International Labour Organization

▶ GB.356bis/PV

Governing Body

356th *bis* Session, Geneva, 1 June 2026

Minutes of the 356th *bis* Session of the Governing Body of the International Labour Office

▶ Programme, Financial and Administrative Section

1. The Programme, Financial and Administrative Section of the Governing Body met on 1 June 2026. It was chaired by Ms Karvar (France), the Chairperson of the Governing Body. Mr Matthey and Mr Dimitrov were the Employer and Worker spokespersons, respectively.

Programme, Financial and Administrative Segment

1. Programme and Budget for 2024–25: Financial report and audited consolidated financial statements for the year ended 31 December 2025 (GB.356*bis*/PFA/1)

2. **A representative of the Director-General** (Treasurer and Financial Comptroller) made some introductory comments on the financial statements for the year ended 31 December 2025, which were contained in a document that had been submitted to the International Labour Conference and made available to the Governing Body. [1] He confirmed that the Officers of the Board of the International Training Centre of the ILO (Turin Centre) had met on 26 May 2026 and had adopted the Centre's financial statements for the year ended 31 December 2025.

3. The ILO's financial statements had been prepared in compliance with the International Public Sector Accounting Standards (IPSAS) on a full accrual basis and reflected the ILO's financial activity for 2025. They incorporated the full scope of the Organization's activities: those funded through the regular budget and those funded from extrabudgetary sources and controlled entities.

[1] ILO, *Financial report and audited consolidated financial statements for the year ended 31 December 2025 and the Report of the External Auditor*, International Labour Conference, ILC.114/FIN, 2026.

4. Section 1 of the document contained a financial report on the activities carried out and the significant challenges faced in the year under review. In that regard, he recalled that an update on the implementation of the ILO reform process would be presented to the Governing Body for discussion at its forthcoming 357th Session (June 2026). Section 2 contained the Statement of Internal Control, which provided details on the level of assurance, the measures taken during the year in respect of the ILO's Internal Control Framework and the matters that required continued follow-up.

5. Referring to Section 5, and in particular Statement V (Statement of comparison of budget and actual amounts), he said that Statement V-A relating to the regular budget reported on the Office's financial performance against Member States' assessed contributions. The statement showed that the Working Capital Fund had been fully utilized in 2025 owing to the non-receipt of assessed contributions. That Fund remained in deficit by approximately CHF29 million, while the level of arrears of contributions continued to be at a historic high. Statement V had been prepared on a modified accrual basis, in accordance with the Financial Regulations. Note 22 provided a reconciliation of the results reported in Statement II (Statement of financial performance) and those presented in Statement V.

6. Referring to the External Auditor's long-form audit report, which was contained in section 6, he said that the Office had engaged closely with the External Auditor throughout the audit process. The Office had accepted the External Auditor's recommendations and was actively working on their implementation. Summaries of the Office's responses to the recommendations were included in the report. More detailed information on follow-up to the recommendations would be submitted to the Governing Body for consideration in due course.

7. He thanked the External Auditor and his team for their extensive cooperation and collaboration throughout the year. In addition, he expressed his appreciation to the outgoing and incoming Chairpersons of the Independent Oversight Advisory Committee (IOAC) and to all the IOAC members for their contributions and advice.

8. **A representative of the External Auditor** (Comptroller and Auditor General of India), presenting the Auditor's report for the year ended 31 December 2025, noted that the report covered the second year of audit under the Auditor's four-year mandate and had been conducted in accordance with the terms of reference laid down in Chapter IX of the ILO's Financial Regulations. The goal of the audit had been to assess not only compliance, but also the economy, efficiency and effectiveness with which the ILO operated. Audit work had been facilitated by the continued cooperation of ILO management and personnel. Beyond the financial statements, a performance audit of policy outcome 3 – full and productive employment for just transitions – and an IT audit of IT governance and operations at the ILO and in four country offices and two regional offices had also been conducted. The 44 actionable recommendations had all been accepted by management and the implementation of actions would be monitored to strengthen governance and improve results. The financial statements of the ILO had been examined in accordance with IPSAS and the audit had concluded that they presented a true and fair view of the ILO's financial position as at 31 December 2025. Accordingly, the Auditor had issued an unqualified audit opinion.

9. Proceeding to highlight the key findings and recommendations contained in the report, he said that while the ILO's financial position had improved in 2025, the improvement had largely been driven by non-cash factors, including a property revaluation surplus of US$104.6 million, actuarial gains on employee benefit liabilities of US$157.5 million and foreign exchange gains of US$85.6 million, rather than by stronger operating performance.

10. The Organization was facing ongoing liquidity pressures. Revenue from assessed and voluntary contributions had declined year on year, contributing to a regular budget deficit of US$52.6 million for the 2024–25 biennium. Operating cash flows had turned negative at US$113.4 million due to delayed contributions and lower deferred revenue, leading to the full depletion of the Working Capital Fund and the need for internal borrowing. Those developments indicated continued financial stress and raised concerns about the ILO's ability to sustainably finance and deliver its mandate.

11. Inconsistencies had been identified in the application of IPSAS 43 to lease accounting requirements across 23 ILO offices, leading to errors in the calculation of right-of-use assets and related lease liabilities. Management had committed to correcting the calculations in the next valuation cycle.

12. In 2025 SHIF contributions had fallen short of benefits by US$3.23 million and the net operating deficit had risen from US$0.98 million to US$6.6 million, which had been offset by higher investment revenue. Actuarial projections showed widening shortfalls and reserve depletion by 2032, prompting a recommendation to raise contribution rates by 15 per cent. SHIF should formulate a strategy to mitigate the financial risks highlighted in the actuarial valuation report.

13. Regarding asset management, the Planon Workplace Services Portal (PLANON) suffered from poor data quality, with issues including inconsistent reporting, duplicate or missing asset numbers, incomplete details, blank codes and zero-value costs. The root causes of those data and reporting issues should be identified, and a time-bound action plan should be implemented to strengthen controls and user guidance. Inconsistent asset records, incomplete information on missing assets, and inadequate tracking and verification of heritage assets had been noted. Asset verification processes should be standardized, a time-bound plan to address missing assets should be implemented, and timely recording and verification of all assets, including art and donated assets, should be ensured.

14. Regarding the procurement of goods and services, cases of unjustified waivers had been found, inconsistent evaluation criteria and inadequate documentation in procurement processes, indicating a need to strengthen controls and transparency. There should be more consistent implementation of the procurement manual and potential inconsistencies in confidentiality requirements in the manual should be resolved.

15. Regarding agreed terminations, controls should be strengthened as inconsistent application and weak documentation had been found. A framework for ex-gratia payments should be created, and tracking and monitoring should be strengthened, including information on savings achieved through agreed terminations.

16. The IT audit had examined the IT governance and operations of the ILO, focusing on whether governance arrangements had ensured that information systems were implemented in line with ILO strategy and approved functionality and timelines, and whether general controls, particularly cybersecurity, had been operating effectively. The Request for IT process had not been followed consistently. All IT projects should comply with the process, with Information Technology Governance Committee (ITGC) approval required for exceptions. The application inventory contained missing, duplicate and misclassified applications, indicating the absence of a single reliable source of information. Consequently, there should be a mechanism for periodic review and timely updating of the application inventory by user departments.

17. The Information and Technology Management Department (INFOTEC) was responsible for application development, support and IT infrastructure, while business departments also provided support for certain applications. However, application criticality was not formally agreed upon between the two groups. There were no formal service-level agreements (SLAs) in place for key parameters such as availability and recovery. The current reliance on a "best effort" approach, combined with weak SLA monitoring - particularly for external vendors - created gaps in accountability and undermined service assurance. The ITGC should review the current service model. The audit had observed the absence of a formal cloud policy or model contract and gaps in key contractual safeguards. Guidelines on key elements should be developed. Decentralized governance and unclear responsibilities between INFOTEC and departments had resulted in risks.

18. For IRIS change management, significant delays had been found across development, testing, and especially User Acceptance Testing, along with numerous pending high priority requests and weak tracking of implementation time. The Electronic Records Management System (ERMS) had been delayed and the audit had recommended reconstituting the Steering Committee so it could address concerns and build consensus on implementation strategy. Disaster recovery processes existed but implementation had been delayed. There had been no training since November 2024. The approved Disaster Recovery Strategy Plan should be implemented and a framework should be prepared that clarified disaster recovery responsibilities for critical applications not fully under the control of INFOTEC.

19. Regarding the performance audit of policy outcome 3, he said that in the 2024–25 biennium, it had been supported by 230 Country Programme outcomes and 5 Global Products. Limited progress had been found in selected underperforming Member States and deeper engagement should be considered on long-term impact indicators. There was no standalone Outcome-Based Work Plan or documented strategy for outcome 3, and work planning was done at branch level without full alignment to prescribed templates. An outcome strategy and department-level work plan should be prepared, and Country Programme outcomes and Global Products should be mapped at the start and end of the biennium to improve monitoring and learning. Weaknesses had been found in project appraisal and implementation, including limited consideration of key comments, lack of feedback on appraisal actions, inconsistencies in IRIS records, missing exit and sustainability strategies, donor reporting delays and inaccuracies, and an absence of risk registers in several cases. It was recommended that originating units follow PARTNERSHIPS guidance more closely.

20. Gaps had been found in governance and coordination within the Outcome Coordination Team. Its documentation should be strengthened to ensure regular updates and validation of the Outcome-Based Work Plan dashboard and to review the role of the Inter-Departmental Action Group. Automated validation and an approval field should be introduced in the Outcome-Based Work Plan system to flag multiple linkages and record authorization. Low deliverable completion rates had been found across the 2022–23 and 2024–25 biennia. Inconsistencies remained and alignment between deliverable completion and reported outcome achievement remained weak. A mechanism should be established to report actions taken on previous Outcome-Based Work Plan reviews and to strengthen coordination and monitoring between country offices and headquarters.

21. The Evaluation Office (EVAL) had conducted 56 evaluations of outcome 3 projects during the period 2022–24, but no consolidated report had been available. EVAL reports should be reviewed to identify areas for improvement. An advocacy strategy should be considered to deepen engagement with Member States for the ratification of ILO Conventions and to establish a monitoring mechanism for joint initiatives. Non-compliance with IGDS No. 695 had been found in external collaboration contracts. Full compliance was urged through the use of the e-Sourcing platform, stronger checklists and complete evaluation documentation.

22. In conclusion, he thanked the Independent Oversight Advisory Committee for the importance it accorded to independent oversight and for its involved role in guiding and shaping audit.

23. **The Vice-Chairperson of the Independent Oversight Advisory Committee (IOAC)** reported on the Committee's review of the financial report, the Statement of Internal Control, the financial statements for the year ended 31 December 2025 and the Report of the External Auditor thereon. The Committee's recommendations reflected its analysis of all the elements of the reporting process and the approach taken by the Office and by the External Auditor in carrying out their respective roles.

24. The Committee had reviewed with management an early draft of the financial statements for the year ended 31 December 2025 and was satisfied with the statements and the corresponding notes. It had engaged in regular discussions with the Office about financial risk management and drew attention to the information contained in note 21 on liquidity risk. The position that the ILO's total assets currently exceeded its financial liabilities did not fully reflect the liquidity available for all ILO activities. As pointed out in note 27, delays in the payment of assessed contributions had resulted in a deficit and had required the full utilization of the Working Capital Fund and internal borrowing. Cash flow constraints had continued after 31 December 2025. The Committee also drew attention to the contingency measures developed and the reform measures initiated by the Office to reduce costs over the 2026–29 period.

25. The Committee had also reviewed the financial report and the Statement of Internal Control, both of which reflected best practice in the international public sector and the United Nations (UN) system. It commended the due diligence applied by management in preparing the Statement of Internal Control, which highlighted the events affecting the ILO's financial stability and included information on the ILO reform process and the measures taken to manage the risks associated with that process; the cost-saving measures undertaken; and the ongoing refinement of the risk management and business continuity plans. The Committee noted the resulting emphasis on the review of business processes, especially in respect of procurement transparency and oversight, and on enhancing fraud awareness and prevention in field offices.

26. While satisfied with the open discussion on the areas requiring further work and with the significant progress that had been made in advancing the working methods of the Office of Internal Audit and Oversight (IAO), the Committee had noted that greater emphasis needed to be placed on the achievement of deliverables in line with the audit plan. It was pleased to note that the Office had once again achieved an unqualified audit opinion on the consolidated financial statements for the year ended 31 December 2025 and that the external audit plan had been fully executed. The Committee would continue to monitor the progress being made in the areas identified as needing improvement and in the implementation of the recommendations.

27. The Committee appreciated the excellent cooperation with ILO staff and management in its work on the financial documents. Their professionalism and openness to dialogue had assisted it in fulfilling its mandate. She drew attention to the appointment of two new members, whose expertise and experience were of considerable value both to the Committee and to the Organization.

28. The IOAC recommended that the Governing Body forward the audited consolidated financial statements for the year ended 31 December 2025 and the External Auditor's report to the International Labour Conference for consideration and adoption.

29. **The Employer spokesperson** expressed his group's expectation that the necessary improvements would be achieved by 2027, in line with the framework described by previous speakers. He stressed the importance of moving forward in the current uncertain context and indicated his support for the draft decision.

30. **The Worker spokesperson** took note of the consolidated financial statements for the year ended 31 December 2025 and the External Auditor's unmodified audit opinion thereon. He thanked the External Auditor for the wealth of information and analysis provided. He would focus on the audit recommendations for the 2025 financial year related to the ILO reform and the preparations for the Programme and Budget for 2028–29. He thanked the management, in particular the Treasurer, for the efficiency measures put in place. While necessary from a financial point of view, they were having a considerable impact on ILO staff, the Organization as a whole and its impact. The non-payment of assessed contributions was pushing towards a further phase of savings, which would shift focus from minor discretionary cuts towards maximizing impact in the largest controllable cost areas.

31. The 44 recommendations were significant as indicators of deeper institutional reform risks and opportunities linked to the transformation agenda discussed in INS/7. The ILO was entering a critical phase of institutional transition and the findings pointed to the need for stronger governance, enhanced accountability structures and more integrated reform implementation. Several findings exposed structural tensions between decentralization and oversight capacity, digital expansion and governance maturity, and efficiency ambitions and operational resilience. There were implications for accountability, risk ownership and organizational coherence under the "One ILO" approach.

32. The recommendations concerning workforce restructuring and agreed terminations were particularly important. They demonstrated that the ILO's financial sustainability challenges were no longer limited to short-term liquidity management but increasingly concerned long-term liability management, workforce affordability and institutional resilience. The audit reinforced the need for medium-term financial planning. His group was concerned about the high levels of ex-gratia discretional payments related to agreed terminations. Management should address carefully the Auditor's recommendation of a framework for ex-gratia payments in staff termination cases and stronger tracking and monitoring of savings achieved from agreed terminations; it should engage with the Staff Union in that respect.

33. With regard to digital governance and Office modernization, recommendations 11 to 28 had identified weaknesses in IT governance, application ownership, disaster recovery planning, cloud governance and service accountability. Despite progress made in digital transformation and e-governance initiatives, governance arrangements remained fragmented, with unclear lines of accountability. Digital modernization had advanced faster than the development of integrated governance, cybersecurity and business continuity frameworks. As more functions and operational responsibilities shifted towards regional and country offices, the Organization would become increasingly dependent on reliable digital infrastructure, standardized governance processes and secure Office-wide systems. The recommendations supported a shift from a predominantly operational IT model towards a mature digital governance architecture.

34. The audit had highlighted persistent weaknesses in procurement and implementing partner governance. Subcontracts represented the second largest expenditure category, making them a critical target for savings. A comprehensive vendor-level review analysing total spending, funding sources, recurrence, procurement methods and relationship to internal functions was needed. The External Auditor had identified significant procurement weaknesses, including unjustified waivers from competition due to alleged urgency and the award of contracts at prices 78 to 99 per cent above estimates without sufficient analysis. From a reform perspective, the findings suggested that procurement modernization and digital governance should be treated as core institutional reform priorities rather than administrative support functions. The Organization's ability to generate efficiency gains, strengthen accountability and improve delivery coherence depended heavily on stronger procurement analytics, harmonized workflows and enhanced second-line oversight functions. As resources become more constrained, the ILO would need to demonstrate measurable impact, stronger evidence-based prioritization and clearer accountability for development results. The audit reinforced the need to strengthen data governance, monitoring methodologies and risk-informed programme management, and that should be taken into account when developing the Programme and Budget for 2028–29. The level of outsourcing and keeping the existing percentage of budget related to staff instead of externalizing the work through implementation partners, franchising or unclear external collaboration contracts were key issues to discuss in the context of PFA/4 and INS/7.

35. The recommendations concerning regional and country offices revealed that decentralization remained one of the Organization's most reform-sensitive areas. The decentralization agenda was creating governance complexity that required stronger regional assurance structures and clearer accountability mechanisms. Strengthened internal audit coverage in field offices was particularly significant. As operational authority and delivery responsibilities shifted further towards the field, assurance and oversight functions must evolve to avoid weakening institutional coherence and exposing the Organization to increased operational and reputational risks. Many of the recommendations were not isolated findings, but rather continuations of unresolved structural governance, control and modernization issues already identified in prior audit cycles. Several reform-sensitive weaknesses were systemic and required institutional rather than transactional responses.

36. The recommendations should be interpreted as a strategic governance road map for institutional modernization rather than a set of isolated compliance observations. The audit broadly supported the reform logic articulated in INS/7 and demonstrated that successful reform implementation would depend less on the adoption of reform measures themselves and more on the Organization's ability to institutionalize coherent governance, integrated risk management, harmonized digital systems and reinforced oversight capacity across all levels of the Organization.

37. **The representative of the Director-General** (Treasurer and Financial Comptroller) said that the Office would take on board all the comments that had been made during the discussion. He also gave his assurances that the Office took into account all the External Auditor's recommendations, noting that, in some cases, the follow-up was a work in progress. He recalled, for example, that, in response to a recommendation made in 2024, an electronic procurement system using the United Nations Global Marketplace had been introduced in July 2025 allowing for a much more unified approach to the engagement of consultants. As from 1 July 2026, all procurement in the ILO would go through such a system, thereby resolving many of the issues that had been raised over the years in that regard. Under the new system, all requests for waivers would be sent directly to the Procurement Bureau for review, and not to the regional directors. The system would be available in the three official languages of the ILO and the necessary training materials would be provided.

38. Regarding IT management, he said that the Office was doing its utmost to meet the needs of the constituents and departments in a rapidly evolving environment and to ensure that its IT governance was up to date. While there was sometimes a timing mismatch, efforts were under way to guarantee the provision of critical systems, maintain agility and support delivery. While many cloud-based tools used for delivery to the constituents were part of a broader ecosystem, the points raised with regard to the development of a formal cloud policy would be taken into account by the ITGC as part of its review.

39. Regarding the development of a strategic road map and its linkage to the issues addressed in documents PFA/4 and INS/7, he said that the ongoing reforms, including the introduction of the electronic procurement system, and the discussions on the decentralization of resources and the establishment of a global service centre, were being considered at the highest levels of management. Efforts were under way to ensure that a strategic road map was in place. He was confident that tangible progress in that regard would be reflected in the External Auditor's next report.

Decision

40. The Governing Body took note of the External Auditor's report and forwarded the consolidated financial statements for the year ended 31 December 2025 and the External Auditor's report thereon to the International Labour Conference for consideration and adoption at its 114th Session.

(GB.356*bis*/PFA/1, paragraph 4)