities that control processes, actions, and decisions. The ILO field offices’ function is the Organization’s first line of defence in the adequate controlling of its operations. It is vital that this organizational responsibility is accorded with much attention to warrant the efficient and effective delivery of the ILO’s mandate.

151. We recommended that ILO should enhance its field offices’ current governance mechanisms by strengthening process controls, making their monitoring controls and feedback loops function more effectively, and applying risk management more robustly in its decisions, to ensure achievement of organizational objectives.

152. ILO Response: The recommendation is accepted. Individual findings identified in the audits of the field offices concerned are being addressed or have already been dealt with. Management constantly undertakes reviews and updates of the relevant policies and guidelines and provides training on work processes in the day-to-day operations. Between the end of 2022 and first quarter of 2023, three new Cs/RAS were appointed and thoroughly briefed at HQ. In addition to the regular briefing sessions with the finance and administrative officers in the field offices, dedicated regional administrative workshops were held recently in Africa, Asia and Americas covering a wide range of topics. The annual Global Finance Team workshop has been planned in June 2024 with the participation of all Cs/RAS and their finance and operations officers, in order to share good practices and lessons learned across all pertinent areas of financial operations, including risk management. On an ongoing basis, any recurring issues are being reviewed by the relevant management units at HQ and communicated with the Cs/RAS. Additionally, in the 2024–25 biennium, the Office continues to support the finance staff in the field offices to undertake a professional training programme in collaboration with the Chartered Institute of Public Finance and Accountancy (CIPFA), aimed at upgrading their technical skills.

C. IMPLEMENTATION OF EXTERNAL AUDIT RECOMMENDATIONS FROM PREVIOUS YEARS

153. We validated the implementation of External Audit recommendations contained in prior years’ audit reports. The status of implementation of the recommendations is summarized as follows:

| Audit Report | Number of Recommendations | Fully Implemented | Implemented on an ongoing basis | In Progress | Partially Implemented |
|--------------|---------------------------|-------------------|---------------------------------|-------------|-----------------------|
| 2022 | 20 | 7 | 7 | 5 | 1 |
| 2021 | 20 | 17 | 1 | 1 | 1 |
| 2020 | 14 | 14 | 0 | 0 | 0 |
| 2019 | 24 | 21 | 1 | 2 | 0 |
| 2018 | 9 | 8 | 0 | 0 | 1 |
| 2017 | 10 | 10 | 0 | 0 | 0 |
| 2016 | 16 | 13 | 0 | 0 | 3 |
| Total | 113 | 90 | 9 | 8 | 6 |

154. We noted that ILO management fully implemented 90 of the 113 recommendations and another 9 on a going basis from 2016–22, registering an implementation rate of 87.61 per cent. While the action by management is commendable, there are 14 recommendations for which implementation was either in progress or partial. Appendix A presents the details of the updated status of implementation of the external audit recommendations that were outstanding as at the beginning of the current reporting period.

D. Disclosures by Management

155. **Write-off.** Management reported that in accordance with article 33 of the Financial Regulations, a total of US\$609,689.85 in 2023 (US\$1,355,932.98 in 2022) were approved for write-off by the Treasurer. We noted that the write-offs were in accordance with the Financial Regulations.

156. **Ex-gratia payment.** In accordance with article 32 of the Financial Regulations, the ILO made ex-gratia payments of US\$88,422.45 in 2023 (US\$15,000 in 2022).

157. **Cases of fraud and presumptive fraud.** Pursuant to Financial Rule 8.40 (Loss of cash or negotiable instruments, cases of fraud) and in conformity with Financial Rule 13.10 (Cases of fraud, presumption of fraud or attempted fraud), management confirmed that there was no reported case of fraud or presumptive fraud in 2023 (11 cases in 2022) which should be disclosed for financial statements purposes.

E. Acknowledgement

158. We wish to express our appreciation for the cooperation and assistance extended to our staff during our audit by the Director-General, the Regional Directors, HQ Directors, the Treasurer and Financial Comptroller, Country Directors, and members of their staff.

159. We also wish to express our appreciation to the Governing Body and to the International Labour Conference for their continued support and interest in our work.

Appendix A.

Status of implementation of external audit recommendations from previous years

(ILC.111/FIN, ILC.110/FIN, ILC.109/FIN/2020, ILC.109/FIN/2019, ILC.108/FIN,
and ILC.106/FIN)

| Recommendations | | External Auditor's Validation |
|--------------------|--|---|
| ILC.111/FIN | | |
| 1 | <p>Review of the operations of Bureau for Employers' Activities (ACT/EMP) and Bureau for Workers' Activities (ACTRAV) – Policy, strategy, and framework</p> <p>We recommended that the ILO should highlight the visibility of ACTRAV and ACT/EMP and make these Bureaux more entrenched within the ILO's operation, by:</p> <ol style="list-style-type: none"> including in the staff orientation activities for new staff and capacity-building activities, especially for ILO Managers, sessions on the services and operation of both Bureaux; enhancing the Bureaux's position and association with the ILO through its communication and publications, utilizing the ILO's digital platforms; and ensure that the requirements of robust consultations with the Bureaux are established in all the stages of programme or project design and appraisal. | <p>Implemented on an ongoing basis</p> <p>The recommendation is accepted. Both Bureaux and the Office in general are committed to exploring ways to further raise awareness of their role. With regard to staff orientation, the most recent orientation workshop for new ILO staff was held in November 2022, which included a dedicated session on the role of the two Bureaux. In addition, the Office will continue to involve the two Bureaux in the orientation sessions for new representatives of the permanent missions in Geneva to promote the role of tripartism and social partners; with regard to communications through digital platforms, ACTRAV will review and ensure better visibility of its presence on the ILO intra- and internet, while ACT/EMP will continue to enhance its communication and publication visibility by broadening the outreach of its e-newsletters. With regard to robust consultations in programme and project design and appraisal, the Office considers that the "ILO DWCP Guidance 2020 – Review and Approval Process" and the "DC Internal Governance Manual" adequately reflect the mandatory involvement of the two Bureaux and the social partners in the design, implementation, monitoring, and evaluation of the DWCPs and projects and the Partnerships and Field Support Department (PARDEV) will take the necessary steps to enhance its appraisal mechanism for DC projects to ensure genuine consultation with ACT/EMP and ACTRAV, and remind field offices of the relevant roles and responsibilities as well as the procedures to follow.</p> |

| Recommendations | | External Auditor's Validation |
|-----------------|---|---|
| 2 | <p>Review of the operations of ACT/EMP and ACTRAV – Policy, strategy, and framework</p> <p>We recommended that the ILO, through ACTRAV, should enhance the Strategy Framework of ACTRAV to include specific procedures and processes regarding the management of programme implementation and human resources, to strengthen collaboration and integration of its strategy with that of the other technical department/units/offices of the ILO.</p> | <p>Implemented</p> <p>The recommendation is accepted. As a Strategic Framework already exists for ACTRAV, it has been reviewed to include procedure on hiring its staff to include the information as in the IGDS, as well as coordination and consultation with other departments.</p> |
| 3 | <p>Review of the operations of ACT/EMP and ACTRAV – Policy, strategy, and framework</p> <p>We recommended that the ILO, through ACT/EMP, should develop a structured governance framework that details essential information on ACT/EMP-specific strategies/policies; structure, role, and functions, including its engagement with EBMOs; and resource mobilization pathways with the purpose of developing the Bureau's overarching guidance document.</p> | <p>Implemented</p> <p>The recommendation is accepted. The ACT/EMP Operational Manual was developed and launched in November 2023. The Manual covers ACT/EMP's structure, strategic framework, programmatic and operational framework, monitoring and reporting, resource management, and establishing service and excol contracts, as well as templates for planning, monitoring and reporting.</p> |
| 4 | <p>Review of the operations of ACT/EMP and ACTRAV – Delivery, monitoring and reporting of outcomes</p> <p>We recommended that the ILO, through ACTRAV, should fully embed the principles of Results-Based Management (RBM) and enhance reporting and monitoring of results, by:</p> <ul style="list-style-type: none"> a. enhancing coordination in the field offices for the necessary changes in CPO status during Outcome-Based Workplan (OBW) reviews, thus ensuring the integrity of information being reported as a result of its programme delivery; b. establishing more comprehensive capacity-building activities on programming, in accordance with the strategic direction of HRD, hence enhancing the capacity of its staff on the important principles of results reporting; and | <p>Implemented on an ongoing basis</p> <p>The recommendation is accepted. With regard to enhancing coordination during the OBW review process, ACTRAV has undertaken consultations with programme officers in the field ahead of the OBW reviews to facilitate updating of the reported information. On capacity-building and work planning, ACTRAV has explored with HRD about investments on the development of materials for staff development and the possibility of utilizing its database to provide linkage to individual staff activities.</p> |

| Recommendations | | External Auditor's Validation |
|-----------------|--|---|
| | c. implementing individual work planning activities among ACTRAV staff. | |
| 5 | <p>Review of the operations of ACT/EMP and ACTRAV – Delivery, monitoring and reporting of outcomes</p> <p>We recommended that the ILO, through ACT/EMP, should enhance the accountability process of regularly uploading and updating CPO and Global Product (GP) information, including its deliverables, and the linking of CPOs with the output indicators in the Strategic Management Implementation Planning (SM/IP) by: (a) ensuring compliance by ACT/EMP specialists on GPs; (b) strengthened coordination and consultation between ACT/EMP specialists and National Project Officers (NPO)s on CPOs; and (c) robust and regular monitoring by the ACT/EMP Management and Output 1.1 focal point.</p> | <p>Implemented on an ongoing basis</p> <p>The recommendation is accepted. ACT/EMP will use the institutionalized processes of OBWs to review the status of CPO level information, including its linkage with indicators, and communicate noted discrepancies to relevant NPOs.</p> |
| 6 | <p>Review of the operations of ACT/EMP and ACTRAV – Resources</p> <p>We recommended that the ILO should develop a more detailed and defined organizational structure for ACTRAV and ACT/EMP to support enhanced coordination of activities within and outside the Bureaux as well as establish specific functions, roles and responsibilities for staff, and elaborate interrelationships of teams and field officers to facilitate efficiency in their respective processes and to better uphold the principles embedded in the ILO accountability framework.</p> | <p>Implemented</p> <p>The recommendation is accepted.</p> <p>The ACTRAV Programming Handbook has been revised and adds more clarity on the functions and responsibilities of each of the key players in ACTRAV. Chapter 2 of the Handbook adds more clarity on the functions and responsibilities of each of the key players in ACTRAV.</p> <p>The ACT/EMP Operational Manual was developed and launched in November 2023. The Manual covers ACT/EMP's structure, which includes TORs for the established policy teams, specifying how the teams coordinate with other policy departments and internally within ACT/EMP.</p> |
| 7 | <p>Review of the operations of ACT/EMP and ACTRAV – Resources</p> <p>We recommended that the ILO should enhance its staff development activities by establishing a staff learning and development plan or strategy for ACTRAV and ACT/EMP, in consonance with the overall skills mapping</p> | <p>In progress</p> <p>The recommendation is accepted. The Office-wide skills mapping exercise led by HRD is ongoing. The implementation of a staff learning and development strategy by ACTRAV and ACT/EMP will take advice from the outcome of</p> |

| Recommendations | | External Auditor's Validation |
|-----------------|--|--|
| | exercise of HRD, and provide as one of the performance indicators of each staff the requirement of capacity-building in the staff performance evaluation. | the skills mapping exercise. In the meantime, individual development plans are identified through the performance management framework. |
| 8 | <p>Review of the operations of ACT/EMP and ACTRAV – Resources</p> <p>We recommended that the ILO, through PARDEV, should establish a well-coordinated and systematic resource mobilization strategy with the clear definition of the roles of PARDEV, the Bureaux and other technical units, and field offices to strengthen the support for employers' and workers' organizations and opportunity for a successful collaboration with donors and funding partners.</p> | <p>Implemented on an ongoing basis</p> <p>The recommendation is accepted. PARDEV will engage with both Bureaux and other relevant departments/offices and lead productive consultations regarding resource mobilization activities, addressing any outstanding concerns in relation to specific procedures for proposal development, effectiveness of the appraisal mechanism, project implementation and monitoring and evaluation issues.</p> |
| 9 | <p>Review of the operations of ACT/EMP and ACTRAV – Compliance with regulations, rules, and legislative authority</p> <p>We recommended that the ILO, through ACTRAV, should revisit and update the ACTRAV risk register to incorporate the clearly defined elements for improved decision-making processes and to ensure compliance with the ILO Risk Management Framework.</p> | <p>Implemented</p> <p>The recommendation is accepted. ACTRAV met and discussed with the ILO SRO and has revisited and updated the ACTRAV risk register to incorporate the clearly defined elements for improved decision-making processes and to ensure compliance with the ILO Risk Management Framework.</p> |
| 10 | <p>Review of the operations of ACT/EMP and ACTRAV – Compliance with regulations, rules, and legislative authority</p> <p>We recommended that the ILO, through ACT/EMP, should strengthen the rigorous and results-based practice of conducting performance evaluations in ACT/EMP and monitor the compliance rate of performance appraisals as publicized in ILO People, to properly manage staff performance activities.</p> | <p>Implemented</p> <p>The recommendation is accepted. Compliance is now at the required level with updated operating procedures in place. As of January 2024, all Performance Appraisal Reports (PARs) under the responsibility of the Director of ACT/EMP have been submitted.</p> |
| 11 | <p>Review of procurement management – Procurement system innovation</p> <p>We recommended that the ILO, as a way forward, should develop a concrete plan and strategy to fully integrate the electronic applications and solutions involved in its</p> | <p>In progress</p> <p>The recommendation is accepted. The Office has started the feasibility study and cost benefit analysis on the further system integration between the procurement planning tool, the</p> |

| Recommendations | | External Auditor's Validation |
|-----------------|---|---|
| | procurement management and work towards systems interface, to facilitate efficient procurement process and data management, and improve related strategic and tactical decisions. | e-Sourcing tool and the Integrated Resource Information System (IRIS). The result of the study will guide the decision on the next steps. |
| 12 | <p>Review of procurement management – Procurement system innovation</p> <p>We recommended that the ILO, moving forward, should pursue its plan on the inclusion of procurement functionalities for waiver requests, and vendor and contract management into the Jaggaer, to harness its full potential and to ultimately improve procurement transparency, accountability, and overall procurement governance.</p> | <p>In progress</p> <p>The recommendation is accepted. The e-Sourcing tool rollout was completed in December 2023; the feasibility of using the Jaggaer direct procurement functionality has been assessed and confirmed; and the HQ pilot is to be carried out in 2024, including drafting of the relevant IGDS procedure.</p> |
| 13 | <p>Review of procurement management – Procurement system innovation</p> <p>We recommended that the ILO, moving forward, should strengthen the principles of RBM in its procurement processes by establishing a direct linkage of its procurement activities to specific outcomes in the P&B, through the procurement planning exercise.</p> | <p>Implemented</p> <p>The recommendation is accepted. Procurement Work Plan 2024–25, aligned with P&B 2024/25, has been established.</p> |
| 14 | <p>Review of procurement management – Procurement process improvement opportunities</p> <p>We recommended that ILO should enhance the Procurement Bureau (PROCUREMENT) functional structure through the augmentation of staff in the review and monitoring function at strategic regional locations over the procurement activities of other units and field offices, to better achieve efficiency and effectiveness on its procurement activities and to ensure that the principles of accountability and internal control are observed on the procurement processes.</p> | <p>Implemented on an ongoing basis</p> <p>The recommendation is accepted.</p> <p>One professional Procurement Officer position (DC) has been outposted to the Arab States region.</p> <p>Following the successful field rollout of the ILO e-Sourcing application, PROCUREMENT has initiated discussion to create new positions (at P or NO levels) at the level of every RO during the biennium.</p> <p>HRD has been approached to ensure that all new procurement-related positions in the Office involve PROCUREMENT, to validate job descriptions and participate in the selection process. All new positions should technically report to PROCUREMENT via Cs/RAS.</p> |

| Recommendations | | External Auditor's Validation |
|-----------------|--|--|
| 15 | <p>Review of procurement management – Procurement process improvement opportunities</p> <p>We recommended that ILO, moving forward, should emphasize and disseminate to ILO HQ units and field offices the need for appropriate and timely planning of procurement activities with estimated value not exceeding US\$50,000.00 and establish a mechanism to monitor the preparation and submission of such procurement plans to enhance accountability and internal control over the procurement processes.</p> | <p>In progress</p> <p>The recommendation is accepted.</p> <p>The new, dynamic version of the Organization Procurement Plan (OPP) application went live in November 2023. All business units have been required to submit their procurement plans by 31 December 2023.</p> <p>The use of OPP will be progressively extended to include procurement activities below the T2 threshold (US\$50,000.00).</p> |
| 16 | <p>Review of procurement management – Procurement process improvement opportunities</p> <p>We recommended that the ILO should refine the development of spend analysis by including KPIs, among others, as preparatory to procurement planning, management of tail spend and attainment of sustainable procurement, thus achieving economy and efficiency in ILO procurement.</p> | <p>In progress</p> <p>The recommendation is accepted.</p> <p>The completion of the e-Sourcing tool rollout to the field should allow for improved reporting on procurement activities across the Office. The tool contains several standard reports that should be further customized to allow in-depth technical analysis and informed decision-making.</p> <p>KPIs on sustainable procurement have been implemented in Jaggaer, through its full integration with UNGM.</p> |
| 17 | <p>Review of procurement management – Procurement process improvement opportunities</p> <p>We recommended that the ILO should facilitate the issuance of a revised IGDS No. 240, with emphasis on the timeline for the completion of the procurement review and defined indicative timeline for bid evaluation function, as part of its procurement guidelines, taking into consideration the factors that affect its procurement processing time, to achieve efficiency in its procurement processes.</p> | <p>Partially implemented</p> <p>The recommendation is accepted.</p> <p>The IGDS document has been reviewed and redrafted to ensure more efficient review of major procurement projects.</p> <p>The revised Procurement Review Committee (PRC) operating modalities have been tested at the HQ level between May and December 2023, resulting in considerable efficiency gains.</p> <p>With the completion of the e-Sourcing tool rollout, the PRC modalities pilot will be extended to all ILO regions in 2024.</p> |

| Recommendations | | External Auditor's Validation |
|-----------------|---|--|
| | | The revised IGDS No. 240 will be promulgated by the end of 2024. |
| 18 | <p>Control environment in field offices</p> <p>We recommended that the ILO should update the Orientation and Operational Manual of the Liaison Office and develop an operational guide for the Inter-American Centre for Knowledge Development in Vocational Training (CINTERFOR) that will provide relevant overarching documents to guide the relevant actors in clearly understanding the operations of said offices for enhanced governance.</p> | <p>Implemented</p> <p>The recommendation is accepted.</p> <p>The update of the Orientation and Operational Manual of the ILO Liaison Office in Myanmar was completed on 23 May 2023.</p> <p>The operational guide for CINTERFOR was generated on 30 June 2023.</p> |
| 19 | <p>Control environment in field offices</p> <p>We recommended that the ILO should address the challenges or factors causing non-compliance, through clear, open, and continuous communication lines and feedback loops between and among HQ and field offices, strengthening monitoring control mechanisms, and providing capacity-building activities to strengthen control activities in the field offices.</p> | <p>Implemented on an ongoing basis</p> <p>The recommendation is accepted. Individual findings identified in the audits of the field offices concerned are being addressed or have already been dealt with. The recurring issues are being reviewed by the relevant management units and will be addressed through the enhancement of guidelines and training, further policy development if necessary and through regular and open communications and capacity-building. Since 2021, the Office has been supporting finance staff in the field offices to undertake a professional training programme in collaboration with the CIPFA. Most recently in April 2023, a three-day Global Finance Team workshop was held in Geneva with the participation of all Cs/RAS and their finance and operations officers, covering a wide range of topics over and beyond those listed above.</p> |
| 20 | <p>Control environment in field offices</p> <p>We recommended that the ILO should address the observed improvement opportunities through efficient and effective monitoring by HQ and ROs and providing training to field staff to ensure robust implementation of risk management in the field offices.</p> | <p>Implemented on an ongoing basis</p> <p>The recommendation is accepted. During 2023, the SRO ran briefing sessions in each region which covered the importance of contextualizing risks, ensuring that risk owners were not overloaded and using the scoring to guide the risk response. The ILO has also created a template risk register to provide COs with a more complete view of the risks likely to affect them. Lastly, the ILO contacted ROs to identify lessons learned from the risk register</p> |

| Recommendations | | External Auditor's Validation |
|--------------------|--|---|
| | | update, in particular as regards innovations introduced during the year. |
| ILC.110/FIN | | |
| 21 | <p>Review of Programme Implementation and Delivery of Outcomes 6 and 7 - Achievement and delivery of outcomes</p> <p>We recommended that the ILO should increase outreach to, and advocacy with development partners and the donor community globally, by showcasing the impact of Policy Outcome 6 interventions and initiatives with the end view of enhancing resource mobilization for this outcome in line with the 2020-25 DC Strategy.</p> | <p>Implemented</p> <p>The Office took the necessary action during the implementation of the P&B for 2022-23 and the DC Strategy 2020-25. The business case on "Investing in decent work for social justice - Making the case for funding partnerships with the ILO" has been published.</p> |
| 22 | <p>Review of Programme Implementation and Delivery of Outcomes 6 and 7 - Monitoring and reporting of results</p> <p>We recommended that the ILO should consider the review of the quality assurance function and processes in the monitoring and reporting stages of programme/project implementation by: (a) strengthening programming capacity for this purpose; (b) considering the required skill-sets as well as the accountability of Outcome Coordinating Team (OCT) members, RPU and field programme officers; and (c) incorporating the function in the performance management measurement of the staff to exact responsibility and performance.</p> | <p>Implemented</p> <p>The Office strengthened quality assurance in the implementation reporting process for 2022-23, carried out a webinar and provided inputs on this in several capacity development activities for programming staff and managers.</p> |
| 23 | <p>Review of Programme Implementation and Delivery of Outcomes 6 and 7 - Policy, strategy, and framework</p> <p>We recommended that the ILO should consider benchmarking with the best practices of UN entities, in the integration of United Nations System-wide Action Plan (SWAP) performance indicators on financial resource tracking and resource allocation into the ILO results-based reporting and embed the same to the related ILO Gender Equality and Non-discrimination (GEND) policies,</p> | <p>In progress</p> <p>Work to improve resource allocation and tracking of expenditure in relation to GEND activities will be based on the new Outcome 5 of the P&B for 2024-25. In addition, the Office will keep working on this area in the context of efforts to improve integrated resource management by December 2024.</p> |

| Recommendations | | External Auditor's Validation |
|-----------------|---|---|
| | strategies, and guidance to facilitate financial tracking and allocation of GEND activities. | |
| 24 | <p>Review of Implementation Agreements (IAs)</p> <p>We recommended that moving forward, the ILO should strengthen its management controls over the evaluation of implementing partners (IPs) by: (a) at the project design stage identifying KPIs for the IA to be measured; (b) at the time of award of contract, detailing procedures for the preparation of the IP's performance evaluation report which should be included in the PO; and (c) the establishment of a system to collect, monitor and report the performance data, to ensure an efficient and effective performance evaluation of IPs.</p> | <p>Partially implemented</p> <p>The Office has evaluated the JIU recommendations on the management of IPs and determined the acceptance and course of action for each of them. The updates have been endorsed by the Governing Body at its 349th Session in November 2023. The recommendations accepted by the Office are on track for implementation during the 2024–25 biennium based on the recommended time frame.</p> |
| 25 | <p>Review of IAs</p> <p>We recommended that the ILO should design a method or process of recording the actual dates of submission and receipt of deliverables to establish controls in ensuring whether the IPs delivered their products/services in a timely manner to aid in estimating and drafting timelines reflecting a more realistic project and activity duration.</p> | <p>Implemented</p> <p>The project of recording the actual dates of submission and receipt of deliverables through the "acceptance of goods and services form" was implemented in April 2024.</p> |
| 26 | <p>Implementation of external audit recommendations</p> <p>We recommended that the ILO should adopt an action plan and strategy to map out the progressive implementation of the external audit recommendations to further improve operational efficiency.</p> | <p>Implemented on an ongoing basis</p> <p>In the context of the External Auditor's end of mandate, a global update of all external audit recommendations has been coordinated in collaboration with the regions and HQ departments. Clear action plans are in place for the recommendations still in the process of being implemented. This recommendation is considered as implemented on an ongoing basis.</p> |

| Recommendations | | External Auditor's Validation |
|-------------------------|--|---|
| ILC.109/FIN/2020 | | |
| 27 | <p>Programming Internal Governance (IG) Manual as a readily available and up-to-date electronic policy manual:</p> <p>Consider the updating and enhancement of Programming Internal Governance document as an electronic manual (e-manual) in the SharePoint for a comprehensive, concise, consistent, systematic implementation and coordination reference of the programming activities Organization-wide.</p> | <p>Implemented</p> <p>The e-manual was completed in October 2023.</p> |
| 28 | <p>Project delivery, results accountability and capability building:</p> <p>Enhance the capacity of relevant actors in DC project implementation through further specific staff development initiatives, spearheaded by HRD, in coordination and collaboration with PARDEV, the Development Cooperation Budget Unit (BUD/DC), PROCUREMENT, Evaluation Office (EVAL) and other relevant management support units, focusing on promoting effective, efficient, proactive and adaptive management of projects to ensure swift delivery and results accountability.</p> | <p>Implemented</p> <p>A first learning product on adaptive management was developed and launched in November 2021 as part of the DC learning journey on project implementation. Based on the results of the impact survey completed 6 months later by 63 per cent of participants, every fifth participant applied the tools or templates shared for programme implementation. This indicates continued reference and practical applications of the available learning items. In May 2023, a new learning journey on adaptive management, monitoring and delivery of services will be launched. In addition, the adaptive management approach has been explicitly embedded for piloting and learning in the design of the new Swedish International Development Cooperation Agency (Sida) – ILO partnership programme for 2022–25.</p> |
| ILC.109/FIN/2019 | | |
| 29 | <p>External Collaborators – Transparency in selection process of External Collaborators:</p> <p>Adopt a competitive selection process in hiring External Collaborators (Consultants) as well as adopt an updated policy for fees that can be applied by different ILO offices around the world. Fees should be justified by the level of complexity of the task. Since fees are based on the complexity of the task, the preparation of the detailed TOR should also include the</p> | <p>In progress</p> <p>The internal audit report on external collaboration contracting was issued in December 2023. The TR/CF has been entrusted to be the overall process owner for the Office policy on external collaboration contracts going forward. The revision of the IGDS is under way and will address, inter alia, the specific issues on fee levels and preparation of TOR.</p> |

| Recommendations | | External Auditor's Validation |
|-----------------|---|---|
| | qualification requirement and level of complexity of the work. The improved TOR should be attached in IRIS to serve as a reference in selection and form part of selection document. | |
| 30 | <p>External Collaborators – Evaluation of the performance of External Collaborators:</p> <p>Ensure that Programme Managers complete the evaluation form and attach the document to the Payment Request before final payment is awarded to the External Collaborator.</p> | <p>Implemented</p> <p>The internal audit report on external collaboration contracting was issued in December 2023. Instead of an evaluation form for all external collaborators, it recommends that focus be on efficient reporting of poor performance. A performance issue report, documenting unsatisfactory performance, should be generalized and accompanied by evidence, as required under Office Procedure 553, <i>Performance issues relating to external collaborators, grantees, IPs and vendors</i>. The Office agrees with the IAO's recommendation and considers that this issue has been addressed through IGDS No. 553.</p> |
| 31 | <p>Human resource management – Recruitment and selection methods</p> <p>Set clear parameters to measure efficiency, effectiveness and timeliness of the various stages of the recruitment process which include among others, setting a maximum length for each process stream, and exacting accountability on the process owners to enhance better performance monitoring of the whole recruitment and selection process.</p> | <p>Implemented on an ongoing basis</p> <p>In the context of the implementation of the HR Strategy for 2022–25, the Joint Negotiating Committee has continued to consult and negotiate in respect of three key areas of human resources management. A framework of proposed changes was formally agreed in October 2023, the first phase of which was on enhanced staff mobility and an updated definition of internal candidates. Accordingly, related amendments to the Staff Regulations have been approved by the Governing Body in March 2024 and their impacts will be reflected on the parameters of measurements for the various stages of the recruitment process.</p> <p>In the meantime, further improvements have been made in the efficiency of the job description review process, streamlined Recruitment, Assignment and Mobility Committee (RAMC) deliberations, and training of the independent panel members. A project has been launched to make use of a testing tool developed by the UN to improve the technical</p> |

| Recommendations | | External Auditor's Validation |
|--------------------|--|---|
| | | tests/markings schemes. Finally, new, more scalable approaches for competency assessment are also being identified. The Office considers that this recommendation is fully implemented on an ongoing basis. |
| 32 | <p>Human resource management – Staff development:</p> <p>Consider establishing, through the appropriate IGDS mechanism(s), a Staff Development strategy including, among others, the definition of staff development and outlining the corresponding goals and principles.</p> | <p>In progress</p> <p>The policy remains on hold pending negotiations between the ILO Staff Union Committee (SUC) and the Administration regarding improved DC staff access to staff development opportunities including exploring funding mechanisms. This will be negotiated during 2024 with an expectation that the policy will then be completed this year. The Staff Development and Learning Strategy will be linked to this policy and will be informed by the results of the skills mapping project. Data from phase 1 of this project are being analysed during the first quarter of 2024.</p> |
| ILC.108/FIN | | |
| 33 | <p>Staff Health Insurance Fund (SHIF):</p> <p>Clearly define in the SOP the fraud indicators or red flags as well as the predetermined criteria in assessing claims which may be initially classified under any of the fraud schemes in order to identify, on a preliminary basis, potential cases of fraudulent claims to be submitted for further investigation by the IAO. Inclusion in the SOP of the potential fraud could result in cost efficiency in terms of scaled down resources needed for investigation and more effective management of cases of fraud and presumptive fraud, with due consideration given to the rights of the insured members pending the results of a formal investigation by the IAO.</p> | <p>Implemented</p> <p>The review of the SOP was completed in 2023. SHIF has also prepared a Risk Management Strategy and Anti-Fraud Plan with the support of the ILO SRO and SHIF claim adjusters have received additional training on the Risk Management Strategy and Anti-Fraud Plan.</p> |

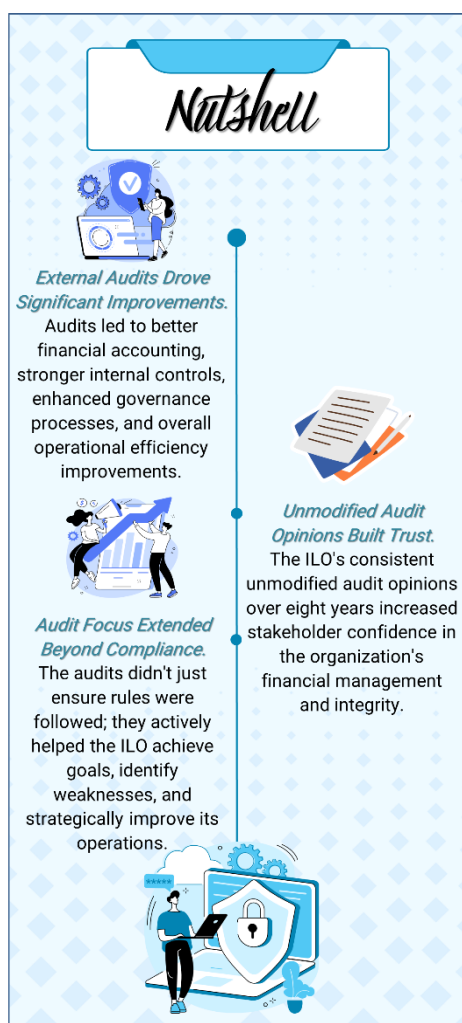
| Recommendations | | External Auditor's Validation |
|--------------------|---|---|
| 34 | <p>Resource mobilization – Resource mobilization organizational structure and capacity-building:</p> <p>Optimize the participation of field offices in resource mobilization by clarifying the specific roles and responsibilities of the offices including their structure for more efficient coordination, and to establish clear accountability lines.</p> | <p>Partially implemented</p> <p>Pending the finalization of the reorganization of the PARTNERSHIPS department, and in light of the implementation of DC Strategy 2020–25 and its related work plan, the Office will revise all IGDSs on DC, including the Office Procedure on “Project cycle management” (IGDS No. 154) which will further clarify the roles and responsibilities related to resource mobilization, emphasizing on the participation of field offices. This work is expected to complete by December 2024.</p> |
| ILC.106/FIN | | |
| 35 | <p>Accountability framework:</p> <p>Improve the accountability framework to include the accountability mechanism and tools to more effectively facilitate the documentation and monitoring of accountability performance and achieve better transparency.</p> | <p>Partially implemented</p> <p>As reported in past years, the Office has implemented many accountability mechanisms and tools over the years, including for example, the full rollout of IRIS to field offices, the ILO People platform facilitating performance management and staff development, the issuance of Statement of Internal Control, the Risk Management platform, the OBW review processes, the various management information dashboards for monitoring and data transparency, etc.</p> <p>The Office will update its accountability framework documents to reflect the above-mentioned mechanisms and tools and introduce other revisions by the end of 2024, taking into account any relevant recommendations from the JIU 2023 report on the review of the accountability framework across the UN system.</p> |
| 36 | <p>Asset accountability policy and procedures:</p> <p>Expand the Asset Accountability Policy and incorporate the circumstances surrounding asset loss; guidelines for documentation for lost assets; levels of administrative and fiscal responsibility and the role of the Committee on Accountability in safeguarding the Organization's assets to enhance the quality</p> | <p>Partially implemented</p> <p>The Integrated Workplace Management System (IWMS) went live in January 2024. The Office will finalize the updates of IGDS No. 281 <i>Furniture and equipment</i> reflecting the new requirements on asset management and addressing, inter alia, the important issue of asset accountability by June 2024.</p> |

| Recommendations | | External Auditor's Validation |
|-----------------|--|--|
| | of controlling of assets and related accountabilities. | |
| 37 | <p>Ethics:</p> <ul style="list-style-type: none"> a. update the Whistle-blower Policy to include the two-step process of investigation, the amount of evidence needed to constitute disciplinary actions and the corresponding sanctions for each infraction to align more closely with the requirement of due process; b. integrate in the Principles of Conduct for Staff the latest office governance directives on ethics to make the policy more effective and attuned to the needs of staff; c. include in the Conflicts of Interest Policy provisions relating to incompatible functions within the Office to provide clearer and more complete line of sight in exacting accountabilities thereby further enhancing integrity in job performance; and d. incorporate in the Anti-Fraud Policy of 2009 an internal mechanism and clear modalities in terms of conducting fair and unbiased investigation on cases that may be committed by the Executive Head. | <p>Partially implemented</p> <p>Part (a) and part (d) have been implemented.</p> <p>With respect to part (b), the Ethics Officer has prepared a full first redraft of the ILO Principles of Conduct, taking into account the recommendation of the External Auditors (to integrate the latest office governance directives and make it more effective and attuned to the needs of staff building on the best practices of other organizations – as an ethics guide), its finalization needs to await the adoption of the revised ICSC standards.</p> <p>As to part (c), the Ethics Officer consulted with other organizations and prepared draft amendments. Internal consultations are under way with HRD.</p> |

Appendix B.
External Audit Capstone Report
2016–2023

A. Audit Highlights

1. Over an eight-year external audit mandate (2016-2023), the Philippines Commission on Audit (COA) played a vital role in ensuring the International Labour Organization's (ILO) financial accountability and operational efficiency. We sought to be a collaborative partner, helping the ILO achieve its objectives and highlighting areas for improvement. Our audits encompassed financial statements, overall governance, including accountability mechanisms, risk management practices, internal controls, and overall operational efficiency and effectiveness, as expressed in our eight reports to the Governing Body, 68 management letters, and five project audits mandated by the donor.
2. The results of our audits yielded substantial enhancements across several critical domains. These include improved financial accounting and internal control mechanisms, strengthened governance practices, intensified risk management protocols, optimized programme management strategies aligned with results-based management (RBM) principles, and more robust management of both headquarters (HQ) and field office operations.



3. Consistent with the expectations from external audits as detailed in the ILO Financial Regulations, our audits significantly contributed to improvements in the financial accounting, governance, and operations of the ILO. We provided recommendations that helped the ILO to align its financial policies with international standards and best practices, to achieve greater transparency and accountability, and to address operational challenges, thus enhancing the organization's ability to deliver its mandate.

4. An unmodified audit opinion, maintained over our eight-year mandate, strengthened stakeholder confidence in the ILO's financial management practices. Our audits enhanced the organization's financial integrity by ensuring consistent practices and adherence to evolving standards. Audit recommendations have directly improved ILO policies and processes, resulting in greater operational efficiency, reliable financial data, and enhanced transparency and accountability. Audit work has optimized the use of existing internal systems and improved controls and processes.

5. Our audits also led to significant improvements within the ILO's overall governance. Notable advancements include a formal Internal Control Framework, which enhances accountability and streamlines internal processes. Vendor management procedures were strengthened to ensure fair practices and alignment with United Nations (UN) standards. Similarly, the ILO made commendable progress in promoting

ethical conduct. Policies were updated to address whistleblower protection, anti-fraud measures, potential conflicts of interest, and investigations involving senior leadership. The goal is to foster a culture of transparency and integrity throughout the organization. Prior to the start of our mandate,

the ILO had adopted an RBM approach, focusing on measurable outcomes and strategic objectives. External auditors provided recommendations to strengthen this system, leading to better integration of objectives into programmes, improved outcome tracking tools, and a clearer focus on achieving impact in the world of work.

6. Enterprise Risk Management (ERM) was initially a new concept for the ILO, but the organization made impressive progress in deeply embedding risk management across its operations. Consistent with our recommendations, a centralized risk register, and improved training, tools, and communication channels, all contributed to an enhanced risk management culture at both the HQ and field office levels. Also, the updated Resource Mobilization Strategy has strengthened partnerships and boosted staff development within this function.

7. On the other hand, reviews of the ILO's diverse global programmes improved project management practices. Emphasis was placed on aligning projects with strategic objectives, using results-based monitoring, and ensuring timely and efficient use of funds. The ILO adapted well to the challenges posed by the pandemic, updating guidance and enhancing reporting systems to remain operational.

8. The procurement process was streamlined with new digital tools, improved data management, and enhanced staff training. The ILO aims to further digitize and integrate the procurement function with other management systems. Efforts in human resources led to improved recruitment, staff development, and performance management, which are crucial for having a skilled and motivated workforce. Also, the ILO optimized travel management practices, emphasizing transparency, accountability, and sustainable choices. In addition, audits of field offices led to strengthened asset management, clearer accountability for petty cash, and more efficient administration of grants and external collaborator agreements. The ILO proactively responded to fraud concerns through backlog reduction strategies and system enhancements to the Staff Health Insurance Fund (SHIF).

9. Our audits have also led to enhanced governance, including risk management and operations of the field offices, specifically on the implementation of Decent Work Country Programmes and development cooperation (DC) projects, and the management of procurement, assets, grants, cash, human resources, sub-contracts, and travel.

10. Overall, our audits provided valuable insights and recommendations that led to numerous improvements within the ILO. These enhancements bolstered ILO's effectiveness, accountability, and transparency. By embracing a proactive approach and addressing emerging challenges, the ILO can remain a global leader in championing social justice and decent work practices.

B. Introduction

11. COA's role included conducting audits of the ILO's financial statements and reporting the results to the organization's GB during our eight-year mandate. We aimed to be a partner in helping the ILO achieve its objectives and improve its operations by providing insights into potential challenges and areas for improvement. This approach aimed to benefit the ILO's stakeholders, the management, and the Governing Body.

12. The primary purpose of the audits is to provide an independent opinion on the fairness of the presentation of the financial statements in accordance with International Public Sector Accounting Standards (IPSAS). More than financial accuracy, the audits also assess the overall efficiency of the

ILO's financial procedures, accounting systems, governance, risk management, and internal controls. The three audit streams (financial, compliance, and performance) were performed following both the International Standards on Auditing and the International Standards of Supreme Audit Institutions.

13. Consistent with our commitment when we first sought the external auditor mandate of the ILO, our audit strategy covered a comprehensive audit coverage for eight years and employed a multi-faceted approach that included financial, compliance, and performance audits. We also visited ILO field offices in addition to departments in the HQ to gain a well-rounded assessment of the Organization's operations. This resulted in a significant number of audits (73) and reports (81) with value-adding recommendations, as illustrated below:



C. Key Contributions to the ILO

14. This section summarizes the key contributions of our external audits as mandated by the ILO Financial Regulations. The results cover the financial statements, internal control attributes, management, and governance, including sections on risk management, programme management, HQ and field office operations, and other audit engagements.

Improved Financial Accounting and Reporting Processes and Controls

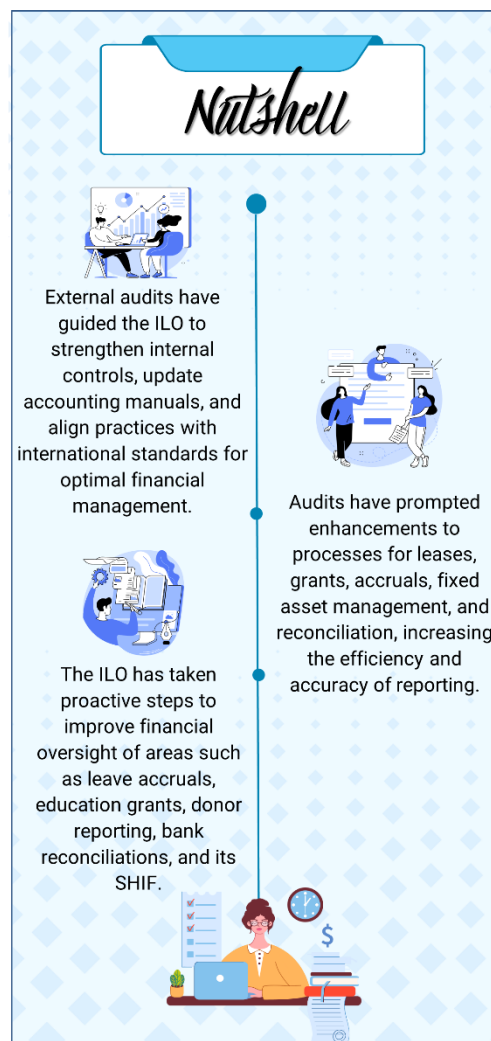
15. An unmodified audit opinion issued over our eight-year mandate assured the ILO's GB, stakeholders, and management that the financial statements accurately reflect its financial condition and performance. This instils confidence in the ILO's transparency, strengthens its credibility with stakeholders, donors, and partners, and promotes good governance by demonstrating responsible financial management.

16. The ILO became fully compliance with IPSAS since its 2012 consolidated financial statements and continued its efforts in implementing new and updated standards and improving its accounting policies to align with best practices, thus ensuring the quality of financial information and increased transparency and accountability. The audit prompted the ILO to formalize its Finance and

IPSAS Manuals in 2017 and 2019, respectively. The Finance Manual consolidated all instructions on financial processes previously contained in separate directives, ensuring consistent and streamlined application and process efficiency. Similarly, the IPSAS Manual has led to standardized, documented, and readily accessible accounting policies and practices.

17. The ILO's commitment to high-quality financial reporting is demonstrated by diligently updating its IPSAS Manual to align with evolving international accounting standards, resulting in transparent and reliable financial statements. External audits have also played a crucial role, offering recommendations for strengthening internal controls, aligning financial policies with international standards, and boosting overall operational efficiency. These combined efforts underscore the ILO's dedication to sound financial management and ability to execute its critical mission in the world of work effectively.

18. The audit resulted in updates made to both lease and grant guidelines, enhancing transparency and accountability. Lease guidelines now delineate roles, responsibilities, timelines, and documentation requirements, while a database (NAACELL) supports financial statement clarity. Revised grant guidelines promote consistent Director assessments and compliance across ILO offices. Furthermore, harmonized guidelines for recording Implementing Partner (IP) prepayment settlements increase transparency, documenting accomplishments for accountability. Continuous year-end review process improvements and Integrated Resource Information System (IRIS) Purchasing Module optimization enhanced prepayment matching, monitoring, and clearing, boosting operational efficiency.



19. The ILO strengthened year-end accrual clearing by updating guidelines, establishing clear conditions for clearing, and ensuring consistent application, which improved the monitoring of deliverables and partner agency advances. Audit recommendations also led to better use of existing systems, with the Furniture and Equipment Management System (INI) requiring complete information for transparency and efficient management of assets. Fixed asset monitoring and reconciliation were enhanced, and both INI and NAACELL focused on ensuring complete and accurate data. Finally, IRIS now enforces the timely and accurate creation of purchase orders to improve accounting processes.

20. The information-sharing processes for calculating leave accruals, entitlement payments, and accounting/reporting between Human Resources Development, Payroll Unit, and Financial Accounting Unit have been revised for efficiency and accuracy. Additionally, the education grant procedures now include steps for relevant departments to demonstrate unsuccessful collection attempts and balance impairment before requesting a write-off from the Comptroller. These enhancements streamlined processes and ensured financial reporting accuracy for both leave accrual management and education grant balances. Similarly, the ILO strengthened its monitoring to ensure

project reports are submitted to donors on time and according to agreements. It now reviews donor agreements more closely, especially the provision regarding interest income and its reporting, and emphasizes following spending thresholds for allocations.

21. The ILO successfully improved its financial controls through a more effective reconciliation process between its bank and United Nations Development Programme accounts. Collaborations with external offices were strengthened, and system-generated bank reconciliation reports were implemented to simplify preparation. The “ILO: Consolidated List of Reconciling Items” also allows for real-time monitoring and resolution of discrepancies, ultimately enhancing financial accounting and reporting accuracy. Further, the redesigned IRIS Outstanding Advances Report has successfully addressed audit concerns about outstanding Education and Salary Advances. This enabled the reconciliation of unsupported advances dating back to 2005, including those with negative balances, resulting in more accurate and transparent financial reporting.

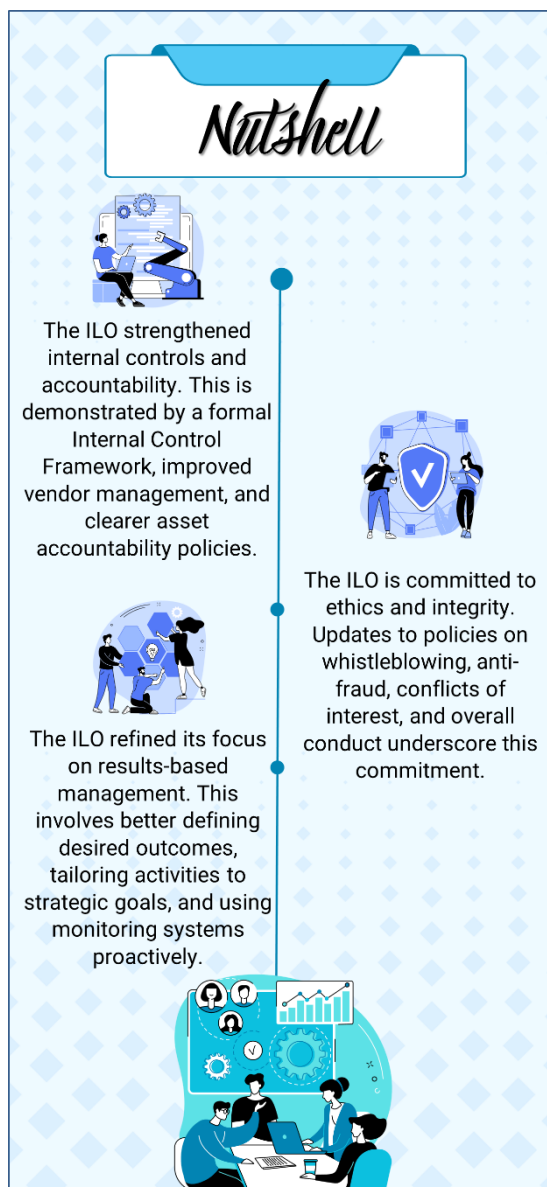
22. An audit of SHIF financial reporting controls and processes identified areas for improvement addressed by completing an Information Technology (IT) enhancement project to ensure proper implementation of financial processes. This includes data reconciliation and adherence to guidelines throughout the payment process. New measures were implemented to strengthen the identification, review, and recovery process for long-standing SHIF advances. Additionally, the methodology used to calculate the “Incurred But Not Received” provision was carefully reviewed and monitored to ensure its accuracy, guaranteeing the correct representation of this provision within the financial statements.

Strengthened Governance Practices

23. Governance broadly involves outlining organizational structures and processes to ensure accountability and control. The ILO’s success depends on clear accountability, risk management strategies, effective programme delivery, and internal control mechanisms. Audits of the ILO’s corporate governance have resulted in commendable improvements and highlighted areas where further strengthening can ensure that governance practices remain effective and responsive to the ILO’s evolving needs.

24. **Improved System of Internal Control.** The ILO has significantly improved by releasing a formal Internal Control Framework document in 2018. This replaced a less structured system that relied primarily on financial rules and regulations. The new document clearly defines internal control and how it functions within the ILO’s broader governance system. It also outlines roles and responsibilities for implementing internal controls across the organization and establishes principles to measure the system’s effectiveness that now aligns with its established accountability mechanisms.

25. **Increased Focus for Accountability and Transparency.** The ILO has actively improved its vendor management practices, anchored on our audit recommendations. In 2017, it introduced vendor debriefing and bid protest procedures. Further enhancements came in 2021 with revisions to its contract Terms and Conditions. These revisions emphasized vendor accountability, aligning with UN standards regarding responsible business practices, sexual misconduct, and data protection. In addition, specific policies on vendor complaints, grievances, and sanctions to ensure a healthy and transparent relationship between the ILO and its vendors were implemented.



26. Strengthened Asset Accountability Policy.

Updates include clear definitions for significant asset loss situations, documentation guidelines, and pinpointing administrative and fiscal responsibility levels based on the cause of the loss. This move, along with the launch of a new asset management tool, the Integrated Workplace Management System, proactively addresses potential asset losses due to negligence or misconduct, ensuring thorough evaluation and investigation. It also bolsters efficient resource management, control, and accountability, ultimately increasing stakeholders' confidence in the organization. Despite a pending update to the full Accountability Framework, the ILO has made significant strides in transparency and accountability through initiatives such as letters of representation, Statement of Internal Control, and various dashboards and tracking tools (that is, Development Cooperation Dashboard, Outcome-based Workplan (OBW) Dashboard, and Resource Tracking Tool).

27. Stronger Culture of Ethics and Integrity.

The ILO has been actively updating its policies to promote a stronger culture of ethics and integrity. In 2019 and 2021, the ILO revised its Whistleblower Policy to incorporate a two-step investigation process, ensuring a fair and unbiased procedure for handling reported cases. The Ethics Officer now handles preliminary reviews, with deeper investigations by the Office of Internal Audit and Oversight (IAO) if potential retaliation is indicated. Additionally, the Anti-Fraud Policy was updated in 2017 to ensure fair and unbiased investigations for cases potentially involving the senior leadership.

28. Further revisions are under way to enhance the ILO's commitment to ethical behaviour. The Principles of Conduct for Staff of the International Labour Office and the Conflicts of Interest Policy are being reviewed. This will incorporate the latest ethics directives and align with updated International Civil Service Commission standards. Additionally, there are ongoing consultations to address potential conflicts of interest by outlining incompatible functions within the Office. These efforts demonstrate a commitment to building a robust culture of integrity within the organization, supporting accountability and ethical decision-making by officials and staff.

29. **More Streamlined and Focused Results-Based Management.** The ILO uses a management approach called RBM to plan and implement its programmes. To ensure this approach is effective, a 2016 assessment by the external auditor scrutinized how well RBM practices matched desired outcomes, strategies, and how resources were used. The assessment highlighted that success hinges on the ILO's ability to precisely define the changes it seeks to create and tailor all its activities toward its strategic objectives.

30. The assessment offered concrete recommendations to strengthen the ILO's RBM. These include tightly linking programme outcomes to strategic objectives, developing ways to measure progress toward those objectives, and ensuring tools and methods are consistent across ILO projects. The report also encouraged the ILO to use monitoring systems better and proactively identify potential risks. The ILO has taken these recommendations, and enhancements are evident in how they have structured the "Programme of Work and Results Framework for 2020-21". This demonstrates a clear focus on impact, measurable indicators linked to strategic objectives, and closely examining the relationship between results and strategic objectives. These improvements will bolster how the ILO strategically executes its work, leading to better decision-making and, ultimately, a greater impact for achieving meaningful change in the world of work.

Intensified Risk Management Practices

31. The ILO adopted its ERM Framework in 2015. Our audits have highlighted areas for enhancement: communication and aggregation of risks, clarity of risk identification guidance, and training. The ILO responded positively, building its internal capacity with new tools, practices, and training. These included a generic risk management model, a catalogue of risks, a new risk management manual, an online training package, training programmes, an updated risk management intranet site, and a cloud-based risk management online platform.

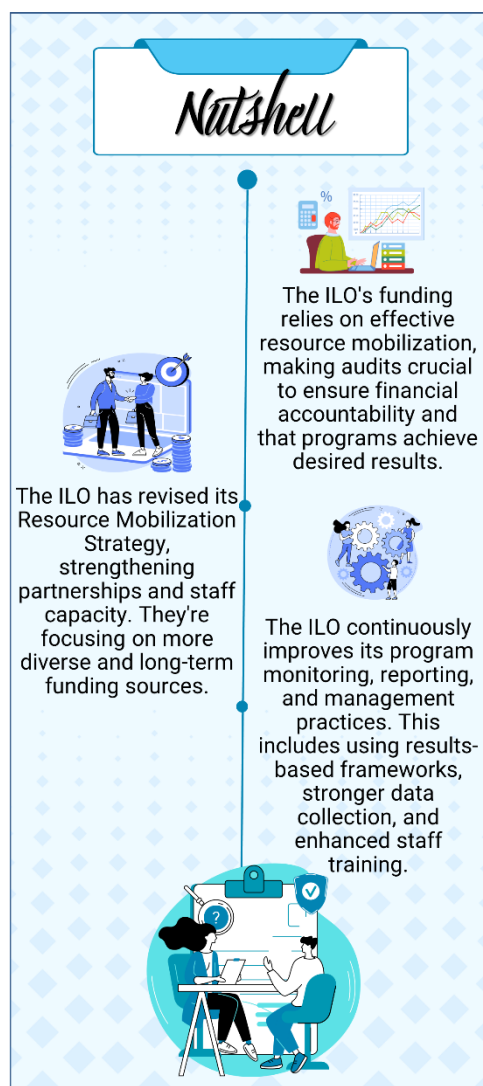
32. The results are encouraging. The Strategic Risk Register now reflects ongoing risk assessments from all levels, demonstrating a shift toward proactive risk management. The ILO's ERM framework updates in 2018, 2020, and 2021 showed a commitment to further improve and evolve. Though field offices still need more robust implementation, the revised risk catalogue, the new risk register template, and an online platform upgrade in 2022 provided better tools and transparency. Overall, the ILO has strengthened its ERM practices across the organization. This leads to systematic risk handling and, ultimately, more informed decision-making throughout the organization.



Optimized Programme Management Practices

33. The ILO implements programmes worldwide that champion decent working conditions, social justice, and fundamental labour rights. These programmes frequently collaborate with governments, employers, and worker organizations, potentially receiving significant donor funding. To guarantee accountability for donors and beneficiaries alike, it's crucial to audit ILO programmes, ensuring their adherence to plans, financial guidelines, and desired results.

34. **Refined Resource Mobilization Strategy.** In 2018, we examined the ILO's Resource Mobilization Strategy. Our audit found that ILO needs to improve its internal systems and processes, partnerships, particularly with non-government organizations, and support structures to optimize its resource mobilization. Recognizing this, the ILO crafted a new resource mobilization strategy, which is included in its 2020-25 DC Strategy.



35. The Strategy now focuses on building diverse, long-term funding partnerships. Examples include the ILO's increased efforts with the World Bank and African Development Bank and its participation in UN funding initiatives. The ILO has also improved its guidance on public-private partnerships. Staff development is a key part of the DC Strategy, but our audit highlighted the need to streamline this aspect for optimal resource mobilization capacity-building. As a result, since 2020, resource mobilization objectives have been more clearly integrated into staff performance appraisals.

36. **Upgraded Programme Monitoring and Reporting.** The ILO has been undergoing a review of its programme management and reporting practices since 2016. This review emphasizes the importance of results monitoring within their RBM framework. The cyclical nature of RBM necessitates continuous checks and tracking of progress against planned milestones. However, the review found that the ILO needs to make further progress in adopting consistent, evidence-based monitoring practices across the organization. Additionally, there is room for improvement with field office result validation, IRIS system enhancements for progress tracking, and better alignment of Country Programme Outcomes (CPOs) with Programme and Budget (P&B) Outcome indicators.

37. The ILO established an RBM task force to overhaul existing templates, processes, and systems. This aimed to improve documentation and coordination of monitoring efforts throughout the project and organizational levels. In

2021, a key outcome was the "Outcome-based Workplans' Monitoring Dashboard" – an online system supporting the implementation of the Programme of Work 2020-2021. Additional efforts include revised guidance on linking CPO results to P&B indicators, enhancements to the IRIS/SM reporting functionality, and technical notes for P&B output indicators. These measures collectively drive greater consistency in measurement, quality standards, planning, monitoring, reporting, and better transparency and accountability within the ILO.

38. **Improved Programme Management Practices in Field Offices.** Our audits significantly highlighted improvements in the management of Decent Work Country Programmes. Our recommendations focused on addressing formulation, approval, and implementation challenges through country programme reviews and stronger engagement with tripartite constituents. Emphasis was also placed on adherence to adopted RBM principles, including using specific, measurable, achievable, relevant, and time-bound indicators to track progress and results. Capacity-building initiatives on RBM were also undertaken to enhance staff capabilities and foster a stronger results-oriented culture.

39. The audits also provided recommendations to enhance decision-making and improve the outcomes of DC projects. Key recommendations emphasized applying RBM principles to project

design to ensure alignment with ILO's objectives. Additionally, the audit advised addressing challenges during project development, closely monitoring implementation, applying appropriate and timely interventions, and prioritizing timely use of funds for optimal results. Finally, expeditious handling of unused funds and adhering to donor reporting requirements were highlighted as essential for maintaining strong project management practices.

40. More Resilient Programme Delivery during the Pandemic. The global pandemic exposed weaknesses in ILO's policies and procedures, particularly in field office governance and compliance, highlighting the need for updates to programme management guidance. Commendably, the ILO responded with significant updates to its programming and project management directives. Revised guidance notes, a new programming manual, and enhanced reporting systems were among the key improvements. Additionally, webinars and development courses were launched to build staff capacity in areas like project design and implementation. Increased accountability measures through the Outcome-Based Workplan (OBW) further strengthened the ILO's programming processes. These actions collectively ensured the organization's continued delivery of services and adaptation to a challenging work environment.

41. Similarly, an assessment of the ILO's COVID-19 response revealed shortcomings in programmes focused on gender equality (Outcome 6) and worker protection (Outcome 7), such as missed targets and inadequate attention to gender and non-discrimination issues. In response, the ILO has taken corrective measures. These include better alignment of country-level work with global objectives, increased resource mobilization, and an improved monitoring and reporting system. Additionally, the ILO actively promotes gender equality and non-discrimination through guidance, tools, and training for project staff. These efforts have led to a more robust focus across the two priority Outcomes.

Enhanced Management of HQ and Field Office Operations

42. We periodically review ILO HQ and field offices' operations to ensure efficiency, accountability, and alignment with its strategic objectives. The audit aims to find areas for improvement in how the ILO manages resources, delivers services, and ultimately supports the needs of its tripartite constituents – governments, employers, and workers.

43. Improved Governance at Field Offices. Our recommendations prompted two field offices occupying unique positions and environment in the ILO structure, that is, the Inter-American Centre for Knowledge Development in Vocational Training and ILO-Yangon, to update and/or develop an Operations Manual. These offices now have relevant overarching documents that guide relevant actors, both external and internal, in clearly understanding their operations for enhanced governance, transparency, and accountability.

44. Strengthened Procurement Management Activities. The ILO's procurement management practices were audited to ensure efficiency, better value for money, compliance with professionalism, accuracy, fairness, timeliness, transparency, and accountability while aligning with broader ILO objectives. Since the initial 2017 audit, the ILO has progressed significantly through implementing a digital Organization Procurement Plan (OPP), staff development, a contract management system, and enhanced data management. However, the 2022 audit revealed room for further improvement in digitization efforts. Recommendations include expanding their e-Sourcing platform (Jaggaer), integrating digital systems (Jaggaer, OPP, and IRIS), linking procurement to outcomes in the P&B

for RBM, refining spend analysis, setting internal timelines, and ensuring the proper planning of all procurement activities regardless of value.

45. Transformed Human Resource Practices. The ILO recognizes the vital role a strong Human Resource (HR) function plays in achieving strategic objectives. Following a 2019 audit that identified areas for improvement, the ILO has made significant progress in improving its HR practices. This includes streamlined recruitment processes, stronger emphasis on staff development and mobility, proactive succession planning, the implementation of gender parity targets, improved conflict resolution mechanisms, enhanced protections for whistleblowers, attention to mental health, and refined performance management systems. While work continues to finalize the skills mapping exercise and an organization-wide Staff Development Strategy, these efforts demonstrate the ILO's commitment to building a skilled and motivated workforce.

46. Streamlined ILO Travel Practices. We evaluated ILO's travel management practices to ensure that internal controls are adequate across its global operations. As a result of the evaluation, the ILO clarified its travel planning policy objectives and responsibilities, consolidated travel rules into a single intranet page, and promoted sustainable travel practices. It also optimized processes across field offices concerning travel requests, authorizations, booking, claims, and reporting. These improvements have enhanced the ILO's travel system, promoting transparency, accountability, and overall efficiency.



47. Optimized Furniture and Equipment (F&E) Management and Control. We recommended improving F&E management in field offices by creating detailed records for asset tracking and carefully reviewing physical inventory reports against the INI to ensure accuracy. We emphasized the need for official "Authority" documents when issuing F&E to staff and stressed the importance of documenting and recording disposals within the INI. These measures successfully established a clear chain of responsibility for equipment within field offices.

48. Enhanced Petty Cash Management and Accountability. Field offices have significantly improved their petty cash management practices in line with audit recommendations. They now closely track petty cash advances, ensuring they stay within authorized limits. Only valid expenses are reimbursed from the fund, and proactive replenishment prevents costly fees. Field offices further optimized their systems by basing petty cash amounts on anticipated monthly costs, diligently recording expenditures in the correct accounting periods, and segregating petty cash handling, recording, and authorization duties to bolster security and minimize risk.

49. **Improved Grants Reporting and Accountability.** Consistent with our recommendations, the field offices set up a system to track how well grantees meet their reporting requirements to the ILO. This system ensured that grantees submit complete and timely reports. The ILO likewise clarified to both the donors and staff how any unspent grant money should be handled after the grant activity is finished. Finally, the external audit recommended that grantees be required to include a certificate in all their financial reports stating that the grant money was used according to the grant agreement. These measures significantly enhanced transparency and accountability for how the funds are used.

50. **Upgraded Sub-Contracts Management (External Collaboration Contracts and Implementation Agreements).** Field offices have made strides in improving the management of external collaborators and IPs. Updates include transparent selection processes, maintaining rosters for streamlined recruitment, and requiring HQ approval for specialized arrangements. These changes, combined with proactive monitoring, reporting, and performance reviews, ensure project success and accountability. This progress stems from our audits highlighting the significance of effective collaboration management, prompting procedural updates and ongoing revisions to further enhance efficiency, accountability, and overall success in project delivery.

51. **More Effective Strategies for Reducing Fraud Cases Backlog.** In 2018, a backlog of uninvestigated fraud cases underscored a concern within the ILO, whose zero-tolerance policy mandates thorough investigations into any fraud allegations. To address this, the Office developed a strategy prioritizing cases through risk assessment, allowing high-priority cases to receive immediate attention. Additionally, a regional approach was adopted for medium-to-low priority cases. These actions proved effective in 2019, demonstrating the ILO's positive steps towards resolving fraud concerns and upholding their zero-tolerance principles.

52. **Better Measures to Safeguard the Staff Health Insurance Fund.** An audit of the SHIF revealed a weakness in its process for identifying and investigating fraudulent claims; specifically, there were no clear guidelines for claim adjusters. To address this issue, the ILO took numerous steps. It offered guidance on identifying suspicious activity, implemented an online claim system, increased direct healthcare provider payments, improved electronic payment processes, created a Risk Management Framework and Anti-Fraud Policy, and provided fraud awareness training for its staff. These actions are designed to significantly reduce fraud and minimize future losses for the SHIF.

53. **Sustained Tripartism through Bureau for Workers' Activities (ACTRAV) and Bureau for Employers' Activities (ACT/EMP).** In 2022, a review of the ILO's tripartite arms, ACTRAV (workers' activities) and ACT/EMP (employers' activities) revealed operational weaknesses, including a lack of strategic frameworks, limited field staff understanding, unclear organizational structures, and gaps in staff development and risk management. In response, both ACTRAV and ACT/EMP took improvement actions. These included revisions to strategic frameworks, operational manuals, better integration mechanisms of the Bureaux within the ILO, strengthened application of RBM, improved field support, updated risk assessments, and designing orientation programmes that enhance visibility and transparency.

54. **Strengthened Independent Assurance and Investigation Functions.** Our audit found that the Office of Internal Audit and Oversight (IAO) demonstrates good practices, such as established charters, a strategy document, skilled staff, and effective tools. This contributes to the IAO's effectiveness. However, there's room for improvement with recommendations focusing on updating charters and manuals, formalizing policies on independence and confidentiality, improving intake channels for allegations, and strengthening internal processes. Additionally, while IAO processes are

broadly aligned with established policies, a greater focus on ILO's overall governance and risk management processes is needed in internal audit activities; stakeholder awareness of the IAO's functions and values must also be better highlighted. In response, the IAO demonstrated its commitment and is now acting to implement the improvements raised.

Project audits mandated by donors

55. The ILO requested us to review five projects funded by the United States Department of Labor (USDOL), namely: (a) Better Work Programme in Bangladesh, Cambodia, Jordan and Haiti; (b) Developing a New Industrial Relations Framework in Respect of the ILO Declaration on Fundamental Principles and Rights at Work; (c) Measurement, Awareness-Raising, and Policy Engagement Project to Accelerate Action against Child Labor and Forced Labor; (d) Supporting Respect for the Working Conditions of Workers in the Agro-Export Sector in Guatemala; and (e) Combating Child Labor in the Democratic Republic of the Congo's Cobalt Industry. The audits were performed in 2021, 2022, and 2023, focusing on financial and technical progress reports and confirming compliance with USDOL grant regulations and internal ILO policies.

56. The audits concluded that the ILO executed the projects within the guidelines set by USDOL agreements and ILO policies. However, some key areas for improvement were highlighted. Recommendations focused on issues like performance reporting (both qualitative and quantitative), clarifying accountability, enhancing monitoring for control effectiveness, budgeting, streamlining documentation, and embracing RBM principles. These suggested improvements boost data reliability, optimize project implementation, control costs, and improve accountability.

D. Emerging Trends and Challenges

57. The ILO faces a constantly changing global landscape that could hinder its mission of promoting fair and sustainable labour practices. Unpredictable challenges arise from wide-ranging issues like environmental crises, public health concerns, and the impacts of economic and technological shifts. Understanding these evolving challenges is crucial for the ILO to successfully navigate these complexities and achieve its objectives.

58. **Impact of Global Issues.** Global issues like climate change, public health crises, and technological and demographic shifts profoundly impact the ILO and its mission to promote social justice. To address these challenges effectively, the ILO must continue prioritizing climate-conscious policies, championing the needs of the most vulnerable, and integrating its work with broader sustainability agendas. Moreover, the ILO must embrace new technologies for greater efficiency while investing in skills training and strong data security measures to mitigate risks in the digital age.

59. **Evolving Funding Landscape.** The ILO receives funding through two primary channels. Member States provide contributions based on their economic capacity, forming the regular budget. However, the current global economic downturn, driven by inflation, supply chain issues, and conflicts like the war, puts strain on Member States' budgets and may lead to reduced contributions. To mitigate these challenges, the ILO should continue strengthening partnerships with initiatives like the Global Accelerator on Jobs and Social Protection for Just Transitions to acquire additional funding and support. Additionally, the ILO must prioritize efficient resource allocation to ensure the most effective use of its funds.

60. **Increased Demand for Accountability and Transparency.** As a custodian organization for several sustainable development goals (SDGs), the ILO must continue active collaboration with partners and initiatives to further the aims of sustainable development. The organization clearly understands the importance of transparency for informed decision-making. This is reflected in its adherence to UN data standards, regular updates to the Governing Body, and commitment to initiatives promoting open data sharing, such as the International Aid Transparency Initiative. A reliable reporting mechanism is crucial to monitoring and assessing progress achieved in decent work and the SDGs.

61. **Other Emerging Risk Areas.** The ILO's Strategic Plan 2022-25 emphasizes the critical importance of labour protection, primarily to ensure workers' rights, fair wages, and reduce inequality in the workplace. Labour protection is essential for achieving decent work, advancing social justice, and lessening disparities. While some progress has been made, challenges remain, including inadequate minimum wage enforcement, discrimination, and insufficient resources for labour inspection systems. In response, the ILO is acting to promote inclusive, effective systems of labour protection based on basic labour rights. To combat these issues, stronger cooperation between relevant authorities, increased resources (particularly for the informal economy), and ILO support for governments, workers, and employers' organizations are essential.

E. Conclusion

62. The results of our rigorous audits clearly demonstrate our unyielding commitment to excellence. These audits provide tangible proof of our dedication to delivering the highest standards of quality.

63. The ILO's financial controls and operational processes are well-established and support its objectives. We found areas within key operations where improvements could be made, and the ILO has already taken commendable actions to address these recommendations. The ILO's efforts to improve governance, internal control, risk-based management, and project implementation have



significantly boosted its accountability and transparency. These changes have led to greater efficiency and effectiveness. The management tools, systems, policies, and innovations implemented gave us confidence in the ILO's ability to achieve its objectives and handle current and future challenges to fulfill its mission effectively. To remain effective and continuously adapt to a rapidly changing world, the ILO needs to thoroughly understand the challenges as they emerge, ensuring they are well-positioned to address them.

F. Acknowledgment

64. We sincerely thank the Director-General, Assistant Directors-General, Treasurer and Financial Comptroller, Heads of HQ Departments, Regional and Country Offices' Directors, and their staff for their invaluable cooperation and assistance during our audits.

65. We also deeply appreciate the support and interest shown by the Governing Body, the International Labour Conference, and the Independent Oversight Advisory Committee throughout our audit mandate.

▶ 7. Appendix

Additional unaudited information

► Details of net assets revenue and expense by fund for 2023 (US\$ thousands)

| | Net assets 31 Dec. 2022 | Revenue 2023 | Expense 2023 | Foreign exchange gain (loss) 2023 | Net result 2023 | Deficit financing | Adjustments to net assets | Net assets 31 Dec. 2023 |
|--|----------------------------|-----------------|------------------|--------------------------------------|--------------------|----------------------|------------------------------|----------------------------|
| Funds with approved budget: | | | | | | | | |
| Regular Budget | 122 507 | 410 522 | (453 190) | 11 534 | (31 134) | 346 | (10 934) | 80 785 |
| CINTERFOR | 1 236 | 2 338 | (2 283) | (1) | 54 | – | 3 | 1 293 |
| ITC | 35 477 | 49 752 | (45 951) | (634) | 3 167 | – | 1 409 | 40 053 |
| Subtotal | 159 220 | 462 612 | (501 424) | 10 899 | (27 913) | 346 | (9 522) | 122 131 |
| Voluntary contribution activities | | | | | | | | |
| Development Cooperation Projects | – | 386 191 | (386 162) | (29) | – | – | – | – |
| RBSA | 60 226 | 19 181 | (12 427) | (83) | 6 671 | – | 78 | 66 975 |
| Subtotal | 60 226 | 405 372 | (398 589) | (112) | 6 671 | – | 78 | 66 975 |
| Subsidiary funds | | | | | | | | |
| Programme Support Income | 136 277 | 51 556 | (20 662) | (1 422) | 29 472 | – | (152) | 165 597 |
| Publications | 1 953 | 226 | (44) | (2) | 180 | – | 1 | 2 134 |
| Information Technology System | 5 359 | 5 314 | (2 056) | (8) | 3 250 | – | (22) | 8 587 |
| Research | 15 523 | 584 | – | (13) | 571 | – | 17 | 16 111 |
| Gifts, Grants and Reimbursable Costs | 5 570 | 7 089 | (7 682) | 235 | (358) | – | (15) | 5 197 |
| Land and Buildings | 616 038 | 38 673 | (11 223) | (7 858) | 19 592 | – | 78 809 | 714 439 |
| Building Accommodation | 164 311 | 12 843 | (33 944) | 14 626 | (6 475) | – | (470) | 157 366 |
| Working Capital | 37 580 | – | – | 3 996 | 3 996 | (346) | – | 41 230 |
| Income Adjustment Account | 70 086 | 6 828 | (928) | 7 166 | 13 066 | – | (17) | 83 135 |
| Prior Period Surplus | 882 | 34 | – | 92 | 126 | – | 1 | 1 009 |
| Special Programme Accounts | 6 464 | 249 | (16) | 677 | 910 | – | 17 | 7 391 |
| Terminal Benefits | 25 075 | 5 075 | (4 130) | (8) | 937 | – | (1 272) | 24 740 |
| SHIF | 62 742 | 57 884 | (57 762) | 2 951 | 3 073 | – | (20) | 65 795 |
| ASHI Liability | (1 399 122) | – | (54 825) | – | (54 825) | – | (239 868) | (1 693 815) |
| ASHI Reserve | 29 839 | 4 354 | (18) | 24 | 4 360 | – | (113) | 34 086 |
| Other Funds | 3 731 | 7 236 | (4 599) | (6) | 2 631 | – | (955) | 5 407 |
| Subtotal | (217 692) | 197 945 | (197 889) | 20 450 | 20 506 | (346) | (164 059) | (361 591) |
| Inter-fund elimination | – | (144 915) | 144 915 | – | – | – | – | – |
| Total | 1 754 | 921 014 | (952 987) | 31 237 | (736) | – | (173 503) | (172 485) |