International Labour Organization

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For information

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External audit plan

Summary: In this document, the Director-General transmits to the Governing Body the External Auditor’s summary of the annual audit plan for the year ending 31 December 2025, for information.

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

Related documents: GB.347/PFA/9(Rev.1).

Summary of the annual audit plan for the year ending 31 December 2025

1. The consolidated financial statements of the International Labour Organization (ILO) are subject to an external audit each year in accordance with Chapter IX of the Financial Regulations of the International Labour Office. The Comptroller and Auditor General of India has been appointed by the Governing Body as the External Auditor of the ILO for a term of four years commencing on 1 April 2024, covering the 79th and 80th financial periods. [1] The year ending 31 December 2025 is the second year of this mandate.

Audit mandate

2. The External Auditor's mandate is established in Chapter IX of the Financial Regulations, specifically articles 36 and 38, which set forth the scope of audits and the requirement to comply with accepted auditing standards and to submit audit reports to the Governing Body.

3. Article 36 outlines the right of the External Auditor to make observations on the efficiency of the financial procedures, the internal controls and the overall administration and management of the Organization.

4. Article 38 mandates the External Auditor to issue a report on the audited financial statements for each calendar year, detailing findings and recommendations for examination by the Governing Body prior to its submission to the International Labour Conference.

Overall audit objectives

5. The overall audit objectives are:

- to express an independent opinion as to whether:
  - the financial statements present fairly, in all material respects, the financial position of the ILO as at 31 December 2025, and the results of its financial performance, its cash flows and the comparisons of budget to actual amounts for the year then ended in accordance with the International Public Sector Accounting Standards;
  - the financial statements have been prepared in accordance with the stated accounting policies;
  - the accounting principles have been applied on a basis consistent with that of the preceding financial period;
  - the transactions that have come to the External Auditor's notice during the audit of the financial statements have, in all significant respects, been made in compliance with the Financial Regulations and legislative authority;
- to make observations with respect to the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of the Organization (article 36 of the Financial Regulations).

[1] GB.347/PFA/9(Rev.1).

Audit approach and methodology

6. In line with the International Standards on Auditing and the International Standards of Supreme Audit Institutions, a risk-based audit approach will be applied. This approach consists of the phases set out below.

Risk assessment

7. Material misstatements: Conduct risk assessments of material misstatements at the financial statement and assertion levels, based on a comprehensive understanding of the ILO and its internal control environment.

8. Risk maturity: Assess the risk maturity of the Organization, including the Governing Body's risk management framework and the extent to which risks are identified, assessed, managed and monitored.

Audit planning

9. Prioritization of areas: Identify and prioritize areas that require objective assurance, such as key risks, risk management processes and compliance with internal policies.

10. Stakeholder assurance: Address areas that stakeholders have identified as requiring an enhanced audit focus.

Execution and communication

11. Audit fieldwork: Perform audit testing based on identified risks, covering compliance, efficiency and control assessments.

12. Stakeholder discussions: Present audit findings to ILO management, ensuring mutual agreement on recommendations and facilitating the resolution of deficiencies.

Integration with the Office of Internal Audit and Oversight

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

14. The selection of audit topics will also take into account coordination with the Evaluation Office and any recommendations by the Independent Oversight Advisory Committee.

Audit scope

15. The audit work for the year ending 31 December 2025 will focus on the topics set out below.

Financial and compliance audit of the ILO at headquarters

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

17. The audit will be conducted using a risk-based approach, whereby areas identified as having a higher risk of material misstatement will receive enhanced audit procedures. Sampling techniques will be utilized to perform substantive tests on financial transactions and balances, ensuring statistical validity. Internal controls will be reviewed and tested to assess their effectiveness in preventing and detecting fraud or errors. Audit procedures will include analytical reviews of financial statements to identify discrepancies and trends, as well as the physical verification of significant assets. This year's focus areas will be cash management, receivables, investments and liabilities (such as employee benefits).

18. Upon completion of the audit, the deliverables will include a report expressing an opinion on the ILO's financial statements, along with any recommendations for improvement and information on the implementation of past recommendations.

Performance audit of the ILO's information technology governance and operations

19. The focus of the audit will be to: assess the adequacy and effectiveness of the information technology (IT) governance framework in aligning the IT strategy with organizational goals; evaluate project governance, resource allocation and vendor management practices across key IT projects; assess the effectiveness and integration of IT infrastructure and systems across departments and projects; and evaluate the existence and enforcement of data governance policies, especially concerning data privacy and classification, as well as cybersecurity.

20. The key focus areas will include IT systems, privacy and cybersecurity. The audit criteria will be based on compliance with the ILO's IT Strategy, data governance policies and cybersecurity policy.

21. The audit will result in the production of a management letter and an audit report that includes any observed deficiencies along with specific, actionable recommendations for corrective action.

Performance audit of ILO policy outcome 3 – Full and productive employment for just transitions

22. The focus of the audit will be to: assess the effectiveness of strategies and initiatives implemented to achieve full and productive employment, including the integration of just transition principles; evaluate the adequacy and efficiency of the field approach in delivering planned outputs under country programme objectives and global outcomes; and examine the extent and effectiveness of collaboration with external partners in supporting the delivery of employment-related initiatives.

23. The key focus areas will include strategies to achieve full and productive employment with just transitions; the implementation approach in the field; collaboration with partners; and programme governance. The audit criteria will be based on the compliance with ILO policies, plans and targets.

24. The audit will result in the production of a management letter and an audit report that includes any observed deficiencies, along with specific, actionable recommendations for corrective action.

Financial and compliance audit of regional and country offices

25. The ILO has a presence across five regions, namely, Africa, the Americas, the Arab States, Asia and the Pacific, and Europe and Central Asia, each with a Regional Director. In all these regions, there are regional offices, and, at the country level, there are country offices and Decent Work Teams.

26. The objectives will be to evaluate compliance with regulations and with financial management and internal controls in regional and country offices. The key focus areas will include any variations in the control environment, transparency issues, financial reporting and implementation gaps. The audit criteria will be based on the compliance with ILO standards and effective financial administration.

27. A systematic methodology has been adopted to evaluate and select the regional and country offices based on three key criteria, namely: expenditure levels; recency of the previous audit; and transparency scores.

28. As per the strategic plan, three teams have been deployed to conduct the audits of six regional and country offices of the ILO, namely: the ILO Regional Office for Latin America and the Caribbean (RO-Latin America and the Caribbean); the ILO Country Office for Brazil (CO-Brasilia); the ILO Country Office for Zimbabwe and Namibia (CO-Harare); the ILO Decent Work Technical Support Team for North Africa and ILO Country Office for Egypt and Eritrea (DWT/CO-Cairo); the ILO Country Office for the Philippines (CO-Manila); and the ILO Country Office for Sri Lanka and the Maldives (CO-Colombo).

Audit materiality

29. The audit requires the determination of a specific amount of materiality for each engagement. This amount is also used to evaluate the significance of any uncorrected misstatements noted during the audit.

30. Two per cent of the total revenue will be considered as the threshold for identifying material misstatements in the financial statements as a whole. It is not proposed to define separate materiality level or levels for any particular class of transactions, account balances or disclosures.

31. Materiality levels will be revisited during the audit if significant changes in circumstances occur or new information arises. These will be communicated to management.

Deliverables

32. At the conclusion of the audit, the reports set out below will be presented to the Governing Body.

- The **Independent Auditor's report**, expressing the audit opinion on the financial statements of the year ending 31 December 2025.
- The **Report of the External Auditor to the Governing Body (the "long-form report")**, providing detailed observations on financial procedures, internal controls and management practices.

33. In addition, during the course of the audit, the management will be provided with the reports set out below.

- **Management letters** outlining recommendations for improving systems of internal control.

Planned fieldwork for the 2025 audit

34. In line with the risk-based audit methodology, the planned fieldwork for the 2025 audit will consist of the activities described in the table below.

▶ Planned fieldwork for the 2025 audit

Period	Audit areas/activities
October–November 2025	**ILO headquarters** • Interim financial and compliance audit • Performance audit of the ILO's IT governance and operations • Performance audit of ILO policy outcome 3 – Full and productive employment for just transitions
November–December 2025	**RO-Latin America and the Caribbean** **CO-Brasilia** **CO-Harare** **DWT/CO-Cairo** **CO-Manila** • Compliance audits of the Regional Office and the country offices
January 2026	**CO-Colombo** *(deferred due to floods in November 2025)* • Compliance audit of the Country Office
March–April 2026	**ILO headquarters** • Year-end financial and compliance audit

Audit management and quality assurance

35. In order to ensure the quality and impact of the audit process, an internal review mechanism will be in place to evaluate the practicality and value addition of all proposed recommendations, while maintaining adherence to international audit standards. This quality assurance framework will align with the International Standards on Auditing and the International Standards of Supreme Audit Institutions in order to ensure consistency, reliability and adherence to best practices.

36. The recommendations, aimed at enhancing governance and strengthening internal controls, will be thoroughly discussed during the exit conference in order to foster mutual agreement and alignment with the ILO's objectives.

37. The reporting process will embody the principle of "no surprises", featuring an elaborate framework that allows management to respond to the audit findings at each stage of the process, thereby facilitating an open dialogue and ensuring that any concerns are addressed in a timely manner.

Comptroller and Auditor General of India