International
Labour
Office

Geneva

# Financial report and audited consolidated financial statements for the year ended 31 December 2013

## and Report of the External Auditor

ILC.103/FIN

International Labour Organization

# Financial report
# and audited consolidated financial statements
# for the year ended 31 December 2013

and Report of the External Auditor

International Labour Office Geneva

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# Contents

# 1. Financial report on the 2013 accounts

## Introduction

1. The consolidated financial statements are prepared and submitted to the Governing Body in accordance with articles 23 and 28 respectively of the ILO Financial Regulations. The Report of the External Auditor on the audit of the statements, together with his opinion thereon, is also submitted to the Governing Body in accordance with article 28 of the Financial Regulations. The 2013 consolidated financial statements have been prepared in accordance with International Public Sector Accounting Standards (IPSAS) and fully comply with all effective standards applicable as at 31 December 2013.

2. The financial statements consolidate all of the operations under the direct authority of the Director-General including the regular budget, reserves, extra-budgetary funded activities, Inter-American Centre for Knowledge Development in Vocational Training (CINTERFOR), International Occupational Safety and Health Information Centre (CIS), International Institute for Labour Studies (IILS) and the International Training Centre of the ILO (ITC), along with the Administrative Tribunal of the ILO and the portion of the Staff Health Insurance Fund (SHIF) activities related to ILO officials and retirees.

3. The financial statements prepared under IPSAS use full accrual-based accounting which requires the recognition of transactions and events when they occur. Under IPSAS, revenue from voluntary contributions to technical 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 grants and travel, and after-service health insurance (ASHI) is recognized in the financial statements for the period when these benefits are earned by ILO staff rather than when they are paid.

4. The Financial Regulations specify a biennial financial period, however for general purpose financial reporting in accordance with IPSAS, annual financial statements are presented. The 2013 consolidated financial statements are presented on an annual basis while the budgetary performance contained in Statements V-A to V-D also includes biennial results. Reporting general purpose financial statements on an IPSAS basis has no impact on the preparation or reporting of the ILO budget, which is still presented on a modified cash basis. 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 results for 2013

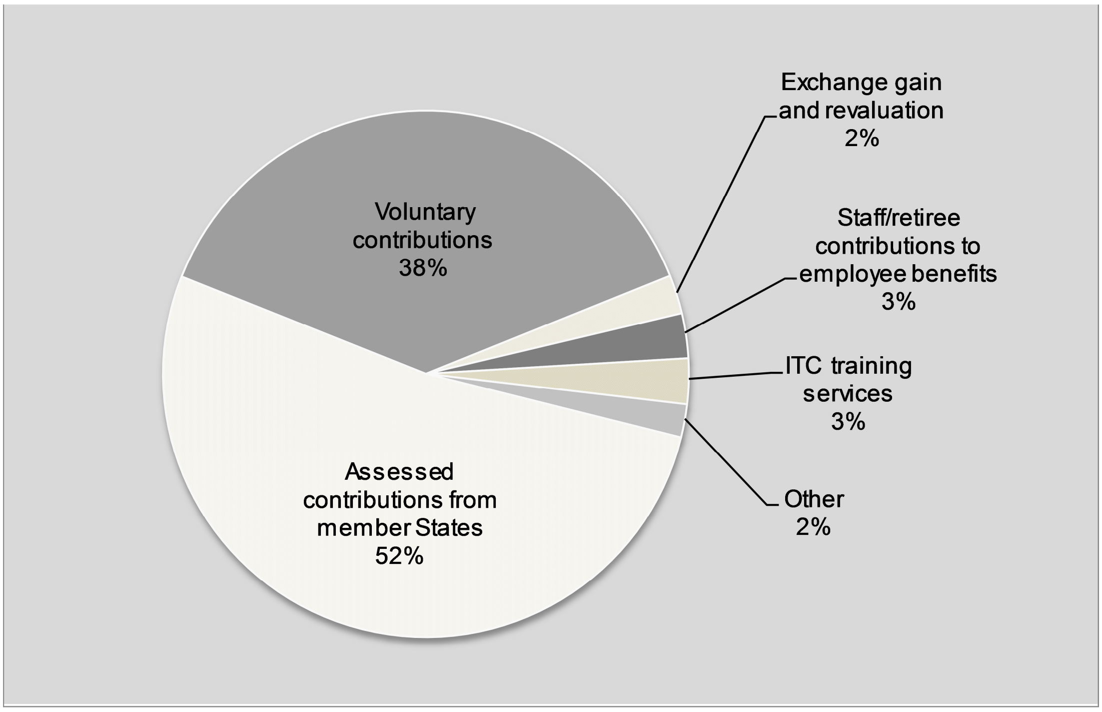
5. The consolidated financial situation of the ILO remained positive in 2013 as presented in the following table:

**2013 financial highlights** (in millions of US dollars)

| | 2013 | 2012 (restated) |
|---|---|---|
| Total revenue | 762.1 | 740.3 |
| Total expense | 797.7 | 689.0 |
| Surplus/(deficit) | (35.6) | 51.3 |
| Net assets | 105.8 | 17.8 |

6. **Operating result:** The consolidated deficit in 2013 as measured under IPSAS was US$35.6 million compared to an overall surplus of US$51.3 million in 2012. Historically, regular budget expenditure is significantly higher in the second year of a biennium which largely explains the change in overall financial results between 2012 and 2013.

7. **Total revenue:** Revenue in 2013 totalled US$762.1 million (US$740.3 million in 2012) as follows:

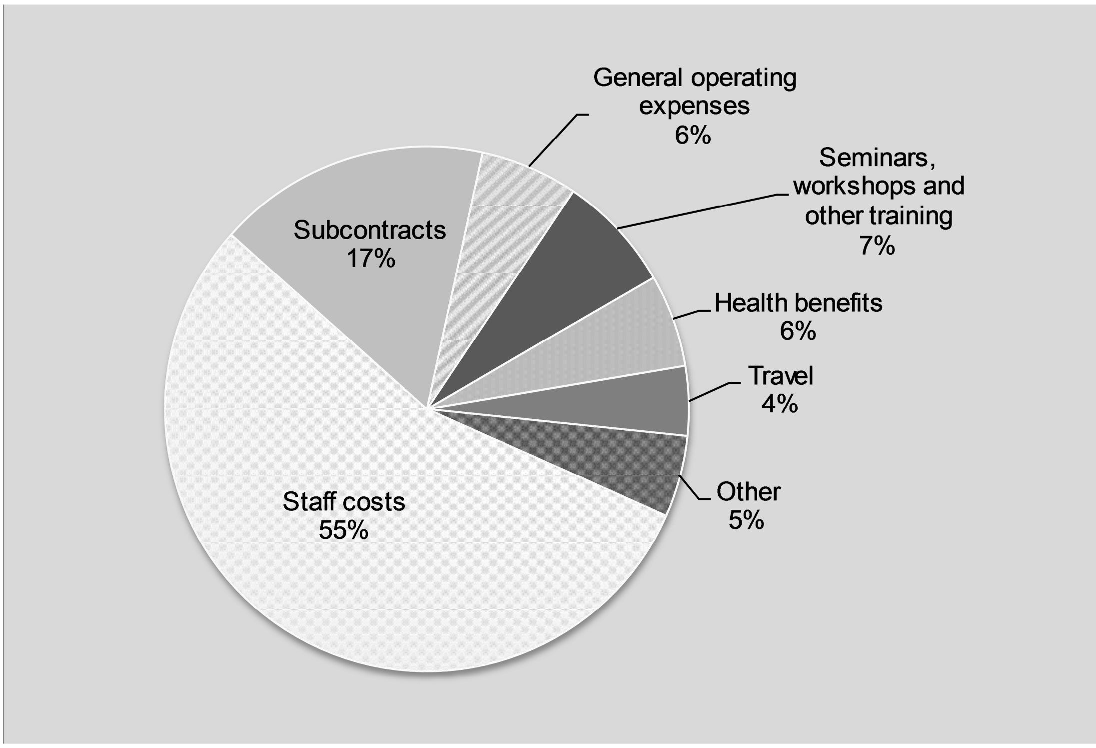



8. The two principal sources of revenue in 2013 were assessed contributions from member States of US$397.3 million and voluntary contributions of US$288.9 million. These represent 90 per cent of ILO sources of revenue. The increase in total revenue of US$21.8 million, or 2.9 per cent as compared to 2012, was mainly caused by:

- an increase in the assessed contributions of US$14.4 million; due to the increase in the US dollar value of the assessed contributions;

- an increase in revenue earned from voluntary contributions and ITC training services of US$27.4 million;
- a decrease in exchange gains recorded during the year of US$16.3 million; and
- a decrease in the investment income of US$4.2 million, mainly caused by continuing lower interest rates.

9. **Total expenditure:** Expenses in 2013 totalled US$797.7 million (US$689.0 million in 2012) and were distributed as follows:




10. The main expense categories are staff costs of US$437.9 million, subcontracts of US$134.4 million, seminars, workshops and other training activities of US$57.5 million and general operating expenses of US$48.1 million. The increase in total expenditure of US$108.7 million or 16 per cent as compared to 2012 was, as explained above, mainly due to the ILO's historic pattern of higher expenditure in the second year of the biennium.

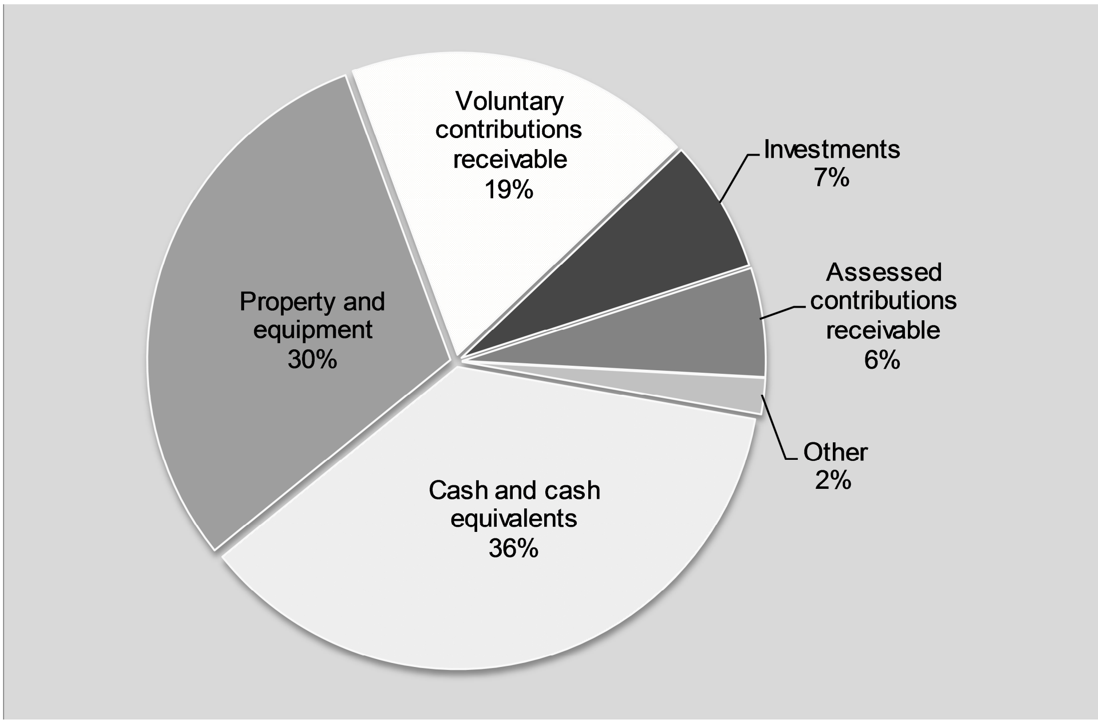
11. **Net assets:** During the year net assets increased from US$17.8 million to US$105.8 million as shown below:

**Movement in net assets** (in millions of US dollars)

| | |
|---|---|
| **Net assets at 31 December 2012** | **17.8** |
| Actuarial gains on ASHI liability | 89.9 |
| Revaluation of land and buildings (net) | 62.8 |
| Operating deficit for 2013 | (35.6) |
| Forward purchase agreement value | (30.4) |
| Other movements | 1.3 |
| **Net assets at 31 December 2013** | **105.8** |

12. Details of net assets by fund are presented in the appendix to the financial statements.

13. **Assets:** Assets as of 31 December 2013 totalled US$1,693.9 million (US$1,646.8 million as at 31 December 2012) as follows:



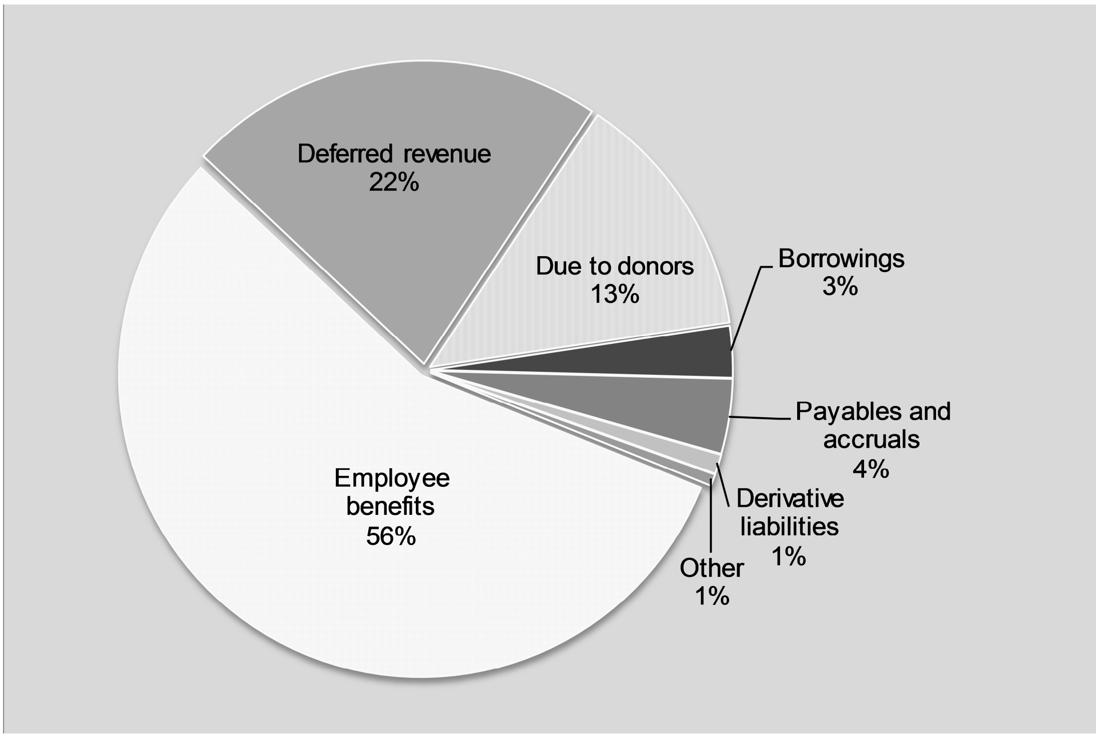

14. The major assets at 31 December 2013 are cash, cash equivalents and investments totalling US$737.2 million and constitute 43.5 per cent of the total assets. Of this amount US$211.1 million or 28.6 per cent corresponds to funds held on behalf of donors for technical cooperation projects. The remaining assets consist principally of property and equipment totalling US$511.3 million, voluntary contributions receivable of US$314.4 million and net assessed contributions receivable of US$98.3 million.

15. Cash and cash equivalents decreased by US$54.9 million to US$616.7 million in 2013 as a result of:

- a decrease in the collection of assessed contributions by member States, increasing the net outstanding receivable by US$29.2 million;
- a higher rate of regular budget expenditure, typical in the second year of a biennium.

16. **Property and equipment:** Property and equipment includes land and buildings, valued at fair value based on an external valuation. In 2013, the fair value of the land and buildings increased by US$72.2 million to US$498.6 million principally as a result of the rezoning of ILO land holdings in Geneva, Switzerland. After accounting for capital expenditure of US$10.8 million and current year depreciation of US$1.4 million the net effect to net assets was an increase of US$62.8 million.

17. **Liabilities:** Liabilities as of 31 December 2013 totalled US$1,588 million (US$1,629 million as at 31 December 2012) as follows:




18. **Employee benefits and ASHI liability:** The most significant liabilities are the employee benefits earned by staff members and retirees but not paid at the reporting date; primarily the liability for ASHI. These liabilities total US$887.6 million and represent 55.9 per cent of ILO's total liabilities and are explained in note 15 to the financial statements. ASHI liability represents 90 per cent of the employee benefits. As of 31 December 2013, the ASHI liability of US$799.1 million was US$58.4 million lower than December 2012. The decrease was primarily the result of actuarial gains of US$89.9 million mainly due to improvements in the discount rates, offset by the net current year charges of US$31.5 million included in the statement of financial performance.

19. **Deferred revenue:** Deferred revenue represents 22.4 per cent of liabilities and mainly consists of voluntary contribution revenue of US$309.0 million representing the amount receivable upon completion of the performance required by agreements between the Organization and donors, and assessed contributions received in advance of US$38.8 million.

20. **Other liabilities:** The remaining liabilities include US$211.1 million of funds received in advance from donors to technical cooperation projects, US$63.9 million of accounts payable and accruals, and US$43.8 million being the balance of the Swiss franc loan due to the Foundation of Buildings for International Organisations (FIPOI).

21. **Forward purchase agreements:** As part of the foreign exchange management, the regular budget payable in Swiss francs by member States is partially hedged to US dollars. The unrealized change in valuation of the hedging instruments is reported as part of net assets. As at 31 December 2013 it reflected an unrealized loss of US$16.4 million as compared to an unrealized gain of US$14 million in 2012.

## Regular budget

22. The International Labour Conference, at its 100th Session (June 2011), approved an expenditure budget for the 2012–13 financial period amounting to US$861,620,000 and an income budget for the period for the same amount, which at the budget rate of exchange for the period of 0.84 Swiss francs (CHF) to the US dollar, resulted in total assessed contributions of CHF723,760,800. Actual assessed contributions for the biennium reflect the subsequent admissions of South Sudan and Palau and, therefore, CHF723,781,154 has been recognized as biennial revenue. No corresponding change was made to the approved expenditure budget.

23. The regular budget continues to be prepared on a modified cash basis in accordance with the Financial Regulations. The overall budgetary results for the 2013 financial period and the 2012–13 biennium are summarized in Statement V-A with the details of contributions paid by member States shown in note 29 to the financial statements. The differences between the net results on the IPSAS (consolidated, full accrual) basis and those in accordance with the Financial Regulations are explained in note 22.

24. Valued in US dollars at the budget rate of exchange, total budgetary income for the 2012–13 biennium amounted to US$861,644,231. Expenditure under the regular budget during the 2012–13 biennium amounted to US$859,598,381 resulting in a net surplus of US$2,045,850. When revalued at the rate of exchange in effect at the close of the financial period (CHF0.887 to the US dollar), the excess of income over expenditure amounts to US$1,937,445.

25. In accordance with article 18, paragraph 1, of the Financial Regulations, a provision for delays in the payment of contributions in the amount of 100 per cent of the outstanding contributions at 31 December 2013 has been made. Since the total contributions outstanding amounted to CHF101,044,569 as compared with the total contributions outstanding at 31 December 2011 of CHF132,434,904, the provision required at 31 December 2013 was CHF31,390,335 (US$35,389,329 at 31 December 2013 rate of exchange) less than that which was required at 31 December 2011. Arrears of contributions received in 2012 were in the first instance, used to reimburse the borrowings required to cover the shortfall of income for the 2010–11 biennium. This reimbursement amounted to CHF49,763,441 (US$56,103,090). The net deficit for the 2012–13 financial period after adjustments for the reimbursement and the provision for delays in the payment of contributions is US$18,776,316 or CHF16,654,592.

26. In accordance with article 21.1, paragraph (a), of the Financial Regulations, the Working Capital Fund was drawn upon to finance the deficit. As at 31 December 2013, the balance remaining in the Working Capital Fund was CHF18,345,408. Arrears of contributions received in 2014 have been used to fully reimburse the Working Capital Fund.

## Non-General Funds managed by the ILO

27. The net assets of non-General Funds managed by the ILO amounted to US$40.8 million at 31 December 2013. They comprised funds belonging to units forming an integral part of the ILO including the IILS, CINTERFOR, CIS, the ITC and the Administrative Tribunal of the ILO. The overall budgetary results of the funds with budgets approved by the Governing Body for 2012–13 are summarized in Statements V-B to V-D on both an annual and biennial basis. Information on the overall budgetary results of the ITC, which has an annual budget approved by the ITC Board of Directors, are summarized in Statement V-E in euros (the functional currency of the ITC) and in US dollars. Information on the net assets of each fund is shown in the appendix to the financial statements. Significant variances between adopted budgets and actual expenditure for each of the units for which a separate budget was adopted by the Governing Body or ITC Board of Directors are outlined below:

- IILS – Revenue amounted to US$7,087,000 and expenses totalled US$6,561,000 for 2012–13. The net surplus was US$526,000 for 2012–13 a significant improvement over the deficit of US$1,250,000 anticipated in the adopted budget due primarily to lower than anticipated staff costs. At its 319th Session (October 2013) the Governing Body decided to dissolve the IILS and conduct its activities from 2014 through the Research Department of the ILO.
- CINTERFOR – Revenue for the 2012–13 biennium of US$3,256,000 was US$100,000 greater than budgeted due to higher than anticipated contributions from the host country and other countries in the region, despite lower than anticipated sales of publications and services. Expenses totalled US$3,254,000, resulting in a net surplus for 2012–13 of US$2,000.
- CIS – Revenue of US$3,534,000 and expense of US$3,772,000 for 2012–13 resulted in a net deficit of US$238,000, which was primarily due to lower than anticipated sales of information services. The in-kind contributions from the regular budget amounted to US$3,478,000, US$380,000 lower than budgeted due to savings on costs of regular budget staff assigned to support of the Centre. At its 319th Session (October 2013) the Governing Body decided to no longer require the separate submission of biennial budgets for CIS as its activities had been integrated into the reformed structure of the Office.
- ITC – Revenue for 2013 at €40.8 million (US$54.0 million) was significantly higher than the budget estimate due to higher than anticipated revenue from training activities and publication sales. Expenses totalled €37.9 million (US$50.2 million), €1.4 million (US$1.8 million) higher than budgeted resulting in a surplus of €2.9 million (US$3.8 million) after adjustments to budgetary surplus for changes in provision for doubtful debts and exchange gains and losses of €0.1 million (US$0.2 million).

## Extra-budgetary funds

28. Expenditure during 2013 on extra-budgetary technical cooperation activities totalled US$253.8 million. Revenue to the Regular Budget Supplementary Account (RBSA) totalled US$22.9 million and expenditure US$11.8 million in 2013.

## Ex gratia payments

29. During 2013, ex gratia payments of US$18,737 (US$2,613 in 2012) were made.

## Separation of ITU from the Staff Health Insurance Fund

30. In January 2014, the International Telecommunication Union (ITU) informed the ILO of its decision to separate from the SHIF effective 1 May 2014. Both organizations agreed that, effective from that date, the ITU will no longer participate in the SHIF and the ITU protected persons will no longer be insured by the SHIF. As the ITU share of the SHIF is accounted for separately, the decision to separate should not have a material impact on the ILO consolidated financial statements.

# 2. Approval of the consolidated financial statements for the year ended 31 December 2013

The consolidated financial statements numbered I to V and the accompanying notes are approved.

Approved by:

Greg Johnson

Treasurer and Financial Comptroller

30 April 2014

Approved by:

Guy Ryder

Director-General

30 April 2014

## 3. Audit opinion of the External Auditor to the Governing Body of the International Labour Office

Auditor General of Canada
Vérificateur général du Canada

# INDEPENDENT AUDITOR'S REPORT

To the Governing Body of the International Labour Organization

## Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of the International Labour Organization and its controlled entity, the International Training Centre, which comprise the consolidated statement of financial position as at 31 December 2013, 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 a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Consolidated Financial Statements*

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

*Auditor's Responsibility*

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

240 rue Sparks Street, Ottawa, Ontario K1A 0G6

*Opinion*

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the International Labour Organization and its controlled entity, the International Training Centre, as at 31 December 2013, and their financial performance, their cash flows and the comparison of budget and actual amounts for the year then ended in accordance with International Public Sector Accounting Standards.

**Report on Other Legal and Regulatory Requirements**

As required by the *Financial Regulations* of the International Labour Organization, I report that, in my opinion, the accounting principles in International Public Sector Accounting Standards have been applied, after giving retrospective effect to the adoption of the new standards as explained in Note 3 to the consolidated financial statements, on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the International Labour Organization and its controlled entity, the International Training Centre, that have come to my notice during my audit of the consolidated financial statements have, in all significant respects, been in accordance with the *Financial Regulations* and legislative authority of the International Labour Organization and of the International Training Centre.

In accordance with Paragraph 6 of the Appendix to the *Financial Regulations* of the International Labour Organization, I have also issued a detailed report on my audit of the International Labour Organization's consolidated financial statements to the Governing Body.

Michael Ferguson, CPA, CA
FCA (New Brunswick)
Auditor General of Canada

30 April 2014
Ottawa, Canada

240 rue Sparks Street, Ottawa, Ontario K1A 0G6

# 4. Consolidated financial statements for the year ended 31 December 2013

# International Labour Organization

## Statement I

**Consolidated statement of financial position as at 31 December 2013** (US$ millions)

| | Note | 2013 | 2012 restated (note 3) |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 4, 20 | 616.7 | 671.6 |
| Assessed contributions receivable | 5 | 81.2 | 52.5 |
| Voluntary contributions receivable | 6 | 239.1 | 250.5 |
| Derivative assets | 20 | 1.1 | 15.4 |
| Other receivables | 7 | 11.0 | 8.9 |
| Inventories | 8 | 7.8 | 8.1 |
| Other current assets | 9 | 11.7 | 14.2 |
| | | 968.6 | 1 021.2 |
| **Non-current assets** | | | |
| Assessed contributions receivable | 5 | 17.1 | 16.6 |
| Voluntary contributions receivable | 6 | 75.3 | 73.7 |
| Investments | 10, 20 | 120.5 | 99.0 |
| Property and equipment | 11 | 511.3 | 435.9 |
| Intangible assets | 12 | 1.1 | 0.4 |
| | | 725.3 | 625.6 |
| **Total assets** | | **1 693.9** | **1 646.8** |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Payables and accruals | – | 63.9 | 38.2 |
| Deferred revenue | 13 | 279.8 | 285.4 |
| Due to donors | 14 | 211.1 | 223.4 |
| Employee benefits | 15 | 51.6 | 46.5 |
| Current portion of long-term borrowings | 16, 20 | 4.2 | 4.1 |
| Due to member States | 17 | 2.0 | 8.6 |
| Derivative liabilities | 20 | 8.2 | – |
| Other current liabilities | 19 | 3.7 | 0.6 |
| | | 624.5 | 606.8 |
| **Non-current liabilities** | | | |
| Deferred revenue | 13 | 75.3 | 73.7 |
| Employee benefits | 15 | 836.0 | 897.9 |
| Long-term borrowings | 16, 20 | 39.6 | 41.7 |
| Due to member States | 17 | 0.9 | 2.4 |
| Derivative liabilities | 20 | 8.4 | – |
| Funds held on behalf of ITU | 18 | 3.4 | 6.5 |
| | | 963.6 | 1 022.2 |
| **Total liabilities** | | **1 588.1** | **1 629.0** |
| **Net assets** | | | |
| Total reserves | | 182.8 | 196.3 |
| Total accumulated funds | | (77.0) | (178.5) |
| **Total net assets** | | **105.8** | **17.8** |

**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 2013** (US$ millions)

| | Note | 2013 | 2012 restated |
|---|---|---|---|
| **Revenue** | | | |
| Assessed contributions from member States | 27 | 397.3 | 382.9 |
| Change in provision for assessed contributions receivable | 27 | 1.0 | – |
| Voluntary contributions | 27 | 288.9 | 263.7 |
| ITC training services | 27 | 21.3 | 19.1 |
| Staff/retiree benefit contributions | 27 | 21.0 | 20.9 |
| Sales and royalties | 27 | 8.9 | 8.4 |
| Investment income | 27 | 2.7 | 6.9 |
| Exchange gain (loss) and revaluation, net | 3, 27 | 18.1 | 34.4 |
| Other income | 27 | 2.9 | 4.0 |
| **Total revenue** | | **762.1** | **740.3** |
| **Expenses** | | | |
| Staff costs | 27 | 437.9 | 407.2 |
| Travel | 27 | 34.1 | 28.1 |
| Subcontracts | 27 | 134.4 | 94.9 |
| General operating expenses | 27 | 48.1 | 45.0 |
| Supplies, materials and small equipment | 27 | 14.8 | 10.0 |
| Depreciation and amortization | 27 | 2.4 | 2.0 |
| Seminars, workshops and other training | 27 | 57.5 | 44.5 |
| Staff development | 27 | 5.1 | 4.2 |
| Health benefits | 27 | 45.6 | 41.6 |
| Contributions and grants in aid | 27 | 8.9 | 6.1 |
| Finance costs | 27 | 1.7 | 1.8 |
| Other expenses | 27 | 7.2 | 3.6 |
| **Total expenses** | | **797.7** | **689.0** |
| **Net surplus (deficit)** | | **(35.6)** | **51.3** |

**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 period ended 31 December 2013** (US$ millions)

| | Accumulated funds | | | | | Reserves | Total net assets |
|---|---|---|---|---|---|---|---|
| | Employee liabilities | Revaluation surplus | Value of outstanding derivatives | Other | Total accumulated funds | | |
| **Balance as at 31 December 2011** | **(783.8)** | **349.6** | **30.2** | **292.3** | **(111.7)** | **185.3** | **73.6** |
| Change in accounting policy: adjustment on forward purchase agreements (note 3) | – | – | 3.8 | (3.3) | 0.5 | (0.5) | – |
| **Restated balance as at 1 January 2012** | **(783.8)** | **349.6** | **34.0** | **289.0** | **(111.2)** | **184.8** | **73.6** |
| Surplus (Deficit) of period 2012 | – | – | – | 39.8 | 39.8 | 11.5 | 51.3 |
| Adjustment to cost of ITC leasehold improvement | – | – | – | 1.6 | 1.6 | – | 1.6 |
| Change of derivatives of period 2012 | – | – | (20.0) | – | (20.0) | – | (20.0) |
| Change of revaluation surplus of land and buildings | – | 10.4 | – | – | 10.4 | – | 10.4 |
| Actuarial gain (loss) of ASHI liability incurred in period 2012 | (99.2) | – | – | – | (99.2) | – | (99.2) |
| Translation difference from consolidation of ITC period 2012 | – | – | – | 0.1 | 0.1 | – | 0.1 |
| **Total 2012 movement** | **(99.2)** | **10.4** | **(20.0)** | **41.5** | **(67.3)** | **11.5** | **(55.8)** |
| **Restated balance as at 31 December 2012** | **(883.0)** | **360.0** | **14.0** | **330.5** | **(178.5)** | **196.3** | **17.8** |
| Surplus (Deficit) of period 2013 | – | – | – | (40.9) | (40.9) | 5.3 | (35.6) |
| Internal borrowing for financing of regular budget deficit | – | – | – | 18.8 | 18.8 | (18.8) | – |
| Change of derivatives of period 2013 | – | – | (30.4) | – | (30.4) | – | (30.4) |
| Change of revaluation surplus of land and buildings | – | 62.8 | – | – | 62.8 | – | 62.8 |
| Actuarial gain (loss) of ASHI liability incurred in period 2013 | 89.9 | – | – | – | 89.9 | – | 89.9 |
| Transfer to liabilities due to member States of period 2013 | – | – | – | (0.3) | (0.3) | – | (0.3) |
| Translation difference from consolidation of ITC period 2013 | – | – | – | 1.6 | 1.6 | – | 1.6 |
| **Total 2013 movement** | **89.9** | **62.8** | **(30.4)** | **(20.8)** | **101.5** | **(13.5)** | **88.0** |
| **Balance as at 31 December 2013** | **(793.1)** | **422.8** | **(16.4)** | **309.7** | **(77.0)** | **182.8** | **105.8** |

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

# International Labour Organization
## Statement IV
**Consolidated statement of cash flow for the period ended 31 December 2013** (US$ millions)

| | 2013 | 2012 restated |
|---|---|---|
| **Cash flows from operating activities** | | |
| Surplus (deficit) for the period | (35.6) | 51.3 |
| Non-cash movements: | | |
| Depreciation and amortization | 2.4 | 2.0 |
| (Increase) decrease in assessed contributions receivable | (28.2) | 52.6 |
| Increase in provision for assessed contributions receivable | (1.0) | – |
| Decrease in voluntary contribution receivables | 9.8 | 11.9 |
| (Increase) decrease in derivative instruments | 0.5 | (5.2) |
| (Increase) decrease in other receivables | (2.1) | 3.8 |
| Decrease in inventories | 0.3 | 0.8 |
| (Increase) decrease in other assets | 2.5 | (1.2) |
| Increase (decrease) in payables and accruals | 25.7 | (12.5) |
| Increase (decrease) in deferred revenue | (4.0) | 6.7 |
| Increase (decrease) in due to donors | (12.3) | 13.0 |
| Increase in employee benefits | 33.0 | 15.2 |
| Increase (decrease) in due to member States | (8.1) | 0.2 |
| Increase (decrease) in other liabilities | 0.2 | (1.3) |
| Increase in investment portfolios | (3.7) | (3.9) |
| Increase in borrowings | 2.1 | 3.3 |
| Transfer to liabilities due to member States | (0.3) | – |
| **Net cash flows from operating activities** | **(18.8)** | **136.8** |
| | | |
| **Cash flows from investing activities** | | |
| Sale of investments | 14.2 | – |
| Purchase of investments | (32.0) | – |
| Additions of property and equipment | (14.7) | (9.1) |
| Additions of intangible assets | (0.8) | (0.4) |
| **Net cash flows from investing activities** | **(33.3)** | **(9.5)** |
| | | |
| **Cash flows from financing activities** | | |
| Repayment of borrowings | (4.1) | (4.0) |
| **Net cash flows from financing activities** | **(4.1)** | **(4.0)** |
| | | |
| Translation difference from consolidation of ITC | 1.3 | (0.1) |
| **Net increase (decrease) in cash and cash equivalents** | **(54.9)** | **123.2** |
| **Cash and cash equivalents, beginning of period** | **671.6** | **548.4** |
| **Cash and cash equivalents, end of period** | **616.7** | **671.6** |

US$1.4 million of interest received is included in the net cash flows from operating activities (2012 = US$2.7 million).

**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 2013** (US$ thousands)

| | 2013 original budget (2) | 2013 final budget (3) | 2013 actual | 2013 difference (4) | 2012–13 original and final budget | 2012–13 actual | 2012–13 difference (4) |
|---|---|---|---|---|---|---|---|
| **Revenue** | | | | | | | |
| Assessed contributions | 430 810 | 430 810 | 430 834 | 24 | 861 620 | 861 644 | 24 |
| **Expense** | | | | | | | |
| **Part I – Ordinary budget** | | | | | | | |
| **A. Policy-making organs** | 46 646 | 49 617 | 46 697 | (2 920) | 93 292 | 90 372 | (2 920) |
| **B. Strategic objectives** | 324 045 | 362 950 | 360 204 | (2 746) | 648 089 | 645 343 | (2 746) |
| **C. Management services** | 37 869 | 41 481 | 39 806 | (1 675) | 75 738 | 74 063 | (1 675) |
| **D. Other budgetary provisions** | 23 567 | 25 023 | 23 914 | (1 109) | 47 134 | 46 025 | (1 109) |
| **Adjustment for staff turnover** (5) | (3 652) | (7 303) | – | 7 303 | (7 303) | – | 7 303 |
| **Total Part I** | **428 475** | **471 768** | **470 621** | **(1 147)** | **856 950** | **855 803** | **(1 147)** |
| **Part II – Unforeseen expenditure** | **437** | **875** | – | **(875)** | **875** | **–** | **(875)** |
| **Part IV – Institutional investments and extraordinary items** | **1 898** | **–** | **–** | **–** | **3 795** | **3 795** | **–** |
| **Total Parts I, II and IV** | **430 810** | **472 643** | **470 621** | **(2 022)** | **861 620** | **859 598** | **(2 022)** |
| **Surplus at budgetary rate of exchange** | | | | | | **2 046** | |
| Revaluation of the budgetary surplus | | | | | | (108) | |
| **Surplus at UN operational rate of exchange** | | | | | | **1 938** | |
| Surplus resulting from the receipt of contributions in an amount higher than approved regular budget | | | | | | 35 389 | |
| Reimbursement of 2010–11 deficit financing (6) | | | | | | (56 103) | |
| **Net deficit** (7) | | | | | | **(18 776)** | |

(1) Budget and actual information calculated at budgetary rate of exchange of US$1 = CHF0.84.
(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 International Labour Conference 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 2013 accounts.
(5) Staff turnover is an undistributed adjustment to reduce the overall level of the budget in recognition of inevitable delays in recruitment. Managed under spending against appropriation lines offsets this undistributed adjustment.
(6) As at 31 December 2011, in accordance with article 21.1(a) of the Financial Regulations, the deficit of CHF49.763 million was covered by the Working Capital Fund and internal borrowings. In accordance with article 21.2(a) of the Financial Regulations, arrears of contributions received in 2012 were used to reimburse the Working Capital Fund and internal borrowings.
(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$39.459 million), as a consequence, decreased to CHF18.345million (US$20.683 million). In accordance with article 21.2(a) of the Financial Regulations, arrears of contributions received in 2014 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 International Institute for Labour Studies (IILS) for the year ended 31 December 2013 (US$ thousands)

| | 2013 original budget [1] | 2013 final budget [2] | 2013 actual | 2013 difference [3] | 2012–13 original and final budget | 2012–13 Actual | 2012–13 Difference [3] |
|---|---|---|---|---|---|---|---|
| Accumulated fund balance, beginning | 1 993 | 2 651 | 2 651 | – | 2 618 | 2 417 | (201) |
| **Revenue** | | | | | | | |
| Contribution from ILO regular budget | 3 564 | 3 467 | 3 406 | (61) | 7 128 | 7 067 | (61) |
| Interest | 5 | (4) | 5 | 9 | 10 | 19 | 9 |
| Sales of publications and miscellaneous receipts | 5 | 10 | 11 | 1 | 10 | 11 | 1 |
| Other income | – | 7 | (3) | (10) | – | (10) | (10) |
| **Total revenue** | **3 574** | **3 480** | **3 419** | **(61)** | **7 148** | **7 087** | **(61)** |
| Expenditure | 4 199 | 4 964 | 3 127 | (1 837) | 8 398 | 6 561 | (1 837) |
| **Total expenses** | **4 199** | **4 964** | **3 127** | **(1 837)** | **8 398** | **6 561** | **(1 837)** |
| **Net surplus (deficit)** | **(625)** | **(1 484)** | **292** | **1 776** | **(1 250)** | **526** | **1 776** |
| **Accumulated fund balance, ending** | **1 368** | **1 167** | **2 943** | **1 776** | **1 368** | **2 943** | **1 575** |

(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 for the contribution from the ILO and expenditure.
(3) Differences between budget and actual are explained in the accompanying financial report on the 2013 accounts.

**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 Inter-American Centre for Knowledge Development in Vocational Training (CINTERFOR) for the year ended 31 December 2013 (US$ thousands)

| | 2013 original budget [1] | 2013 final budget [2] | 2013 actual | 2013 difference [3] | 2012–13 original and final budget | 2012–13 actual | 2012–13 difference [3] |
|---|---|---|---|---|---|---|---|
| Accumulated fund balance, beginning | 409 | 518 | 518 | – | 487 | 584 | 97 |
| **Revenue** | | | | | | | |
| Contribution from ILO regular budget | 1 068 | 1 068 | 1 093 | 25 | 2 136 | 2 161 | 25 |
| Contribution from host country and other countries in the region | 475 | 452 | 582 | 130 | 950 | 1 080 | 130 |
| Sales of publications and services | 30 | 56 | 2 | (54) | 60 | 6 | (54) |
| Miscellaneous income | 5 | 10 | 9 | (1) | 10 | 9 | (1) |
| **Total revenue** | **1 578** | **1 586** | **1 686** | **100** | **3 156** | **3 256** | **100** |
| Expenditure | 1 656 | 1 676 | 1 618 | (58) | 3 312 | 3 254 | (58) |
| **Total expenses** | **1 656** | **1 676** | **1 618** | **(58)** | **3 312** | **3 254** | **(58)** |
| **Net surplus (deficit)** | **(78)** | **(90)** | **68** | **158** | **(156)** | **2** | **158** |
| **Accumulated fund balance, ending** | **331** | **428** | **586** | **158** | **331** | **586** | **255** |

[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 for the contribution from the ILO and expenditure.
[3] Differences between budget and actual are explained in the accompanying financial report on the 2013 accounts.

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

# International Labour Organization

## Statement V-D

### Statement of comparison of budget and actual amounts International Occupational Safety and Health Information Centre (CIS) for the year ended 31 December 2013 (US$ thousands)

| | 2013 original budget [(1)] | 2013 final budget [(2)] | 2013 actual | 2013 difference [(3)] | 2012–13 original and final budget | 2012–13 actual | 2012–13 difference [(3)] |
|---|---|---|---|---|---|---|---|
| Accumulated fund balance, beginning | 297 | 413 | 413 | – | 502 | 547 | 45 |
| **Revenue** | | | | | | | |
| Contribution from ILO regular budget | 1 929 | 2 227 | 1 847 | (380) | 3 858 | 3 478 | (380) |
| Extra-budgetary income: | | | | | | | |
| Contributions and copyright payments | 80 | 89 | 62 | (27) | 160 | 133 | (27) |
| Sales of information services | 90 | 174 | (84) | (258) | 180 | (78) | (258) |
| Interest and net gains from exchange rate fluctuations | – | (1) | – | 1 | – | 1 | 1 |
| **Total revenue** | **2 099** | **2 489** | **1 825** | **(664)** | **4 198** | **3 534** | **(664)** |
| **Expenses** | | | | | | | |
| Expenditure related to the ILO contribution | 1 929 | 2 227 | 1 847 | (380) | 3 858 | 3 478 | (380) |
| Expenditure related to the extra-budgetary account | 375 | 538 | 82 | (456) | 750 | 294 | (456) |
| **Total expenses** | **2 304** | **2 765** | **1 929** | **(836)** | **4 608** | **3 772** | **(836)** |
| **Net surplus (deficit)** | **(205)** | **(276)** | **(104)** | **172** | **(410)** | **(238)** | **172** |
| **Accumulated fund balance, ending** | **92** | **137** | **309** | **172** | **92** | **309** | **217** |

(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 for the contribution from the ILO and expenditure.
(3) Differences between budget and actual are explained in the accompanying financial report on the 2013 accounts.

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

# International Labour Organization

## Statement V-E

### Statement of comparison of budget and actual amounts
### International Training Centre of the ILO (ITC) for the year ended 31 December 2013

| Title | 2013 budget | 2013 actual | Budget variance (2) | 2013 budget | 2013 actual | Budget variance (2) |
|---|---|---|---|---|---|---|
| | (in € thousands) | | | (in US$ thousands) | | |
| **Revenue** | | | | | | |
| **Voluntary contributions** | | | | | | |
| International Labour Organization | 3 527 | 3 297 | (230) | 4 665 | 4 361 | (304) |
| Government of Italy | 7 850 | 7 850 | – | 10 384 | 10 384 | – |
| Government of France | 25 | 25 | – | 33 | 33 | – |
| Piedmont Region | – | 100 | 100 | – | 132 | 132 |
| Government of Portugal | 250 | 250 | – | 331 | 331 | – |
| **Total voluntary contributions (Chapter I)** | **11 652** | **11 522** | **(130)** | **15 413** | **15 241** | **(172)** |
| **Earned revenue** | | | | | | |
| Revenue from training activities | 21 400 | 26 358 | 4 958 | 28 307 | 34 865 | 6 558 |
| Revenue from publications | 1 450 | 1 723 | 273 | 1 918 | 2 279 | 361 |
| Other revenue | 1 300 | 1 154 | (146) | 1 720 | 1 526 | (194) |
| **Total earned revenue** | **24 150** | **29 235** | **5 085** | **31 945** | **38 670** | **6 725** |
| Use of surplus | 800 | 81 | (719) | 1 058 | 107 | (951) |
| **Total Chapter II** | **24 950** | **29 316** | **4 366** | **33 003** | **38 777** | **5 774** |
| **Total budget revenue** | **36 602** | **40 838** | **4 236** | **48 416** | **54 018** | **5 602** |
| **Expenditure** | | | | | | |
| **Fixed expenses** | | | | | | |
| Regular budget staff costs | 15 183 | 14 657 | (526) | 20 083 | 19 388 | (695) |
| Project-based staff costs | 2 862 | 2 600 | (262) | 3 786 | 3 439 | (347) |
| **Total staff costs (Chapter III)** | **18 045** | **17 257** | **(788)** | **23 869** | **22 827** | **(1 042)** |
| **Non-staff costs** | | | | | | |
| **Fixed expenses** | | | | | | |
| Consultants | 447 | 430 | (17) | 591 | 569 | (22) |
| Facilities | 2 010 | 2 251 | 241 | 2 659 | 2 978 | 319 |
| Security | 375 | 372 | (3) | 496 | 492 | (4) |
| General operating expenses | 866 | 793 | (73) | 1 146 | 1 049 | (97) |
| Missions and representation | 251 | 202 | (49) | 332 | 267 | (65) |
| Governance | 424 | 200 | (224) | 561 | 265 | (296) |
| Information technology | 1 546 | 1 386 | (160) | 2 045 | 1 833 | (212) |
| Depreciation of property and equipment | 360 | 285 | (75) | 476 | 377 | (99) |
| **Total fixed expenses (Chapter IV)** | **6 279** | **5 919** | **(360)** | **8 306** | **7 830** | **(476)** |

| Title | 2013 budget | 2013 actual | Budget variance [2] | 2013 budget | 2013 actual | Budget variance [2] |
|---|---|---|---|---|---|---|
| | (in € thousands) | | | (in US$ thousands) | | |
| **Variable expenses** | | | | | | |
| External collaborators | 4 778 | 5 219 | 441 | 6 320 | 6 903 | 583 |
| Missions | 670 | 797 | 127 | 886 | 1 054 | 168 |
| Participants' costs | 3 990 | 5 360 | 1 370 | 5 278 | 7 090 | 1 812 |
| Books, training aids and materials | 890 | 612 | (278) | 1 177 | 810 | (367) |
| Training facilities and services outside Turin | 650 | 1 385 | 735 | 860 | 1 832 | 972 |
| Other variable costs | 70 | 190 | 120 | 93 | 251 | 158 |
| Costs related to income from publications | 1 030 | 1 003 | (27) | 1 362 | 1 327 | (35) |
| Other costs related to other income | 200 | 232 | 32 | 265 | 307 | 42 |
| **Total variable expenses** | **12 278** | **14 798** | **2 520** | **16 241** | **19 574** | **3 333** |
| **Total operating expenses** | **36 602** | **37 974** | **1 372** | **48 416** | **50 231** | **1 815** |
| **Budget surplus** [1] | **–** | **2 864** | **2 864** | **–** | **3 787** | **3 787** |
| **Other items** | | | | | | |
| Decrease in provision for doubtful accounts | – | 19 | – | – | 25 | – |
| Exchange gain (loss) and revaluation, net | – | (8) | – | – | (10) | – |
| **Total other items** | **–** | **11** | **–** | **–** | **15** | **–** |
| **Net budget surplus** [1] | **–** | **2 875** | **–** | **–** | **3 802** | **–** |

[1] As referred to in Financial Regulations 7(4) of the ITC.
[2] Budget variances are explained in the accompanying financial report on the 2013 accounts.

**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. The 1944 Declaration of Philadelphia affirms that “all human beings, irrespective of race, creed or sex, have the right to pursue both their material well-being and their spiritual development in conditions of freedom and dignity, of economic security and equal opportunity”. The ILO’s strategic objectives cover principles and rights at work, employment, social protection and social dialogue. Taken together, these constitute decent work.

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. Within the United Nations (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.

3. The ILO is an international organization established pursuant to its Constitution originally adopted in 1919 and subsequently modified by amendments adopted in 1922, 1945, 1946, 1953, 1962 and 1972. In 1947, the ILO became the first specialized agency of the UN system based upon an agreement between the Organization and the United Nations adopted in accordance with Article 57 of the United Nations Charter.

4. *Governance:* The ILO is governed by the International Labour Conference (ILC) which consists of representatives of all the member States, and by the Governing Body elected by the ILC. The ILC of representatives of the Members is convened annually. Neither the delegates to the ILC nor the Governing Body members receive any remuneration from the Organization for their services; however, the representatives of worker and employer organizations are entitled to reimbursement for travel expenses incurred in the execution of their duties. At its meeting in each odd numbered year, the Conference adopts the ILO’s biennial budget in accordance with the ILO Financial Regulations on the recommendation of the Governing Body. Under the ILO Financial Regulations article 29, the ILC adopts the financial statements.

5. 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.

6. The financial statements consolidate all of the operations under the direct authority of the Director-General including the regular budget, reserves, extra-budgetary funded activities, the Inter-American Centre for Knowledge Development in Vocational Training (CINTERFOR), the International Occupational Safety and Health Information

Centre (CIS), the International Institute for Labour Studies (IILS) and the International Training Centre of the ILO (ITC) along with the Administrative Tribunal of the ILO.

7. *Controlled entity:* The ITC was established by the Governing Body of the ILO and the Government of Italy in 1964. The Centre is headquartered in Turin, Italy. The Centre provides training and related services to UN agencies, governments and non-governmental organizations designed to develop human resources and improve institutional capabilities. The Centre is principally financed from contributions from the ILO regular budget and technical cooperation projects, from the Government of Italy and from charges for training services provided. The Centre produces separate financial statements at the same reporting date as the ILO.

8. Also included are the following reserves – Terminal Benefits Fund (established by the Governing Body in 1964) to finance payments of repatriation grants and end-of-service benefits, Fidelity Guarantee Fund (established in 1986) to finance losses due to theft or misappropriation), Working Capital Fund (set at CHF35 million per the ILO Financial Regulations, article 19) to finance budgetary expenditure pending receipt of assessed contributions and with Governing Body approval, advances to meet emergencies, Income Adjustment Account (established by ILO Financial Regulations, article 11) available for temporary funding of budgetary deficits pending receipt of contributions when the Working Capital Fund proves insufficient, the extra-budgetary reserve to finance costs incurred in connection with technical cooperation projects not reimbursed by donor, the portion of the Staff Health Insurance Fund (SHIF) activities related to ILO officials and retirees and the International Training Centre of the ILO (ITC) Working Capital Fund established in accordance with the Financial Regulations of the Centre.

## Note 2 – Accounting policies

9. The consolidated financial statements of the ILO have been prepared in accordance with International Public Sector Accounting Standards (IPSAS) and fully comply with all effective standards applicable as at 31 December 2013.

10. The transitional provisions on Property and equipment (IPSAS-17) have been applied in the initial recognition of equipment purchased before 1 January 2012. Equipment acquired prior to 1 January 2012 was expensed at the date of purchase and its value has not been recognized as an asset in 2013.

11. The ILO has adopted IPSAS-32 “Service concession arrangements: Grantor” in advance of its effective date of 1 January 2014. There was no impact resulting from this adoption on the consolidated financial statements.

12. *Financial period:* The Organization’s financial period for budgetary purposes is a biennium consisting of two consecutive calendar years. The consolidated financial statements are prepared annually.

13. *Consolidated financial statement presentation:* The consolidated financial statements are expressed in millions of United States (US) dollars unless otherwise indicated. The accounts of the ITC, a controlled entity, have been consolidated into the consolidated financial statements of the ILO.

14. *Borrowing costs:* 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.

15. *Borrowings:* Borrowings are classified as financial liabilities initially measured at fair value and subsequently measured at amortized cost.

16. *Cash and cash equivalents:* Cash comprises cash on hand and demand deposits; cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash.

17. *Contingent asset:* At the end of the first year of each biennium, the amount receivable from assessed contributions related to the second year of the biennium is disclosed as a contingent asset; at the end of the second year of each biennium, the amount receivable from assessed contributions related to the following biennium is disclosed as a contingent asset. In addition, revenue from voluntary ITC training services and contributions to the Regular Budget Supplementary Account (RBSA) covering future periods is disclosed as a contingent asset if the inflow of contribution to the ILO is probable at the reporting date.

18. *Contingent liability:* Provisions are recognized for contingent liabilities when the ILO has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle that obligation, and the amount can be reliably estimated. The amount of the provision is the best estimate of the expenditure required to settle the present obligation at the reporting date. A provision is established to cover the estimated present value of the liability to settle claims before the Administrative Tribunal resulting in a probable outflow of resources. 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.

19. *Depreciation and amortization:* Depreciation of property and equipment and amortization of intangible assets are recognized over the estimated useful life of the assets using the straight line method, except for land which is not subject to depreciation. The estimated useful lives for property, equipment and intangible assets classes are as follows:

| **Class** | **Estimated useful life** (years) |
|---|---|
| Buildings | |
| ILO headquarters | 90 |
| Field offices | 20–85 |
| Equipment | |
| Office equipment | 5 |
| Furnishings and fixtures | 5–10 |
| Information technology equipment | 5 |
| Motor vehicles | 5 |
| Other equipment | 5–10 |
| Leasehold improvements | |
| Internal improvements/renovations | Lower of 15–30 and term of lease |
| Intangible assets | |
| Software acquired externally | 3–5 |
| Software internally developed | 3–5 |

Depreciation of buildings is calculated based on the fair value at the beginning of the reporting year. 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.

20. *Derivatives:* 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 Statement of financial performance, except for the effective portion of cash flow hedges, which is recognized in net assets and later reclassified to the Statement of financial performance when the hedge item affects profit or loss.

21. The ILO designates its regular budget forward purchase agreements as a cash flow hedge and applies hedge accounting as below:

- The effective portion of the gain or loss on the hedging instrument (forward purchase agreement) is recognized in net assets, while any ineffective portion is recognized immediately in the Statement of financial performance as exchange gain (loss) and revaluation, net. The effectiveness of the hedge is tested prospectively and retrospectively, whereby the ratio of the change in the fair value of the hedged cash flows is attributed to the change in the spot USD to CHF rate. The testing is conducted at the inception of the hedge and at each reporting date.
- Amounts recognized in net assets are transferred to Statement of financial performance when a forecast transaction occurs.
- If the hedging instrument is exercised, or if it's designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognized remains in net assets until the forecast transaction occurs.
- Hedge accounting is discontinued when no longer required.

22. *Due to member States:* 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 distributed to member States in accordance with the provisions of the Financial Regulations.

23. *Employee benefits:* Provisions have been established for the actuarially determined liability for the After Service Health Insurance (ASHI) defined benefit obligation, the estimated liabilities for separation benefits payable (repatriation grants and travel) and for the estimated value of accumulated leave and home leave earned but not taken at the reporting date. In addition, a provision has been established to cover the estimated liability in respect of education grants payable for differences between initial advances and final claims at the reporting date. A provision has also been established to reflect the outstanding balance related to an agreed termination programme outstanding at the reporting date. Interest cost and current service cost related to the defined benefit obligation for ASHI liability as well as all other employee benefit expenses are recognized on the Consolidated statement of financial performance as a component of

staff costs. Any actuarial gains or losses for the defined benefits plan that result from changes in actuarial assumptions or experience adjustments including experience adjustments related to other long-term benefits are directly recognized in the Consolidated statement of changes in net assets. The balance of each provision is reviewed annually and adjusted to reflect actual experience.

- Short-term employee benefit liabilities are recognized at an undiscounted amount. Expected short-term compensated absences are recognized, as employees earn their entitlement through rendering a service to the ILO. For non-accumulating compensating absences an expense is recognized when the absence occurs.

24. The ILO is a member organization participating in the United Nations Joint Staff Pension Fund (UNJSPF), which was established by the United Nations General Assembly to provide retirement, death, disability and related benefits to employees. The Pension Fund is a funded, multi-employer defined benefit plan. As specified by 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.

25. The plan 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 plan. The ILO, in line with the other participating organizations in the Fund, is not in a position to identify its share of the defined benefit obligation, 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-25. The ILO's contributions to the plan during the financial period are recognized as expenses in the Statement of financial performance.

26. *Expenses:* Expenses are recorded on an accrual basis. The costs of goods received or services delivered as of the end of the year, for which no invoice has been received, are recognized as expense accruals. Expenses are reported in Statement II based on the nature of the expense. The following definitions provide a general description of each expense category.

- *Staff costs:* cover all entitlements for active officials of all grades as authorized by the Staff Regulations. Also included 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 of 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 the Staff Health Insurance Fund on behalf of active or former ILO officials or dependants.
- *Contributions and grants in aid:* covers expenses under regular budget technical cooperation activities and contributions made to jointly funded bodies.
- *Finance costs:* 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.

*Functional currency and foreign exchange*

27. The functional and presentation currency of the Organization is the US dollar.

- 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.
- 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.
- 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 such items are recognized in net assets.
- Exchange gains and losses are presented on a net basis on the Statement of financial performance as revenue if a gain or as an expense if a loss.

28. On the Statement of comparison of budget and actual amounts for the regular budget (Statement V-A), revenue and expense incurred in Swiss francs is reflected at a budgetary rate of exchange fixed by the ILC for the biennium.

29. 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 (US$) at the UN operational rate of exchange as at the reporting date. (US$1 = €0.725 as at 31 December 2013).The revenue and expense of the ITC are consolidated using an average rate for the reporting period (US$1 = €0.756 for 2013).

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.

30. *Impairment:* Cash-generating assets are those held for the purpose of generating a commercial return. Provisions are established to recognize impairment, if necessary. 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 assets at least annually to determine if there is any impairment in their value.

31. *Inventory:* Publications held for free distribution are valued at the lower of cost and current replacement cost. Publications held for sale are valued at the lower of cost and net realizable value. If net realizable value is lower than cost, the difference is recognized as an expense on the Consolidated statement of financial performance. The value of publications is written down by 50 per cent after one year to reflect fair value. The value of publications is written off when they are considered damaged or after two years when they are considered obsolete and this is an expense on the Consolidated statement of financial performance. The cost of publications is calculated using the weighted average cost. The cost of paper and other supplies used in the production process is calculated using the first-in, first-out method formula.

32. *Intangible assets:* Costs of intangible assets including software developed and utilized internally by the ILO in its operations are recognized as assets at historical cost and amortized over their useful life.

33. *Investments:* Investments are classified as held for trading and are measured at fair value, determined based on the value in US dollars of individual investments held at the reporting date using quoted prices. 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.

34. *Net assets:* 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 ILC or the Financial Regulations for the purpose of temporary funding of operating deficits, managing cash flow, financing employee benefit liabilities such as staff health insurance and terminal benefits and self-insured fidelity guarantee fund.
- *Employee liabilities:* represents initial recognition of the employee liabilities and subsequent impact of changes in actuarial assumptions.
- *Revaluation surplus:* represents the accumulated difference between the historic cost of land and buildings and the fair value as determined by the independent valuation.
- *Reserve for 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 United States 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.

- *Accumulated funds:* represent the accumulated surpluses and deficits from the Organization's operations after deducting funds returned to member States in accordance with the Financial Regulations.

35. *Payables and accruals:* Payables are financial liabilities for goods or services that have been received but not paid by the reporting date. Accruals are financial liabilities for goods or services that have been received and neither paid or invoiced at 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.

36. *Property and equipment:*

- *Equipment:* equipment is recorded at historical cost and presented at depreciated cost.
- *Heritage assets:* the value of heritage assets, including donated works of art, is not recognized as an asset on the Statement of financial position.
- *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. Any gain or loss resulting from the disposal of property valued at fair value will be recorded as revenue or expense in the Consolidated statement of financial performance. External valuations are conducted when there is evidence that the carrying amount might differ materially from fair value.
- *Leasehold improvement:* leasehold improvements are recorded at historical cost and presented at depreciated cost.
- *Leases:* lease agreements entered into for equipment 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 expense, based on the terms of the agreements for the period concerned so as to reflect the time pattern of benefit to the ILO.

37. Revenues and Receivables from non-exchange transactions are recognized as follows:

- *Assessed contributions:* revenue from assessed contributions utilized to finance the biennial budget adopted by the ILC is recognized as one half of the total on 1 January of each year of the biennium. A provision has been established equal to the contributions of former member States and member States that are more than two years in arrears and have, therefore, lost the right to vote under the ILO's Constitution. 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.
- *Voluntary contributions:* voluntary contributions with no conditions are recognized as receivables and as revenue upon the signature of the agreement. Voluntary contributions to technical cooperation projects are normally subject to conditions related to performance. Upon signature of the agreement, a receivable and a liability (deferred revenue) are initially recognized at fair value and subsequently

measured at amortized cost which is obtained through discounting as appropriate. Funds received from donors subject to conditions are carried as a liability (due to donor). Revenue is recognized when the conditions stated in the agreement have been met.

- Contributions received from donors for projects that form part of the RBSA are normally unconditional, and are recognized as revenue and a receivable 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.
- *Gifts and grants:* 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.
- *Training services:* the ITC provides training services under contracts to governments and organizations including the ILO. The services are subsidized by non-conditional voluntary contributions which provide support to the ITC's operations. The services are considered conditional non-exchange transactions since they do not meet the definition of an exchange transaction which requires that both parties to such transactions receive an approximately equal direct benefit. Revenue from these transactions is recognized and measured on the proportion that expenses incurred bear to the estimated total expenses of the training activity.
- *Contributions in-kind:* In-kind contributions of goods are recognized at fair value at the date of receipt. In-kind contributions of services are not recognized. The ILO receives contributions of office space and other facilities from member States. These contributions are not recognized as revenue in the accounts but are disclosed in the notes to the Consolidated financial statements.

38. *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. A provision for doubtful debts is established equal to 50 per cent of the amount outstanding from one year to two years and 100 per cent of the amount outstanding for more than two years unless the Organization receives from the debtor a written confirmation of the amount due with a planned date of payment.
- *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 employee benefit contributions are recognized on the date the revenue becomes due in accordance with the Administrative Regulations of the SHIF.

39. *Programme support income:* 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, if the voluntary contribution is conditional, when earned through performance and, if the voluntary contribution is non-conditional, is recognized when a signed agreement exists between the ILO and a donor.

40. *Measurement uncertainty:* 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.

## Note 3 – Changes in accounting policies

41. There are three new standards that became effective as of 1 January 2013 and which have been adopted by the ILO during the year. These are IPSAS-28 “Financial Instruments: Presentation”; IPSAS-29 “Financial Instruments: Recognition and Measurement” and IPSAS-30 “Financial Instruments: Disclosures”. The ILO has also early adopted IPSAS-32 “Service Concession Arrangements: Grantor” which has had no impact on the Consolidated financial statements.

42. In 2013, in order to fully adopt IPSAS-29 “Financial Instruments: Recognition and Measurement”, the ILO changed the accounting policy previously utilized for the recognition of unrealized gains or losses on the forward purchase agreements acquired to hedge the Swiss franc value of investments held on behalf the SHIF guarantee fund in currencies other than Swiss francs. Beginning in 2013 these forward purchase agreements have been accounted at fair value through surplus or deficit and the unrealized gain or loss at the reporting date has been recognized on the Statement of financial performance rather than in a separate component of reserves. This change impacts on the Statement of financial position, the Statement of financial performance, the Statement of cash flow and the Statement of changes in net assets.

43. The ILO Regular Budget Forward Purchase Agreement has been designated as a cash flow hedge using hedge accounting. As a result, the realized gain or loss on exercising the agreements and the portion of the unrealized gain (loss) due to changes in forward points are recognized on the Statement of financial performance. The unrealized gain or loss due to the change of fair value resulting from the change in the spot rate from the date of the agreements to the reporting date are recognized on the Statement of changes in net assets. The impacts to net assets and cash flow are reflected in the Statement of changes in net assets and the Statement of cash flow. The impact to the Statement of financial performance, exchange gain (loss) and revaluation, is shown as below and the same amount has been included in net assets:

| | **Statement II** | | |
|---|---|---|---|
| | **Revenue** | **Expense** | **Net result** |
| Balance per 2012 financial statements | 735.2 | 689.0 | **46.2** |
| ILO Forward Purchase Agreement | 3.4 | – | **3.4** |
| SHIF Forward Purchase Agreement | 1.7 | – | **1.7** |
| Total restatement | 5.1 | – | **5.1** |
| Restated balance as at 31 December 2012 | 740.3 | 689.0 | **51.3** |

44. In the 2012 Consolidated financial statements the loan from the *Fondation des immeubles pour les organisations internationales* (FIPOI) and the non-current receivables from member States were valued at fair value through surplus or deficit using a discount rate reflecting current bonds yields. In accordance with IPSAS-29, the loan and non-current receivables have been de-designated at fair value and subsequently measured at amortized cost as of 1 January 2013.

## Note 4 – Cash and cash equivalents

45. Cash required for immediate disbursement is maintained in cash and bank accounts. Cash equivalent balances in deposit accounts are available at short notice. Of the total cash held at the reporting date, US$286.9 million was in the functional currency US dollar (US$308.8 million as at 31 December 2012) and the balance held in other currencies, primarily Swiss francs, was US$293.8 million (US$333.1 million as at 31 December 2012).

| (US$ millions) | US dollar | Swiss franc | Euro | Other | 2013 total | 2012 total |
|---|---|---|---|---|---|---|
| Current accounts and cash on hand | 59.9 | 237.4 | 11.5 | 12.2 | 321.0 | 418.6 |
| Short-term deposits | 227.0 | 56.4 | 12.3 | – | 295.7 | 253.0 |
| **Total cash and deposits** | **286.9** | **293.8** | **23.8** | **12.2** | **616.7** | **671.6** |

46. The rating of banks in which cash is deposited is as follows:

| (US$ millions) | AAA (1) | AA (1) | A (1) | BBB (1) | <BBB (1) | Not rated | Total |
|---|---|---|---|---|---|---|---|
| Cash and cash equivalents | 71.4 | 44.0 | 486.3 | 6.7 | 2.6 | 5.7 | 616.7 |
| Per cent | 11.6 | 7.1 | 78.9 | 1.1 | 0.4 | 0.9 | 100.0 |

(1) The rating is based on long-term credit ratings by Fitch, where unavailable equivalent ratings by Standard and Poors and Moodys were utilized. A rating category includes A+ and A–, AA rating category includes AA+ and AA–.

47. The ILO has deposited cash with reputable financial institutions from which management and the ILO Investment Committee believes the risk of loss to be remote. The ILO's investments are managed via an investment policy which guides the Organization in its investment decisions. The ILO invests surplus funds to earn investment income with the objective of maintaining safety of principal and providing adequate liquidity to meet cash flow requirements.

48. 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.

## Note 5 – Assessed contributions receivable

49. 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. The amount of contributions receivable at the

reporting date was CHF101 million equal to US$113.9 million at US$1 = CHF0.887 (CHF78.8 million equal to US$86.5 million at US$1 = CHF0.911 at 31 December 2012). From this amount, US$0.3 million has been deducted representing the advance payments received from member States with financial arrangements, leaving a net assessed contribution receivable of US$113.6 million.

| | **2013** (US$ millions) | **2012** (US$ millions) |
|---|---|---|
| Assessed contribution receivable (note 28) | 113.6 | 85.6 |
| Less amortization of long-term financial arrangements | (2.3) | (2.5) |
| Less provision for doubtful collection of contributions | (13.0) | (14.0) |
| **Total net receivable** | **98.3** | **69.1** |
| Assessed contribution receivable – Current | 81.2 | 52.5 |
| Assessed contribution receivable – Non-current | 17.1 | 16.6 |

50. An ageing of the assessed contributions receivable is as follows:

| **Type of receivable** (US$ millions) | **Less than 1 year** | **1–2 years** | **Over 2 years** | **Less provision for doubtful debts and amortization** | **Total** |
|---|---|---|---|---|---|
| Year 2012 | 49.0 | 2.2 | 34.4 | (16.5) | 69.1 |
| Year 2013 | 70.4 | 9.4 | 33.8 | (15.3) | 98.3 |

51. Non-current contributions receivable represent amounts due from member States that have had deferred payment plans approved by the ILC. If member States with financial arrangements do not meet the payment plan, they lose the right to vote and the provision for doubtful debts is increased to reflect the entire amount due from that member State.

## Note 6 – Voluntary contributions receivable

52. The ILO has recognized receivables reflecting amounts due from donors that have signed binding agreements with the ILO in connection with technical cooperation projects and unrestricted grants. Binding agreements are those signed by the donor and the ILO for which an inflow of resources to the ILO is probable based on the terms of the agreement and the historical relationship with the donor. All agreements related to technical cooperation projects contain conditions requiring the ILO to provide services specified in the agreement based on detailed workplans and project budgets and to return any unexpended funds to the donor. For all such conditional agreements, a liability (deferred revenue) is recognized until the ILO carries out the conditions imposed by the donor.

| | **2013** (US$ millions) | **2012** (US$ millions) |
|---|---|---|
| Technical cooperation projects | 305.4 | 310.9 |
| ITC training services | 8.1 | 12.6 |
| Unrestricted grants to ITC | 0.9 | 0.7 |
| **Total voluntary contribution receivable** | **314.4** | **324.2** |
| Voluntary contribution receivable – Current | 239.1 | 250.5 |
| Voluntary contribution receivable – Non-current | 75.3 | 73.7 |

53. Of the total technical cooperation projects receivable of US$305.4 million, US$74.3 million represents non-current receivables due in 2015 and later years. Of the total ITC training services receivable, US$1 million represents non-current receivables due in 2015 and later years.

## Note 7 – Other receivables

54. Other receivables are as follows:

| | **2013** (US$ millions) | **2012** (US$ millions) |
|---|---|---|
| US income taxes | 3.9 | 4.9 |
| Receivable from UNDP | 2.8 | 0.5 |
| Other receivables | 4.3 | 3.5 |
| **Total other receivables** | **11.0** | **8.9** |

55. An ageing of other receivables is as follows:

| **Type of receivable** (US$ millions) | **Less than 1 year** | **1–2 years** | **Over 2 years** | **Less provision for doubtful debts and discount** | **Total** |
|---|---|---|---|---|---|
| Year 2012 | 5.8 | 1.7 | 1.4 | – | **8.9** |
| Year 2013 | 9.0 | 1.1 | 0.9 | – | **11.0** |

## Note 8 – Inventories

56. The movement of inventories during the year is as follows:

| **Reconciliation of inventories** (US$ millions) | **Production supplies 2013** | **Publications 2013** | **Total 2013** | **Total 2012** |
|---|---|---|---|---|
| Balance at 1 January | 0.4 | 7.7 | 8.1 | 8.9 |
| Produced and purchased | 1.2 | 9.8 | 11.0 | 13.6 |
| Inventory available | 1.6 | 17.5 | 19.1 | 22.5 |
| Less: expensed | (1.1) | (5.7) | (6.8) | (10.4) |
| Less: write-down | – | (1.1) | (1.1) | (1.1) |
| Less: write-off | – | (3.4) | (3.4) | (2.9) |
| **Balance at 31 December** | **0.5** | **7.3** | **7.8** | **8.1** |

## Note 9 – Other current assets

57. Other current assets are as follows:

| | **2013** (US$ millions) | **2012** (US$ millions) |
|---|---|---|
| Staff advances | 7.6 | 7.8 |
| Advance to implementing partners | 0.7 | 1.9 |
| Other | 3.4 | 4.5 |
| **Total other current assets** | **11.7** | **14.2** |

## Note 10 – Investments

58. The Organization maintains two investment portfolios of identified financial instruments managed by external investment managers consisting principally of bonds and some equities for which there is a pattern of recent short-term profit taking. The fair value based upon quoted prices is as follows:

| | **2013** (US$ millions) | | **2012** (US$ millions) | |
|---|---|---|---|---|
| | **Fair value** | **Cost** | **Fair value** | **Cost** |
| **Cash** | 1.6 | 1.6 | 0.3 | 0.3 |
| **Fixed income** | | | | |
| Bonds | 72.6 | 73.1 | 58.8 | 55.5 |
| Floating rate notes | 16.1 | 16.2 | 8.4 | 8.4 |
| Money market | 30.2 | 30.2 | 19.2 | 19.1 |
| Subtotal fixed income instruments | 118.9 | 119.5 | 86.4 | 83.0 |
| **Securities** | | | | |
| Fiduciary Trust Investments | – | – | 12.3 | 6.2 |
| Subtotal securities | – | – | 12.3 | 6.2 |
| **Total investment** | **120.5** | **121.1** | **99.0** | **89.5** |

**Rating of investments** (fair value)
**Year 2013** (US$ thousands)

| | **AAA** (1) | **AA** (1) | **A** (1) | **BBB** (1) | **Total** |
|---|---|---|---|---|---|
| Cash | – | – | 1 609 | – | 1 609 |
| Bonds | 33 762 | 8 278 | 18 745 | 11 835 | 72 620 |
| Floating rate notes | 498 | 11 305 | 4 337 | – | 16 140 |
| Money market | – | – | 30 189 | – | 30 189 |
| **Total investment** | **34 260** | **19 583** | **54 880** | **11 835** | **120 558** |
| Per cent | 28.5% | 16.2% | 45.5% | 9.8% | 100.0% |

(1) The rating is based on long-term credit ratings by Fitch, where unavailable equivalent ratings by Standard and Poors and Moodys were utilized. A rating category includes A+ and A–, AA rating category includes AA+ and AA–. For money market funds, where only short-term credit ratings are available (F1 to F1+ by Fitch), a long-term credit rating of A was utilized.

59. Investments are made in investment grade government bonds, commercial paper, pooled investment funds and floating rate notes. The movement of the investments is as follows:

| (US$ millions) | 2013 | 2012 |
|---|---|---|
| Fair value at 01 January | 99.0 | 95.0 |
| Interest and net gain (loss) on investments | 3.7 | 4.0 |
| New investment during the period | 32.0 | – |
| Sales of Fiduciary Trust Investment | (14.2) | – |
| Fair value at 31 December | **120.5** | **99.0** |

## Note 11 – Property and equipment

| (US$ thousands) | Land | Buildings | Leasehold improvements | Equipment | Total |
|---|---|---|---|---|---|
| Net carrying amount 1 January 2012 | 205 485 | 204 760 | 6 190 | – | 416 435 |
| Additions | – | 7 058 | 215 | 1 894 | 9 167 |
| Disposals | – | – | – | – | – |
| Depreciation | – | (1 366) | (468) | (118) | (1 952) |
| Exchange adjustment depreciation | – | – | (54) | (2) | (56) |
| Exchange adjustment cost | – | – | 204 | – | 204 |
| Net revaluation recognized in net assets | 7 673 | 2 774 | – | – | 10 447 |
| Adjustment to cost of ITC leasehold improvements | – | – | 1 625 | – | 1 625 |
| Subtotal 2012 movement | 7 673 | 8 466 | 1 522 | 1 774 | 19 435 |
| Net carrying amount at 31 December 2012 | **213 158** | **213 226** | **7 712** | **1 774** | **435 870** |
| Additions | – | 10 790 | 530 | 3 356 | 14 676 |
| Disposals | – | – | – | (2) | (2) |
| Depreciation | – | (1 319) | (496) | (485) | (2 300) |
| Exchange adjustment depreciation | – | – | (106) | (10) | (116) |
| Exchange adjustment cost | – | – | 391 | 42 | 433 |
| Net revaluation recognized in net assets | 118 206 | (55 471) | – | – | 62 735 |
| Subtotal 2013 movement | 118 206 | (46 000) | 319 | 2 902 | 75 427 |
| Closing balance at 31 December 2013 | **331 364** | **167 226** | **8 031** | **4 676** | **511 297** |
| Gross carrying amount at 31 December 2013 | 331 364 | 167 226 | 11 253 | 5 290 | 515 133 |
| Accumulated depreciation | – | – | (3 222) | (614) | (3 836) |
| Net carrying amount at 31 December 2013 | **331 364** | **167 226** | **8 031** | **4 676** | **511 297** |

## Land and buildings

60. The Organization owns its headquarters building in Geneva, Switzerland, and the land upon which it was built along with two adjoining parcels of land. It also holds a long-term lease from the Canton of Geneva, Switzerland, on a further parcel. In addition, the Organization owns land and buildings in Abidjan, Côte d'Ivoire; Lima, Peru; and Santiago, Chile. In Buenos Aires, Argentina; and Brussels, Belgium, the Organization owns apartments located in buildings for which no separate land ownership exists. In Brasilia, Brazil; Dar es Salaam, the 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.

| (US$ thousands) | Fair value 2013 | Fair value 2012 | Historical cost 2013 | Historical cost 2012 |
|---|---|---|---|---|
| **Land** | | | | |
| Headquarters – Geneva | 326 720 | 208 550 | – | – |
| Lima | 2 835 | 2 835 | – | – |
| Abidjan | 454 | 400 | – | – |
| Santiago | 1 355 | 1 373 | – | – |
| **Subtotal** | **331 364** | **213 158** | **–** | **–** |
| **Buildings** | | | | |
| Headquarters – Geneva | 147 694 | 193 858 | 68 066 | 57 276 |
| Lima | 9 102 | 9 102 | 2 881 | 2 881 |
| Brasilia | 621 | 711 | 406 | 406 |
| Abidjan | 2 575 | 2 268 | 2 417 | 2 417 |
| Dar es Salaam | 2 294 | 2 192 | 1 797 | 1 797 |
| Buenos Aires | 648 | 645 | 677 | 677 |
| Islamabad | 270 | 308 | 1 918 | 1 918 |
| Santiago | 3 161 | 3 314 | 1 939 | 1 939 |
| Brussels | 861 | 828 | 449 | 449 |
| **Subtotal** | **167 226** | **213 226** | **80 550** | **69 760** |
| **Total land and buildings** | **498 590** | **426 384** | **80 550** | **69 760** |

61. In order to more accurately reflect the value of its land and buildings, an independent appraiser reviewed and updated the fair value of all of its properties as at 31 December 2013 based on international valuation standards as promulgated by the International Valuation Standards Committee, including assumptions relating to current market conditions. The increase of US$72.2 million in the fair value in 2013 of the land and buildings includes US$10.4 million in revaluation gain due to exchange. 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 Statement III.

## Leasehold improvements

62. The Organization has also constructed improvements on leasehold property in New Delhi, India, and the Piedmont Pavilion and renovations to other buildings at the ITC. Leasehold improvements are valued at historic cost and are capitalized and recognized as an asset if their cost exceeds or is equal to a threshold of US$50,000.

## Equipment

63. Equipment is recognized as an asset if its cost was greater or equal to US$5,000, is under the control of the ILO and if the ILO anticipates receiving future economic benefits or service potential.

| (US$ thousands) | Office equipment and furniture | IT and communication | Machinery and equipment | Vehicles | Total |
|---|---|---|---|---|---|
| Opening balance 1 January 2012 | – | – | – | – | – |
| Additions | 158 | 788 | 584 | 364 | 1 894 |
| Disposals | – | – | – | – | – |
| Depreciation | (3) | (47) | (47) | (21) | (118) |
| Exchange adjustment depreciation | – | (1) | (1) | – | (2) |
| Impairment | – | – | – | – | – |
| Closing balance 31 December 2012 | **155** | **740** | **536** | **343** | **1 774** |
| Additions | 197 | 1 968 | 621 | 570 | 3 356 |
| Disposals | – | – | (2) | – | (2) |
| Depreciation | (37) | (277) | (77) | (94) | (485) |
| Exchange adjustment depreciation | (1) | (3) | (4) | (1) | (9) |
| Exchange adjustment cost | 6 | 10 | 23 | 3 | 42 |
| Impairment | – | – | – | – | – |
| Closing balance 31 December 2013 | **320** | **2 438** | **1 097** | **821** | **4 676** |
| Gross carrying amount | 361 | 2 766 | 1 226 | 937 | 5 290 |
| Accumulated depreciation | (41) | (328) | (129) | (116) | (614) |
| Net carrying amount | **320** | **2 438** | **1 097** | **821** | **4 676** |

## Note 12 – Intangible assets

64. Intangible assets are as follows:

| (US$ thousands) | Software acquired externally | Software internally developed | Total |
|---|---|---|---|
| Net carrying amount at 1 January 2012 | – | – | – |
| Additions | 66 | 308 | 374 |
| Closing balance at 31 December 2012 | **66** | **308** | **374** |
| Additions | 59 | 763 | 822 |
| Disposals | – | – | – |
| Depreciation | (15) | (53) | (68) |
| Exchange adjustment depreciation | (1) | – | (1) |
| Exchange adjustment cost | 3 | – | 3 |
| Subtotal 2013 movement | 46 | 710 | 756 |
| Closing balance at 31 December 2013 | **112** | **1 018** | **1 130** |
| Gross carrying amount at 31 December 2013 | 128 | 1 071 | 1 199 |
| Accumulated depreciation | (16) | (53) | (69) |
| Net carrying amount at 31 December 2013 | 112 | 1 018 | 1 130 |

65. Intangible assets are capitalized and recognized as assets if their cost per user equalled or was greater than US$5,000 for externally acquired software and US$200,000 for internally developed software.

## Note 13 – Deferred revenue

| | **2013** (US$ millions) | **2012** (US$ millions) |
|---|---|---|
| **Deferred revenue – Current** | | |
| Assessed contributions received in advance | 38.8 | 38.1 |
| Voluntary contributions receivable relating to signed agreements | 234.7 | 239.2 |
| Receivables relating to signed agreements on ITC training services | 5.1 | 7.0 |
| SHIF contributions received in advance | 0.6 | 0.6 |
| Other deferred revenue | 0.6 | 0.5 |
| **Subtotal current deferred revenue** | **279.8** | **285.4** |
| **Deferred revenue – Non-current** | | |
| Voluntary contributions receivable relating to signed agreements | 74.3 | 72.2 |
| Receivables relating to signed agreements on ITC training services | 1.0 | 1.5 |
| **Subtotal non-current deferred revenue** | **75.3** | **73.7** |
| **Total deferred revenue** | **355.1** | **359.1** |

66. Assessed contributions received in advance represent amounts received from member States for contributions related to future financial periods. The deferred voluntary contribution revenue represents the amount receivable pending the completion of the performance required by agreements between the Organization and the donor.

## Note 14 – Due to donors

67. The ILO implements technical cooperation projects on behalf of donors including its member States, the UNDP and other international non-governmental organizations. Many of these projects are implemented over multi–year periods extending beyond the ILO's financial period. Agreements with donors include conditions requiring the completion of specific tasks and activities and the return of unexpended balances. Unexpended balances of funds held on behalf of donors are considered a liability for the Organization until the project is completed in accordance with the agreement with the donor and any unexpended balance has been returned to the donor.

68. The total amount of funds held on behalf of donors was US$211.1 million at the reporting date (US$223.4 million as at 31 December 2012).

## Note 15 – Employee benefit liabilities

69. The employee benefit liabilities are unfunded unless otherwise indicated below.

| | **2013** (US$ millions) | **2012** (US$ millions) |
|---|---|---|
| Current liabilities | | |
| Agreed termination | 1.4 | – |
| Education grant | 1.2 | 0.6 |
| Accumulated leave | 22.1 | 21.1 |
| Home leave | 0.5 | 0.6 |
| Repatriation grant and travel | 4.2 | 4.3 |
| ASHI liability | 22.2 | 19.9 |
| **Subtotal current liabilities** | **51.6** | **46.5** |
| | | |
| Non-current liabilities | | |
| Accumulated leave | 14.8 | 14.4 |
| Repatriation grant and travel | 44.3 | 45.9 |
| ASHI liability | 776.9 | 837.6 |
| **Subtotal non-current liabilities** | **836.0** | **897.9** |
| **Total employee benefits liabilities** | **887.6** | **944.4** |

70. The description of each liability is as follows:

71. *Accumulated leave:* In accordance with ILO Staff Regulations, ILO officials may accumulate annual leave of up to 60 working days.

72. *Repatriation grant and travel:* In accordance with ILO Staff Regulations, non-locally recruited ILO officials are entitled to a grant on separation from service if they have completed at least one year of service outside their home country. ITC General Service staff are also eligible for an end-of-service benefit.

73. In addition, ILO officials, spouse and dependent children are entitled to reimbursement of travel and transport of personal effects on separation.

74. The ILO maintains a separate fund to finance the costs of repatriation grants and makes a defined contribution to the fund as a percentage of compensation paid to eligible employees during the financial period. The total contribution paid to the Terminal Benefits Fund in 2013 was US$4.9 million (US$4.8 million in 2012). An amount of US$33.6 million has been reserved by the ILO in the Terminal Benefits Fund (US$32.0 million at 31 December 2012) to partially cover the repatriation grant.

75. *Home leave:* Non-locally recruited ILO officials are entitled to reimbursement for the costs of travel to their home country in the second year after their initial appointment and thereafter, every second year. The liability recorded relates to the value of home leave entitlements that have been earned by officials but not taken at the reporting date.

76. *Education grant:* Internationally recruited staff members are eligible for partial reimbursement of the amounts paid for the education of dependent children up to maximum allowances established by the International Civil Service Commission (ICSC). Expenses for education grant amounted to US$10.6 million in 2013 (US$9.2 million in 2012).

77. *Agreed termination benefits:* The ILO undertook a voluntary separation programme in 2013. Expenditure was included in 2013 staff cost with a provision of US$1.4 million established to cover continuing costs of pension and health insurance for eligible staff members during a period of up to 18 months after the date of separation.

78. *Comparative figures:* In 2012, an amount of US$19 million has been reclassified between the current and non-current employee benefits liabilities. This results from a more detailed analysis of the allocation methodology which increases the current liability amount and decreases the non-current liability to make them comparable with the 2013 figures.

## United Nations Joint Staff Pension Fund

79. The Pension 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 using the Open Group Aggregate Method. 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.

80. The ILO's financial obligation to the UNJSPF 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 Pension 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.

81. The actuarial valuation performed as of 31 December 2011 revealed an actuarial deficit of 1.87 per cent (0.38 per cent in the 2009 valuation) of pensionable remuneration, implying that the theoretical contribution rate required to achieve balance as of 31 December 2011 was 25.57 per cent of pensionable remuneration compared to the

actual contribution rate of 23.7 per cent. The actuarial deficit was primarily attributable to the lower than expected investment experience in recent years. As of 31 December 2011, the funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments was 130 per cent (140 per cent in the 2009 valuation). The funded ratio was 86 per cent (91 per cent in the 2009 valuation) when the current system of pension adjustments was taken into account.

82. After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as of 31 December 2011, 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 Fund. 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 had not invoked the provision of article 26.

83. In July 2012, the Pension Board noted in its report of the 59th Session to the General Assembly that an increase in the normal age of retirement for new participants in the fund to 65 was expected to significantly reduce the deficit and would potentially cover half of the current deficit of 1.87 per cent. In December 2012 and April 2013 the General Assembly authorized an increase to age 65 in the normal retirement age and in mandatory age of separation respectively for new participants of the Fund, with effect not later than from 1 January 2014.The related change to the Pension Fund’s Regulations was approved by the General Assembly in December 2013. The increase in the normal age will be reflected in the actuarial valuation of the Fund as of 31 December 2013.

84. During 2013, expenses related to the UNJSPF amounted to US$53 million (US$51.9 million in 2012). Expected expenses for 2014 total US$54 million.

85. The United Nations Board of Auditors carries out an annual audit of the UNJSPF and reports to the UNJSPF Pension Board on the audit every year. The UNJSPF publishes quarterly reports on its investments and these can be viewed by visiting the UNJSPF at www.unjspf.org.

### After Service Health Insurance Plan (ASHI)

86. Staff members (and their spouses, dependent children and survivors) retiring from service at the age of 55 or later are eligible for subsidized health-care coverage if they have at least ten years of service with an agency of the UN system and have been a participant in SHIF for the five years immediately preceding separation from service. The same benefit applies to former staff members receiving compensation for disability from the UNJSPF. An actuarial valuation carried out in 2013 calculated the ILO’s estimated liability for after-service medical benefits at the reporting date as described in the following paragraphs.

87. 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. For the 2013 valuation, the assumptions and methods used are as described below.

| **Key financial assumptions** | **2013** (%) | **2012** (%) |
|---|---|---|
| Discount rate at beginning of period | ILO: 2.50<br>ITC: 3.56 | 2.67 |
| Discount rate of end of period | ILO: 3.05<br>ITC: 3.84 | ILO: 2.50<br>ITC: 3.56 |
| Rate of future compensation increases at beginning of period | ILO: P staff 3.51, G staff 3.49<br>ITC: P staff 3.60, G staff 2.41 | 3.80 |
| Rate of future compensation increases at end of period | ILO: P staff 3.78, G staff 3.52<br>ITC: P staff 3.86, G staff 3.98 | ILO: P staff 3.51, G staff 3.49<br>ITC: P staff 3.60, G staff 2.41 |
| Rate of pension increases at beginning of period | 2.00 | 2.00 |
| Rate of pension increases at end of period | 2.00 | 2.00 |
| Medical inflation | 4.50 from 2013 decreasing by 0.225 per year to 3.00 | 5.025 from 2012 decreasing by 0.275 per year to 3.00 |

88. 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 (CHF, GBP, US$, €). The final rate was then determined by averaging the different discount rates, weighted by the benefit payments in the different currencies.

| **Sensitivity information for health-care plans**<br>(US$ thousands) | **2013** | **2012** |
|---|---|---|
| 1 per cent increase in health-care trend rate – Effect on service and interest costs | 14 730 | 18 182 |
| 1 per cent decrease in health-care trend rate – Effect on service and interest costs | (11 198) | (13 648) |
| 1 per cent increase in health-care trend rate – Effect on defined benefit obligation (DBO) | 154 216 | 174 006 |
| 1 per cent decrease in health-care trend rate – Effect on DBO | (122 725) | (137 587) |

| | 2013 | 2012 | 2011 | 2010 | 2008–09 (24 months) |
|---|---|---|---|---|---|
| | (US$ thousands) | | | | |
| Defined benefit obligation, beginning of year | 857 502 | 738 049 | 563 558 | 481 061 | 448 947 |
| Current service cost | 31 856 | 20 800 | 16 943 | 12 761 | 26 688 |
| Interest cost | 21 736 | 19 430 | 19 416 | 20 069 | 36 124 |
| Net benefits paid | (22 158) | (19 946) | (20 657) | (17 670) | (29 901) |
| Actuarial (gain)/loss due to experience | 998 | 4 815 | (26 077) | 3 798 | 18 297 |
| Actuarial(gain)/loss due to assumption changes | (90 878) | 94 354 | 184 866 | 63 539 | (19 094) |
| **Defined benefit obligation, end of year** | **799 056** | **857 502** | **738 049** | **563 558** | **481 061** |
| Statement of financial position asset/(liability), beginning of year | (857 502) | (738 049) | (563 558) | (481 061) | (448 947) |
| Total (charge)/credit for interest cost and current service cost | (53 592) | (40 230) | (36 359) | (32 830) | (62 812) |
| Net benefits paid | 22 158 | 19 946 | 20 657 | 17 670 | 29 901 |
| Total (charge)/credit recognized in Statement of financial performance | (31 434) | (20 284) | (15 702) | (15 160) | (32 911) |
| Total (charge)/credit recognized in net assets | 89 880 | (99 169) | (158 789) | (67 337) | 797 |
| **Statement of financial position liability, end of year** | **(799 056)** | **(857 502)** | **(738 049)** | **(563 558)** | **(481 061)** |

89. Expense related to interest cost and current services costs for 2013 has been recognized in the Statement of financial performance as staff costs. Cumulative net actuarial gains and losses of US$235.4 million (cumulative actuarial loss of US$325.3 million at 31 December 2012) have been recognized in net assets. Under IPSAS-25, the ASHI liability is considered unfunded and, therefore, no fair value of plan assets has been offset against the liability.

90. An amount of US$54.5 million is available in a SHIF Guarantee Fund (US$53.2 million at 31 December 2012) to cover future liabilities of the SHIF.

91. The ILO finances its ASHI liability on a pay-as-you-go basis. The Programme and Budget for 2014–15 includes a provision of US$29.8 million for this purpose.

## Note 16 – Borrowings

92. Borrowings consist of a loan made to the ILO from FIPOI for the construction of the ILO’s headquarters building with an original interest rate based on market rates. The interest was subsequently waived by the Swiss Confederation in 1996. The loan is repayable in annual instalments and the final payment will be due in 2025. The loan is unsecured.

| | **2013** (US$ millions) | **2013** (CHF millions) | **2012** (US$ millions) | **2012** (CHF millions) |
|---|---|---|---|---|
| Nominal value at beginning of period | 52.8 | 48.1 | 54.8 | 51.8 |
| Repaid in current period | (4.1) | (3.7) | (4.0) | (3.7) |
| Exchange rate effect | 1.4 | – | 2.0 | – |
| Nominal value at end of period | 50.1 | 44.4 | 52.8 | 48.1 |
| Payments due next year | 4.2 | 3.7 | 4.1 | 3.7 |
| Payments due from second to fifth year (CHF3.7 million per year) | 16.7 | 14.8 | 16.3 | 14.8 |
| Payments due after five years | 29.2 | 25.9 | 32.5 | 29.6 |
| Subtotal of non-current borrowings | 45.9 | 40.7 | 48.8 | 44.4 |
| Less discounting to fair value (2012) | – | – | (7.1) | (6.5) |
| Fair value adjustment on initial recognition | (7.1) | (6.5) | – | – |
| Exchange rate effect | (0.2) | – | – | – |
| Amortization using effective interest rate | 1.0 | 0.9 | – | – |
| **Total borrowings** | **43.8** | **38.8** | **45.8** | **41.6** |

## Note 17 – Due to member States

93. The amount due to member States at 31 December 2013 is calculated as follows:

| | **2013** (US$) | **2012** (US$) |
|---|---|---|
| Undistributed surpluses of prior periods | 188 149 | 183 193 |
| Undistributed net premium of prior periods | 2 116 697 | 287 162 |
| Undistributed 50 per cent of net premium | 166 025 | 5 112 385 |
| Subtotal | 2 470 871 | 5 582 740 |
| Incentive Fund | 436 600 | 5 383 470 |
| **Total payable to member States** | **2 907 471** | **10 966 210** |

94. 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 2012 amount was included as a separate element of accumulated fund balance pending the biennial results.

### Calculation of net premium and Incentive Fund

95. The Financial Regulations provide for the distribution of elements of the net result of operations of the regular budget as follows:

- *Net premium* – Article 11, paragraphs 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 2012–13 biennium is as follows:

| **Exchange Equalization Account (EEA) calculation** | **2012–13** (US$) | **2010–11** (US$) |
|---|---|---|
| Premium earned on the forward purchase of US dollars | 2 312 872 | 3 723 872 |
| Exchange gains (losses) from revaluation from budgetary to UN operational rate of exchange: | | |
| Revenue | (81 236 113) | 65 878 903 |
| Expense | 48 512 246 | (43 553 299) |
| Forward purchase of US dollars | 30 037 256 | (30 838 665) |
| Revaluation of assets, liabilities, reserves and fund balances at UN operational rate of exchange | (1 382 734) | 8 494 249 |
| Revaluation of provision for contribution arrears | 1 980 117 | 7 479 339 |
| Revaluation of regular budget surplus | 108 405 | (1 327 502) |
| **Total EEA** | **332 049** | **9 856 897** |

96. *Incentive Fund* – Article 11, paragraphs 4, 5 and 6, provides for an Incentive Fund financed by 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 financial period during which the net premium was earned.

| **Calculation of Incentive Fund** | **2013** (US$) | **2012** (US$) |
|---|---|---|
| Interest earned in current year | 99 488 | 166 580 |
| Interest earned in prior year | 171 087 | 104 504 |
| **Total interest earned** | **270 575** | **271 084** |
| 50 per cent of net premium | 166 025 | 5 112 386 |
| **Total available in Incentive Fund** | **436 600** | **5 383 470** |

## Note 18 – Funds held on behalf of the ITU

97. Funds held on behalf of the ITU include the value of the investments and other assets of the ILO–ITU Staff Health Insurance Fund held on behalf of the ITU as follows:

| | **2013** (US$ millions) | **2012** (US$ millions) |
|---|---|---|
| Investments | 11.7 | 11.5 |
| Derivative assets | 0.1 | 0.2 |
| Other receivables | 0.1 | 0.1 |
| Less: | | |
| Payables and accruals | (8.5) | (5.3) |
| **Net funds held on behalf of the ITU** | **3.4** | **6.5** |

## Note 19 – Other current liabilities

98. Other current liabilities are as follows:

| | 2013 (US$ millions) | 2012 (US$ millions) |
|---|---|---|
| Provision for contingencies | 1.8 | 0.3 |
| Pass-through funds held as administrative agent | 1.0 | – |
| Other | 0.9 | 0.3 |
| **Total other current liabilities** | **3.7** | **0.6** |

99. Provisions of US$1.8 million (US$0.3 million at 31 December 2012) are recognized in the Statement of financial position for legal cases pending before the ILO Administrative Tribunal for which it is probable or certain that the ILO will be required to settle the obligation and the amount can be reliably measured. During 2013, the ILO Administrative Tribunal delivered judgments which resulted in the release of provision of US$0.1 million. Provisions for existing cases were increased for US$1.4 million based on new estimations. New claims of US$0.2 million were submitted in 2013.

100. In some donor 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.

## Note 20 – Financial instruments

101. Financial instruments are categorized and measured as follows:

| | Classification | Measurement |
|---|---|---|
| Cash and cash equivalents | Cash and cash equivalents | Fair value through surplus or deficit |
| Assessed contributions receivable | Loans and receivables | Amortized cost |
| Voluntary contributions receivable | Loans and receivables | Amortized cost |
| Derivative assets and liabilities excluding effective hedging instruments | Held for trading | Fair value through surplus or deficit |
| Derivative assets and liabilities arising from effective hedging instruments | Held for trading | Fair value through net assets |
| Other receivables | Loans and receivables | Amortized cost |
| Investments | Held for trading | Fair value through surplus or deficit |
| Payables | Financial liabilities | Amortized cost |
| Borrowings | Financial liabilities | Amortized cost |

102. Fair value is determined using quoted prices in active markets for identical assets or liabilities.

## Financial risk management

103. 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. Currency risks related to the value of non-Swiss franc investments held for the SHIF and requirements to meet obligations valued in US dollars from regular budget assessed contributions paid in Swiss francs are offset using hedging instruments (forward purchase agreements).

104. *Price risk* is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates, interest rates and market prices. Price risk comprises three types of risk: currency risk, interest rate risk and market risk.

105. *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. 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, in particular the euro. 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.

106. 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. The ILO also enters into forward purchase agreements to hedge the non-Swiss franc investments held on behalf of its SHIF against currency gains or losses, since the SHIF's liabilities are predominately Swiss franc-based. The ILO receives voluntary contributions to finance technical 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 technical cooperation project budgets are adjusted to reflect the actual US dollars received in exchange. The ILO, therefore, has limited sensitivity to changes in foreign exchange rates in connection with its operating revenue and expense.

107. The table below shows the impact on surplus/deficit and net assets as of 31 December 2013, if the major currencies to which the Organization was exposed, weakened or strengthened by 5 per cent against the US dollar:

| (US$ millions) | Impact on surplus/deficit | | Impact on net assets | |
|---|---|---|---|---|
| | CHF | EUR | CHF | EUR |
| +5% | 20.8 | 1.2 | (17.7) | – |
| –5% | (19.1) | (1.1) | 16.0 | – |

108. The assets and liabilities held in CHF and EUR 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.

109. 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 Statement of financial position or Statement of financial performance.

110. 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. The ILO does not charge interest on its accounts receivable nor is it charged interest on its borrowings so

neither is subject to interest rate fluctuation. All accounts receivable for which financial arrangements have been approved providing for repayment over periods exceeding one year, and all long-term borrowings have been amortized using the effective interest rate methodology.

111. The ILO's investments include US$118.9 million in fixed-term investments of which US$16.1 million is in floating rate notes. The remaining investments in government bonds and commercial paper are subject to interest rate fluctuation which may impact on fair value. The ILO manages its interest rate risk by spreading the maturity dates of investments over the next few years. The ILO's regular budget and extra-budgetary operations are not dependent on nor materially impacted by interest earnings.

112. *Market risk:* All of the ILO's investments are valued at fair value based upon the market rate at the reporting date. Investments are in high-grade securities and equity funds which will fluctuate in value based on market conditions. Fluctuations do not impact on requirements for financing the ILO's current operations which are financed mainly by assessed contributions and voluntary contributions.

113. *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. The ILO is exposed to credit risk through its cash and cash equivalents, investments, accounts receivable and forward purchase agreements. The maximum exposure to credit risk of the ILO at 31 December 2013 is the carrying value of these assets. The ILO's investment policies limit the amount of credit exposure to any one counter-party and include conservative minimum credit quality requirements of investment grade. The ILO implements projects worldwide. Bank accounts operating outside of Geneva hold US$5.7 million or 0.9 per cent of the ILO's cash, cash equivalents and investments at 31 December 2013 and are not rated by reference to external credit ratings.

114. *Liquidity risk* is the risk that the ILO will encounter difficulties in meeting its financial obligations associated with financial liabilities. The ILO's approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring losses. The ILO also manages liquidity risk by continuously monitoring actual and estimated cash flows. A significant portion of the ILO's investments are held in highly liquid short-term floating rate notes and money market funds. The ILO does not have the authority to contract long-term debt without the approval of its member States through the ILC.

115. The ILO's total of current assets at 31 December 2013 of US$ 968.6 million is sufficient to meet its current liabilities at that date of US$624.5 million. On an ongoing basis, it is anticipated that the ILO will continue to have sufficient liquidity to pay all debts due. Implementation of the ILO's regular budget is financed by receipt of assessed contributions. In the event that a shortfall of contributions arises, the Organization can, in accordance with its Financial Regulations, draw down funding from its Working Capital Fund and other reserves pending the receipt of assessed contributions. At the reporting date, the balance in the Working Capital Fund was CHF18.3 million (US$20.6 million at the UN operating rate of exchange of US$1 = CHF0.887).

116. *Cash flow risk* is the risk that future cash flows associated with a monetary financial instrument will fluctuate in amount. All of the ILO's long-term accounts receivables from financial arrangements on the repayment of arrears by member States and its long-term borrowings have been amortized to reflect the present value of these assets and liabilities. Of the ILO's anticipated cash flow, 93 per cent is derived from

assessed contributions and voluntary contributions. Mandatory assessed contributions paid by its member States provide 54 per cent of the total cash resources, required to finance the ILO's operations related to its regular budget and General Funds. Based on historical experience the equivalent of 88 per cent of these funds are received in the year invoiced and over 98 per cent within a two-year period. Voluntary contributions provided by donors provide 39 per cent of the total cash resources, required for the operation of technical cooperation projects and other extra-budgetary activities. Extra-budgetary projects do not commence operation until the cash resources required to finance project activities have been deposited in the ILO's bank accounts. The remaining cash flow, including cash received for ITC training services, interest and dividends, sales and royalties and other income comprise 7 per cent of the total required cash resources.

## Derivatives

### *ILO regular budget forward purchase agreements*

117. The primary source of revenue to finance the Organization's regular budget activities comes from contributions assessed on member States that are paid in Swiss francs. Prior to the beginning of each biennial financial period, the Organization hedges its forecast US dollar requirements for the following two years with foreign exchange forward purchases. Derivative financial instruments in the form of forward purchase agreements are therefore acquired for the purpose of ensuring that the amount of Swiss francs receivable from member States for their assessed contributions for the biennium are sufficient to meet the ILO's US dollar requirements for its regular budget. The face value of the hedging agreement for the 2014–15 biennium is US$322.1 million (2012–13 US$305.1 million), purchased at an average rate of US$1 = CHF0.93 (US$1 = CHF0.83 for 2012–13). The forward purchase agreements mature monthly and the monthly amounts are established based on the regular budget's forecast US dollar cash flow requirements over the biennium. The risk of non-performance by a contra-party to the agreements is minimized by utilizing only banks with an investment grade credit rating and a reputation for performance.

118. The market value of the forward purchase agreements based on quoted market prices as reported by the contracting banks are as follows:

| **(US$ thousands)** | **2013** | **2012** |
|---|---|---|
| Market value of forward purchase contracts at 31 December | | |
| Short term – contracts that mature within the next 12 months | (8 154) | 14 132 |
| Long term – contracts with maturity dates greater than 12 months | (8 396) | – |
| **Total** | **(16 550)** | **14 132** |

119. A 5 per cent appreciation in the relative value of the US dollar against the Swiss franc would have resulted in a decrease in the net unrealized loss on above forward foreign exchange hedging contracts of US$16.1 million. A 5 per cent decrease in the relative value of the US dollar would have resulted in an increase in the net unrealized loss of US$17.8 million.

120. For accounting purposes, the forward purchase agreements are designated as cash flow hedges. The cash flow hedges were highly effective in 2013. The amount reclassified from net assets and included in the Statement of financial performance as exchange gain (loss) and the amounts retained in net assets at the end of the year are as follows:

| (US$ thousands) | 2013 | 2012 |
|---|---|---|
| **Net assets: Value of outstanding derivatives** | | |
| **Opening balance at 1 January** | **13 998** | **34 296** |
| Reclassification during the year to exchange gain (loss) and revaluation net | (13 998) | (16 183) |
| Net gain/(loss) during the year recognized in net assets | (16 376) | (4 115) |
| **Closing balance at 31 December** | **(16 376)** | **13 998** |

121. The amounts retained in Net assets at 31 December 2013 are expected to mature and affect the Statement of financial performance in 2014 and 2015 at the recognition of respectively the 2014 and 2015 assessed contributions from member States.

*SHIF forward purchase agreements*

122. The ILO hedges the risk related to financial assets held on behalf of the SHIF in currencies other than the Swiss franc by purchasing forward purchase agreements in each of the other currencies in which investments are held. The market value of the forward purchase agreements as reported by the investment portfolio manager was US$1.1 million at the reporting date (US$1.3 million as at 31 December 2012). The total of the reported asset relates to contracts that mature within the next 12 months.

123. The ILO manages its exposure to derivative counterparty credit risk by contracting with reputable financial institutions with investment grade external credit ratings.

124. The ILO does not believe it is exposed to an unusual or significant level of credit risk.

### Capital management

125. The ILO defines the capital that it manages as the aggregate of its net assets which is comprised of accumulated fund 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.

126. 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

127. 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. The total amount paid by the ILO to other UN agencies under cost-sharing agreements based on the reimbursement of actual cost incurred was US$1.6 million in 2013 (US$1.4 million in 2012). The total amount of lease and sublease expense recognized in 2013 was US$10 million (US$8.5 million in 2012).

128. Future minimum lease rental payments for non-cancellable leases for the following periods are:

| | **2013** (US$ millions) | **2012** (US$ millions) |
|---|---|---|
| Within one year | 0.6 | 0.5 |
| Later than one year and not later than five years | 2.2 | 2.2 |
| Later than five years | 2.5 | 3.0 |
| **Total operating lease commitments** | **5.3** | **5.7** |

129. The total amount of rent earned under contingent lease agreements in 2013 was US$0.6 million (US$0.5 million in 2012), comprising an ITC cost-sharing agreement with other UN agencies with the rent based on reimbursement of actual cost incurred and a profit-sharing agreement with the catering operator in the Geneva premises based on a percentage of revenue.

## Note 22 – Statement of comparison of budget and actual amounts

130. The Statement of financial position, Statement of financial performance, Statement of changes in net assets, Statement of cash flow are prepared on a different basis than the Statement of comparison of budget and actual amounts – regular budget (Statement V-A) which is prepared on a modified accrual basis in accordance with the ILO Financial Regulations using a fixed budgetary rate of exchange of US$1 = CHF0.84 for the 2012–13 biennium. Under the modified accrual basis, revenue is ultimately recognized on a cash basis. Expense is recognized on the delivery principle; however, costs of equipment acquisition are expensed when the equipment has been delivered and expense does not include costs related to changes in provisions for employee benefits liabilities. The information on Statement V-A includes only the portion of the General Fund for which a budget is adopted by the ILC.

131. Separate comparisons of adopted budgets to actual revenue and expense for other funds not forming part of the ILO General Fund with budgets adopted by the ILO Governing Body are included in Statements V-B to V-D. These budgets are adopted for the biennial period of 1 January 2012 to 31 December 2013, and are prepared on a modified accrual basis. Revenue and expense are recognized as described previously. All transactions are recorded in US dollars at the UN operational rate of exchange existing on the date of the transaction.

132. The ITC's budget is adopted by its Board of Directors on an annual basis in euro and submitted to the ILO Governing Body for information in accordance with the ITC Financial Regulations. To facilitate a meaningful budgetary reporting for the ITC Statement V-E is presented in euro and in US dollars using an average of the official euro/US dollar rates in effect for each month of 2013. The budget is prepared on a modified accrual basis. Revenue is recognized on an accrual basis.

133. The ILO does not publish a consolidated budget. Consequently, separate Statements of comparison of budget and actual amounts have been prepared for each of the published budgets adopted by the ILC (for the regular budget), the ILO Governing Body (for IILS CINTERFOR and CIS) and the ITC Board of Directors for the ITC. There were no changes to the approved budgets during 2013.

134. The following table provides a reconciliation of the result in accordance with the Financial Regulations and with IPSAS.

### Reconciliation of surplus on budgetary and IPSAS basis

| In US$ thousands | Regular budget | ITC | IILS | CINTERFOR | CIS | Total |
|---|---|---|---|---|---|---|
| Net result per budgetary basis (Statement V) | (18 776) | 3 802 | 526 | 2 | (238) | (14 684) |
| Less: Timing difference [(1)] | (42 834) | – | (234) | 66 | 134 | (42 868) |
| Adjusted net result | (61 610) | 3 802 | 292 | 68 | ( 104) | (57 552) |
| Reconciling items from budgetary basis to IPSAS basis: | | | | | | |
| Treatment of exchange differences | (743) | – | – | – | – | (743) |
| Provision for assessed contributions receivable | 28 444 | – | – | – | – | 28 444 |
| Amortization of receivable from member States with financial arrangement | 155 | – | – | – | – | 155 |
| Recognition of inventory | (267) | – | – | – | – | (267) |
| Recognition of equipment | 2 067 | (302) | – | 19 | – | 1 784 |
| Recognition of intangible assets | 545 | – | – | – | – | 545 |
| Accrual of employee benefits | (1 420) | – | (3) | 146 | (1) | (1 278) |
| Provision for contingencies | (1 482) | – | – | – | – | (1 482) |
| Unrealized loss from forward purchase agreements | (308) | – | – | – | – | (308) |
| Entity difference | – | 1 402 | – | – | – | 1 402 |
| Other differences | – | (284) | – | – | – | (284) |
| Net result per IPSAS basis | (34 619) | 4 618 | 289 | 233 | (105) | (29 584) |
| | | | | | | |
| Plus: Net movement in subsidiary funds | | | | | | (6 027) |
| **Net result in the Consolidated statement of financial performance** | | | | | | **(35 611)** |

[(1)] Statement V-A to V-D presents the net result for the biennium 2012–13. 2012 net result at budgetary basis is deducted for reconciliation purpose.

135. 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.

136. Basis differences occur when the approved budget is prepared on a basis other than the accounting basis. For the ILO, the regular budget is prepared on a modified accrual basis in accordance with the ILO Financial Regulations using a fixed budgetary rate of exchange, including the expensing of all capital acquisitions and the Consolidated financial statements are prepared on a full accrual basis.

137. Entity differences occur at the ILO since the published approved budgets (those adopted by the ILC  the ILO Governing Body and the ITC Board of Directors) include only certain of the funds managed by the Organization.

138. Financing activities are related to the repayment of the ILO's net borrowings.

139. Investing activities include the acquisition and disposal of long-term assets and other investments excluding cash and equivalents.

140. Operating activities are the principal activities of the ILO financed from assessed contributions, voluntary contributions, fees for services and other revenue.

141. The funds of the Office and the determination of budgetary surplus are governed by the Financial Regulations.

142. The following table provides a reconciliation between Statement V and Statement IV:

| | 2013 | | | |
|---|---|---|---|---|
| | Operating | Investing | Financing | Total |
| | (US$ thousands) | | | |
| Regular budget net result (Statement V-A) | (18 776) | – | – | (18 776) |
| ITC net result (Statement V-E) | 3 802 | – | – | 3 802 |
| IILS net result (Statement V-B) | 526 | – | – | 526 |
| CINTERFOR net result (Statement V-C) | 2 | – | – | 2 |
| CIS net result (Statement V-D) | (238) | – | – | (238) |
| Total surplus on budgetary basis | (14 684) | – | – | (14 684) |
| Total net result on basis comparable to the adopted budgets: | | | | |
| Timing difference | (42 868) | – | – | (42 868) |
| Basis difference | 28 603 | 2 329 | (4 082) | 26 850 |
| Entity difference | 10 411 | (35 673) | – | (25 262) |
| Other differences | (284) | – | – | (284) |
| Net cash flows | (18 822) | (33 344) | (4 082) | (56 248) |
| Effect of exchange rates on cash and cash equivalents | 1 330 | – | – | 1 330 |
| Actual amount in the Statement of cash flow (Statement IV): | (17 492) | (33 344) | (4 082) | (54 918) |

## Note 23 – Related party disclosures

143. Key management personnel during the period were the Director-General, Deputy Directors-General, Assistant Director-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 ILC who serve without compensation from the ILO and are not considered key management personnel.

144. The aggregate remuneration paid to key management personnel includes salaries and all allowances established in accordance with 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 contributes 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 | 2013 | | 2012 | |
|---|---|---|---|---|
| | Individuals (1) | Remuneration (US$) | Individuals | Remuneration (US$) |
| Key management | 11.6 | 4 004 388 | 14 | 5 134 528 |

(1) Full-time equivalent.

145. 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 the ILO Staff Regulations.

146. There were related party transactions involving key management personnel in 2013 totalling US$159,830 (US$131,310 in 2012). All such transactions are under terms and conditions that would apply in the normal course of operations.

## Note 24 – Revenue from non-exchange transactions

147. The primary source of revenue to the ILO is from non-exchange transactions including the assessed contributions paid by its member States and voluntary contributions made by donors to its technical cooperation projects and RBSA.

| **Revenue from non-exchange transactions** | **2013** (US$ millions) | **2012** (US$ millions) |
|---|---|---|
| Assessed contributions from member States | 397.3 | 382.9 |
| Change in provision for assessed contribution receivable | 1.0 | – |
| Voluntary contribution to technical cooperation projects RBSA and gifts and grants | 288.9 | 263.7 |
| ITC training services | 21.3 | 19.1 |
| **Total revenue from non-exchange transactions** | **708.5** | **665.7** |
| Receivables from assessed contributions | 98.3 | 69.1 |
| Receivables from voluntary contributions | 314.4 | 324.2 |
| **Total receivables from non-exchange transactions** | **412.7** | **393.3** |
| **Liabilities recognized for conditional voluntary contributions** | **309.0** | **311.4** |
| **Liabilities recognized for ITC training services** | **6.1** | **8.5** |
| **Advance receipts from assessed contributions** | **38.8** | **38.1** |

## Note 25 – Contingent assets and liabilities and commitments

148. *Contingent assets:* In June 2013, the ILC adopted the 2014–15 biennium budget including total assessed contributions payable by member States in accordance with article 13 of the ILO Constitution totalling CHF761.2 million (US$801.3 million at the budget rate of exchange of US$1 = CHF0.95 fixed by the ILC for the 2014–15 biennium). This amount has not been recognized as an asset as it does not meet the definition of an asset as at 31 December 2013 but is disclosed since the inflow of resources is probable. A voluntary contribution to the ITC of US$10.8 million covering future periods is considered probable as are voluntary contributions to the RBSA due in 2014 and future periods totalling US$15.7 million.

149. *Contingent liabilities:* The ILO has contingent liabilities for claims or legal actions related to the ILO Administrative Tribunal estimated at US$0.1 million (US$0.2 million at 31 December 2012) which do not meet the recognition criteria for liabilities. These are claims or legal actions for which it is probable that the ILO will be required to settle the obligation but the amount cannot be reliably measured or estimated or for which it is improbable that the ILO will be required to settle the obligation. During 2013, the ILO Administrative Tribunal delivered judgments which resulted in settlements of US$0.1 million for existing claims. The ILO expects the claims to be settled over the next 24 months. Other possible obligations exist which could lead to a significant future outflow of resources. These possible obligations may become an actual liability by the

occurrence or non-occurrence of one or more uncertain future events which are not wholly within the control of the ILO. The ILO is not currently in a position to determine whether a present obligation exists nor to reliably measure the likely outflow of resources and therefore no further amount is recorded or disclosed in the Consolidated financial statements.

150. *Commitments:* The ILO has multi-year contracts to provide for hosting and technical support to the ILO's Oracle-based systems, cleaning services and technical building maintenance at its headquarters in Geneva and catering and travel agent services at the ITC. The estimated outstanding commitments are estimated at US$27.8 million at 31 December 2013 (US$22.9 million at 31 December 2012). Outstanding contracts for renovation of the headquarters building totalled US$6.2 million at 31 December 2013 (US$16.1 million as at 31 December 2012).

## Note 26 – In-kind contributions

151. The ILO receives in-kind contributions from its member States of the right to use land office space and other facilities in its operations. The Organization has not received title to these properties which remain with the government providing the rights to use. The financial value of these facilities is not recognized on the Consolidated statement of financial position nor has the annual value of the right to use been recognized on the Consolidated statement of financial performance.

152. The major contributions representing the right to use facilities over extended periods include:

- The campus and facilities of the ITC made available by the City of Turin, Italy, including facilities constructed with funds provided by the Government of Italy.
- Land in Islamabad, Brasilia and Dar es Salaam is provided by the Government of Pakistan, the Government of Brazil and the Government of the United Republic of Tanzania respectively.
- Facilities in which the ILO has located its external offices in Budapest provided by the Government of Hungary, in Beirut provided by the Government of Lebanon, in Yaoundé provided by the Government of Cameroon, in Kuwait City provided by the Government of Kuwait, in Ankara provided by the Government of Turkey, in Abuja provided by the Government of Nigeria, in Lisbon provided by the Government of Portugal, in Madrid provided by the Government of Spain, in Rome provided by the Government of Italy, in Colombo provided by the Government of Sri Lanka and in Montevideo provided by the Government of Uruguay for the use of CINTERFOR. The Government of India also partially financed the acquisition of the leasehold for the office located in the city of New Delhi.

## Note 27 – Segment reporting

153. Segment reporting is presented in a format that represents the categories in which the ILO regular budget is appropriated by the ILC. The segments include:

- Policy-making organs – the International Labour Conference, Governing Body, major Regional Meetings, Legal Services and the Relations Meetings and Document Department.

- Strategic objectives – the technical programmes, regional and country offices, cross-cutting programmes and ITC, IILS, CIS and CINTERFOR and support services such as Information Technology and internal services.
- Management Services – Director-General's Office, Human Resources, Financial Services, Programme and Management and Oversight.
- Other – such as retiree health-care costs, contributions to UN system entities and extraordinary items.
- Unallocated (not distributed) – Compensation Fund, Terminal Benefits Fund, Staff Health Insurance Fund, change in provision for ASHI, investment revenue and expense, depreciation of property and equipment, amortization of intangible assets and the ILO contribution to the Administrative Tribunal.
- Eliminations – inter-segment transfers are eliminated including contributions made by each segment to the ILO, Staff Health Insurance Fund in accordance with the regulations of the Fund; ASHI charge for staff of technical cooperation projects; contributions to the Terminal Benefits Fund (at 3.5 per cent of basis salary for the regular budget expatriate staff 6.0 per cent for expatriate staff of the ITC and extra-budgetary-funded activities and 7.5 per cent for ITC General Service staff); and contributions to the Compensation Fund covering premiums for accident insurance and short-term staff insurance.

154. The assets and liabilities of the ILO are owned by and are the responsibility of the entire Organization and are not assets and liabilities of the individual segments. The total assets and liabilities are therefore presented in the consolidated segment.

# International Labour Organization

## Consolidated statement of financial performance by segment

**For the year ended 31 December 2013** (US$ millions)

| | Policy-making organs | | Strategic objectives | | Management services | | Other | | Unallocated | | Eliminations | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2013** | **2012** | **2013** | **2012** | **2013** | **2012** | **2013** | **2012** | **2013** | **2012 restated** | **2013** | **2012** | **2013** | **2012 restated** |
| Assessed contributions from member States | 42.6 | 41.0 | 296.3 | 285.6 | 34.6 | 33.3 | 23.8 | 23.0 | – | – | – | – | 397.3 | 382.9 |
| Change in provision for assessed contributions receivable | 0.1 | – | 0.8 | – | 0.1 | – | – | – | – | – | – | – | 1.0 | – |
| Voluntary contributions | – | 0.1 | 286.8 | 262.7 | 2.1 | 0.9 | – | – | – | – | – | – | 288.9 | 263.7 |
| ITC training services | – | – | 34.4 | 26.4 | – | – | – | – | – | – | (13.1) | (7.3) | 21.3 | 19.1 |
| Programme support income | 0.5 | 0.4 | 21.6 | 16.7 | 2.3 | 5.1 | – | – | – | – | (24.4) | (22.2) | – | – |
| Staff/Retiree employee benefit contributions | – | – | – | – | – | – | – | – | 21.0 | 20.9 | – | – | 21.0 | 20.9 |
| Sales and royalties | 1.4 | 1.6 | 4.2 | 4.2 | 1.5 | 1.2 | – | – | 2.7 | 2.5 | (0.9) | (1.1) | 8.9 | 8.4 |
| Investment income | – | – | – | – | – | – | – | – | 2.7 | 6.9 | – | – | 2.7 | 6.9 |
| Contribution inter-segment | – | – | 7.3 | 7.3 | – | – | – | 3.8 | 47.1 | 40.8 | (54.4) | (51.9) | – | – |
| Exchange gain (loss) and revaluation net | – | – | – | – | – | – | – | – | 18.1 | 34.4 | – | – | 18.1 | 34.4 |
| Other income | – | – | 3.6 | 2.4 | – | – | – | – | 0.8 | 1.6 | (1.5) | – | 2.9 | 4.0 |
| **Total revenue** | **44.6** | **43.1** | **655.0** | **605.3** | **40.6** | **40.5** | **23.8** | **26.8** | **92.4** | **107.1** | **(94.3)** | **(82.5)** | **762.1** | **740.3** |

| | Policy-making organs | | Strategic objectives | | Management services | | Other | | Unallocated | | Eliminations | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Staff costs | 37.7 | 34.2 | 347.0 | 335.6 | 36.7 | 32.5 | 3.2 | 2.0 | 32.4 | 19.8 | (19.1) | (16.9) | 437.9 | 407.2 |
| Travel | 1.7 | 1.6 | 30.2 | 25.1 | 1.1 | 0.9 | 0.6 | – | 0.7 | 0.5 | (0.2) | – | 34.1 | 28.1 |
| Subcontracts | 2.1 | 1.4 | 134.2 | 90.5 | 2.4 | 1.6 | 0.8 | 0.7 | (2.1) | 1.5 | (3.0) | (0.8) | 134.4 | 94.9 |
| General operating expenses | 2.2 | 2.0 | 45.6 | 41.4 | 0.8 | 0.6 | 0.3 | 0.1 | 0.4 | 1.0 | (1.2) | (0.1) | 48.1 | 45.0 |
| Supplies materials and small equipment | 0.2 | 0.1 | 14.5 | 9.8 | 0.2 | 0.1 | 0.1 | – | (0.2) | – | – | – | 14.8 | 10.0 |
| Depreciation and amortization | – | – | – | – | – | – | – | – | 2.4 | 2.0 | – | – | 2.4 | 2.0 |
| Seminars  workshops and other training | – | 0.1 | 65.1 | 50.9 | 0.4 | 0.5 | – | – | – | – | (8.0) | (7.0) | 57.5 | 44.5 |
| Staff development | 0.5 | 0.1 | 5.3 | 1.9 | (0.2) | 2.2 | – | – | – | – | (0.5) | – | 5.1 | 4.2 |
| Health benefits | – | – | – | – | – | – | – | – | 45.6 | 41.6 | – | – | 45.6 | 41.6 |
| Contributions and grants in aid | – | – | 16.3 | 11.6 | 0.2 | 0.2 | 29.5 | 29.1 | 0.5 | 0.4 | (37.6) | (35.2) | 8.9 | 6.1 |
| Programme support cost | – | – | 24.5 | 22.3 | 0.1 | – | – | – | 0.1 | 0.2 | (24.7) | (22.5) | – | – |
| Finance costs | – | – | – | – | – | – | – | – | 1.7 | 1.8 | – | – | 1.7 | 1.8 |
| Other expenses | – | – | 1.1 | – | – | – | – | – | 6.1 | 3.6 | – | – | 7.2 | 3.6 |
| **Total expense** | **44.4** | **39.5** | **683.8** | **589.1** | **41.7** | **38.6** | **34.5** | **31.9** | **87.6** | **72.4** | **(94.3)** | **(82.5)** | **797.7** | **689.0** |
| **Net result** | **0.2** | **3.6** | **(28.8)** | **16.2** | **(1.1)** | **1.9** | **(10.7)** | **(5.1)** | **4.8** | **34.7** | **–** | **–** | **(35.6)** | **51.3** |

# Note 28

## 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 2013 (in Swiss francs)

| Details | Balance due as at 1.1.2012 [1] | Assessed Contributions 2012–13 | Total Amounts due | Amount received or credited [2] 2012 | Amount received or credited [2] 2013 | Amount received or credited [2] Total Income | Balance due as at 31.12.2013 |
|---|---|---|---|---|---|---|---|
| A. Assessed contributions for the financial period 2012–13: | | | | | | | |
| 2012 – Assessed with the budget | | 361 880 400 | 361 880 400 | 317 274 744 | 36 236 728 | 353 511 472 | 8 368 928 |
| 2013 – Assessed with the budget [3] | | 361 900 754 | 361 900 754 | | 299 442 008 | 299 442 008 | 62 458 746 |
| **Total assessed contributions for the financial period 2012–13** | | **723 781 154** | **723 781 154** | **317 274 744** | **335 678 736** | **652 953 480** | **70 827 674** |
| B. Assessed contributions for previous financial periods due from member States | 125 819 215 | | 125 819 215 | 98 250 836 | 3 967 173 | 102 218 009 | 23 601 206 |
| 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** | 132 434 904 | | 132 434 904 | 98 250 836 | 3 967 173 | 102 218 009 | 30 216 895 |
| **Total 2012–13** | **132 434 904** | **723 781 154** | **856 216 058** | **415 525 580** | **339 645 909** | **755 171 489** | **101 044 569** |
| Total 2010–11 | 71 933 033 | 777 592 898 | 849 525 931 | 378 254 716 | 338 836 311 | 717 091 027 | 132 434 904 |

| | |
|---|---|
| Balance due in US dollars at the United Nations rate of exchange for 31 December 2013 (0.887 Swiss francs to the dollar) | 113 917 214 |
| Less prepayments of financial arrangements | (271 773) |
| Assessed contributions receivable in US dollars | 113 645 441 |

[1] Excludes assessed contributions for 2012.

| [2] Includes credits to member States in respect of: | 2012 | 2013 |
|---|---|---|
| The incentive scheme for 2010 and 2011 respectively | 82 524 | 4 752 586 |
| Cash surpluses for previous financial periods | 351 937 | – |
| 50 per cent of the net premium for previous financial periods | 8 329 | 3 041 477 |
| **Total credits** | **442 790** | **7 794 063** |

[3] Includes South Sudan's 2012 and 2013 contributions of 7 347 Swiss francs and 10 856 Swiss francs respectively and Palau's 2012 contribution of 2 151 Swiss fransassessed following their admission to membership of the ILO after adoption of the income budget by the International Labour Conference at its 102nd Session in June 2013. South Sudan and Palau joined the ILO on 29 April 2012 and 29 May 2012 respectively.

# Note 29

## Assessed contributions of member States and amounts due by States for prior periods of membership in the ILO
## Details for the year ended 31 December 2013
(in Swiss francs)

| State | 2012–13 assessed contributions | | | | | | | | Amounts due for previous financial periods | | | | Calendar years of assessment | Total due as at 31.12.2013 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2012 | | | | 2013 | | | Balance due as at 31.12.2013 | Balance due as at 01.01.2012 | Amounts received or credited | | Balance due as at 31.12.2013 | | |
| | Assessed contributions | | Amounts received or credited | | Assessed contributions | | Amounts received or credited | | | | | | | |
| | % | Amount | in 2012 | in 2013 | % | Amount | in 2013 | | | in 2012 | in 2013 | | | |
| Afghanistan | 0.004 | 14 475 | 13 | 14 462 | 0.004 | 14 475 | – | 14 475 | 7 | – | 7 | – | 2013 | 14 475 |
| Albania | 0.010 | 36 188 | 10 | 12 284 | 0.010 | 36 188 | 272 | 59 810 | 22 708 | 21 000 | 1 708 | – | 2012–13 | 59 810 |
| Algeria | 0.128 | 463 207 | 463 207 | – | 0.128 | 463 207 | 463 207 | – | – | – | – | – | | – |
| Angola | 0.010 | 36 188 | 36 188 | – | 0.010 | 36 188 | 17 998 | 18 190 | – | – | – | – | 2013 | 18 190 |
| Antigua and Barbuda (2) | 0.002 | 7 238 | 342 | – | 0.002 | 7 238 | – | 14 134 | 98 607 | – | – | 98 607 | 2000–13 | 112 741 |
| Argentina | 0.287 | 1 038 597 | – | 599 455 | 0.287 | 1 038 597 | – | 1 477 739 | 510 545 | 242 800 | 267 745 | – | 2012–13 | 1 477 739 |
| Armenia (1) | 0.005 | 18 094 | 18 094 | – | 0.005 | 18 094 | 18 094 | – | 1 527 666 | 72 000 | 96 000 | 1 359 666 | 1994–2004+2013 | 1 359 666 |
| Australia | 1.934 | 6 998 767 | 6 998 767 | – | 1.934 | 6 998 767 | 6 998 767 | – | – | – | – | – | | – |
| Austria | 0.852 | 3 083 221 | 3 083 221 | – | 0.852 | 3 083 221 | 3 083 221 | – | – | – | – | – | | – |
| Azerbaijan (1) | 0.015 | 54 282 | 54 282 | – | 0.015 | 54 282 | 54 282 | – | 3 220 660 | 70 784 | 141 568 | 3 008 308 | 1993–2005+2013 | 3 008 308 |
| Bahamas | 0.018 | 65 138 | 65 138 | – | 0.018 | 65 138 | 65 138 | – | – | – | – | – | | – |
| Bahrain | 0.039 | 141 133 | 141 133 | – | 0.039 | 141 133 | 141 133 | – | – | – | – | – | | – |
| Bangladesh | 0.010 | 36 188 | 36 188 | – | 0.010 | 36 188 | 36 188 | – | – | – | – | – | | – |
| Barbados | 0.008 | 28 950 | 28 950 | – | 0.008 | 28 950 | 28 950 | – | – | – | – | – | | – |
| Belarus (1) | 0.042 | 151 990 | 151 990 | – | 0.042 | 151 990 | 151 990 | – | 946 479 | 157 746 | 157 746 | 630 987 | 1997 | 630 987 |
| Belgium | 1.076 | 3 893 833 | 3 893 833 | – | 1.076 | 3 893 833 | 3 893 833 | – | – | – | – | – | | – |
| Belize | 0.001 | 3 619 | 3 619 | – | 0.001 | 3 619 | 3 619 | – | 11 675 | 11 675 | – | – | | – |
| Benin | 0.003 | 10 856 | 2 | – | 0.003 | 10 856 | 49 | 21 661 | 649 | – | – | 649 | 2011–13 | 22 310 |
| Bolivia, Plurinational State of | 0.007 | 25 332 | 25 332 | – | 0.007 | 25 332 | 25 332 | – | – | – | – | – | | – |

| State | 2012–13 assessed contributions: 2012 Assessed contributions % | 2012 Assessed contributions Amount | 2012 Amounts received or credited in 2012 | 2012 Amounts received or credited in 2013 | 2013 Assessed contributions % | 2013 Assessed contributions Amount | 2013 Amounts received or credited in 2013 | Balance due as at 31.12.2013 | Amounts due for previous financial periods: Balance due as at 01.01.2012 | Amounts received or credited in 2012 | Amounts received or credited in 2013 | Balance due as at 31.12.2013 | Calendar years of assessment | Total due as at 31.12.2013 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Bosnia and Herzegovina | 0.014 | 50 663 | 50 663 | – | 0.014 | 50 663 | 50 663 | – | – | – | – | – | | – |
| Botswana | 0.018 | 65 138 | 65 138 | – | 0.018 | 65 138 | 65 138 | – | – | – | – | – | | – |
| Brazil | 1.612 | 5 833 512 | – | – | 1.612 | 5 833 512 | 68 393 | 11 598 631 | – | – | – | – | 2012–13 | 11 598 631 |
| Brunei Darussalam | 0.028 | 101 326 | 101 326 | – | 0.028 | 101 326 | 101 326 | – | – | – | – | – | | – |
| Bulgaria | 0.038 | 137 515 | 137 515 | – | 0.038 | 137 515 | 137 515 | – | – | – | – | – | | – |
| Burkina Faso | 0.003 | 10 856 | 10 856 | – | 0.003 | 10 856 | 10 856 | – | – | – | – | – | | – |
| Burundi (2) | 0.001 | 3 619 | 9 | – | 0.001 | 3 619 | – | 7 229 | 12 023 | 3 222 | 2 938 | 5 863 | 2010–13 | 13 092 |
| Cambodia (1) | 0.003 | 10 856 | 10 856 | – | 0.003 | 10 856 | 10 856 | – | 81 180 | 27 062 | 27 062 | 27 056 | 1994 | 27 056 |
| Cameroon | 0.011 | 39 807 | 39 807 | – | 0.011 | 39 807 | 39 807 | – | – | – | – | – | | – |
| Canada | 3.208 | 11 609 123 | 11 609 123 | – | 3.208 | 11 609 123 | 11 609 123 | – | – | – | – | – | | – |
| Cabo Verde | 0.001 | 3 619 | – | 3 619 | 0.001 | 3 619 | – | 3 619 | 5 501 | – | 5 501 | – | 2013 | 3 619 |
| Central African Republic (1) | 0.001 | 3 619 | 3 619 | – | 0.001 | 3 619 | 3 619 | – | 98 958 | 8 846 | 8 192 | 81 920 | 1997–2000+2004–07 | 81 920 |
| Chad | 0.002 | 7 238 | – | – | 0.002 | 7 238 | – | 14 476 | 11 514 | 4 014 | – | 7 500 | 2011–13 | 21 976 |
| Chile | 0.236 | 854 038 | 854 035 | 3 | 0.236 | 854 038 | 850 341 | 3 697 | 35 235 | 35 235 | – | – | 2013 | 3 697 |
| China | 3.190 | 11 543 985 | 11 543 985 | – | 3.190 | 11 543 985 | 11 543 985 | – | 3 030 076 | 3 030 076 | – | – | | – |
| Colombia | 0.144 | 521 108 | 260 681 | 260 427 | 0.144 | 521 108 | 521 108 | – | 169 818 | 169 818 | – | – | | – |
| Comoros (1) | 0.001 | 3 619 | – | – | 0.001 | 3 619 | – | 7 238 | 503 058 | 2 838 | 54 461 | 445 759 | 1985–2013 | 452 997 |
| Congo | 0.003 | 10 856 | 8 162 | – | 0.003 | 10 856 | 49 | 13 501 | 1 280 | 1 280 | – | – | 2012–13 | 13 501 |
| Costa Rica | 0.034 | 123 039 | 414 | 122 115 | 0.034 | 123 039 | – | 123 549 | 86 809 | 47 653 | 39 156 | – | 2012–13 | 123 549 |
| Côte d'Ivoire | 0.010 | 36 188 | – | – | 0.010 | 36 188 | – | 72 376 | 143 667 | – | 143 267 | 400 | 2011–13 | 72 776 |
| Croatia | 0.097 | 351 024 | 351 024 | – | 0.097 | 351 024 | 351 024 | – | – | – | – | – | | – |
| Cuba | 0.071 | 256 935 | 116 307 | 140 628 | 0.071 | 256 935 | 121 697 | 135 238 | 149 391 | 149 391 | – | – | 2013 | 135 238 |
| Cyprus | 0.046 | 166 465 | 166 465 | – | 0.046 | 166 465 | 166 465 | – | – | – | – | – | | – |
| Czech Republic | 0.349 | 1 262 963 | 1 262 963 | – | 0.349 | 1 262 963 | 1 262 963 | – | – | – | – | – | | – |

| State | 2012–13 assessed contributions | | | | | | | | Amounts due for previous financial periods | | | | Calendar years of assessment | Total due as at 31.12.2013 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2012 | | | | 2013 | | | Balance due as at 31.12.2013 | Balance due as at 01.01.2012 | Amounts received or credited | | Balance due as at 31.12.2013 | | |
| | Assessed contributions | | Amounts received or credited | | Assessed contributions | | Amounts received or credited | | | | | | | |
| | % | Amount | in 2012 | in 2013 | % | Amount | in 2013 | | | in 2012 | in 2013 | | | |
| Democratic Republic of the Congo | 0.003 | 10 856 | – | – | 0.003 | 10 856 | – | 21 712 | 32 039 | 29 812 | – | 2 227 | 2011–13 | 23 939 |
| Denmark | 0.736 | 2 663 440 | 2 663 440 | – | 0.736 | 2 663 440 | 2 663 440 | – | – | – | – | – | | – |
| Djibouti (2) | 0.001 | 3 619 | 272 | – | 0.001 | 3 619 | – | 6 966 | 102 371 | – | 7 318 | 95 053 | 1996+1998–2013 | 102 019 |
| Dominica (2) | 0.001 | 3 619 | – | – | 0.001 | 3 619 | – | 7 238 | 22 645 | – | – | 22 645 | 2006–13 | 29 883 |
| Dominican Republic | 0.042 | 151 990 | – | – | 0.042 | 151 990 | – | 303 980 | 254 038 | 151 990 | – | 102 048 | 2011–13 | 406 028 |
| Ecuador | 0.040 | 144 752 | 28 221 | – | 0.040 | 144 752 | – | 261 283 | 93 829 | 93 829 | – | – | 2012–13 | 261 283 |
| Egypt | 0.094 | 340 168 | 340 168 | – | 0.094 | 340 168 | 340 168 | – | – | – | – | – | | – |
| El Salvador | 0.019 | 68 757 | 259 | – | 0.019 | 68 757 | – | 137 255 | 8 355 | – | – | 8 355 | 2011–13 | 145 610 |
| Equatorial Guinea | 0.008 | 28 950 | – | – | 0.008 | 28 950 | – | 57 900 | 34 829 | 34 829 | – | – | 2012–13 | 57 900 |
| Eritrea | 0.001 | 3 619 | 3 619 | – | 0.001 | 3 619 | 3 619 | – | – | – | – | – | | – |
| Estonia | 0.040 | 144 752 | 144 752 | – | 0.040 | 144 752 | 144 752 | – | – | – | – | – | | – |
| Ethiopia | 0.008 | 28 950 | 28 950 | – | 0.008 | 28 950 | 28 950 | – | – | – | – | – | | – |
| Fiji | 0.004 | 14 475 | 14 475 | – | 0.004 | 14 475 | 14 475 | – | – | – | – | – | | – |
| Finland | 0.566 | 2 048 243 | 2 048 243 | – | 0.566 | 2 048 243 | 2 048 243 | – | – | – | – | – | | – |
| France | 6.126 | 22 168 793 | 22 168 793 | – | 6.126 | 22 168 793 | 22 168 793 | – | – | – | – | – | | – |
| Gabon | 0.014 | 50 663 | 49 151 | – | 0.014 | 50 663 | 1 448 | 50 727 | – | – | – | – | 2012–13 | 50 727 |
| Gambia (2) | 0.001 | 3 619 | 89 | – | 0.001 | 3 619 | – | 7 149 | 45 430 | – | – | 45 430 | 1999–2013 | 52 579 |
| Georgia (1) | 0.006 | 21 713 | 21 713 | – | 0.006 | 21 713 | 21 713 | – | 2 657 195 | 153 595 | 153 595 | 2 350 005 | 1994–2004 | 2 350 005 |
| Germany | 8.021 | 29 026 427 | 29 026 427 | – | 8.021 | 29 026 427 | 29 026 427 | – | – | – | – | – | | – |
| Ghana | 0.006 | 21 713 | 57 | – | 0.006 | 21 713 | 600 | 42 769 | – | – | – | – | 2012–13 | 42 769 |
| Greece | 0.691 | 2 500 594 | 7 705 | 2 492 889 | 0.691 | 2 500 594 | 1 208 078 | 1 292 516 | 3 743 762 | 3 616 600 | 127 162 | – | 2013 | 1 292 516 |
| Grenada (2) | 0.001 | 3 619 | – | – | 0.001 | 3 619 | – | 7 238 | 7 626 | – | – | 7 626 | 2010–13 | 14 864 |
| Guatemala | 0.028 | 101 326 | 101 326 | – | 0.028 | 101 326 | 101 326 | – | – | – | – | – | | – |
| Guinea | 0.002 | 7 238 | 6 721 | 517 | 0.002 | 7 238 | 6 943 | 295 | 6 538 | 6 538 | – | – | 2013 | 295 |

| State | 2012–13 assessed contributions | | | | | | | | Amounts due for previous financial periods | | | | Calendar years of assessment | Total due as at 31.12.2013 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2012 | | | | 2013 | | | Balance due as at 31.12.2013 | Balance due as at 01.01.2012 | Amounts received or credited | | Balance due as at 31.12.2013 | | |
| | Assessed contributions | | Amounts received or credited | | Assessed contributions | | Amounts received or credited | | | | | | | |
| | % | Amount | in 2012 | in 2013 | % | Amount | in 2013 | | | in 2012 | in 2013 | | | |
| Guinea–Bissau (2) | 0.001 | 3 619 | – | – | 0.001 | 3 619 | – | 7 238 | 256 965 | – | – | 256 965 | 1992–2001 +2003–13 | 264 203 |
| Guyana | 0.001 | 3 619 | 3 619 | – | 0.001 | 3 619 | 3 619 | – | – | – | – | – | | – |
| Haiti | 0.003 | 10 856 | 10 856 | – | 0.003 | 10 856 | 10 856 | – | 19 403 | 19 403 | – | – | | – |
| Honduras | 0.008 | 28 950 | 26 037 | 2 913 | 0.008 | 28 950 | 28 929 | 21 | 8 088 | 8 088 | – | – | 2013 | 21 |
| Hungary | 0.291 | 1 053 072 | 1 053 072 | – | 0.291 | 1 053 072 | 1 053 072 | – | 7 | 7 | – | – | | – |
| Iceland | 0.042 | 151 990 | 151 990 | – | 0.042 | 151 990 | 151 990 | – | – | – | – | – | | – |
| India | 0.534 | 1 932 441 | 1 932 441 | – | 0.534 | 1 932 441 | 1 932 441 | – | – | – | – | – | | – |
| Indonesia | 0.238 | 861 275 | 861 275 | – | 0.238 | 861 275 | 861 275 | – | – | – | – | – | | – |
| Iran, Islamic Republic of | 0.233 | 843 181 | – | 687 156 | 0.233 | 843 181 | – | 999 206 | 1 212 844 | – | 1 212 844 | – | 2012–2013 | 999 206 |
| Iraq (1) | 0.020 | 72 376 | 72 376 | – | 0.020 | 72 376 | 72 376 | – | 4 876 319 | 304 770 | 304 770 | 4 266 779 | 1993–2007 | 4 266 779 |
| Ireland | 0.498 | 1 802 164 | 1 802 143 | 21 | 0.498 | 1 802 164 | 1 802 164 | – | 7 | 7 | – | – | | – |
| Israel | 0.384 | 1 389 621 | 1 256 920 | 132 701 | 0.384 | 1 389 621 | 1 152 687 | 236 934 | 132 701 | 132 701 | – | – | 2013 | 236 934 |
| Italy | 5.001 | 18 097 639 | 18 097 639 | – | 5.001 | 18 097 639 | 18 097 639 | – | – | – | – | – | | – |
| Jamaica | 0.014 | 50 663 | 50 663 | – | 0.014 | 50 663 | 50 663 | – | 38 545 | 38 545 | – | – | | – |
| Japan | 12.535 | 45 361 708 | 45 361 708 | – | 12.535 | 45 361 708 | 45 361 708 | – | – | – | – | – | | – |
| Jordan | 0.014 | 50 663 | 50 663 | – | 0.014 | 50 663 | 50 663 | – | – | – | – | – | | – |
| Kazakhstan (1) | 0.076 | 275 029 | 275 029 | – | 0.076 | 275 029 | 275 029 | – | 2 316 022 | 257 335 | 257 335 | 1 801 352 | 1996–99 | 1 801 352 |
| Kenya | 0.012 | 43 426 | – | 43 426 | 0.012 | 43 426 | 43 426 | – | 43 733 | 30 091 | 13 642 | – | | – |
| Kiribati | 0.001 | 3 619 | 13 | – | 0.001 | 3 619 | – | 7 225 | 6 235 | – | 6 044 | 191 | 2011–13 | 7 416 |
| Korea, Republic of | 2.261 | 8 182 116 | 6 035 985 | 2 146 131 | 2.261 | 8 182 116 | 7 694 464 | 487 652 | 5 467 978 | 5 467 978 | – | – | 2013 | 487 652 |
| Kuwait | 0.263 | 951 745 | 951 745 | – | 0.263 | 951 745 | 951 745 | – | – | – | – | – | | – |
| Kyrgyzstan (2) | 0.001 | 3 619 | – | – | 0.001 | 3 619 | – | 7 238 | 1 143 979 | – | – | 1 143 979 | 1992–2013 | 1 151 217 |
| Lao People's Democratic Republic | 0.001 | 3 619 | 3 619 | – | 0.001 | 3 619 | 46 | 3 573 | 3 853 | 3 853 | – | – | 2013 | 3 573 |
| Latvia | 0.038 | 137 515 | 137 515 | – | 0.038 | 137 515 | 137 515 | – | – | – | – | – | | – |

| State | 2012–13 assessed contributions: 2012 Assessed contributions % | 2012 Assessed contributions Amount | 2012 Amounts received or credited in 2012 | 2012 Amounts received or credited in 2013 | 2013 Assessed contributions % | 2013 Assessed contributions Amount | 2013 Amounts received or credited in 2013 | Balance due as at 31.12.2013 | Amounts due for previous financial periods: Balance due as at 01.01.2012 | Amounts received or credited in 2012 | Amounts received or credited in 2013 | Balance due as at 31.12.2013 | Calendar years of assessment | Total due as at 31.12.2013 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Lebanon | 0.033 | 119 421 | 439 | 73 264 | 0.033 | 119 421 | – | 165 139 | 137 008 | 118 961 | 18 047 | – | 2012–13 | 165 139 |
| Lesotho | 0.001 | 3 619 | 3 619 | – | 0.001 | 3 619 | 3 619 | – | – | – | – | – | | – |
| Liberia (1) | 0.001 | 3 619 | 3 619 | – | 0.001 | 3 619 | 3 619 | – | 107 268 | 11 919 | 11 919 | 83 430 | 1996–99 | 83 430 |
| Libya | 0.129 | 466 826 | 466 826 | – | 0.129 | 466 826 | 466 826 | – | 878 900 | 878 900 | – | – | | – |
| Lithuania | 0.065 | 235 222 | 235 222 | – | 0.065 | 235 222 | 235 222 | – | – | – | – | – | | – |
| Luxembourg | 0.090 | 325 692 | 325 692 | – | 0.090 | 325 692 | 325 692 | – | – | – | – | – | | – |
| Madagascar | 0.003 | 10 856 | – | – | 0.003 | 10 856 | – | 21 712 | 1 221 | 1 207 | – | 14 | 2011–13 | 21 726 |
| Malawi | 0.001 | 3 619 | – | 3 619 | 0.001 | 3 619 | 3 619 | – | 7 422 | – | 7 422 | – | | – |
| Malaysia | 0.253 | 915 557 | 915 557 | – | 0.253 | 915 557 | 915 557 | – | – | – | – | – | | – |
| Maldives, Republic of | 0.001 | 3 619 | – | – | 0.001 | 3 619 | 48 | 7 190 | – | – | – | – | 2012–13 | 7 190 |
| Mali | 0.003 | 10 856 | 10 856 | – | 0.003 | 10 856 | 7 269 | 3 587 | 7 647 | 7 647 | – | – | 2013 | 3 587 |
| Malta | 0.017 | 61 520 | 61 520 | – | 0.017 | 61 520 | 61 520 | – | – | – | – | – | | – |
| Marshall Islands | 0.001 | 3 619 | 3 619 | – | 0.001 | 3 619 | 3 619 | – | – | – | – | – | | – |
| Mauritania | 0.001 | 3 619 | 3 619 | – | 0.001 | 3 619 | 1 738 | 1 881 | 2 807 | 2 807 | – | – | 2013 | 1 881 |
| Mauritius | 0.011 | 39 807 | 39 807 | – | 0.011 | 39 807 | 39 807 | – | – | – | – | – | | – |
| Mexico | 2.357 | 8 529 521 | 8 529 521 | – | 2.357 | 8 529 521 | 108 996 | 8 420 525 | – | – | – | – | 2013 | 8 420 525 |
| Moldova, Republic of (1) | 0.002 | 7 238 | 7 238 | – | 0.002 | 7 238 | 7 238 | – | 1 910 538 | 136 467 | 136 467 | 1 637 604 | 1994–2004 | 1 637 604 |
| Mongolia | 0.002 | 7 238 | 7 105 | – | 0.002 | 7 238 | – | 7 371 | 57 | 57 | – | – | 2012–13 | 7 371 |
| Montenegro | 0.004 | 14 475 | 14 475 | – | 0.004 | 14 475 | 14 475 | – | – | – | – | – | | – |
| Morocco | 0.058 | 209 891 | 209 891 | – | 0.058 | 209 891 | 209 891 | – | – | – | – | – | | – |
| Mozambique | 0.003 | 10 856 | 10 856 | – | 0.003 | 10 856 | 10 856 | – | 7 | 7 | – | – | | – |
| Myanmar | 0.006 | 21 713 | 21 713 | – | 0.006 | 21 713 | 21 299 | 414 | 708 | 708 | – | – | 2013 | 414 |
| Namibia | 0.008 | 28 950 | 28 950 | – | 0.008 | 28 950 | 28 950 | – | – | – | – | – | | – |
| Nepal | 0.006 | 21 713 | 21 637 | 76 | 0.006 | 21 713 | 21 713 | – | – | – | – | – | | – |
| Netherlands | 1.856 | 6 716 500 | 6 716 500 | – | 1.856 | 6 716 500 | 6 716 500 | – | – | – | – | – | | – |

| State | 2012–13 assessed contributions | | | | | | | | Amounts due for previous financial periods | | | | Calendar years of assessment | Total due as at 31.12.2013 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2012 | | | | 2013 | | | Balance due as at 31.12.2013 | Balance due as at 01.01.2012 | Amounts received or credited | | Balance due as at 31.12.2013 | | |
| | Assessed contributions | | Amounts received or credited | | Assessed contributions | | Amounts received or credited | | | | | | | |
| | % | Amount | in 2012 | in 2013 | % | Amount | in 2013 | | | in 2012 | in 2013 | | | |
| New Zealand | 0.273 | 987 933 | 987 933 | – | 0.273 | 987 933 | 987 933 | – | – | – | – | – | | – |
| Nicaragua | 0.003 | 10 856 | 10 856 | – | 0.003 | 10 856 | 10 856 | – | 4 107 | 4 107 | – | – | | – |
| Niger | 0.002 | 7 238 | 44 | – | 0.002 | 7 238 | 38 | 14 394 | 3 301 | 3 301 | – | – | 2012–13 | 14 394 |
| Nigeria | 0.078 | 282 267 | 5 | 282 262 | 0.078 | 282 267 | 247 596 | 34 671 | 291 430 | – | 291 430 | – | 2013 | 34 671 |
| Norway | 0.872 | 3 155 597 | 3 155 597 | – | 0.872 | 3 155 597 | 3 155 597 | – | – | – | – | – | | – |
| Oman | 0.086 | 311 217 | 311 212 | 5 | 0.086 | 311 217 | 311 203 | 14 | – | – | – | – | 2013 | 14 |
| Pakistan | 0.082 | 296 742 | 293 807 | 2 935 | 0.082 | 296 742 | 281 739 | 15 003 | 186 545 | 186 545 | – | – | 2013 | 15 003 |
| Palau | 0.000 | – | – | – | 0.001 | 5 770 | – | 5 770 | – | – | – | – | 2012–13 | 5 770 |
| Panama | 0.022 | 79 614 | 79 614 | – | 0.022 | 79 614 | 79 614 | – | – | – | – | – | | – |
| Papua New Guinea | 0.002 | 7 238 | – | 7 238 | 0.002 | 7 238 | 7 238 | – | 23 422 | 15 646 | 7 776 | – | | – |
| Paraguay (1) | 0.007 | 25 332 | 553 | – | 0.007 | 25 332 | 45 | 50 066 | 610 360 | 42 946 | 62 348 | 505 066 | 1988–90+1998–2003+2011–12+2013 | 555 132 |
| Peru | 0.090 | 325 692 | 281 451 | 44 241 | 0.090 | 325 692 | 305 584 | 20 108 | 945 488 | 945 488 | – | – | 2013 | 20 108 |
| Philippines | 0.090 | 325 692 | 325 692 | – | 0.090 | 325 692 | 325 692 | – | – | – | – | – | | – |
| Poland | 0.828 | 2 996 370 | 2 996 370 | – | 0.828 | 2 996 370 | 2 996 370 | – | – | – | – | – | | – |
| Portugal | 0.511 | 1 849 209 | 812 | 1 848 397 | 0.511 | 1 849 209 | 22 834 | 1 826 375 | 1 922 364 | 1 922 364 | – | – | 2013 | 1 826 375 |
| Qatar | 0.135 | 488 539 | 488 539 | – | 0.135 | 488 539 | 488 539 | – | – | – | – | – | | – |
| Romania | 0.177 | 640 528 | 640 528 | – | 0.177 | 640 528 | 640 528 | – | – | – | – | – | | – |
| Russian Federation | 1.603 | 5 800 943 | 5 800 943 | – | 1.603 | 5 800 943 | 5 800 943 | – | – | – | – | – | | – |
| Rwanda | 0.001 | 3 619 | 3 619 | – | 0.001 | 3 619 | 43 | 3 576 | 3 697 | 3 697 | – | – | 2013 | 3 576 |
| Saint Kitts and Nevis | 0.001 | 3 619 | 3 619 | – | 0.001 | 3 619 | 3 619 | – | 20 | 20 | – | – | | – |
| Saint Lucia | 0.001 | 3 619 | 3 619 | – | 0.001 | 3 619 | 2 022 | 1 597 | – | – | – | – | 2013 | 1 597 |
| Saint Vincent and the Grenadines | 0.001 | 3 619 | 15 | – | 0.001 | 3 619 | 46 | 7 177 | 38 | – | – | 38 | 2011–13 | 7 215 |
| Samoa | 0.001 | 3 619 | 3 619 | – | 0.001 | 3 619 | 3 619 | – | – | – | – | – | | – |

| State | 2012–13 assessed contributions | | | | | | | | Amounts due for previous financial periods | | | | Calendar years of assessment | Total due as at 31.12.2013 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2012 | | | | 2013 | | | Balance due as at 31.12.2013 | Balance due as at 01.01.2012 | Amounts received or credited | | Balance due as at 31.12.2013 | | |
| | Assessed contributions | | Amounts received or credited | | Assessed contributions | | Amounts received or credited | | | | | | | |
| | % | Amount | in 2012 | in 2013 | % | Amount | in 2013 | | | in 2012 | in 2013 | | | |
| San Marino | 0.003 | 10 856 | 10 856 | – | 0.003 | 10 856 | 10 856 | – | – | – | – | – | | – |
| Sao Tome and Principe (2) | 0.001 | 3 619 | 342 | – | 0.001 | 3 619 | – | 6 896 | 215 265 | – | 17 432 | 197 833 | 1994–2013 | 204 729 |
| Saudi Arabia | 0.831 | 3 007 226 | 3 007 226 | – | 0.830 | 3 003 607 | 3 003 607 | – | – | – | – | – | | – |
| Senegal | 0.006 | 21 713 | – | – | 0.006 | 21 713 | – | 43 426 | 6 616 | – | – | 6 616 | 2011–13 | 50 042 |
| Serbia | 0.037 | 133 896 | 133 896 | – | 0.037 | 133 896 | 133 896 | – | – | – | – | – | | – |
| Seychelles | 0.002 | 7 238 | 7 238 | – | 0.002 | 7 238 | 7 238 | – | – | – | – | – | | – |
| Sierra Leone (2) | 0.001 | 3 619 | – | – | 0.001 | 3 619 | – | 7 238 | 414 095 | 2 070 | 1 798 | 410 227 | 1986–2013 | 417 465 |
| Singapore | 0.335 | 1 212 299 | 1 212 299 | – | 0.335 | 1 212 299 | 1 212 299 | – | – | – | – | – | | – |
| Slovakia | 0.142 | 513 870 | 513 870 | – | 0.142 | 513 870 | 513 870 | – | – | – | – | – | | – |
| Slovenia | 0.103 | 372 737 | 372 737 | – | 0.103 | 372 737 | 372 737 | – | – | – | – | – | | – |
| Solomon Islands (2) | 0.001 | 3 619 | – | – | 0.001 | 3 619 | – | 7 238 | 19 221 | – | – | 19 221 | 2004–07+ 2010–13 | 26 459 |
| Somalia (2) | 0.001 | 3 619 | – | – | 0.001 | 3 619 | – | 7 238 | 389 514 | – | – | 389 514 | 1988–2013 | 396 752 |
| South Africa | 0.385 | 1 393 240 | 1 393 240 | – | 0.385 | 1 393 240 | 1 393 240 | – | – | – | – | – | | – |
| South Sudan | 0.000 | – | – | – | 0.003 | 18 203 | – | 18 203 | – | – | – | – | 2012–13 | 18 203 |
| Spain | 3.178 | 11 500 559 | 4 296 | 11 496 263 | 3.178 | 11 500 559 | 11 500 559 | – | 8 111 865 | 8 111 865 | – | – | | – |
| Sri Lanka | 0.019 | 68 757 | 68 757 | – | 0.019 | 68 757 | 68 757 | – | – | – | – | – | | – |
| Sudan | 0.010 | 36 188 | 129 | – | 0.010 | 36 188 | – | 72 247 | 44 677 | 28 937 | – | 15 740 | 2011–13 | 87 987 |
| Suriname | 0.003 | 10 856 | 10 856 | – | 0.003 | 10 856 | 10 841 | 15 | 504 | 504 | – | – | 2013 | 15 |
| Swaziland | 0.003 | 10 856 | 10 856 | – | 0.003 | 10 856 | 10 856 | – | – | – | – | – | | – |
| Sweden | 1.065 | 3 854 026 | 3 854 026 | – | 1.065 | 3 854 026 | 3 854 026 | – | – | – | – | – | | – |
| Switzerland | 1.131 | 4 092 867 | 4 092 867 | – | 1.131 | 4 092 867 | 4 092 867 | – | – | – | – | – | | – |
| Syrian Arab Republic | 0.025 | 90 470 | 207 | – | 0.025 | 90 470 | – | 180 733 | 14 228 | – | – | 14 228 | 2011–13 | 194 961 |
| Tajikistan (2) | 0.002 | 7 238 | – | – | 0.002 | 7 238 | – | 14 476 | 575 713 | 7 238 | 7 500 | 560 975 | 1994–2013 | 575 451 |
| Tanzania, United Republic of | 0.008 | 28 950 | – | 28 723 | 0.008 | 28 950 | – | 29 177 | 6 328 | – | 6 328 | – | 2012–13 | 29 177 |

| State | 2012–13 assessed contributions: 2012 Assessed contributions % | 2012 Assessed contributions Amount | 2012 Amounts received or credited in 2012 | 2012 Amounts received or credited in 2013 | 2013 Assessed contributions % | 2013 Assessed contributions Amount | 2013 Amounts received or credited in 2013 | Balance due as at 31.12.2013 | Amounts due for previous financial periods: Balance due as at 01.01.2012 | Amounts received or credited in 2012 | Amounts received or credited in 2013 | Balance due as at 31.12.2013 | Calendar years of assessment | Total due as at 31.12.2013 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Thailand | 0.209 | 756 330 | 756 330 | – | 0.209 | 756 330 | 756 330 | – | – | – | – | – | | – |
| The former Yugoslav Republic of Macedonia | 0.007 | 25 332 | – | 25 332 | 0.007 | 25 332 | – | 25 332 | 45 846 | 45 846 | – | – | 2013 | 25 332 |
| Timor-Leste | 0.001 | 3 619 | 3 618 | 1 | 0.001 | 3 619 | 3 619 | – | – | – | – | – | | – |
| Togo | 0.001 | 3 619 | 3 619 | – | 0.001 | 3 619 | 3 619 | – | 74 643 | 56 658 | 17 985 | – | | – |
| Trinidad and Tobago | 0.044 | 159 227 | 159 227 | – | 0.044 | 159 227 | 159 227 | – | – | – | – | – | | – |
| Tunisia | 0.030 | 108 564 | 108 564 | – | 0.030 | 108 564 | 108 564 | – | – | – | – | – | | – |
| Turkey | 0.617 | 2 232 802 | 2 232 802 | – | 0.617 | 2 232 802 | 2 232 802 | – | – | – | – | – | | – |
| Turkmenistan | 0.026 | 94 089 | 94 089 | – | 0.026 | 94 089 | 94 089 | – | 1 097 683 | 1 097 683 | – | – | | – |
| Tuvalu | 0.001 | 3 619 | 3 619 | – | 0.001 | 3 619 | 3 605 | 14 | – | – | – | – | 2013 | 14 |
| Uganda | 0.006 | 21 713 | 21 713 | – | 0.006 | 21 713 | 3 839 | 17 874 | 14 808 | 14 808 | – | – | 2013 | 17 874 |
| Ukraine (1) | 0.087 | 314 836 | 314 836 | – | 0.087 | 314 836 | 314 836 | – | 3 164 719 | 316 472 | 316 472 | 2 531 775 | 1988–99+2009 | 2 531 775 |
| United Arab Emirates | 0.391 | 1 414 952 | 1 414 839 | 113 | 0.391 | 1 414 952 | 1 414 952 | – | 113 | 113 | – | – | | – |
| United Kingdom | 6.607 | 23 909 438 | 23 909 438 | – | 6.607 | 23 909 438 | 23 909 438 | – | – | – | – | – | | – |
| United States | 22.000 | 79 613 688 | 63 975 376 | 15 638 312 | 22.000 | 79 613 688 | 39 807 000 | 39 806 688 | 68 534 944 | 68 534 944 | – | – | 2013 | 39 806 688 |
| Uruguay | 0.027 | 97 708 | 10 | 97 698 | 0.027 | 97 708 | 1 573 | 96 135 | – | – | – | – | 2013 | 96 135 |
| Uzbekistan (2) | 0.010 | 36 188 | – | – | 0.010 | 36 188 | – | 72 376 | 1 527 210 | 36 188 | 36 188 | 1 454 834 | 1997–2013 | 1 527 210 |
| Vanuatu (2) | 0.001 | 3 619 | 9 | – | 0.001 | 3 619 | – | 7 229 | 8 609 | 3 888 | – | 4 721 | 2010–13 | 11 950 |
| Venezuela, Bolivarian Republic of | 0.314 | 1 136 304 | 21 845 | – | 0.314 | 1 136 304 | – | 2 250 763 | 1 252 393 | 1 252 393 | – | – | 2012–13 | 2 250 763 |
| Viet Nam | 0.033 | 119 421 | 119 421 | – | 0.033 | 119 421 | 119 421 | – | – | – | – | – | | – |
| Yemen | 0.010 | 36 188 | 21 161 | 15 027 | 0.010 | 36 188 | 21 514 | 14 674 | 53 024 | 53 024 | – | – | 2013 | 14 674 |
| Zambia | 0.004 | 14 475 | – | 14 475 | 0.004 | 14 475 | 3 031 | 11 444 | – | – | – | – | 2013 | 11 444 |
| Zimbabwe | 0.003 | 10 856 | 10 856 | – | 0.003 | 10 856 | 10 846 | 10 | – | – | – | – | 2013 | 10 |
| **Total** | **100.000** | **361 880 400** | **317 274 744** | **36 236 728** | **100.003** | **361 900 754** | **299 442 008** | **70 827 674** | **125 819 215** | **98 250 836** | **3 967 173** | **23 601 206** | | **94 428 880** |

| State | 2012–13 assessed contributions | | | | | | | | | Amounts due for previous financial periods | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2012 | | | | 2013 | | | | | | | | | | |
| | Assessed contributions | | Amounts received or credited | | Assessed contributions | | | Amounts received or credited | Balance due as at 31.12.2013 | Balance due as at 01.01.2012 | Amounts received or credited | | Balance due as at 31.12.2013 | Calendar years of assessment | Total due as at 31.12.2013 |
| | % | Amount | in 2012 | in 2013 | % | | Amount | in 2013 | | | in 2012 | in 2013 | | | |
| Amounts due by States for prior periods of membership in the ILO | | | | | | | | | | | | | | | |
| Former Socialist Fed. Rep. of Yugoslavia [4] | – | – | – | – | – | – | – | – | – | 6 370 623 | – | – | 6 370 623 | 1989–2011 | 6 370 623 |
| Paraguay [1] | – | – | – | – | – | – | – | – | – | 245 066 | – | – | 245 066 | 1937 | 245 066 |
| 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** | **361 880 400** | **317 274 744** | **36 236 728** | **100.003** | **(3)** | **361 900 754** | **299 442 008** | **70 827 674** | **132 434 904** | **98 250 836** | **3 967 173** | **30 216 895** | | **101 044 569** |

[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 | |
|---|---|---|
| Armenia | 93rd | (2005) |
| Azerbaijan | 95th | (2006) |
| Belarus | 86th | (1998) |
| Cambodia | 82nd | (1995) |
| Central African Republic | 97th | (2008) |
| Comoros | 102nd | (2013) |
| Georgia | 93rd | (2005) |
| Iraq | 97th | (2008) |
| Kazakhstan | 88th | (2000) |
| Liberia | 88th | (2000) |
| Moldova, Republic of | 93rd | (2005) |
| Paraguay | 102nd | (2013) |
| Ukraine | 99th | (2010) |

[(2)] **Member States which are two years or more in arrears and which have lost the right to vote under the provisions of paragraph 4 of article 13 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 (2011–12). Each of these member States had therefore lost the right to vote in accordance with the provisions of paragraph 4 of article 13 of the Constitution of the Organization.

[(3)] Includes South Sudan's 2012 and 2013 contributions of 7,347 Swiss francs and 10,856 Swiss francs respectively, and Palau's 2012 contribution of 2,151 Swiss francs, assessed, following their admission to membership of the ILO, after adoption of the income budget by the International Labour Conference for the relevant period. South Sudan and Palau joined the ILO on 29 April 2012 and 29 May 2012 respectively.

[(4)] **Status of the Former Socialist Federal of Yugoslavia.** The former Socialist Federal Republic of Yugoslavia was deleted from the list of ILO member States on 24 November 2000.

# 5. Report of the External Auditor to the Governing Body

## On the audit of the consolidated financial statements of the International Labour Organization and other matters

for the year ended 31 December 2013

Auditor General of Canada
Vérificateur général du Canada

To the Governing Body of the International Labour Office

On 26 March 2007, at its 298th Session, the Governing Body of the International Labour Office (ILO) appointed the Auditor General of Canada as the external auditor for a period of four years. On 25 March 2011, at its 310th Session, the Governing Body extended our mandate for the 73rd and 74th financial periods ending on 31 December 2015.

This is the sixth audit conducted by the Auditor General of Canada on the ILO's financial statements. The following report contains the results of the audit and includes observations arising from the audit of the 2013 consolidated financial statements. It also contains observations and recommendations in two areas subject to performance audit work in 2013: governance and internal controls. We would be pleased to elaborate on any of these points during the Governing Body meeting on 28 May 2014.

We wish to express our appreciation to the Director-General, the Deputy Directors-General, the Treasurer and Financial Comptroller, and their staff for the cooperation and assistance received during the audit. We also wish to express our appreciation to the Governing Body and the Conference of the ILO for the support and interest shown in the work of our Office.

Yours sincerely,

Michael Ferguson, CPA, CA
FCA (New Brunswick)
Auditor General of Canada
External Auditor

Ottawa, Canada
30 April 2014

240 rue Sparks Street, Ottawa, Ontario K1A 0G6

# Executive summary

We have expressed an unmodified audit opinion on the International Labour Organization's consolidated financial statements for the year ended 31 December 2013 in accordance with International Public Sector Accounting Standards. This is the second year that the International Labour Organization is presenting its consolidated financial statements fully in accordance with International Public Sector Accounting Standards.

We concluded that they present fairly, in all material respects, the financial position of the International Labour Organization and its controlled entity, the International Training Centre, as at 31 December 2013, and their financial performance, their cash flows, and the comparison of budget and actual amounts for the year then ended in accordance with the International Public Sector Accounting Standards as set out in Note 2 to the consolidated financial statements. We concluded that these accounting policies were applied, after giving retrospective effect to the adoption of the new standards as explained in Note 3 to the consolidated statements, on a basis consistent with that of the preceding year. We also concluded that the transactions of the International Labour Organization and its controlled entity, the International Training Centre, that have come to our notice have, in all significant respects, been in accordance with the Financial Regulations and their relevant legislative authority.

We reviewed the position papers completed by the ILO staff of the three new International Public Sector Accounting Standards (IPSAS) for 2013. IPSAS 28, 29 and 30 all related to Financial Instruments. We agreed with management's evaluations, classifications and disclosure of financial instruments in the financial statements. Of these, the adoption of IPSAS 29 resulted in a change in the accounting policy for the recognition of unrealized gains and losses on the forward purchase agreements that hedged the Swiss value of investments held on behalf of the SHIF and the Regular Budget forward purchase agreements are now accounted for under hedge accounting. These changes resulted in the restatement of prior year's results. The ILO also early adopted IPSAS 32, Service Concession Agreements: Grantor, which had no impact as the ILO has no such agreements.

We continued to carry out audit work on the payroll application controls as well as follow-up on past work on human resources application and IT general controls of the ILO. We found control weaknesses in the segregation of duties and user access in the payroll application. We encourage management to continue their efforts in this area, and we will continue to monitor their progress.

The IPSAS reporting framework provides a significant amount of information in the consolidated financial statements. The ILO should now assess how the IPSAS financial and non-financial information available could be used to better communicate with its stakeholders. While the organization continues to work on an 'approved budget' basis it must reach out to stakeholders to clarify the vast amount of information contained in the consolidated financial statements. Financial reporting should be meaningful and clear and management should work on expanding its Financial report on accounts to add more context to the information presented in the consolidated financial statements.

In addition to the financial audit work, we examined the area of governance and examined decision making in management committees. Overall our examination concluded that the ILO has strong sense of what governance means to the organization, decision making in committees is measured and consistent, transparency is strong, and results based management is working as intended. We noted that in this particular time of reform the governance structure should be updated to keep pace with the reforms in the organization and have suggested enhanced accountability.

In 2013, we also examined the Internal control framework at the ILO. There are five components of internal control and we are pleased to see that the Control Environment, Risk Assessment, Information and Communication, and Monitoring Activities, are in place and operating as intended. Our concern remains with Control Activities, and while appropriate and valid controls are executed, we observed that evidence of the control execution is lacking and is hindering our adoption of a controls-reliant approach for our financial audit. Given the progress made by the ILO in the area of internal control, we believe the next step for the ILO is to start working towards the preparation and issuance of a Statement of Internal Control. We are cognisant of the fact that this may take several years to realize in an organization that has complex and global operations such as those of the ILO.

We followed up on our 2012 and previous years' recommendations in the areas of application controls—human resources, IT general controls—Oracle Enterprise Business Suite (IRIS), IPSAS—implementation, IPSAS—next steps, human resources—succession planning, human resources—training and development, performance measurement and reporting practices, and Internal Audit. We note that management has made further progress in addressing some of the recommendations, and we encourage them to continue their efforts.

# 2013 Annual Audit overview

## Our mandate

1. The Office of the Auditor General of Canada (OAG) is an independent audit office and a world leader in legislative and environmental auditing. We promote good financial and environmental management and sustainable development.

2. The OAG is widely involved in the activities of the Canadian as well as the international audit and accountancy profession. In Canada, the OAG is involved in many professional organizations, notably the Chartered Professional Accountants of Canada, which sets accounting and assurance standards. Internationally, the OAG has more than 50 years of experience collaborating with international partners in developing professional standards, building capacity, sharing knowledge, and conducting audits of international institutions.

3. The Auditor General of Canada was appointed external auditor of the ILO for the financial period beginning on 1 January 2008. The ILO Financial Regulations, chapter IX and the appendix, elaborate on the terms of reference governing the external audit. The regulations require that the external auditor report to the Governing Body on the audit of the financial statements of the ILO and on other such matters that should be brought to its attention.

## Scope and objectives of the audit

4. An audit is an independent examination of evidence supporting the amounts and disclosures in the financial statements. It also includes an assessment of the ILO's compliance with significant authority instruments and considers whether, during the course of our examination, we have become aware of any other matters that, in our opinion, should be brought to the attention of the Governing Body.

5. The objectives of the audit were to provide an independent opinion on whether

   - the consolidated financial statements have been fairly presented, in all material respects, in accordance with the International Public Sector Accounting Standards (IPSAS);
   - the accounting policies set out in Note 2 to the consolidated financial statements have been applied on a basis consistent with that of the preceding period; and
   - the transactions coming to our notice as part of the audit were, in all significant respects, in accordance with the Financial Regulations and legislative authority.

6. Our auditor's report addresses each of our audit objectives.

## Audit approach and auditor's responsibilities

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

8. When planning the audit, we acquired a sound understanding of the ILO and its controlled entity, the International Training Centre (ITC); their business environment; the risks they face; how the ILO and its controlled entity manage those risks; and their overall control environment. This understanding is based primarily on interviews with senior management and our audit knowledge of the ILO and the ITC and their environment, including their internal controls. We obtained such an understanding in order to plan our audit and also to determine the nature, timing, and extent of audit procedures to be performed.

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

10. A detailed report summarizing the business risks identified and other audit risks and our planned procedures to address each of these risks was prepared and discussed with ILO management and the Independent Oversight Advisory Committee (IOAC). We identified the key risks that could have an impact on the achievement of the fair presentation of the results of the ILO's consolidated operations and obtained an understanding of those risks that had implications for the consolidated financial statements. In identifying our audit risk, we considered the ILO risk register as presented in the Programme and Budget proposals for 2012–2013 as well as the internal auditor's risk register. We focused on areas with a higher risk of a material error or non-compliance with significant authority instruments, based on our understanding of the ILO and its controlled entity, the ITC, and their activities.

11. The audit plan was presented to ILO management and the IOAC at a meeting in September 2013 in order to ensure that we had identified those areas of significance and that our evaluation of the ILO's current consolidated operating environment was complete. The audit plan also identified areas where we would conduct performance audit work: governance and the internal control framework.

## Audit results

12. We have issued an unqualified audit opinion on the ILO's 2013 consolidated financial statements. We concluded that the 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 2013 and their consolidated financial performance, consolidated cash flows, and comparison of budget and actual amounts for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS) as set out in Note 2 to the consolidated financial statements.

13. As required by the Financial Regulations of the ILO, we concluded that the accounting policies were applied on a basis consistent with that of the preceding period, except for the changes that are explained in Note 3 to the consolidated financial statements due to the implementation of new IPSAS. The change in accounting policy relates to the forward purchase agreements used to hedge the value of investments held on behalf of the Staff Health Insurance Fund (SHIF) and the regular budget. There was no net impact to the net assets of the organization; however, the 2012 Statement of Financial Performance was restated to include increased revenue of US$1.7 million for SHIF derivatives and US$3.4 million for the Regular Budget Forward Purchase Agreements.

14. We also concluded that the transactions of the ILO, and its controlled entity, the ITC, that have come to our notice during our audits of the consolidated financial statements have, in all significant respects, been in accordance with the respective Financial Regulations and legislative authority of the ILO and the ITC.

15. We are charged with reporting any disagreements with management over auditing, accounting, or disclosure matters that could, individually or in aggregate, significantly affect the consolidated financial statements or our independent auditor’s report. We are also obliged to report whether we resolved any disagreements satisfactorily. We are pleased to report that there are no unresolved matters.

16. We are required to report on fraud and illegal acts involving senior management, as well as fraud and illegal acts (whether by senior management or other employees) that cause a more-than-trivial misstatement of the consolidated financial statements. We emphasize that it is management’s responsibility to establish a control environment and maintain policies and procedures to help ensure the orderly and efficient conduct of the ILO’s business. Our audit procedures did not identify any matters related to fraud and/or error that should be brought to the attention of management or the Governing Body.

17. Preparing the consolidated financial statements requires that management select accounting policies as well as make critical accounting estimates and disclosures that involve significant judgment and measurement uncertainty, which can have a significant impact on the Organization’s reported results.

18. We are responsible for discussing our views about the significant qualitative aspects of the ILO’s accounting practices, including the appropriateness of accounting policies, the reasonableness of key accounting estimates and judgments, as well as the adequacy of financial statement disclosures.

19. Certain estimates are individually important due to their impact on the consolidated financial statements and the possibility that future events may differ significantly from management's expectations. The most significant estimates include employee benefit liabilities, the fair value of the land and buildings, the fair value of investments (including those investments apportioned to the International Telecommunications Union (ITU)), as well as the useful life of the ILO's property and equipment. When considering the reasonableness of these estimates, we reviewed the supporting working papers and documentation, performed recalculations, asked questions of experts, and performed other tests and procedures that we considered necessary in the circumstances. We relied on the work of management's valuation expert for the fair value of land and buildings and management's actuary for the After Service Health Insurance (ASHI) and repatriation grant liabilities. We accept management's judgments and find them consistent with the corroborating evidence.

## Audit completion

20. In 2013, we updated our description of the ILO financial reporting framework and its overall control environment. We acknowledge the investment of time afforded to us by the ILO and wish to express our appreciation to the Director-General, the Deputy Directors-General, the Treasurer and Financial Comptroller, and their staff for the excellent cooperation we received throughout the audit.

## Detailed report on audit results

21. As required by International Standards on Auditing and the ILO Financial Regulations, we report to those charged with governance of the organization whose financial statements are being audited. In particular, we report on significant changes in accounting policies, accounting estimates and financial statement disclosures, and other matters that in the auditor's judgment are significant to the oversight of the financial reporting process. We have prepared a detailed report for the Director-General and we will discuss this report with the Independent Oversight Advisory Committee. Significant issues identified during our audit and their resolutions are presented herein.

22. During the audit, we also identified opportunities to improve the ILO's financial and information technology (IT) controls. These opportunities will be discussed with the Treasurer and Financial Comptroller as well as the IT department and its staff.

## Implementation of new accounting standards

23. In the current year, the ILO adopted three new accounting standards related to the recognition and disclosure of financial instruments that resulted in a number of additional disclosures in the consolidated financial statement notes. We reviewed the analysis prepared by the ILO in its selection of the accounting policies and any adjustments made to the current and prior years. We also reviewed the related disclosures in the consolidated financial statements and made a number of

recommendations for modifications and additional disclosures, which were implemented by the ILO. We are satisfied that the accounting policies selected were appropriate and that the disclosures are complete, accurate, and IPSAS compliant.

24. A new standard, IPSAS 32—Service Concession Arrangements: Grantor has also been early adopted by the ILO. The ILO concluded that this standard had no impact on its financial statements. We reviewed the position paper and we agree with the conclusion reached by the ILO.

25. The ILO management prepared pro forma consolidated financial statements in the fall of 2013. We reviewed the document and made several suggestions towards improving and simplifying the presentation of the information and disclosures. We encourage the ILO to continue with this practice.

## New developments in International Public Sector Accounting Standards

26. There are various exposure drafts that have been issued by the International Public Sector Accounting Standards Board, of which four could be significant to the ILO. We provide to you a summary of the projects underway in order to permit you to assess the potential impact these proposed standards will have on the ILO and its financial statements.

27. The first IPSAS project relates to the financial statement discussion and analysis. This proposed guidance would apply to all public sector entities that prepare and present financial statements under the accrual basis of accounting. This proposed guidance relates to certain minimum content requirements in the financial statement discussion and analysis, currently called the *Financial report on the 2013 accounts* by the ILO. This could include

a. overview of the entity to help users to better understand the entity and its environment in which it operates and how this affects the financial statements;

b. information about the entity's objectives and strategies to enable users to understand the entity's priorities and identify the resources that must be managed to achieve its objectives;

c. an analysis of the entity's financial statements of the current period including a description of significant events, trends and conditions, and factors that affected the financial statements to enhance the users' understanding of the financial statements;

d. an analysis of the variances and trends of the significant financial statement items to enhance the users' understanding of the entity's financial position and performance and changes in financial position and performance over a period of time;

e. information about the entity's risks and uncertainties to help users in evaluating the impact of risks in the current period as well as expected outcome. Information could include the entity's main exposure to risks, its opportunities, its policies and strategies to mitigate such risks.

28. The ILO currently includes a financial report on the current-year accounts that covers such information as financial results highlights, explanations on Statement V-A relating to the Regular Budget and the Working Capital Fund, information on the non-general and extra-budgetary funds managed by the ILO, and ex-gratia payments made in the year. However, the proposed guidelines recommend expanded information on the various points made above.

29. The second project that is currently underway relates to the long-term sustainability of an entity's finances. With the continuing volatility in the world's financial markets and the sovereign debt crisis that has emphasized the importance of the fiscal condition of governments and other public sector entities to the global economy, the financial statements alone cannot provide all the information that users require to assess a government or an entity's long-term fiscal sustainability.

30. Additional information provided with the financial statements is recommended, such as projections of inflows and outflows of resources over the longer term, together with narrative explanations of the main risks facing governments and other public sector entities. This information would help users in evaluating the extent to which the current policies are sustainable and would complement the financial statements to achieve the objectives of financial reporting, which are accountability and decision making.

31. The third project that is also underway deals with reporting service performance information. As the public sector provides a wide range of services, it proposes that an entity present information on its performance in addition to its finances. Guidance would be provided to ensure that this information meets users' needs and would recommend minimum characteristics for reporting. For example, an entity would report on its service performance objectives and how these were achieved, its performance indicators (both quantitative and qualitative measures), the resources used, and its impact on society, if any. This information would be presented either as part of the report that includes the financial statements or in a separate report.

32. The fourth project relates to the revision of the preface to the conceptual framework for general purpose financial reporting by public sector entities. The primary objective of most public sector entities is to deliver services to the public, rather than to make profits and generate a return to its owners. As a result, an entity's performance can only be partially evaluated through the financial statements' review. Users also need information such as whether the entity provided its services in an efficient and effective manner; whether the resources currently available for future expenditures have any restrictions or conditions imposed on them; and whether the entity's ability to provide these services has improved or deteriorated compared with the previous financial year.

33. **Recommendation.** The ILO should continue to monitor and review the proposed developments in financial reporting for the public sector and assess whether additional financial or non-financial information would benefit the users of the financial

statements in better understanding the ILO's financial results and help the ILO in fulfilling its oversight responsibilities.

**The International Labour Organization's response.** The International Labour Office will continue to monitor and review developments in public sector financial reporting, both independently and through its active participation in the United Nations Task Force on Accounting Standards. The Task Force has advised the IPSAS Board of the established reporting arrangements to governing bodies on performance matters and its concerns that governing bodies needs be appropriately met. In this context, the Office will continue to provide non-financial performance information through the established mechanisms of the Programme Implementation Report and the activities and reports of the Evaluation Unit. As part of its response to the recommendation contained in paragraph 47 on the benefits of IPSAS statements, the Office will review opportunities to provide the Governing Body with additional explanatory reporting on financial matters through mechanisms other than the IPSAS statements. Any revisions to financial reporting would have to be implemented within existing resources and within the framework of the Reform of the Governing Body and International Labour Conference.

## Integrated review of the financial statements

34. A significant amount of financial information can be found in the consolidated financial statements of the ILO and its controlled entity, the ITC. The objectives of financial reporting by public sector entities are to provide information about the entity that is useful to users of the financial statements for accountability purposes and for decision-making purposes.

35. The ILO is now in its second year of being fully IPSAS compliant and in 2013 it has adopted the three new IPSAS standards on financial instruments, which resulted in significant additional disclosures. While this is a positive step towards providing a more complete picture of the ILO's financial position and performance, the length of this document has also increased. In order to ensure that the users understand this information and can identify what is significant, it is important that the ILO stand back and assess whether this information is provided in a clear and easy-to-understand format for its users.

36. While we understand that some of the information that is currently provided in the financial statements is useful and provides more details, there may be better ways of providing this information to users than through the financial statements and the appended notes. For example, details on accounts that are not significant could be provided through the management discussion on the financial statements. The use of tables to summarize narrative information is also a way to simplify the presentation of the financial information.

37. While the financial statements must still be IPSAS compliant, it is important that the financial reporting meet the needs of its users, such as the Governing Body, the Independent Oversight Advisory Committee, and the Director-General.

38. The Independent Oversight Advisory Committee, in its March 2014 report to the Governing Body, made several recommendations to the ILO regarding financial reporting, including “The Office should, in consultation with the External Auditor, review reporting to ensure that all stakeholders are readily able to understand the implications of audited figures and thereby improve the usefulness of the Financial Report.” Another recommendation was that “The Office should, in consultation with the External Auditor, make financial statements easier to understand, particularly in view of the additional IPSAS standards, to ensure that they are accessible for people who may not have a technical background in financial management.” The Committee also included a recommendation that was very specific to a particular note found in the financial statements whereby “The Office should, in consultation with the External Auditors, explore how to avoid complex reconciliations (resulting from the implementation of IPSAS) between actual and budget figures in the financial report.”

39. We fully endorse these recommendations on simplifying the financial information included in the financial statements.

40. **Recommendation.** The ILO should undertake an integrated review of its financial statements with a view to simplifying the information presented, making it easier to understand by its stakeholders.

**The International Labour Organization’s response.** The International Labour Office agrees that the Consolidated Financial Statements contain significant amounts of technical information that is not readily understood by non-financial readers. Compliance with technical standards such as IPSAS restricts the flexibility available in presentation. The Office will work with the External Auditor during the current year to identify content that can be simplified while still maintaining IPSAS compliance.

## Management Responsibility for financial statements

41. Under other reporting frameworks, there is a requirement for management to provide a responsibility statement that indicates that management is responsible for the preparation of the financial statements, and that these statements comply with the reporting framework as well as the entity’s financial regulations. A responsibility statement would also address the fact that management has developed and maintained during the financial year those accounts, financial and management controls, information systems, and management practices to provide reasonable assurance that the financial information is reliable, that the assets of the entity have been safeguarded and controlled, and that the transactions have been in compliance with the applicable regulations of the entity.

42. While a responsibility statement is not required under IPSAS, it is a best practice already applied by other organizations as part of their reporting process. This statement is signed by those charged with governance and provides the users of the financial statements with additional assurance on various elements that roll up to the information presented but also goes beyond the information found in the financial statements.

43. **Recommendation.** The ILO should adopt the best practice of issuing as part of its financial report a management responsibility statement signed by those charged with governance. This statement will help to clarify the roles and responsibilities of management in the preparation and presentation of the financial statements and the accompanying notes.

**The International Labour Organization's response.** The financial regulations and financial rules approved by the International Labour Conference and Governing Body clearly identify the responsibilities of the Director-General and the Treasurer and Financial Comptroller, both of whom already provide a certification as part of the public financial reporting package. Given the recommendations contained elsewhere in the External Auditor's report relating to Statements of Internal Control, the International Labour Office will review whether enhancements to the existing certification by the Director-General and Treasurer and Financial Comptroller could partially address these recommendations. The Office will also review the use of such statements by other organizations through the High Level Committee on Management.

## Benefits of International Public Sector Accounting Standards financial statements

44. Now that the ILO has fully implemented IPSAS, management needs to assess how the IPSAS financial and non-financial information available could be used in carrying out its responsibilities. In addition, management should assess whether the information in the consolidated financial statements conveys the messages and the financial information useful to the Governing Body in its governance role.

45. The consolidated financial statements should provide the Governing Body with a better understanding of the activities undertaken during the year and their impact on the financial results, any changes in the sources of its funding, and how those funds were used during the year to achieve the ILO's and the ITC's objectives.

46. The Financial Report on the 2013 Accounts that precede the consolidated financial statements and that is prepared by management can be used to explain the year-to-year variances in the financial information. For example, this section could be used to present the entity's priorities and resources that must be managed to achieve its objectives, significant events, trends, and conditions; factors affecting the financial statements; and the entity's risks and uncertainties and the related strategies to mitigate them.

47. **Recommendation.** While we understand the efforts currently underway to streamline the information that is being delivered to the Governing Body, we believe there exists a real and unique opportunity for the ILO management to complement existing reports with financial information gleaned from the IPSAS statements. Management can use the financial report to bridge and build on challenges faced and accomplishments achieved given the modified accrual-based biennial budget and an IPSAS reporting framework.

**The International Labour Organization's response.** Agreed. Following the planned review and expected simplification of the Consolidated Financial Statements (referred to in the International Labour Office's response to the recommendation at paragraph 40) on an integrated review of the Financial Statements, the Office would agree that the Financial Report could be further expanded to provide supplementary financial information to the Governing Body. Some supplementary financial information is currently in the general purpose financial statements prepared under IPSAS. Reporting will need to be balanced to ensure that information already submitted to the Governing Body is not repeated and that it does not result in information overload.

## Other matters

48. In our performance audit work, we focus on areas where the ILO faces risks. Examples are areas of significant cost that are financed by the Regular Budget, areas that have the potential for improving results (such as financial management and controls and governance), and areas that are of interest to the Governing Body. In the current year, two areas were selected for review. Our observations are presented below.

## Governance practices

49. Good governance is important to the ILO. The Decent Work Agenda and the 2008 ILO Declaration on Social Justice for a Fair Globalization have emphasized institutional practices to enhance governance and ensure effective partnerships within the United Nations and the multilateral system. The Organization has undertaken reforms intended to upgrade analytical activities, break down internal compartmentalization, improve systems for service delivery to constituents, and strengthen external partnerships.

50. We examined the governance structure, focusing on ILO headquarters, including alignment with the UN system and decision making in management committees. Our objective was to gain an understanding of good governance, accountability, transparency, and effectiveness in the UN system, as applicable to the ILO. We did not examine the tripartite decision-making process or human resources management.

### The governance structure needs to keep pace with reforms at the ILO

51. Drawing on UN and ILO sources, we viewed governance as a process of decision making and direction setting. The components of the governance structure are the mechanisms used for this purpose. In order to achieve its outcome of efficient and effective governance, the ILO should have a clearly defined governance structure.

52. We found that under the period of our examination, in 2013 and until March 2014, the ILO's governance structure was less than clearly defined, due to ongoing institutional reforms. The reforms have involved the permanent organs: the Governing Body, the International Labour Conference, and the International Labour Office. A number of these reforms have not yet been completed. Changes in the structure of the Governing Body were adopted in 2011 and were reviewed in 2014, with further reforms under consideration. While certain reforms in the Conference were trialled in 2013, as of March 2014, the process was still ongoing. In the Office documentation, we found several references to internal governance reforms, some of which preceded the changes in organizational structure introduced by the Director-General in 2013 and may need to be updated. Importantly, the Office has implemented reviews in a number of areas, which have identified key issues and which will form the basis for the implementation of further measures. For example, the ILO modified the strategic planning process by introducing areas of critical importance, although this in effect retained the Strategic Policy Framework 2010–15, and a review has raised questions about the clarity of decision making.

### The ILO could improve governance coordination with the United Nations system

53. Under the Declaration of Philadelphia, an annex to the ILO Constitution, the Organization pledged cooperation with international bodies, as a committed actor in the multilateral system, defending and promoting universal values. We expected to find United Nations system practices for good governance, accountability, transparency, and effectiveness, as applicable to the ILO.

54. We noted that the ILO has coordinated governance activities with the UN system in a number of ways, through representation on high-level bodies, implementation of recommendations of the UN Joint Inspection Unit, and input from the Governing Body, whose members also serve on other UN agencies.

55. In the UN system, good governance is defined in a development context, as participatory, consensus oriented, accountable, transparent, responsive, effective and efficient, equitable and inclusive, and following the rule of law. For the UN, good governance also means system-wide coherence. To help improve coherence with the UN system, the ILO has recognized the need for greater efforts to integrate its programmes into UN country programmes, and that this is a two-way process, with the ILO leading in some cases.

56. The ILO has established an internal accountability framework with standards and mechanisms to help officials better understand what is expected of them. This framework may need updating to reflect organizational changes. The ILO's accountability relationships are based on tripartite governance and standard setting, making it different from other UN agencies The UN Secretariat and a few specialized UN agencies have developed more comprehensive accountability frameworks. In our

view, the ILO should consider clarifying roles and responsibilities by further developing its overall accountability framework, as recommended by the UN Joint Inspection Unit.

57. With respect to transparency practices, the ILO has undertaken reform initiatives, including enhanced coordination within the UN system. We noted that informal consultations, although limited in transparency, occur in many different situations and are an important part of ILO decision making. The ILO has established procedures for advance distribution of the agenda and documents placed before the Governing Body.

58. The ILO has undertaken leading effectiveness practices that are increasingly widespread in the UN system and has coordinated its initiatives within that system. In particular, the ILO established an Independent Oversight Advisory Committee and has considered ways to align its strategic planning with the UN Quadrennial Comprehensive Policy Review. We noted, however, that the ILO's effectiveness measurement has generated a large number of reported results, leading to questions about the ability to aggregate results and assess overall progress. In our view, the ILO's effectiveness measurement could be improved, in line with good governance practices identified in the UN system for continuous improvement and organizational learning.

### The ILO is measuring and reporting performance in accordance with recognized practices

59. The ILO has implemented a performance measurement system as an integral part of results-based management and strategic planning, using UN system approaches. Strategic planning has been built around the four objectives defined in the ILO Declaration on Social Justice for a Fair Globalization, and 19 outcomes. The biennial planning documents have provided details on the strategies, targets, measurement of achievement, and the level of resources for the outcomes. Performance measurement has been based on a framework of outcomes and indicators against which targets have been assessed, and the results-based approach has been reviewed by an established evaluation unit. After each biennium, the implementation of the programme and the results achieved through ILO support are reviewed in a report to the Governing Body.

### Management committees have followed good decision-making practices

60. We selected a sample of ILO management committees to examine their governance role. In the Evaluation Advisory Committee and the Headquarters Renovation Governance Committee, we looked at clarity of roles and responsibilities, and decision making. In a third committee, the Information Technology Governance Committee, we limited our work to roles and responsibilities, since at the time of our audit that Committee had just held its initial meeting.

61. Established in 2006, the Evaluation Advisory Committee was reconstituted in 2013, following a period with no Chairperson. At that time, its purpose and principles were documented in meeting minutes. We noted that the Committee did not oversee the evaluation unit, which reported to the Director-General, but rather it oversaw the use, implementation, and follow-up to lessons learned and recommendations from

evaluation activities. We noted that the Committee followed a number of good decision-making practices. Its discussions considered information about evaluation planning and execution; decisions were timely and followed up in coordination with other ILO departments; and advice was provided to the responsible parties.

62. The Headquarters Renovation Governance Committee was established pursuant to a directive issued in May 2013, which outlined its authorities, mandate, and lines of responsibilities. The Committee has followed systematic procedures for reporting, monitoring, and accountability. We noted that the renovation project has experienced delays. The Committee has followed some good practices, in terms of the information reviewed for decision making, consistency and follow up of decisions, and coordination with responsible ILO and external parties.

63. The Information Technology Governance Committee held its first meeting on 17 February 2014. The Committee's roles and responsibilities have been defined in two documents: a directive and a charter. The directive stated the Committee's authority, purpose, and structure. The charter, a draft document at the time of our audit, went further: it elaborated on the Committee's purpose, authority, and membership, and on the responsibilities of the Chairperson, Committee's secretariat, line-of-business directors, and other responsible officials. It also set out the meeting and reporting procedures. Although it is not possible to assess the impact of the charter until further meetings have occurred, we noted that this is potentially a good practice that should be considered for other ILO management committees.

64. **Recommendation.** The ILO should take steps to improve its governance practices by

- updating governance documents to fully reflect organizational changes;
- further developing its overall accountability framework, as recommended by the UN Joint Inspection Unit;
- adopting and adapting good practices identified in the UN system for enhanced effectiveness through continuous improvement and organizational learning; and
- considering the adoption of charters for its management committees.

**The International Labour Organization's response.** Once the reform process is completed, we will review all governance documents and make updates to reflect the new structure and responsibilities. In the interim, internal governance documents are being issued regularly to address matters as the reform progresses.

The International Labour Office was encouraged by the generally positive comments made by the United Nations Joint Inspection Unit (JIU) on many elements of ILO's accountability framework in its 2011 report. The Office agrees with the underlying principles identified by the JIU and the opinion that the substance of the accountability framework is more important than its form. The Office will continue to adapt its accountability framework to meet emerging needs and developments elsewhere in the UN system.

The Office is an active participant in the Chief Executives Board, the High Level Committee on Management and the High Level Committee on Programmes and will continue to adapt its governance and oversight mechanisms to meet evolving standards and developments.

Management committees in the Office are established under the Director-General's authority and through the Internal Governance Document System. This system provides a mechanism to identify the roles and responsibilities of each committee. The Office does not agree that a formal charter is necessary for all committees. As with accountability frameworks, the Office view is that substance is more important than form on this matter.

### Conclusion

65. The ILO has demonstrated good governance practices in a number of areas and has undertaken coordination with the UN system. The Organization is in the process of reforming and restructuring its governance. Still, there is room for improvement to make the decisions and set the course for achieving the Organization's full potential.

## Internal control framework

66. Internal control is a process, affected by an entity's board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting, and compliance.

67. An internal control framework is a tool to help an organization design, implement, and monitor systems of internal control in accordance with the organization's objectives. One such tool is the Committee of Sponsoring Organizations of the Treadway Commission's (COSO) Internal Control—Integrated Framework.

68. The COSO Framework, as illustrated below, consists of three dimensions of systems of internal controls:

- Objectives (shown on the top plane): There are three categories of objectives regarding the following aspects of internal control: operations, reporting, and compliance.

- Organizational structure (shown on the side plane): This consists of the legal entities, divisions, operating units, functions, or other components of the organization.

- Components of internal controls (shown on the front plane): There are

five integrated components: control environment, risk assessment, control activities, information and communication, and monitoring activities. Each component has a set of principles associated with it.

69. The last dimension, components of internal controls, was our focus in this audit. We examined the ILO's internal control framework at a high level to determine if it has achieved the COSO Framework's principles supporting the five components of internal control.

### Certain elements of the control environment could be improved

70. The COSO Framework sets out principles relating to the control environment component regarding

- integrity and ethical values,
- commitment to competence,
- board of directors and audit committee,
- management's philosophy and operating style,
- organizational structure,
- assignment of authority and responsibility, and
- human resource policies and procedures.

71. While most of the principles of the control environment are in place and are effective, certain elements could be improved.

72. The ILO has in place a documented and implemented process for governance documents and policies with its Internal Governance Documents System. This system allows for effective tracking and approval of reviews and updates of governance documents and policies as needed. Since the ILO has a high number of governance documents and policies, a policy should be enacted to ensure all governance documents and policies be reviewed systematically at least every five years to ensure they remain current, relevant, and applicable as the Organization evolves.

73. As was communicated and agreed to in the past, following an audit of human resource processes, we have issued some recommendations to the ILO regarding succession planning and appointments of personnel. The ILO should continue working to implement its proposed action plan to address these recommendations.

74. Overall, the principles of the control environment at the ILO are appropriate and effective.

### Risk assessment practices are appropriate and effective

75. The COSO Framework sets out principles relating to the risk assessment component regarding

- entity-wide objectives,
- process-level objectives,
- risk identification and analysis, and
- managing change.

76. The ILO recently started to identify and document risks, root causes, and risk owner into its risk register. In addition to this, the ILO should assess, evaluate, and document the likelihood and significance of the identified risks. This would allow for more targeted and measured responses to identified risks for appropriate prevention or mitigation measures.

77. Having recently implemented a thorough risk assessment process and a risk register, the ILO should adopt and document a process to review, assess, and update the process. This would allow the ILO to monitor the evolution of the identified risks and to evaluate the efficiency of risk mitigation measures in order to quickly and efficiently respond to potential issues.

78. Overall, the principles of the risk assessment component at the ILO are appropriate and effective and the ILO should continue building on the success of its risk register process.

## Long-standing deficiencies in certain control activities have been addressed

79. The COSO Framework sets out principles relating to the control activities component regarding

- policies and procedures,
- security (application and network),
- application change management,
- business continuity and backups, and
- outsourcing.

80. The ILO has put in place policies, procedures, and controls in all significant areas of its operations.

81. Through its recent audits, the Office of the Auditor General of Canada has identified and communicated to the ILO various deficiencies in various processes for which we have issued recommendations. A good system of internal controls requires that identified deficiencies be addressed and remediated in a timely manner. A review of the outstanding deficiencies shows significant progress in all areas.

82. In addition, although appropriate and valid controls are executed, we have observed that on many occasions, evidence of the control execution is lacking and as a consequence, such controls cannot be evaluated as effective because no evidence is available. The

ILO should ensure that evidence of execution of key controls is retained as evidence of operating effectiveness during the period.

83. Overall, although we have not carried out detailed testing of the remediated deficiencies, previously identified, we can conclude, based on our discussions with ILO staff, that long-standing deficiencies in certain areas and our recommendations have been addressed.

### The information and communication component is appropriately mitigated

84. The COSO Framework sets out principles relating to the information and communication component regarding

- quality of information, and
- effectiveness of communication.

85. The quality of information principle is dependent on good governance of information technology and on Information Technology General Controls because information is processed within and reported from information technology.

86. Because observations relating to the governance of information technology raised in recent audits have not yet been fully addressed, there is increased risk that quality of information may be affected. The ILO should address and respond to the governance of information technology observations in a timely fashion.

87. In order to mitigate this risk, the ILO has implemented processes and procedures to review and approve the quality of information that is communicated internally and externally. In addition, the data and systems are audited by the Office of Internal Audit and Oversight.

88. The ILO processes and procedures regarding the communication of information are appropriate and efficient and they allow for timely and appropriate information sharing with internal and external stakeholders.

89. Overall, although there are issues with IT governance, due to the reliance on manual reviews and approval processes to address missing IT controls, we can ascertain that the ILO maintains an appropriately mitigated information and communication component of the internal control framework.

### An appropriate monitoring of controls function is in place

90. The COSO Framework sets out principles relating to the monitoring of controls component regarding

- ongoing monitoring,
- separate evaluations, and
- reporting deficiencies.

91. The ILO has in place various monitoring functions, such as the Office of Internal Audit and Oversight. These functions provide ongoing monitoring and separate evaluations of controls. Deficiencies that are identified are reported and tracked but, as indicated above, remediation is not always timely because action plans take a long time before being completed.

92. Overall, the ILO has in place an appropriate monitoring of controls function.

93. **Recommendation.** The ILO should take steps to improve its internal control framework by

- ensuring all governance documents and policies be reviewed systematically at least every five years (more frequently if affected by internal reforms) to make sure they remain current, relevant, and applicable as the Organization evolves;
- assessing, evaluating , and documenting the likelihood and significance of identified risks.

**The International Labour Organization's response.** Governance documents are reviewed and reissued when rules, procedures, or other matters necessitate amendments. As referred to in the International Labour Office response to the recommendation on governance contained in paragraph 64 , the reformed structure of the Office will require a number of amendments to governance documents and a complete review will be undertaken once the review process has been completed.

The commencement of duties by the Senior Risk Officer, anticipated for mid-2014, will enable further progress to be made on expanding enterprise risk management in the Office. This will include implementing all components of an appropriate, effective risk management framework.

### Conclusion

94. The ILO has the foundation in place to eventually have an appropriate and effective internal control framework. In order for this to happen, the recommendations noted above should be implemented in a timely fashion. Once the recommendations are implemented, the OAG will be in a position to evaluate the controls in place and consider placing reliance on these controls for the purpose of the audit. It is a natural progression for an organization that is the size and complexity of the ILO to move towards the development of a Statement of Internal Controls over the coming years.

## Statement of internal control

95. The statement of internal control is a way for an entity to declare its approach to, and its responsibility for, risk management, internal control, and corporate governance. It is also a way to highlight weaknesses that exist in the internal control system within the system. Public sector entities should provide assurance that they are managing and controlling the resources for which they are responsible. The statement of internal

control is an important accountability document in communicating these assurances to its governing bodies.

96. A statement of internal control would include the following most significant elements:

a. management's scope of responsibilities;

b. the purpose of the system of internal control and how it addresses the risks of failure and whether it was working all year;

c. the capacity to handle risk, such as the leadership given to risk management, how staff is equipped to manage risks, and how the entity learns from best practices;

d. the risk and control framework, with a description of the key elements in the risk management strategy, such as how risks are identified, evaluated and controlled, how the risk appetite is determined, and how stakeholders are involved in managing risks that affect them; and

e. a review of the control's effectiveness that would include a confirmation by the Chief Executive who has overall responsibility for reviewing the effectiveness of the system of internal control, taking into account the work carried out by internal audit, external audit, and the entity's managers, confirming that a plan is in place to address any weaknesses identified and to ensure continuous improvements.

97. Although this statement is not required under IPSAS, it is a best practice observed by other United Nations organizations, among others, the World Food Programme, the World Meteorological Organization and the Universal Postal Union.

98. **Recommendation.** The ILO should start working towards the adoption of this best practice, already in place in other United Nations organizations, and move towards the issuance of a Statement of Internal Control to provide the Governing Body the assurance that the ILO is appropriately managing and controlling the resources that have been entrusted to it. Given the global reach of the ILO and complexity of the systems and practices of the organization, this endeavour may take several years to realize.

**The International Labour Organization's response.** The ILO agrees that the implementation of a Statement of Internal Control would respond to an emerging practice in the public sector and is monitoring developments on this matter within the United Nations System. A number of elements are already in place or under development that will contribute to the documentation of a sound control framework, ultimately facilitating the issuance of a Statement of Internal Control. As noted by the External Auditor, an auditable Statement of Internal Control is a significant undertaking with a global impact. As such, the implementation of this recommendation will be included in the International Labour Office's medium-term plans.

## Progress made on prior years' recommendations

99. In 2013, we conducted a follow-up of recommendations included in our 2012 report to the Governing Body. The recommendations covered five areas: International Public

Sector Accounting Standards—Lessons learned, International Public Sector Accounting Standards—Going forward, After-service health insurance—Long-term funding strategy, Headquarters building renovation project—Governance, and Information technology—Governance. In addition, we followed up on recommendations still in progress, which were also reported in our 2012 report on four areas: application controls—human resources, human resources—succession planning, human resources—training and development, and performance measurement and reporting.

100. As noted in the following table, there are recommendations where implementation has begun but plans have not yet been fully implemented.

101. The following progress assessments were completed by the ILO. We did not do any audit work other than review the reasonableness of the assessment of the progress implementation with the information provided by management. In 2014, we plan to carry out a review of the implementation of the recommendations of the headquarters building renovation project—governance as well as the various recommendations relating to information technology. In 2015, we will review the other recommendations made in the other areas.

| Recommendations Included in the Report to the Governing Body on the 2012 audit including past 2010 and 2011 outstanding recommendations | Summary of Management's Response | Progress |
|---|---|---|
| **International Public Sector Accounting Standards–Lessons learned (2012)** | | |
| ■ The ILO should conduct a lessons learned from the implementation of IPSAS, including how the implementation went. It should identify the benefits to the organization, the areas where improvements are still required, how the new information created for the financial statements can be used by management in decision making, and what lessons can be drawn from this project in order to ensure that difficulties encountered are avoided in the future. | A review was undertaken by the Office, completed and submitted to the Director-General on 10 December 2013. | |
| **International Public Sector Accounting Standards–Going forward (2012)** | | |
| ■ The ILO should continue to prepare for the new IPSAS standards that will be applied in 2013 and future years, including the preparation of pro forma financial statements, as required on a timely basis. | The Office continues to comply with IPSAS standards and is actively engaged with the UN Task Force in assessing new and amended standards. Pro-forma financial statements for 2013 were once again prepared and submitted to the External Auditor for review in September 2013. | |

| Recommendations Included in the Report to the Governing Body on the 2012 audit including past 2010 and 2011 outstanding recommendations | Summary of Management's Response | Progress |
|---|---|---|
| **After-service health insurance–Long-term funding strategy (2012)** | | |
| ■ The ILO should assess how its share of health insurance funding, charged annually to the Regular Budget, can be expected to escalate. The ILO should also evaluate options for alternative long-term funding of its ASHI liability that takes into consideration the budgetary constraints in the Biennial Programme and Budget, which mirror the fiscal constraints facing member States. | In the area of the after-service health insurance–long term funding strategy, ILO has commissioned an actuarial study on the estimated evolution of the current funding approach which is the pay-as-you-go approach as well as other options to fund the liability. We were also informed that the International Telecommunications Union has withdrawn from the Staff Health Insurance Fund effective 1 May 2014. Management also informed us that the results of the study would be submitted to the Governing Body at its May 2014 session. | ◒ |
| **Headquarters building renovation project - Governance (2012)** | | |
| ■ The ILO should ensure that its renovation project governance framework is finalized and approved without further delay. At a minimum, it should include<br>■ a final project organizational structure;<br>■ clear roles and responsibilities for stakeholders;<br>■ a documented calendar of key deliverables:<br>■ a clear and documented delegation of authority (who will approve what, dollar limits, and key decisions to be made within a certain timeframe); and<br>■ defined and complete progress reports with both financial and non-financial information that meet stakeholders' needs. | The ILO issued an IGDS setting out the organization structure, the roles and responsibilities of each element of the project governance and authorities. New exceptional procurement thresholds were also approved by the Treasurer and Financial Comptroller. Meetings of the Project Governance Committee receive regular updates on progress and financial matters. As the project is still in the early stages, certain items of the recommendations remain to be implemented. | ◒ |
| **Information technology–Governance (2012)** | | |
| ■ The ILO should adopt an IT governance structure to oversee IT systems and services Office-wide.<br>■ The ILO should have IT procurement controls and policies in place to ensure that the purchase of IT goods and services are compliant with approved strategies and | In the area of information technology–governance, work is ongoing on the remaining recommendation that related to the inventory of IT functions and applications. Management has completed its inventory of IT and LAN functions as well as its | ●<br>● |

| Recommendations Included in the Report to the Governing Body on the 2012 audit including past 2010 and 2011 outstanding recommendations | Summary of Management's Response | Progress |
|---|---|---|
| standards.<br><br>■ The ILO should inventory its IT functions and applications with the objective of streamlining standards, software products, IT systems, and associated software development functions. | applications. It is in the process of consolidating its Enterprise Content management and field IT infrastructure supporting file shares and email. Management decisions are pending on whether decentralized IT functions and services such as the development of applications outside INFOTEC will be consolidated or not. | ◒ |
| **Application controls–human resources (2011)**<br><br>■ We recommend that ILO enforce greater segregation of duties in the system; perform independent reviews of the data entry and manual adjustments; and ensure that approval practices for all personnel actions follow the established workflow process. | The modifications to the PA approval workflow has been implemented since August 2013. | ● |
| **Human resources–succession planning (2011)**<br><br>■ The ILO should develop the capacity to conduct workforce analyses, and pursue its efforts to increase the response rate to the skills-mapping exercise so it can identify the skills of its workforce and determine its current and future workforce needs.<br><br>■ The ILO should develop a succession planning process that identifies what its key positions are; includes a mechanism for informing employees what the key positions are and what skills are needed for those positions; and includes a system for preparing employees for higher-level management positions.<br><br>■ The ILO should consider increasing mobility, to allow staff to gain the necessary experience to take on higher-level positions. | In the area of human resources–succession planning, a new tool for skills mapping and workforce planning was launched in February 2014 to assist the ILO in identifying and bridging organizational skills, enhancing career development and mobility as well as supporting the identification and development of in-house expertise. ILO will also be conducting scheduled annual staff reviews in April and May 2014. In addition, the ILO has now implemented a monitoring mechanism which identifies in advance any anticipated movements within the high-level management subject to the DG's direct appointment and allows sufficient time for call of expression of interest as part of the recruitment process. Regarding the system to prepare staff for higher-level management positions, the ILO is providing training and coaching to officials interested in the United Nations Resident Coordinator positions and proactively supporting staff movements through the inter-agency mobility mechanisms. In addition, the ILO has introduced an executive | ●<br><br>◒<br><br>◒ |

| Recommendations Included in the Report to the Governing Body on the 2012 audit including past 2010 and 2011 outstanding recommendations | Summary of Management's Response | Progress |
|---|---|---|
| | leadership programme together with the ITC-Turin and UN Staff College, and will be implementing, through the ITC-Turin, a programme to strengthen capacity and support field managers and national staff in field offices in late 2014. The establishment of a new Recruitment, Assignment and Mobility Committee was approved by the Governing Body in March 2014 to advise the Director-General in staffing trends and identify opportunities in filling vacancies. A revised geographical mobility policy is also expected to be finalized mid-2014. | |
| **Human resources—training and development (2010)**<br><br>■ The ILO should formalize its learning evaluation and measurement mechanisms to assess effectiveness at the organizational level and improve training programmes.<br><br>■ The ILO should try to increase the response rate to the skills mapping exercise so that it can obtain a more representative picture of the current competencies of professionals, and can identify and fill gaps to meet its requirements. | In the area of human resources–training and development, the learning management module was rolled-out to all field offices in 2013 and is being used. In addition to this tool. the biennial Learning Needs Analysis was undertaken and its priorities were endorsed by the GB in March 2014. ILO implemented the workforce planning module to help the Office map the staff's skills in an integrated manner and to report on skill gaps in early 2014 and the target is to expect to reach at least 50% of staff by the end of 2014, at which time and analysis of the information can be completed in identifying skills and experience of staff. | ●<br><br>◒ |
| **Performance measurement and reporting practices (2010)**<br><br>■ The ILO should make performance information available to the Governing Body when this information can best be used to consider future budget allocations. | In the area of performance measurement and reporting practices, management presented in March 2014, the ILO 2012-2013 Programme Implementation Report in a revised format which was favorably received by the Governing Body as it drew out more synthetic performance information and related lessons thus enabling the Governing Body to better assess overall performance. Measures were also | * |

| Recommendations Included in the Report to the Governing Body on the 2012 audit including past 2010 and 2011 outstanding recommendations | Summary of Management’s Response | Progress |
|---|---|---|
| | discussed to prepare a transitional strategic plan for the 2016-2017 Programme and Budget. Based on these efforts, we conclude that the remaining recommendation will remain until an annual Programme and Budget is adopted by the ILO. | |
| **Number of recommendations made (excludes the one that is no longer applicable)** | **Number of recommendations fully implemented** | |
| **13** | **7** | |

**Legend of progress:**

Full implementation: Fully addressed with implementation plan or a new process and expected results achieved.

Ongoing implementation: Formal plans created for organization changes with appropriate resources and a reasonable timetable. Implementation has partially achieved the expected results.

* No longer applicable as recommendation has been implemented as much as feasible

# 6. Appendix

## Additional unaudited information

# Detail of net assets revenue and expense by fund for 2013 (US$ thousands)

| Net assets by fund | Net assets 31 Dec. 2012 | Revenue 2013 | Expense 2013 | Deficit financing | Transfer to liabilities due to member States | Adjustments to net assets | Net assets 31 Dec. 2013 |
|---|---|---|---|---|---|---|---|
| Regular budget | 103 969 | 411 379 | (445 998) | 18 776 | (332) | (30 375) | 57 419 |
| Land and buildings | 380 635 | 13 535 | (2 125) | – | – | 62 736 | 454 781 |
| Building Accommodation | 89 425 | 2 698 | (11 443) | – | – | – | 80 680 |
| RBSA | 32 040 | 22 901 | (11 760) | – | – | – | 43 181 |
| Programme support income | 49 100 | 25 062 | (19 994) | – | – | – | 54 168 |
| Publications | 921 | 474 | (314) | – | – | – | 1 081 |
| ITS | 1 652 | 1 | (14) | – | – | – | 1 639 |
| Gifts, grants and reimbursable costs | 4 924 | 4 471 | (4 480) | – | – | – | 4 915 |
| Prior period surplus | 3 789 | 53 | ( 699) | – | – | – | 3 143 |
| Special Programme Accounts | 23 059 | 412 | (4 605) | – | – | – | 18 866 |
| Working Capital | 38 419 | 1 040 | – | (18 776) | – | – | 20 683 |
| Income Adjustment Account | 67 340 | 1 972 | ( 495) | – | – | – | 68 817 |
| Terminal benefits | (8 570) | 4 875 | (857) | – | – | – | (4 552) |
| SHIF | 54 301 | 46 927 | (45 774) | – | – | – | 55 454 |
| ASHI liability | (857 502) | – | (31 434) | – | – | 89 880 | (799 056) |
| Other General Fund | 2 096 | 2 907 | (1 312) | – | – | – | 3 691 |
| **Subtotal General Fund** | **(14 402)** | **538 707** | **(581 304)** | **–** | **(332)** | **122 241** | **64 910** |
| ITC | 17 948 | 55 676 | (51 058) | – | – | 1 612 | 24 178 |
| IILS | 13 829 | 3 756 | (1 613) | – | – | – | 15 972 |
| CINTERFOR | 349 | 1 687 | (1 454) | – | – | – | 582 |
| CIS | 407 | (22) | (83) | – | – | – | 302 |
| Administrative Tribunal | (292) | 2 748 | (2 651) | – | – | – | (195) |
| **Subtotal Non-General Funds** | **32 241** | **63 845** | **(56 859)** | **–** | **–** | **1 612** | **40 839** |
| UNDP | – | 4 297 | (4 297) | – | – | – | – |
| TC Project | – | 249 595 | (249 595) | – | – | – | – |
| **Subtotal extra-budgetary** | **–** | **253 892** | **(253 892)** | **–** | **–** | **–** | **–** |
| Inter-segment elimination | – | (94 343) | 94 343 | – | – | – | – |
| **Total** | **17 839** | **762 101** | **(797 712)** | **–** | **(332)** | **123 853** | **105 749** |