International
Labour
Office

Geneva

Financial report and audited consolidated financial statements for the year ended 31 December 2015

and Report of the External Auditor

ILC.105/FIN

International Labour Organization

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International Labour Office, Geneva

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Contents

1. Financial report on the 2015 accounts

Introduction

1. The 2015 consolidated financial statements have been prepared in accordance with International Public Sector Accounting Standards (IPSAS) and consolidate all of the operations under the direct authority of the Director-General including the regular budget, extra-budgetary funded activities, the Inter-American Centre for Knowledge Development in Vocational Training (CINTERFOR), the International Training Centre of the ILO (ITC), and the ILO Staff Health Insurance Fund (SHIF) activities related to the International Labour Organization (ILO) officials and retirees.

2. The Financial Regulations specify a biennial financial period; however for general purpose financial reporting in accordance with IPSAS, annual financial statements are presented. For the purpose of actual versus budget comparisons, in Statements V-A to V-C the final annual budget amounts for 2015 represent one half of the approved biennial budget plus the balance remaining unspent at the end of the first year of the biennium. Statements V-A to V-C also include biennial results.

3. The financial statements prepared under IPSAS use full accrual-based accounting which requires the recognition of transactions and events when they occur. In particular, revenue from voluntary contributions to development cooperation is recognized when the ILO delivers the services specified in the agreement with the donor, rather than when cash is received or pledged. Expenses are recognized when services or goods are received or delivered rather than when cash is paid. The value of future employee benefits such as accumulated leave, repatriation entitlements, and after-service health insurance (ASHI) is recognized in the financial statements in the period when these benefits are earned by ILO staff rather than when they are paid.

4. Reporting general purpose financial statements on an IPSAS basis has no impact on the preparation or reporting of the ILO regular budget result, which continues to be presented on a modified cash basis in accordance with the Financial Regulations. As the basis of the budget and the financial statements differ, a reconciliation between the budget and the IPSAS statement of financial performance is presented in note 24 to the financial statements.

Financial highlights for 2015

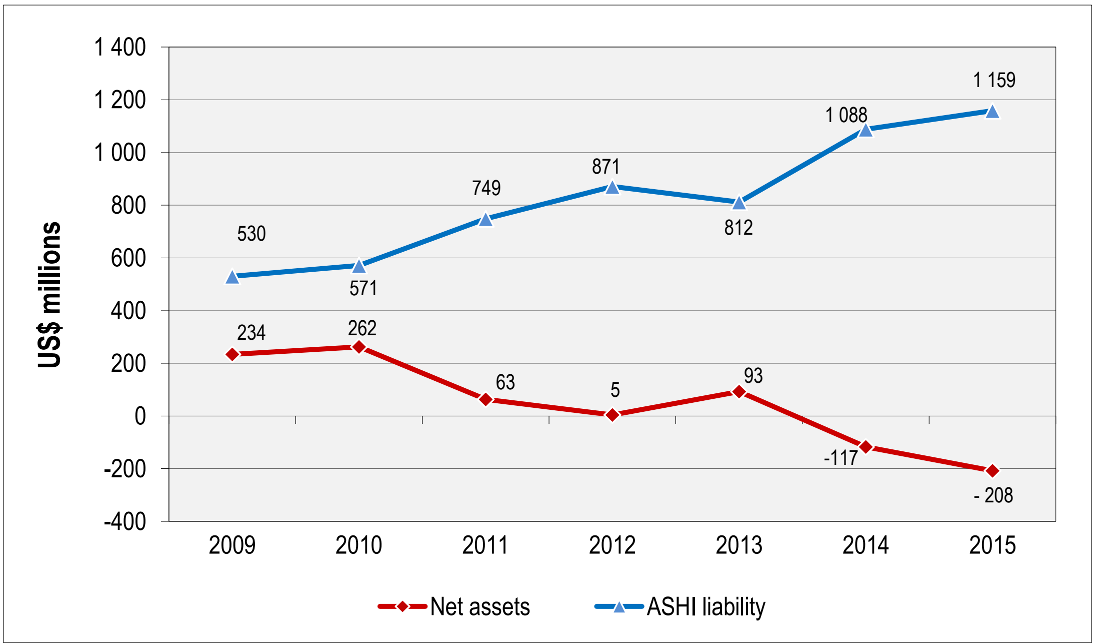
5. The table below summarizes the financial situation of the ILO in 2015 as compared to 2014 and 2013 (the second year of the previous biennium):

(US$ millions)	2013	2014	2015
Revenue	762.1	771.6	713.6
Expenses	801.3	768.7	757.8
Surplus (deficit)	**(39.2)**	**2.9**	**(44.2)**
Assets	1 693.9	1 686.6	1 607.8
Liabilities	1 600.9	1 803.7	1 816.3
Net assets	**93.0**	**(117.1)**	**(208.5)**

6. The consolidated deficit for 2015 is US$44.2 million as compared to a surplus of US$2.9 million in 2014 and a deficit of US$39.2 million in 2013. An analysis of revenue and expenses is provided in the following sections.

7. The decrease in net assets from negative US$117.1 million in 2014 to a negative US$208.5 million is mainly attributable to the increase in the ASHI liability and to the negative net result of the year. Figure 1 illustrates the correlation between the ASHI liability and net assets. Further information on the most significant movements in assets and liabilities, in particular ASHI, is provided later in this report.

Figure 1. Movement in net assets as compared to ASHI liability

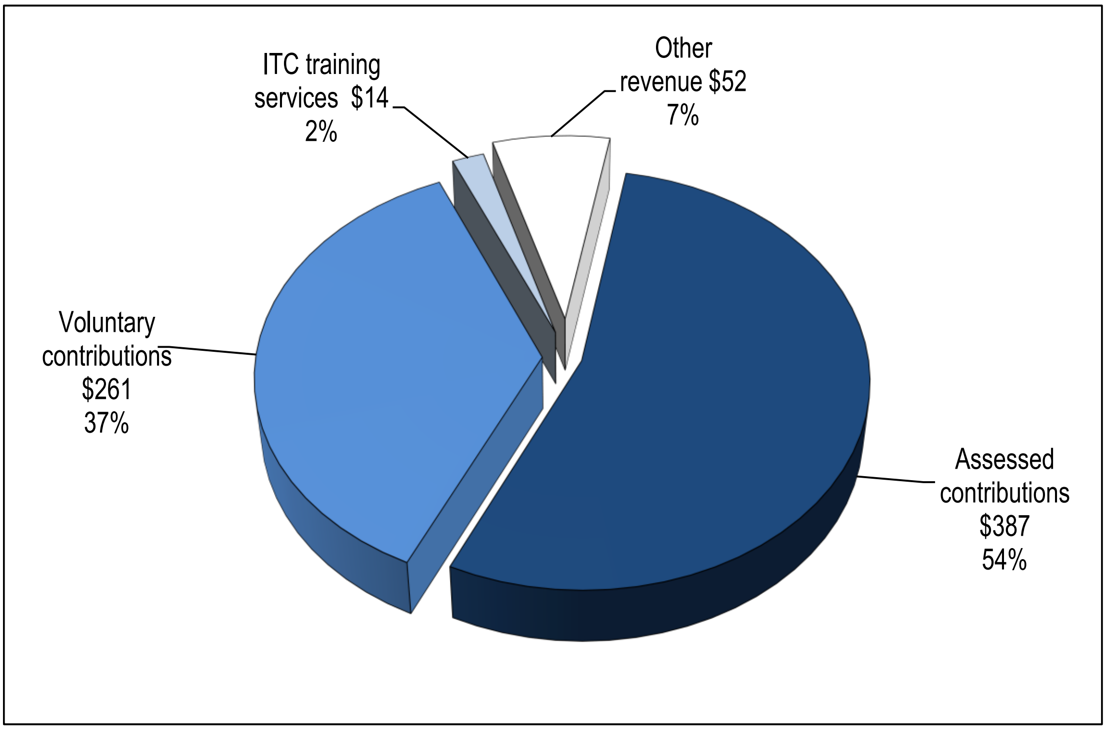


Financial performance

Revenue

8. Revenue in 2015 totalled US$713.6 million (US$771.6 million in 2014) and is composed as follows:

Figure 2. Revenue by source, 2015 (US$ millions)

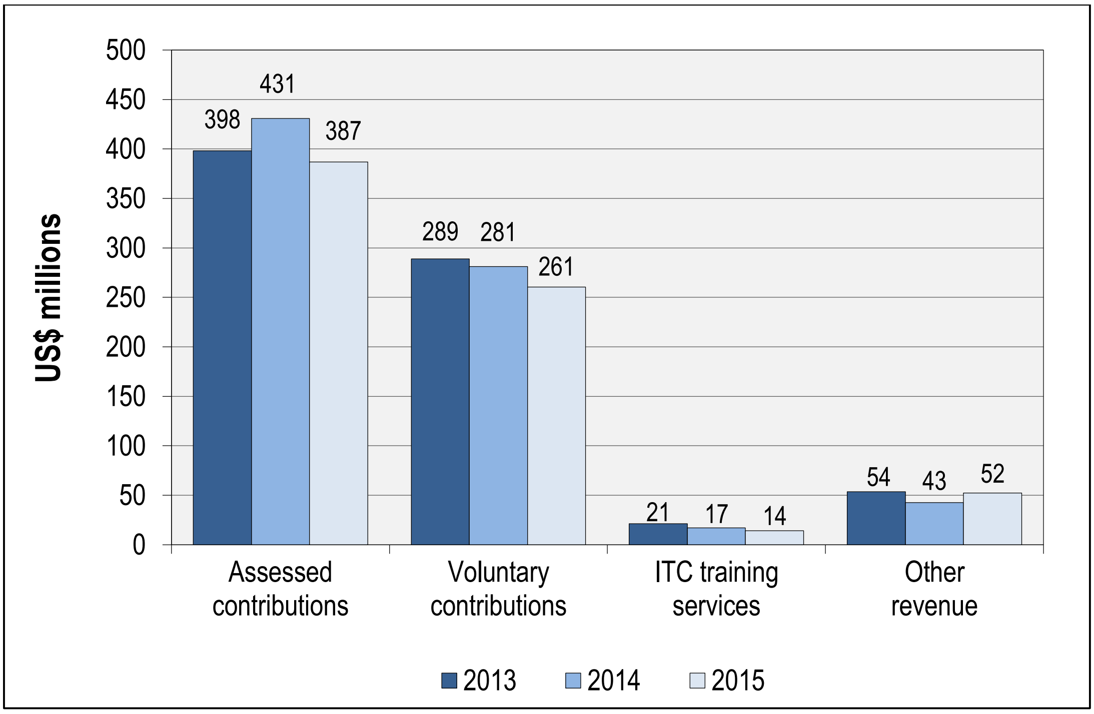


9. The two principal sources of revenue in 2015 were assessed contributions from member States and voluntary contributions. These represent 91 per cent of ILO sources of revenue.

10. As shown in figure 3, the net decrease in total revenue of US$58.0 million, or 7.5 per cent as compared to 2014, results principally from a decrease in the US dollar value of assessed contributions from member States (US$43.5 million), which are assessed in Swiss francs, and a decrease in voluntary contributions earned of US$20.5 million. These decreases have been partially offset by minor increases in other sources of revenue.

11. The net increase in other revenue of US$9.7 million as compared to 2014 mainly related to the gain on sale of a plot of land owned by the ILO in Geneva (US$6.1 million) and exchange and revaluation gains (US$12.5 million), offset by decreases in investment income and miscellaneous revenue of US$5.9 million and US$3 million respectively.

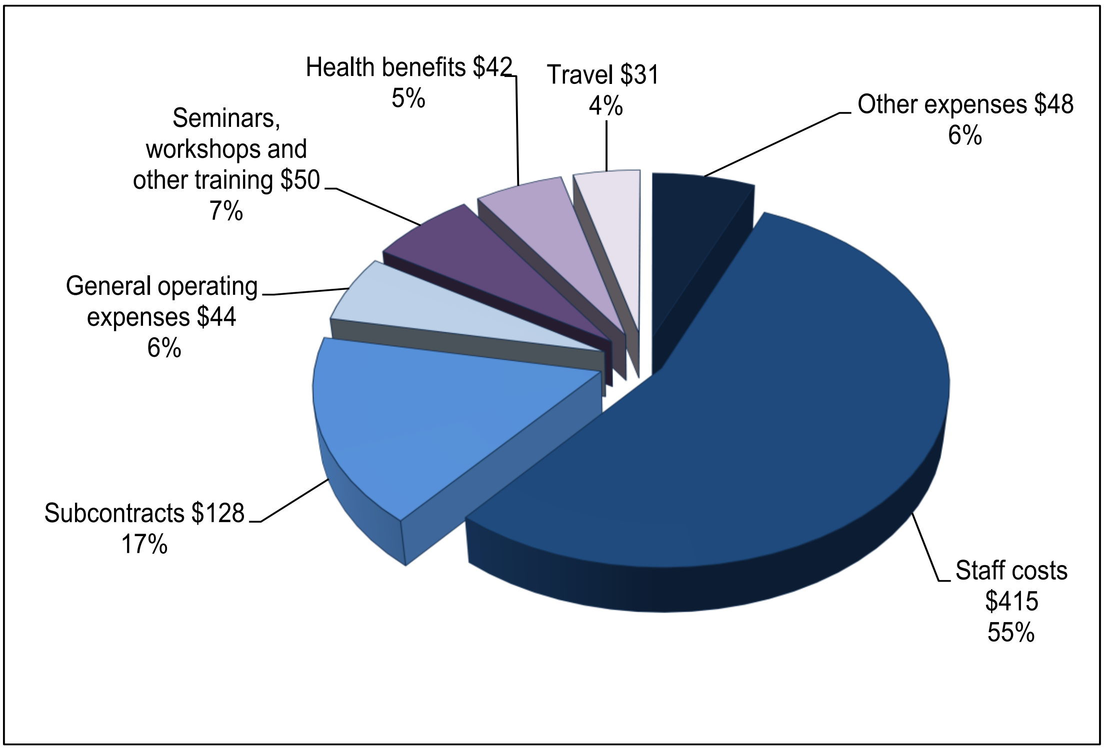
Figure 3. Revenue sources, three-year comparison



Expenses

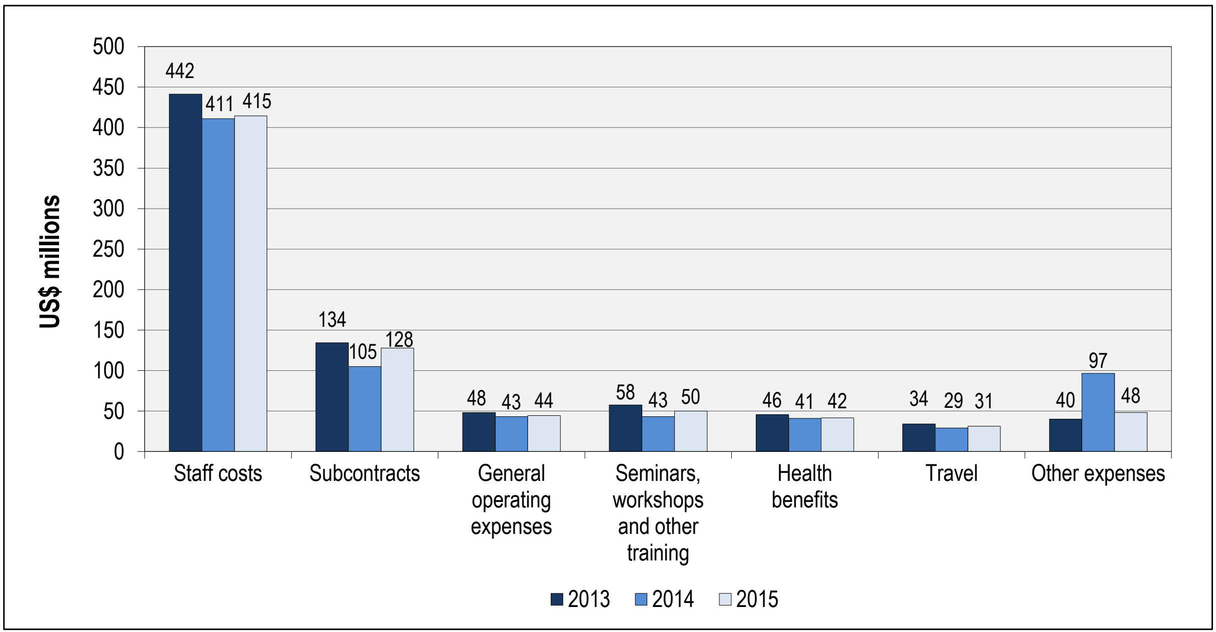
12. Expenses in 2015 totalled US$757.8 million (US$768.7 million in 2014) and were distributed as follows:

Figure 4. Expenses in 2015 (US$ millions)



13. Figure 5 provides a three-year comparison by main expense categories:

Figure 5. Expenses, three-year comparison



14. In 2015, with the exception of other expenses, expenditure increased by US$37.0 million or by 5.5 per cent as compared to 2014. This was in line with the ILO's historic pattern of comparatively higher expenditure in the second year of the biennium. The IPSAS-based recognition of exchange losses of US$55.7 million in 2014 as compared to a gain of US$12.5 million recorded under revenue in 2015, is the principal cause of the decrease in other expenses.

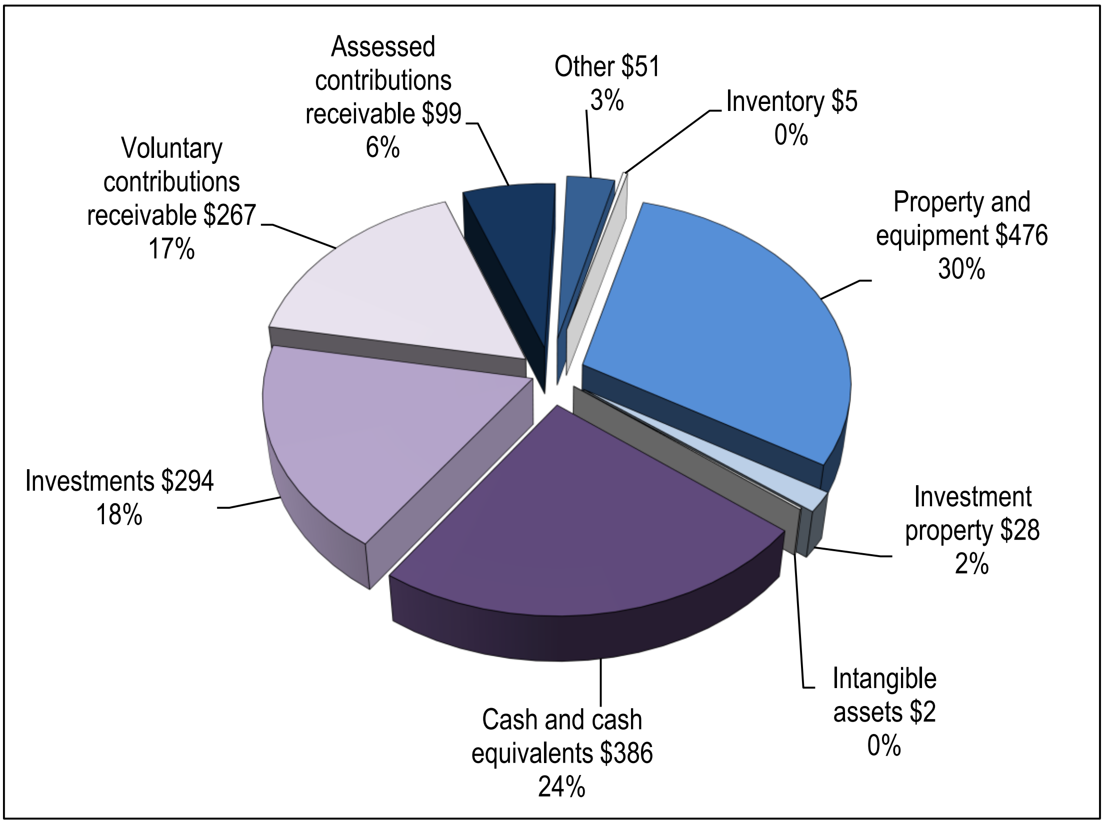
15. In accordance with the Financial Regulations and decisions of the International Labour Conference (ILC), exchange movements relating to the regular budget are managed through the net premium account, netting off gains and losses and providing protection to member States.

Financial position

Assets

16. Assets as at 31 December 2015 totalled US$1,607.8million (US$1,686.6 million as at 31 December 2014) as follows:

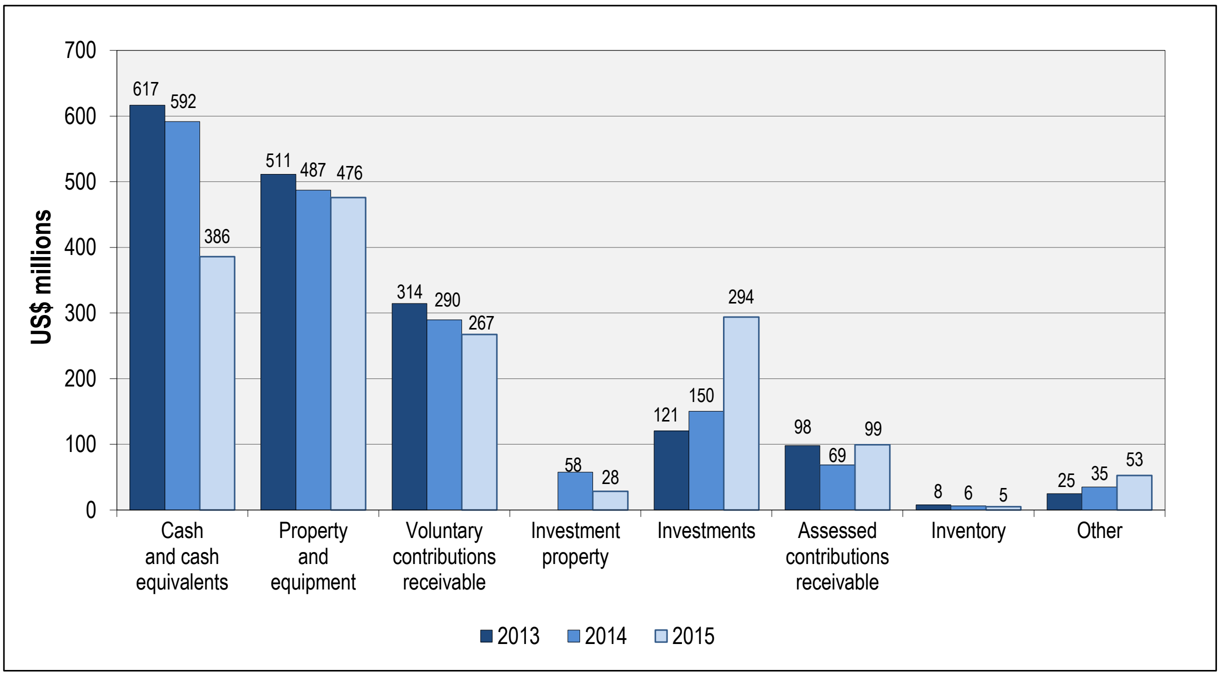
Figure 6. Assets (US$ millions)



17. Cash, cash equivalents and investments totalling US$679.8 million (US$742.1 million as at 31 December 2014) were the largest component of assets as at 31 December 2015 representing 42 per cent of the total assets. Of this amount, US$178.4 million or 26.2 per cent (212.3 million or 28.6 per cent at 31 December 2014) corresponded to funds held on behalf of donors for development cooperation projects. Voluntary contributions receivable and property and equipment were the two other significant asset components.

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

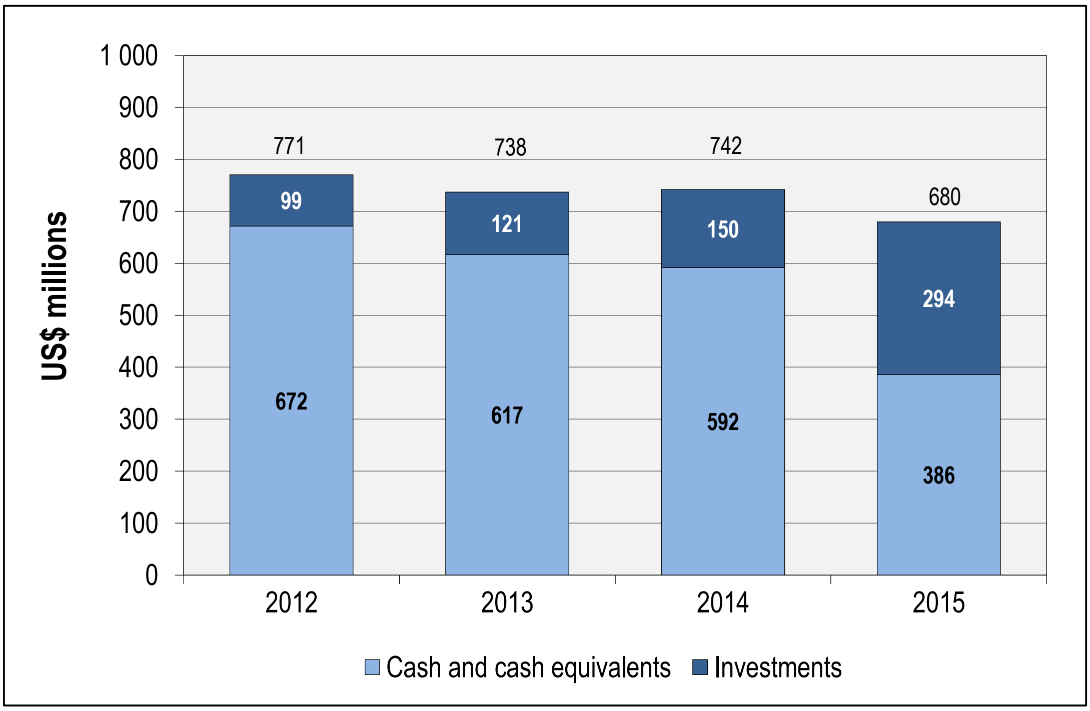
Figure 7. Assets, three-year comparison



Cash, cash equivalents and investments

19. The overall level of cash, cash equivalents and investments was distributed as follows.

Figure 8. Consolidated cash and investments



20. The movement in the distribution between cash and investments is due to two factors. To respond to the challenges of obtaining an investment return on liquid deposits, following advice of the ILO Investment Committee, US$76.8 million of cash holdings were invested in unit funds through two new investment portfolios. In addition, extending the duration on short-term deposits amounting to US$67.5 million with maturity between 90 days and one year required a reclassification of these deposits as investments.

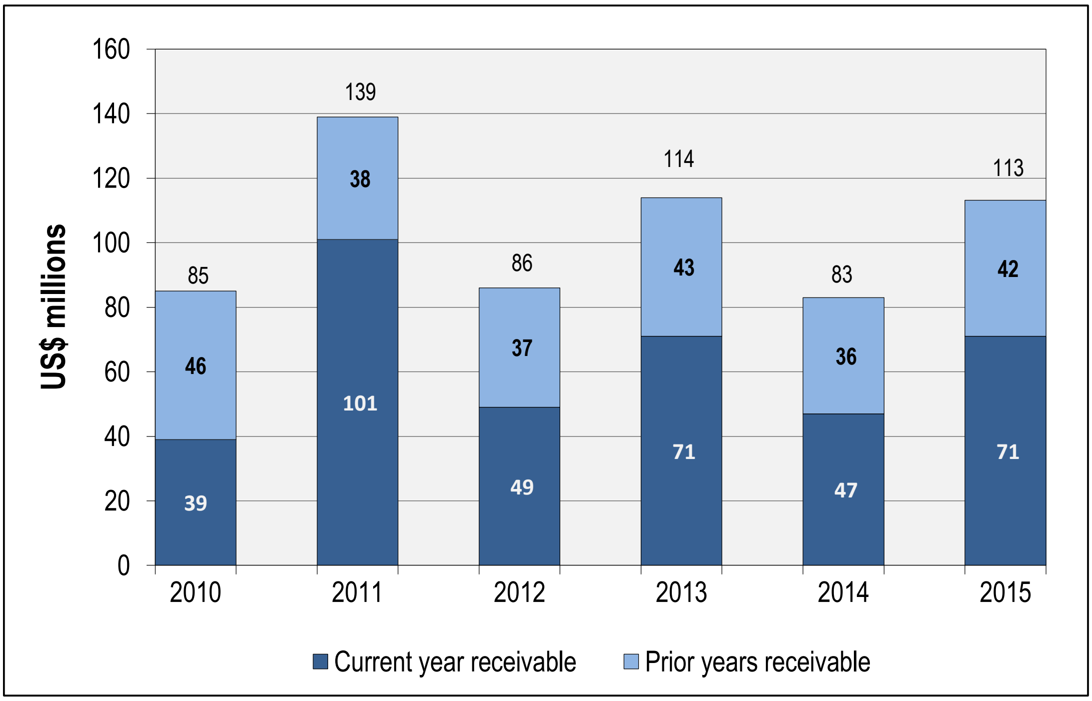
21. The overall level of cash, cash equivalents and investments decreased by US$62 million or by 8.3 per cent as compared to 2014. The decrease results from the shortfall in assessed contributions and the net decline in the volume of the funds held on behalf of donors for development cooperation projects.

Assessed contributions receivable

22. Due to a lower collection rate on both current year and arrears of contributions during 2015, the level of assessed contributions receivable increased by US$29.3 million to US$112.5 million as at 31 December 2015, prior to the required adjustment for member States which had lost the right to vote. This was in line with the ILO's historic pattern of comparatively lower collection rate on contribution in the second year of the biennium.

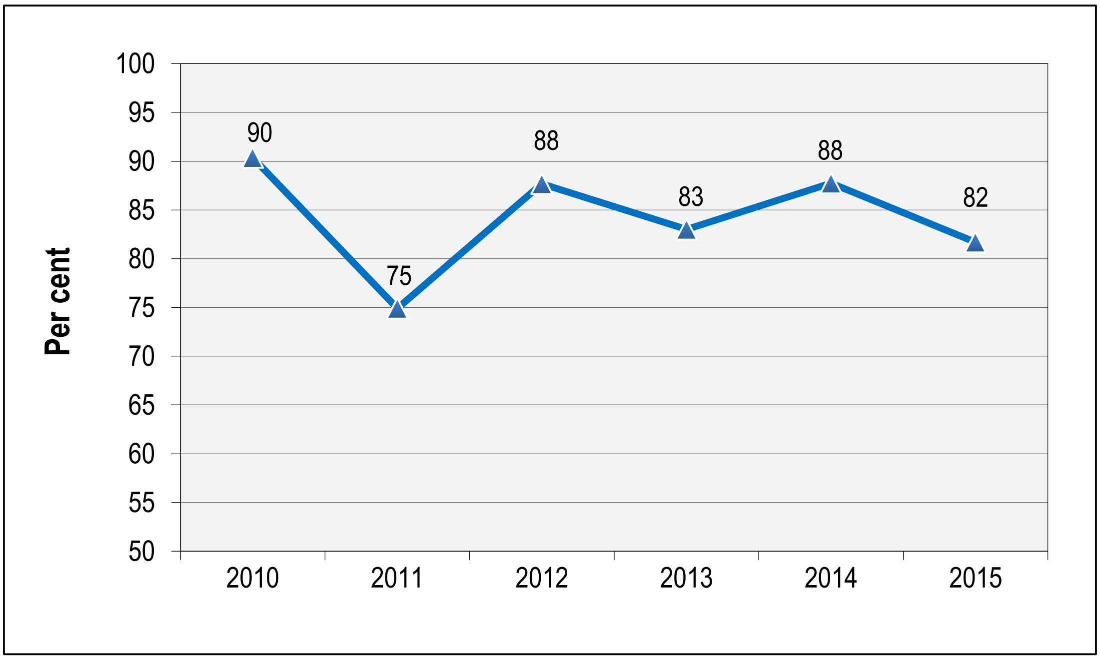
23. Figure 9 summarizes the assessed contribution receivable balances and their components at the end of each of the last five years:

Figure 9. Assessed contributions receivable



24. The trend in collection rate for current year assessed contributions is reflected in figure 10 below:

Figure 10. Assessed contributions collection rate (in the year of assessment)



25. As at 31 December 2015, the arrears of contributions of 19 member States – Antigua and Barbuda, Burundi, Comoros, Djibouti, Dominica, Equatorial Guinea, Gambia, Grenada, Guinea-Bissau, Kyrgyzstan, Liberia, Saint Vincent and the Grenadines, Sao Tome and Principe, Sierra Leone, Solomon Islands, Somalia, South Sudan, Tajikistan and Vanuatu – equalled or exceeded the amount of the contributions due from the past two years (2013–14). 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 Organisation. A provision of US$10.9 million has been made in respect of the amount due from member States that had lost the right to vote at 31 December 2015.

Property, equipment and investment property

26. Property and equipment is mainly composed of land and buildings. Total land and buildings, including one non-strategic plot of land in Geneva which is classified as investment property (see note 13 of the financial statements) had a fair value of US$488.4 million. Figure 11 provides a summary of the ILO’s land and buildings as at 31 December 2015:

Figure 11.

(US$ thousands)	Fair value 31.12.2015	31.12.2014
Land		
Headquarters – Geneva		
Land	304 164	305 398
Plots of land classified as investment property	28 254	57 570
Lima	3 190	3 115
Abidjan	440	423
Santiago	1 157	1 230
Total land	**337 205**	**367 736**
Buildings		
Headquarters – Geneva	132 076	142 865
Lima	10 100	9 865
Brasilia	436	545
Abidjan	2 495	2 398
Dar es Salaam	2 403	2 292
Buenos Aires	650	648
Islamabad	259	267
Santiago	2 127	2 869
Brussels	662	761
Total buildings	**151 208**	**162 510**
Total land and buildings	**488 413**	**530 246**

Land

27. The total value of land decreased principally due to the sale of one plot of land with a book value of US$20.9 million and the revaluation of a plot of land held under a leasehold. The leasehold value has been adjusted downwards by US$8.2 million to reflect the amount received in March 2016 following the renunciation of the lease by the ILO. The value has further decreased by US$0.2 million resulting from net exchange differences. The sale of the land in 2015 provided a gain of 5.3 million Swiss francs (CHF) (US$6.1 million including exchange gain) as compared to its market value at 31 December 2014. The revenue from the sale was transferred to the Building and Accommodation Fund to partially finance the headquarters building renovation.

28. The decrease in the value of other land properties by US$1.2 million is composed of a decrease in market value of US$1.4 million, and a revaluation gain of US$0.2 million due to favourable exchange rate movements.

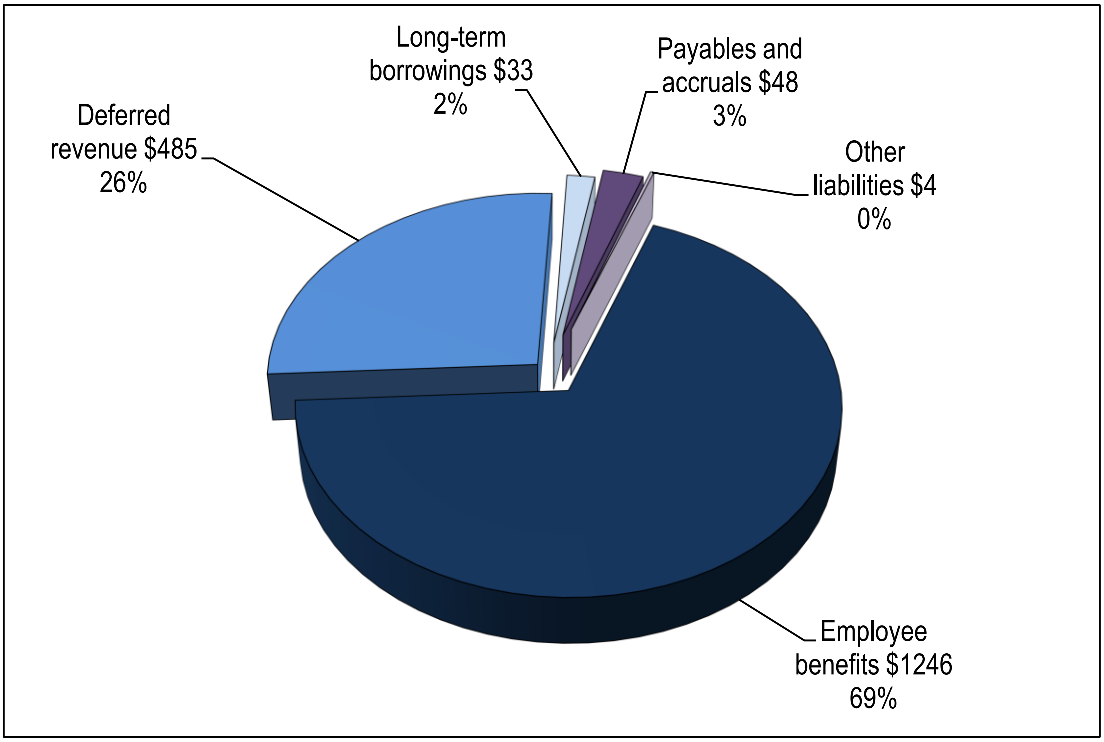
Buildings

29. The decrease in the total value of buildings of US$11.3 million is mainly attributable to a decrease in the market value of the headquarters building by US$10.8 million due to increasing vacancy rates in Geneva.

Liabilities

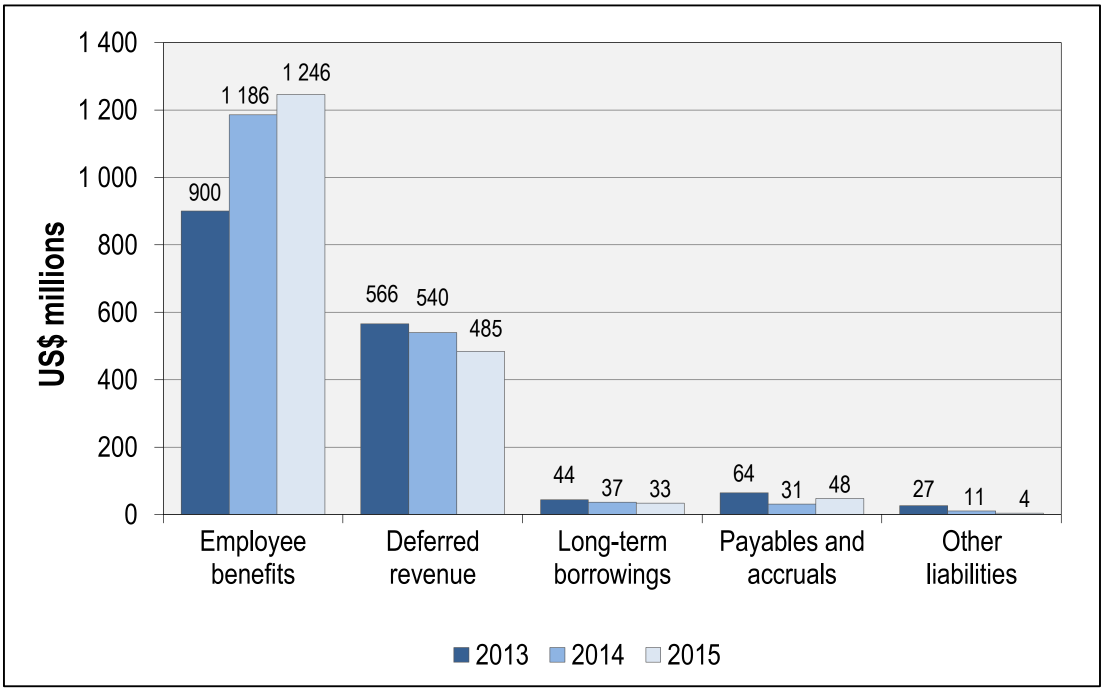
30. Liabilities as at 31 December 2015 totalled US$1,816.3 million (US$1,803.7 million as at 31 December 2014) as follows:

Figure 12. Liabilities (US$ millions)



31. Figure 13 below provides a three-year comparison by liability category:

Figure 13. Liabilities, three-year comparison



Employee benefits

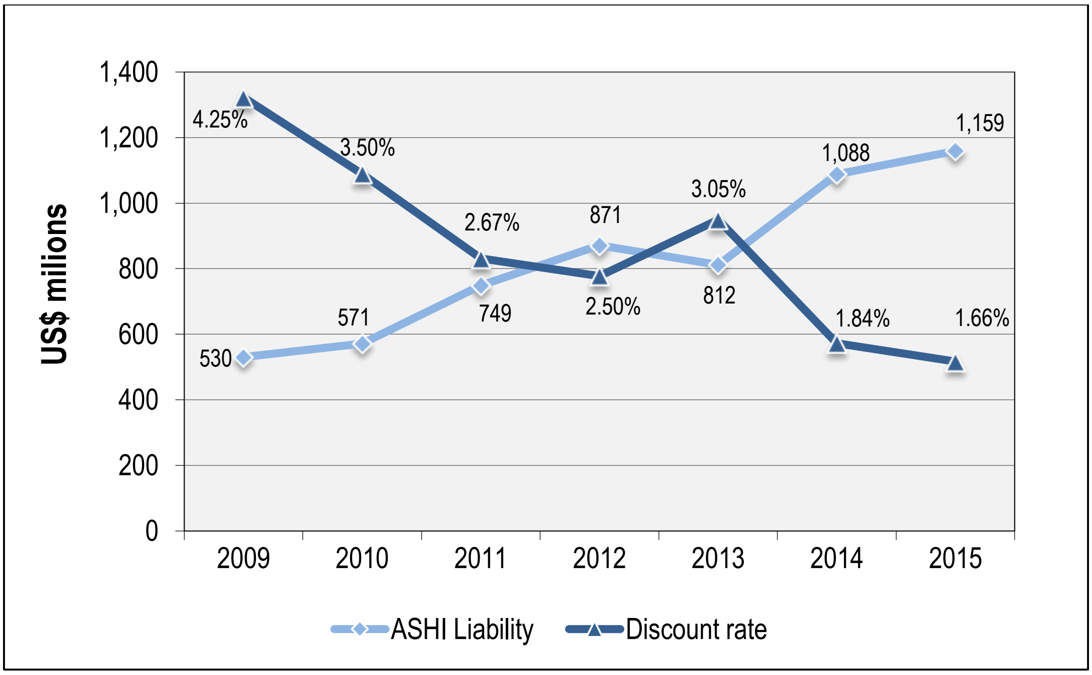
32. The most significant liabilities were the future employee benefits accrued by staff members and retirees. These represented 69 per cent of the ILO's total liabilities as at 31 December 2015.

ASHI liability

33. The ASHI liability represents 93 per cent of the total employee benefits' liability and refers to the estimated cost of the employer's share of future health-care premia in respect of all current retirees and all active staff members with projected eligibility for ASHI. It is an estimate calculated by an independent actuary taking into consideration the current discount rates, trends in health-care costs, mortality rates, the demographic make-up of the insured population, inflation and other assumptions. It is based on an approach developed by the actuarial profession and endorsed by accounting standard setters as being the most accurate method for projecting the amount of the Organization's future obligation.

34. A key assumption utilized by the actuary to calculate the ASHI liability is the discount rate. The decline in the global interest rates from 2009 to 2015 has had a significant effect on the discount rate and consequently the ASHI liability valuation. Figure 14 shows the growth in the ASHI liability and the relationship with the discount rate.

Figure 14. Growth in ASHI and discount rate



35. The ASHI liability increased by US$71 million in 2015 to US$1,159 million. The increase was primarily the result of actuarial losses as detailed below:

Actuarial (gains)/losses	US$ millions
Loss due to change in discount rate	30.8
Loss due to experience	5.4
Total actuarial losses recognized in net assets	**36.2**
Current service cost	36.9
Interest cost	20.0
Net benefits paid	(22.1)
Net ASHI expense recognized in the statement of financial performance	**34.8**
Total increase in ASHI liability	**71.0**

36. The ASHI liability is currently considered as unfunded. However, an amount of US$61.6 million is available in a SHIF Guarantee Fund to cover future liabilities of SHIF together with an amount of US$3.6 million accumulated in respect of the staff of development cooperation projects. The ILO fulfils its immediate obligations in respect of the financing of health insurance for former officials from the regular budget, on a pay-as-you-go basis.

Regular budget

37. The International Labour Conference, at its 102nd Session (June 2013), approved an expenditure budget for the 2014–15 financial period amounting to US$801.3 million and an income budget for the period for the same amount, which at the budget rate of exchange for the period of CHF0.95 to the US dollar, resulted in total assessed contributions of CHF761.2 million.

38. The overall budgetary results for the 2014–15 financial period are summarized in Statement V-A with the details of contributions paid by member States shown in note 31 to the financial statements.

39. The table below shows the expenditure and budget utilization percentages for the current and recent years:

Variance analysis by strategic outcome for 2012–13 and 2014–15 (in US$ thousands)

	2012–13 Budget	2012–13 Actual	2012–13 Delivery	2014–15 Budget	2014–15 Actual	2014–15 Delivery
Part I – Ordinary budget						
A. Policy-making organs	93 292	90 372	96.87%	82 469	74 351	90.16%
B. Strategic objectives	648 089	645 343	99.58%	612 292	605 660	98.92%
C. Management services	75 738	74 063	97.79%	61 995	61 929	99.89%
D. Other budgetary provisions	47 134	46 025	97.65%	46 802	44 299	94.65%
Adjustment for staff turnover	(7 303)	–	0.00%	(6 599)	–	0.00%
Total Part I	**856 950**	**855 803**	**99.87%**	**796 959**	**786 239**	**98.64%**
Part II – Unforeseen expenditure	875	–	0.00%	875	–	0.00%
Part IV – Institutional investments and extraordinary items	3 795	3 795	100.00%	3 426	3 426	100.00%
Total Parts I, II and IV	**861 620**	**859 598**	**99.77%**	**801 260**	**789 665**	**98.54%**

40. The results for the 2014–15 biennium are broadly in line with those from the 2012–13 biennium, with an overall delivery rate of 98.54 per cent for 2014–15 as compared to 99.77 per cent for 2012–13. The slightly lower delivery rate in 2014–15 as compared to 2012–13 is evident in Statement V-A, which shows an excess of income over expenditure for the period at the budgetary rate of exchange amounting to US$11.6 million. This was largely the result of projected inflation rates included in the approved budget not being realized. Following revaluations, adjustments in respect of arrears of contributions received and reimbursement of the Working Capital Fund, the net deficit at the end of the biennium was US$16.2 million. In accordance with article 21.1(a) of the Financial Regulations, the Working Capital Fund was drawn upon to finance this budgetary expenditure pending receipt of contributions. Arrears of contributions received in 2016 will be used to reimburse the Working Capital Fund. Results-based delivery information in respect of delivery against outcomes is reported biennially to the Governing Body and Conference through the ILO Programme implementation report at the conclusion of each biennium.

41. The differences between the net results on the IPSAS (full accrual) basis and those in accordance with the Financial Regulations are summarized in the following table and explained in more detail in note 24.

(US$ thousands)	Regular budget	CINTERFOR	ITC	Subsidiary funds	Total
Biennial net result per budgetary basis (Statement V)	(16 200)	326	1 534	–	(14 340)
Timing difference	(36 266)	(245)	–	–	(36 511)
Adjusted net result	(52 466)	81	1 534	–	(50 851)
IPSAS adjustments	37 051	49	(1 422)	–	35 678
Subsidiary funds	–	–	–	(29 074)	(29 074)
Net result per IPSAS basis	**(15 415)**	**130**	**112**	**(29 074)**	**(44 247)**

Other funds

42. As at 31 December 2015, the net assets of other funds managed by the ILO amounted to US$20.5 million and included the ITC, CINTERFOR and the Administrative Tribunal.

43. The overall results of those funds with budgets approved by the Governing Body or the Board of the ITC for 2015 are summarized in Statements V-B and V-C and information on the net assets of each fund is included in the appendix.

44. Expenditure recognized during 2015 on extra-budgetary development cooperation activities totalled US$234.5 million (US$246.6 million in 2014). Under IPSAS, revenue is recognized and matched by the Office when earned though project delivery; hence the extra-budgetary development cooperation delivery rate is consistently 100 per cent in financial terms.

45. The ILO Staff Health Insurance Fund (SHIF) is a self-insured health insurance programme for active staff, retirees and dependents, which is maintained by the ILO. This programme is financed through contributions from insured persons and the ILO. The Statement of Financial Performance reports as income, the contributions received from insured persons and reports as expense the amount reimbursed for medical claims under the programme. The net assets of the SHIF as at 31 December 2015 were US$61.6 million (US$58.4 million in 2014).

Ex gratia payments

46. During 2015, ex gratia payments of US$30,200 (US$25,347 in 2014) were made.

2. Approval of the consolidated financial statements for the year ended 31 December 2015

The consolidated financial statements are the responsibility of and have been prepared by Management in accordance with the International Public Sector Accounting Standards and comply with the Financial Regulations of the International Labour Organization. They include ce1tain amounts that are based on Management's best estimates and judgements.

Accounting procedures and related systems of internal control, developed by Management, provide reasonable assurance that assets are safeguarded, that the books and records properly reflect all transactions and that overall, policies and procedures are implemented with an appropriate segregation of duties.

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

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

Approved by:	Approved by :
Greg Johnson	Guy Ryder
Treasurer and Financial Comptroller	Director-General
29 April 2016	29 April 2016

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 Office

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 2015, 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.

…/2

240 rue Sparks Street, Ottawa, Ontario K1A 0G6

- 2 -

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 2015, 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 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

29 April 2016
Ottawa, Canada

4. Consolidated financial statements for the year ended 31 December 2015

International Labour Organization

Statement I

Consolidated statement of financial position as at 31 December 2015 (US$ millions)

	Note	2015	2014
Assets			
Current assets			
Cash and cash equivalents	4, 22	386.0	591.7
Investments	11, 22	67.5	–
Assessed contributions receivable	5	86.4	54.9
Voluntary contributions receivable	6	222.0	234.9
Derivative assets	7	11.7	10.3
Other receivables	8	12.2	7.7
Inventories	9	4.9	6.1
Investment property	13	28.3	–
Other current assets	10	14.0	15.1
		833.0	920.7
Non-current assets			
Assessed contributions receivable	5	12.7	13.7
Voluntary contributions receivable	6	45.2	54.7
Derivative assets	7	12.4	–
Investments	11, 22	226.3	150.4
Property and equipment	12	475.9	487.4
Investment property	13	–	57.6
Intangible assets	14	2.3	2.1
		774.8	765.9
Total assets		**1 607.8**	**1 686.6**
Liabilities			
Current liabilities			
Payables and accruals		47.6	31.1
Deferred revenue	15	439.3	485.0
Employee benefits	16	50.4	51.3
Current portion of long-term borrowings	17	3.7	3.8
Due to member States	18	0.2	0.3
Derivative liabilities	7	0.1	0.7
Other current liabilities	19	3.6	9.2
		544.9	581.4
Non-current liabilities			
Deferred revenue	15	45.2	54.7
Employee benefits	16	1 195.8	1 134.4
Long-term borrowings	17	29.6	32.7
Due to member States	18	0.8	0.5
		1 271.4	1 222.3
Total liabilities		**1 816.3**	**1 803.7**
Net assets			
Reserves	20	189.4	200.0
Accumulated balances	20	(397.9)	(317.1)
Total net assets		**(208.5)**	**(117.1)**

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 2015 (US$ millions)

	Note	2015	2014
Revenue			
Assessed contributions from member States	26, 31	386.7	430.9
Voluntary contributions	26	260.6	281.1
ITC training services	26	14.1	17.1
Staff/retiree benefit contributions		20.3	21.3
Sales and royalties		10.0	9.5
Gain on sale of investment property	13	6.1	–
Investment income		1.7	7.6
Exchange gain and revaluation, net		12.5	–
Other income		1.6	4.1
Total revenue		**713.6**	**771.6**
Expenses			
Staff costs	21	414.5	411.2
Travel	21	31.2	29.0
Subcontracts	21	127.7	105.0
General operating expenses	21	44.4	43.0
Supplies, materials and small equipment	21	13.2	10.1
Depreciation and amortization	21	4.3	3.5
Seminars, workshops and other training	21	49.8	43.0
Staff development	21	5.2	4.1
Health benefits	21	41.5	40.9
Contributions and grants in aid	21	10.2	10.3
Exchange loss and revaluation, net		–	55.7
Change in fair value of investment property	13	8.4	7.2
Finance costs	21	2.3	2.9
Other expenses	21	5.1	2.8
Total expenses		**757.8**	**768.7**
Net surplus (deficit)		**(44.2)**	**2.9**

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

International Labour Organization

Statement III

Consolidated statement of changes in net assets for the year ended 31 December 2015 (US$ millions)

	Note	Reserves	Accumulated balances	Total net assets
Balance as at 31 December 2013		**182.8**	**(89.8)**	**93.0**
Surplus (deficit) for the year 2014		(2.7)	5.6	**2.9**
Repayment of internal borrowing for financing of regular budget deficit in 2012–13		18.7	(18.7)	**–**
Change of derivatives		–	25.4	**25.4**
Change of revaluation surplus of land and buildings		–	28.3	**28.3**
Actuarial gain (loss) of employee benefit liabilities		–	(264.0)	**(264.0)**
Reserve for ASHI funding		1.2	(1.2)	**–**
Translation difference from consolidation of ITC		–	(2.7)	**(2.7)**
Total 2014 movement		**17.2**	**(227.3)**	**(210.1)**
Balance as at 31 December 2014	20	**200.0**	**(317.1)**	**(117.1)**
Surplus (deficit) for the year 2015		5.5	(49.7)	**(44.2)**
Internal borrowing for financing of regular budget deficit		(16.2)	16.2	**–**
Change of derivatives		–	10.7	**10.7**
Change of revaluation surplus of land and buildings		–	(28.5)	**(28.5)**
Actuarial gain (loss) of employee benefit liabilities		–	(26.7)	**(26.7)**
Transfer from ITC General Fund to the ITC Working Capital Fund		0.1	(0.1)	**–**
Transfer to liabilities due to member States of period 2015		–	(0.4)	**(0.4)**
Translation difference from consolidation of ITC		–	(2.3)	**(2.3)**
Total 2015 movement		**(10.6)**	**(80.8)**	**(91.4)**
Balance as at 31 December 2015	20	**189.4**	**(397.9)**	**(208.5)**

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

International Labour Organization

Statement IV

Consolidated statement of cash flow for the year ended 31 December 2015 (US$ millions)

	2015	2014
Cash flows from operating activities		
Surplus (deficit) for the year	(44.2)	2.9
Non-cash movements:		
Depreciation and amortization	4.3	3.5
Change in fair value of investment property	8.4	7.2
(Increase) decrease in assessed contributions receivable	(30.5)	29.7
(Increase) decrease in voluntary contributions receivable	22.4	24.8
(Increase) decrease in derivative instruments	(3.7)	0.2
(Increase) decrease in other receivables	(4.5)	3.3
(Increase) decrease in inventories	1.2	1.7
(Increase) decrease in other assets	1.0	(3.4)
Increase (decrease) in payables and accruals	16.5	(32.8)
Increase (decrease) in deferred revenue	(55.2)	(26.6)
Increase (decrease) in employee benefits	33.7	21.3
Increase (decrease) in due to member States	0.2	(2.1)
Increase (decrease) in other liabilities	(5.6)	2.1
(Gain) loss in sale of investment property	(6.1)	–
Increase (decrease) in investment portfolios	1.0	0.1
Increase (decrease) in borrowings	0.8	(3.5)
Transfer to liabilities due to member States	(0.4)	–
Effect of exchange rates on cash and cash equivalents	2.9	32.0
Net cash flows from operating activities	**(57.8)**	**60.4**
Cash flows from investing activities		
Proceed from sale of investments	2.8	–
Proceed from sale of investment property	27.0	–
Purchase of investments	(147.1)	(30.0)
Additions of property and equipment	(22.0)	(17.2)
Additions of intangible assets	(0.8)	(1.2)
Net cash flows from investing activities	**(140.1)**	**(48.4)**
Cash flows from financing activities		
Repayment of borrowings	(3.9)	(3.8)
Net cash flows from financing activities	**(3.9)**	**(3.8)**
Effect of exchange rates on cash and cash equivalents	(3.9)	(33.2)
Net increase (decrease) in cash and cash equivalents	**(205.7)**	**(25.0)**
Cash and cash equivalents, beginning of period	**591.7**	**616.7**
Cash and cash equivalents, end of period	**386.0**	**591.7**

US$0.8 million of interest received is included in the net cash flows from operating activities (2014 = US$1.1 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 2015 (US$ thousands)

	2015 original [2] budget	2015 final budget [3]	2015 actual	2015 difference [4]	2014–15 original and final budget	2014–15 actual	2014–15 difference [4]
Revenue							
Assessed contributions	400 630	400 630	400 630	–	801 260	801 260	–
Total revenue	**400 630**	**400 630**	**400 630**	**–**	**801 260**	**801 260**	**–**
Expenses							
Part I – Ordinary budget							
A. Policy-making organs	41 234	44 984	36 866	(8 118)	82 469	74 351	(8 118)
B. Strategic objectives	306 146	339 598	332 966	(6 632)	612 292	605 660	(6 632)
C. Management services	30 998	32 054	31 988	(66)	61 995	61 929	(66)
D. Other budgetary provisions	23 401	24 981	22 478	(2 503)	46 802	44 299	(2 503)
Adjustment for staff turnover [5]	(3 299)	(6 599)	–	6 599	(6 599)	–	6 599
Total Part I	398 480	435 018	424 298	(10 720)	796 959	786 239	(10 720)
Part II – Unforeseen expenditure	437	875	–	(875)	875	–	(875)
Part IV – Institutional investments and extraordinary items	1 713	–	–	–	3 426	3 426	–
Total expenses (Parts I, II and IV)	**400 630**	**435 893**	**424 298**	**(11 595)**	**801 260**	**789 665**	**(11 595)**

Surplus at budgetary rate of exchange	**11 595**
Revaluation of the budgetary surplus	(480)
Surplus at UN operational rate of exchange	**11 115**
Surplus resulting from the receipt of contributions in an amount higher than approved regular budget	(10 509)
Reimbursement of 2012–13 deficit financing [6]	(16 806)
Net surplus (deficit) [7]	**(16 200)**

[1] Budget and actual information calculated at budgetary rate of exchange of US$1 = CHF0.95.
[2] Original budget represents one half of the biennial budget adopted by the ILC.
[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 2015 accounts.
[5] Staff turnover is an undistributed adjustment to reduce the overall level of the budget in recognition of inevitable delays in recruitment. Managed underspending against appropriation lines offsets this undistributed adjustment.
[6] As at 31 December 2013, in accordance with article 21.1(a) of the Financial Regulations, the deficit of CHF16.655 million was covered by the Working Capital Fund. In accordance with article 21.2(a) of the Financial Regulations, arrears of contributions received in 2014 were used to reimburse the Working Capital Fund.
[7] In accordance with article 21.1(a) of the Financial Regulations, the Working Capital Fund was drawn upon to finance budgetary expenditure pending receipt of contributions. The nominal balance of this Fund standing at CHF35.000 million (US$35.318 million), as a consequence, decreased to CHF18.945 million (US$19.118 million). In accordance with article 21.2(a) of the Financial Regulations, arrears of contributions received in 2016 will be used to reimburse the Working Capital Fund.

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

International Labour Organization

Statement V-B

Statement of comparison of budget and actual amounts
Inter-American Centre for Knowledge Development in Vocational Training (CINTERFOR)
for the year ended 31 December 2015 (US$ thousands)

	2015 original [1] budget	2015 final [2] budget	2015 actual	2015 difference [3]	2014–15 original and final budget	2014–15 actual	2014–15 difference [3]
Accumulated balance, beginning	**525**	**832**	**832**	**–**	**598**	**587**	**(11)**
Revenue							
Contribution from ILO regular budget	1 144	1 144	1 144	–	2 287	2 287	–
Contribution from host country and other countries in the region	350	112	513	401	700	1 101	401
Sales of publications and services	25	48	–	(48)	50	2	(48)
Miscellaneous income	5	13	10	(3)	10	7	(3)
Total revenue	**1 524**	**1 317**	**1 667**	**350**	**3 047**	**3 397**	**350**
Expenses							
Expenditure	1 595	1 706	1 586	(120)	3 191	3 071	(120)
Total expenses	**1 595**	**1 706**	**1 586**	**(120)**	**3 191**	**3 071**	**(120)**
Net surplus (deficit)	**(71)**	**(389)**	**81**	**470**	**(144)**	**326**	**470**
Accumulated balance, ending	**454**	**443**	**913**	**470**	**454**	**913**	**459**

[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 2015 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 International Training Centre of the ILO (ITC) for the year ended 31 December 2015

	2015 budget	2015 actual	Budget variance [1]	2015 budget	2015 actual	Budget variance [1]
	(in € thousands)			(in US$ thousands) [2]		
Revenue						
Voluntary contributions	11 134	11 812	678	12 316	13 066	750
Earned revenue	26 900	28 037	1 137	29 757	31 014	1 257
Use of surplus	1 331	748	(583)	1 472	827	(645)
Total budget revenue	**39 365**	**40 597**	**1 232**	**43 545**	**44 907**	**1 362**
Expenditure						
Staff costs	17 841	17 962	121	19 736	19 869	133
Fixed expenses	6 360	6 452	92	7 035	7 137	102
Variable expenditures	14 850	14 458	(392)	16 427	15 993	(434)
Total operating expenditures	**39 051**	**38 872**	**(179)**	**43 198**	**42 999**	**(199)**
Budget surplus [3]	**314**	**1 725**	**1 411**	**347**	**1 908**	**1 561**
Other items						
Change in provision for doubtful accounts	–	(163)	(163)	–	(180)	(180)
Exchange gain (loss) and revaluation, net	–	(175)	(175)	–	(194)	(194)
Total other items	**–**	**(338)**	**(338)**	**–**	**(374)**	**(374)**
Net budget surplus [3]	**314**	**1 387**	**1 073**	**347**	**1 534**	**1 187**

[1] Budget variances are explained in the accompanying financial report on the 2015 accounts of the ITC.
[2] The revenue and expenditure of the ITC are consolidated using an average rate of US$1 = €0.904 for the reporting period (US$1 = €0.752 for 2014).
[3] As referred to in Financial Regulations 7(4) of the ITC.

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

Note 1 – Objectives and activities

1. The International Labour Organization (ILO) was founded in 1919 to promote social justice and internationally recognized human and labour rights. In 1947, the ILO became the first specialized agency of the United Nations (UN) system based upon an agreement between the Organization and the UN adopted in accordance with Article 57 of the United Nations Charter.

2. The ILO formulates international labour standards in the form of Conventions and Recommendations. These include fundamental standards on freedom of association and collective bargaining, abolition of forced labour, equality of opportunity and treatment, and the elimination of child labour. Other standards regulate conditions across the entire spectrum of work-related issues. The ILO provides advisory services and technical assistance, primarily in the fields of: child labour; employment policy; training and skills development and vocational rehabilitation; enterprise development; social security; industrial relations; and labour statistics. It promotes the development of independent employers' and workers' organizations, and provides training and advisory services to those organizations. It serves as a centre of information on the world of work, and to this end conducts research, gathers and analyses statistics, organizes meetings, and publishes a range of information and training materials.

3. The ILO was established pursuant to its Constitution originally adopted in 1919 and is governed by the International Labour Conference (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. Within the UN system, the ILO has a unique tripartite structure with workers and employers participating as equal partners with governments in the work of its governing organs.

4. The ILO's headquarters is in Geneva, Switzerland, and it maintains external offices in over 50 countries. In accordance with its headquarters agreement with the Government of Switzerland and the United Nations Convention on Privileges and Immunities for Specialized Agencies (1947 Convention) the Organization is exempt from most taxes and customs duties imposed by its member States.

5. The financial statements consolidate all of the operations under the direct authority of the Director-General including the regular budget, reserves, extra-budgetary funded activities, the Inter-American Centre for Knowledge Development in Vocational Training (CINTERFOR) and the International Training Centre of the ILO (ITC) along with the Administrative Tribunal of the ILO and the ILO Staff Health Insurance Fund (SHIF).

6. Controlled entity: The ITC was established by the Governing Body of the ILO and the Government of Italy in 1964. The 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 development 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.

Note 2 – Accounting policies

Basis of preparation and presentation

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

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

9. 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.

Financial period

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

Financial statement presentation

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

Measurement uncertainty

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

Significant accounting policies

Borrowings

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

Cash and cash equivalents

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

Consolidation

15. The accounts of the ITC have been consolidated into the consolidated financial statements of the ILO.

16. The functional currency of the ITC is the euro. For the purposes of consolidation, the balances of the ITC assets, liabilities and net assets are converted from the euro to the US dollar at the UN operational rate of exchange as at the reporting date. Revenues and expenses are converted from the euro to the US dollar using the average UN operational

rate for the reporting period. Gains and losses on exchange resulting from the consolidation of ITC euro-based accounts into the ILO's US dollar-based consolidated financial statements are recognized in net assets.

Contingent asset

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

Derivatives

18. The ILO uses derivative financial instruments, such as forward purchase agreements to hedge its foreign currency risks. These financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value at the end of the financial period. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are recognized on the consolidated statement of financial performance, except for the effective portion of cash flow hedges (see below), which is recognized in net assets and later reclassified to the consolidated statement of financial performance when the hedge item affects profit or loss.

19. 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 consolidated 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 US dollar to Swiss franc (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 the consolidated statement of financial performance when the forecast transaction (recognition of assessed contribution) occurs.
- If the hedging instrument is exercised, or if its 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 also discontinued when the forecasted transaction is no longer expected to occur in which case any cumulative gain or loss that was recognized in net assets is immediately transferred to the consolidated statement of financial performance as exchange gain (loss) and revaluation.

Due to member States

20. A liability is established to reflect the amounts payable to member States for undistributed net surpluses, undistributed net premia at the end of each biennium, and the incentive fund at the end of each reporting period.

- At the end of the first year of each biennium a calculation is made of the amount that would have been due to member States, and this amount is reflected as a component of accumulated fund balance.

- At the end of the second year of each biennium the amount is recognized as a liability to member States in accordance with the provisions of the Financial Regulations.

Employee benefits

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

Post-employment benefits

22. Post-employment benefits are employee benefits that are payable after the completion of employment. The ILO is a member organization participating in the United Nations Joint Staff Pension Fund (UNJSPF), 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 (UN) and the specialized agencies.

23. 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 consolidated statement of financial performance.

24. The ILO's defined benefit plans comprise the after service health insurance (ASHI) plan and repatriation entitlements, which include repatriation grant and end-of-service benefits along with travel and shipping costs upon termination. The liability recognized for these plans is the present value of the defined benefit obligations at the reporting date. The ASHI liability, repatriation grant and end-of-service benefits are calculated by an independent actuary using the Projected Unit Credit Method.

25. Interest cost and past and current service costs are recognized on the consolidated statement of financial performance as a component of staff costs. Actuarial gains or losses arising from changes in actuarial assumptions or experience adjustments are directly recognized in net assets.

Short-term employee benefits

26. Short-term employee benefits comprise first-time employee benefits, regular monthly benefits (for example salaries and allowances), compensated absences, other short-term benefits (for example education grant and home leave). An expense is recognized when employees render service to the Organization and a liability is recognized for any entitlement that has not been settled at the reporting date. Short-term employee benefit liabilities are expected to be settled within 12 months of the reporting date. They are recognized as current liabilities and are measured at an undiscounted amount.

Other long-term employee benefits

27. Other long-term employee benefits are benefits, or portions of benefits, that are not due to be settled within 12 months after the end of the year in which employees render the

related services. Such benefits include the portion of the accumulated leave balances that is not expected to be settled within 12 months of the reporting date. They are recognized as non-current liabilities.

Foreign currency transactions

28. 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.

29. 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.

30. Balances of non-monetary assets and liabilities carried at historical cost are converted using the UN operational rate of exchange at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the UN operational rate at the date when the fair value is determined. Exchange gains or losses from the revaluation of property are recognized in net assets. Exchange gains or losses from the revaluation of investment property are recognized in the consolidated statement of financial performance as “Change in fair value of investment property”.

31. Exchange gains and losses, except those on investment property that are disclosed separately, are presented on a net basis on the consolidated statement of financial performance as revenue if a gain or as an expense if a loss.

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

Impairment

33. 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.

Inventory

34. 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 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.

Intangible assets

35. Intangible assets are recognized at historical cost and amortized over their useful life of three to five years using the straight line method. Externally acquired software are

recognized as intangible assets if their cost per user equalled or was greater than US$5,000. Internally developed software are recognized as intangible assets if their cost equalled or was greater than US$200,000 for the ILO and €40,000 for the ITC.

Investments

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

Investment property

37. Investment properties are initially recognized at cost and subsequently measured at fair value based upon market conditions at the reporting date.

38. Gains or losses arising from changes in the fair value of investment properties are recognized in the consolidated statement of financial performance in the period in which they arise.

39. Investment properties are derecognized either on disposal of or when they are permanently withdrawn from use and no future economic benefit or service potential is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the consolidated statement of financial performance in the period of derecognition.

40. Transfers are made to (or from) investment property only when there is a change in use. If owner–occupied property becomes an investment property, such property is accounted for in accordance with the policy stated under property and equipment up to the date of change in use.

Leases

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

Payables and accruals

42. Payables are financial liabilities for goods or services that have been received but not paid by the reporting date. Payables and accruals are of a short-term nature and are recognized at cost as the effect of discounting is not considered material.

Property and equipment

43. Property and equipment include the followings classes of assets:

- *Equipment:* Equipment is recorded at historical cost and presented at depreciated cost. Equipment is capitalized and recognized as an asset if its cost exceeds or is equal to a threshold of US$5,000.
- *Land and buildings:* Land and buildings are valued at fair value based upon an external and independent valuation conducted annually. The net difference between

historical cost and fair value for land and buildings is accounted for in a revaluation surplus which forms a separate component of net assets.

- *Leasehold improvement:* Leasehold improvements are recorded at historical cost and presented at depreciated cost. Leasehold improvements are capitalized and recognized as an asset if their cost exceeds or is equal to a threshold of US$50,000.

44. The value of heritage assets, including donated works of art, is not recognized as an asset on the consolidated statement of financial position.

45. Property and equipment are derecognized either on disposal of or when they are permanently withdrawn from use and no future economic benefit or service potential is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the consolidated statement of financial performance in the period of derecognition.

46. Depreciation of property and equipment is recognized over the estimated useful life of the assets using the straight line method, except for land which is not subject to depreciation. Depreciation of buildings is calculated based on the fair value at the beginning of the reporting year using the remaining useful life at that date. When a building is revalued, any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the building and the net amount restated to the revalued amount. The estimated useful lives for property and equipment are as follows:

Class	**Estimated useful life** (years)
Buildings	
ILO headquarters (by component)	15–150
Field offices	20–85
Equipment	5–10
Leasehold improvements	Lower of estimated useful life (15–30) and term of lease

Provisions and contingent liability

47. 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.

48. Contingent liabilities are disclosed where a possible obligation is uncertain but can be measured, or where the ILO has a present obligation but cannot reliably measure the possible outflow of resources.

Revenues and receivables from non-exchange transactions and deferred revenue

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

- *Assessed contributions*
  - Prior to the beginning of each financial period the ILO assesses each member State in accordance with article 13 of the ILO Constitution for its share of the regular budget. Contributions are calculated and payable in Swiss francs equal to the total amount of the Organization’s regular budget for the biennial financial period, payable one half at the beginning of each year of the biennium.

Revenue from assessed contributions is recognized as one half of the total on 1 January of each year of the biennium.

– Assessed contributions adopted by the ILC but not recognized as revenue at the reporting date are disclosed as contingent assets since the inflow of resources is probable.

– A provision is established equal to the contributions of former member States and member States that are more than two years in arrears and have lost the right to vote under the ILO's Constitution. In Statement II, the assessed contributions from member States are presented net of change in provision.

– 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.

– Assessed contributions received in advance represent amounts received from member States for contributions related to future financial periods and are classified as deferred revenue.

❑ *Voluntary contributions*

– Voluntary contributions with no conditions are recognized as receivables and as revenue upon the signature of the agreement.

– Voluntary contributions to development 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. Revenue is recognized when the conditions stated in the agreement have been met. Unexpended balances of funds held on behalf of donors at the reporting date are recognized as a liability (due to donors under deferred revenue).

– Contributions received from donors for projects that form part of the Regular Budget Supplementary Account (RBSA) are normally unconditional, and are recognized as revenue and a receivable 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.

– Contributions to the RBSA covering future periods are disclosed as contingent assets if the inflow of contribution to the ILO is probable at the reporting date.

❑ *Gifts and grants*

– 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. Training activities that include restrictions on their use are recognized as revenue upon signing of a binding agreement. Agreements for which the Centre has full control and that include conditions, including the implicit or explicit obligation to return funds if such conditions are not met, are recognized as assets and liabilities (deferred revenue) upon signature of a binding agreement. The liability is reduced and revenue is recognized based on the proportion that expenses incurred bear to the estimated total expenses of the training activity.

– Probable inflows of resources from voluntary contributions and training activities that have not been recognized as assets are disclosed as a contingent asset.

- *Contributions in-kind*
  - Goods in-kind are recognized at fair value at the date of receipt. In-kind contributions of services are not recognized.
  - Right to use of land, office space and other facilities received from member States are disclosed in the notes to the consolidated financial statements.
- *Programme support income*
  - Voluntary contributions accepted by the ILO include a charge for services provided by the ILO covering costs of administrative and operational support services, generally calculated as a percentage of total direct project costs. Revenue from programme support services is considered a non-exchange transaction and is recognized when earned through performance.

Revenue from exchange transactions

50. 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 benefit contributions are recognized on the date the revenue becomes due in accordance with the Administrative Regulations of the Staff Health Insurance Fund (SHIF).

Note 3 – Accounting standards issued but not yet effective

51. In 2015, the International Public Sector Accounting Standards Board (IPSASB) published the following five new standards on accounting for interest in other entities, effective for annual periods beginning on or after 1 January 2017, with earlier application permitted:

- IPSAS 34, Separate Financial Statements: Prescribes the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates.
- IPSAS 35, Consolidated Financial Statements: Establishes principles for the presentation and preparation of consolidated financial statements.
- IPSAS 36, Investments in Associates and Joint Ventures: Prescribes the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.
- IPSAS 37, Joint Arrangements: Establishes principles for financial reporting by entities that have an interest in arrangements that are controlled jointly.
- IPSAS 38, Disclosure of Interests in Other Entities: Prescribes the disclosure requirements to enable users of the financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interest on its financial position, financial performance and cash flow.

52. These five standards will replace current requirements in:

- IPSAS 6, Consolidated and Separate Financial Statements;
- IPSAS 7, Investments in Associates;
- IPSAS 8, Interests in Joint Ventures.

53. The ILO has not adopted the new standards that are not yet effective.

54. The ILO believes that the adoption of these standards will not have a significant impact on the financial statements.

Note 4 – Cash and cash equivalents

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

(US$ millions)	US$	CHF	€	Other	2015 total	2014 total
Current accounts and cash on hand	59.3	144.5	10.0	11.5	225.3	338.7
Short-term deposits	100.2	60.5	–	–	160.7	253.0
Total cash and deposits	**159.5**	**205.0**	**10.0**	**11.5**	**386.0**	**591.7**

Note 5 – Assessed contributions receivable

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

(US$ millions)	2015	2014
Assessed contributions receivable (notes 30,31)	112.5	83.2
Less: Advance payments received from member States with financial arrangements (note 30)	(0.9)	(1.0)
Less: Amortization of long-term financial arrangements	(1.6)	(1.8)
Less: Provision for doubtful collection of contributions	(10.9)	(11.8)
Total net receivable	**99.1**	**68.6**
■ Assessed contributions receivable – Current	86.4	54.9
■ Assessed contributions receivable – Non-current	12.7	13.7

57. Non-current contributions receivable represent amounts due from member States with financial arrangements approved by the ILC net of amortization and provision.

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

(US$ millions)	2015	2014
Less than 1 year	70.3	47.2
1–2 years	15.1	6.8
Over 2 years	26.2	28.2
Less provision for doubtful debts and amortization	(12.5)	(13.6)
Total	**99.1**	**68.6**

Note 6 – Voluntary contributions receivable

59. As at the reporting date, voluntary contributions receivable are as follows (note 15):

(US$ millions)	2015	2014
Voluntary contributions receivable – Current		
Development cooperation projects (all with conditions)	217.1	228.8
ITC training services	4.8	5.5
Unrestricted grants to ITC	0.1	0.6
Subtotal voluntary contributions receivable – Current	**222.0**	**234.9**
Voluntary contributions receivable – Non-current		
Development cooperation projects (all with conditions)	44.8	54.1
ITC training services	0.4	0.6
Subtotal voluntary contributions receivable – Non-current	**45.2**	**54.7**
Total voluntary contributions receivable	**267.2**	**289.6**

Note 7 – Derivative assets and liabilities

60. As at the reporting date the ILO has the following derivative assets and liabilities:

(US$ millions)	2015	2014
Derivative assets		
ILO forward purchase agreement within the portfolio – Current	0.2	–
ILO regular budget forward purchase agreement – Current	11.5	10.3
ILO regular budget forward purchase agreement – Non-current	12.4	–
Total derivative assets	**24.1**	**10.3**
Derivative liabilities		
SHIF forward purchase agreement – Current	0.1	0.7
Total derivative liabilities	**0.1**	**0.7**

61. The contractual amount and maturity of the outstanding derivative instruments as at the reporting date are as follows:

Derivative instrument	Maturity	Contractual amount (US$ millions)
SHIF forward purchase agreement	Within the next three months	47.5
ILO forward purchase agreement within the portfolio	Within the next three months	3.8
ILO regular budget forward purchase agreement	Within the next 12 months	154.8
ILO regular budget forward purchase agreement	Within the following next 12 months	162.9

SHIF forward purchase agreement

62. The risk related to financial assets held on behalf of SHIF in currencies other than Swiss franc is hedged by purchasing forward purchase agreements in each of the other currencies in which investments are held.

ILO forward purchase agreement within the portfolio

63. The risk related to financial assets held in the portfolio in currencies other than US dollar is minimized by hedging the risk using derivative instruments.

ILO regular budget forward purchase agreement

64. 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 following biennium are sufficient to meet the ILO's US dollar requirements for its regular budget. 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.

65. The ILO regular budget forward purchase agreements are designated as cash flow hedges. The changes of derivatives' value during the period was as follows:

(US$ millions)	2015	2014
Fair value as at 1 January	**10.3**	**(16.6)**
Derivatives exercised during the period and recognised in net asset	(9.0)	7.8
Derivatives exercised during the period and recognised in surplus (deficit)	(1.3)	0.4
Change in fair value of the spot element recognized in net assets	19.7	17.6
Change in fair value of the forward element recognized in surplus (deficit)	4.2	1.1
Total fair value as at 31 December	**23.9**	**10.3**

66. The cash flow hedges were highly effective in 2015. The amount reclassified from net assets and included in the consolidated statement of financial performance as exchange gain (loss) and the amounts retained in net assets at the end of the year are as follows:

Net assets: Value of outstanding derivatives (US$ millions)	2015	2014
Opening balance as at 1 January (note 20)	**9.0**	**(16.4)**
Reclassification during the year to exchange gain (loss) and revaluation, net (effective hedge of the spot element – transactions realized during the period)	(9.0)	7.8
Net gain (loss) during the year recognized in net assets (effective hedge of the spot element – forecasted transactions for 2016 and 2017)	19.7	17.6
Closing balance as at 31 December (note 20)	**19.7**	**9.0**

67. The amounts retained in net assets as at 31 December 2015 are expected to mature and affect the consolidated statement of financial performance in 2016 and 2017 at the recognition of respectively the 2016 and 2017 assessed contributions from member States.

Note 8 – Other receivables

68. Other receivables are as follows:

(US$ millions)	2015	2014
US income taxes	6.1	3.6
Receivable from UNDP	1.7	1.0
Other receivables	4.4	3.1
Total other receivables	**12.2**	**7.7**

69. An ageing of other receivables is as follows:

(US$ millions)	2015	2014
Less than 1 year	8.0	5.8
1–2 years	2.3	0.3
Over 2 years	1.9	1.6
Total	**12.2**	**7.7**

Note 9 – Inventories

70. The movement of inventories during the reporting period is as follows:

(US$ millions)	Production supplies	Publications	2015 total	2014 total
Balance as at 1 January	**0.4**	**5.7**	**6.1**	**7.8**
Produced and purchased	0.2	7.5	7.7	8.1
Inventory available	0.6	13.2	13.8	15.9
Less: Expensed	(0.3)	(4.8)	(5.1)	(6.1)
Less: Write-down	–	(1.3)	(1.3)	(0.8)
Less: Write-off	–	(2.5)	(2.5)	(2.9)
Balance as at 31 December	**0.3**	**4.6**	**4.9**	**6.1**

Note 10 – Other current assets

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

(US$ millions)	2015	2014
Staff advances	8.7	8.9
Advances to implementing partners	0.9	0.8
Other	4.4	5.4
Total other current assets	**14.0**	**15.1**

Note 11 – Investments

72. The Organization maintains five investment portfolios of identified financial instruments managed by external investment managers consisting principally of fixed income investments and unit funds. Investments include cash and cash equivalents which are excluded from the cash and cash equivalents section as they are part of a portfolio investment which are intended to be kept for the long term and reinvested.

73. Investments are placed in line with the approved investment policy in consultation with the ILO’s Investments Committee and their performance is evaluated on a fair value basis.

74. The fair value and historic cost as at the reporting date is as follows:

	2015		2014	
(US$ millions)	**Fair value**	**Cost**	**Fair value**	**Cost**
Investments – Current				
ILO short term deposit	60.0	60.0		
ITC one year term deposit	7.5	7.5		
Subtotal investment – Current	**67.5**	**67.5**		
Investments – Non-current				
Cash within the portfolios	(0.1)	(0.1)	1.9	1.9
Fixed income				
Bonds	73.0	73.0	70.3	67.3
Floating rate notes	27.3	27.3	25.8	25.9
Money market	21.0	21.0	22.0	22.0
Total fixed income investments	121.3	121.3	118.1	115.2
Unit funds	105.1	104.8	30.4	29.9
Subtotal investment Non-current	**226.3**	**226.0**	**150.4**	**147.0**
Total investment	**293.8**	**293.5**	**150.4**	**147.0**

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

(US$ millions)	**2015**	**2014**
Fair value as at 1 January	**150.4**	**120.5**
Interest and net gain (loss) on investments	(0.9)	(0.1)
New investment during the period	147.1	30.0
Disposal of investments during the period	(2.8)	–
Fair value as at 31 December	**293.8**	**150.4**

76. Current investments include short-term deposits with maturity between 90 days and one year as at 31 December 2015.

77. In 2015, two new portfolios in Swiss francs and US dollars were created, investing in unit funds. They represent general funds of the ILO which are not expected to be required for immediate operational purposes. In 2014, the sum of US$30 million representing funds intended for future payments of terminal benefits of ILO officials was invested separately in unit funds.

Note 12 – Property and equipment

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

(US$ thousands)	Land	Buildings	Leasehold improvements	Equipment	Total
Net carrying amount as at 31 December 2013	**331 364**	**167 226**	**8 031**	**4 676**	**511 297**
Additions	–	12 278	3 265	1 692	17 235
Disposals	–	–	–	–	–
Transfers to investment property	(64 746)	–	–	–	(64 746)
Depreciation	–	(1 733)	(547)	(1 007)	(3 287)
Exchange adjustment – Cost	–	–	(1 474)	(258)	(1 732)
Exchange adjustment – Depreciation	–	–	322	38	360
Net revaluation recognized in net assets	43 547	(15 261)	–	–	28 286
Subtotal 2014 movement	**(21 199)**	**(4 716)**	**1 566**	**465**	**(23 884)**
Closing balance as at 31 December 2014	**310 165**	**162 510**	**9 597**	**5 141**	**487 413**
Gross carrying amount as at 31 December 2014	310 165	162 510	13 044	6 724	492 443
Accumulated depreciation	–	–	(3 447)	(1 583)	(5 030)
Net carrying amount as at 31 December 2014	**310 165**	**162 510**	**9 597**	**5 141**	**487 413**
Additions	–	17 750	70	4 103	21 923
Disposals	–	–	(11)	–	(11)
Depreciation	–	(1 798)	(609)	(1 344)	(3 751)
Exchange adjustment – Cost	–	–	(1 313)	(229)	(1 542)
Exchange adjustment – Depreciation	–	–	333	49	382
Net revaluation recognized in net assets	(1 214)	(27 254)	–	–	(28 468)
Subtotal 2015 movement	**(1 214)**	**(11 302)**	**(1 530)**	**2 579**	**(11 467)**
Closing balance as at 31 December 2015	**308 951**	**151 208**	**8 067**	**7 720**	**475 946**
Gross carrying amount as at 31 December 2015	308 951	151 208	11 790	10 598	482 547
Accumulated depreciation	–	–	(3 723)	(2 878)	(6 601)
Net carrying amount as at 31 December 2015	**308 951**	**151 208**	**8 067**	**7 720**	**475 946**

Land and buildings

79. The Organization owns its headquarters building in Geneva, Switzerland, and the land upon which it was built along with two adjoining parcels of land.

80. 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, United Republic of Tanzania, and Islamabad, Pakistan, it further owns buildings located on land to which the ILO has surface rights or leaseholds at a nominal cost (note 28).

81. 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 2015 based on international valuation standards as promulgated by the International Valuation Standards Committee, including assumptions relating to current market conditions. The change in fair value of the land and buildings in 2015 includes US$3.0 million revaluation losses due to currency rate fluctuation. The net difference between historical cost and land and buildings valued at fair value is recognized as a separate component of the net assets as shown in note 20.

Leasehold improvements

82. 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.

Note 13 – Investment property

83. In March 2014, following the completion of rezoning formalities by the local authority, at its 320th Session, the Governing Body confirmed its decision to sell two plots of land in Geneva, one of them owned and the other one held as long-term leasehold by the ILO, to partially fund the building renovation project. Following the change in use, starting from April 2014, these two plots of land were considered as investment properties.

84. In 2015, the land owned by the ILO was sold to a non-related party for CHF26 million (US$27 million), resulting in a gain on sale of US$6.1 million.

85. The movement of investment property during the reporting period is as follows:

(US$ thousands)	2015	2014
Opening balance as at 1 January	**57 570**	–
Transfer from land and buildings	–	64 746
Additions	–	–
Disposals	(27 027)	–
Gain on sale of investment property	6 090	–
Gains (losses) from fair value adjustments	(8 231)	(616)
Fair value adjustment resulting from net exchange differences	(148)	(6 560)
Closing balance as at 31 December	**28 254**	**57 570**

Subsequent event after the reporting date

86. In March 2016 an agreement was reached with the State of Geneva to relinquish ILO's rights under a 99 year leasehold on a plot of land located in Geneva Switzerland. Based on the agreement reached, the Office relinquished its leasehold and in return received freehold title to one half of the property. The entire freehold property received was sold concurrently to a non-related party for CHF28 million (US$28.3 million using the exchange rate as at the reporting date). The fair value of the leasehold land as at 31 December 2015 was estimated based on the proceeds from the subsequent sale. The fair value adjustment in 2015 on the leasehold land resulted in a loss of US$8.2 million. The subsequent sale will not have a significant financial impact on the 2016 consolidated statement of financial performance.

Note 14 – Intangible assets

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

(US$ thousands)	Software acquired externally	Software internally developed	Total
Net carrying amount as at 31 December 2013	**112**	**1 018**	**1 130**
Additions	340	854	1 194
Disposals	–	–	–
Amortization	(53)	(179)	(232)
Exchange adjustment – Cost	(15)	–	(15)
Exchange adjustment – Amortization	4	–	4
Subtotal 2014 movement	**276**	**675**	**951**
Closing balance as at 31 December 2014	**388**	**1 693**	**2 081**
Gross carrying amount as at 31 December 2014	453	1 925	2 378
Accumulated amortization	(65)	(232)	(297)
Net carrying amount as at 31 December 2014	**388**	**1 693**	**2 081**
Additions	462	367	829
Disposals	–	–	–
Amortization	(122)	(418)	(540)
Exchange adjustment – Cost	(17)	(16)	(33)
Exchange adjustment – Amortization	4	–	4
Subtotal 2015 movement	**327**	**(67)**	**260**
Closing balance as at 31 December 2015	**715**	**1 626**	**2 341**
Gross carrying amount as at 31 December 2015	898	2 276	3 174
Accumulated amortization	(183)	(650)	(833)
Net carrying amount as at 31 December 2015	**715**	**1 626**	**2 341**

Note 15 – Deferred revenue

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

(US$ millions)	2015	2014
Deferred revenue – Current		
Assessed contributions received in advance	38.6	39.5
Voluntary contributions receivable relating to signed agreements	219.0	229.6
Due to donors (including ITC)	178.4	212.3
Receivables relating to signed agreements on ITC training services	2.4	2.7
SHIF contributions received in advance	0.6	0.6
Other deferred revenue	0.3	0.3
Subtotal current deferred revenue	**439.3**	**485.0**
Deferred revenue – Non-current		
Voluntary contributions receivable relating to signed agreements	44.8	54.1
Receivables relating to signed agreements on ITC training services	0.4	0.6
Subtotal non-current deferred revenue	**45.2**	**54.7**
Total deferred revenue	**484.5**	**539.7**

89. The deferred voluntary contribution revenue represents the amount receivable pending on the completion of the performance required by agreements between the Organization and the donors (note 6).

Note 16 – Employee benefits

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

(US$ millions)	2015	2014
Current liabilities		
Education grant	3.0	3.5
Accumulated leave	21.3	21.9
Home leave	0.4	0.4
Agreed termination	0.1	0.3
Repatriation entitlements	3.5	4.3
ASHI liability	22.1	20.9
Subtotal current liabilities	**50.4**	**51.3**
Non-current liabilities		
Accumulated leave	13.3	13.7
Repatriation entitlements	45.4	53.4
ASHI liability	1 137.1	1 067.3
Subtotal non-current liabilities	**1 195.8**	**1 134.4**
Total employee benefit liabilities	**1 246.2**	**1 185.7**

91. Employee benefits are established in accordance with the *Staff Regulations* of the ILO and the ITC, and the *SHIF Regulations and Administrative Rules*.

Post-employment benefits

United Nations Joint Staff Pension Fund

92. 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.

93. 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.

94. The actuarial valuation performed as at 31 December 2013 revealed an actuarial deficit of 0.72 per cent (1.87 per cent in the 2011 valuation) of pensionable remuneration, implying that the theoretical contribution rate required to achieve balance as at 31 December 2013 was 24.42 per cent of pensionable remuneration, compared to the actual contribution rate of 23.7 per cent. The next actuarial valuation will be conducted as at 31 December 2015. As at 31 December 2013, the funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, was 127.5 per cent (130 per cent in the 2011 valuation). The funded ratio was 91.2 per cent (86.2 per cent in the 2011 valuation) when the current system of pension adjustments was taken into account.

95. After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as at 31 December 2013, 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 at the valuation date. At the time of this report, the General Assembly had not invoked the provision of article 26.

96. During 2015, expenses related to the UNJSPF amounted to US$51.9 million (US$52 million in 2014). Expected expenses for 2016 total US$51.8 million.

97. 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)

98. An actuarial valuation carried out in 2015 calculated the ILO's estimated liability for after-service medical benefits at the reporting date as described in the following paragraphs.

99. 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 2015 valuation, the assumptions and methods used are as described below.

Key financial assumptions	**2015** (%)	**2014** (%)
Discount rate	ILO: 1.66 ITC: 2.66 ISSA: 1.01	ILO: 1.84 ITC: 2.21 ISSA: 1.36
Rate of future compensation increases	UNJSPF rate (3.5% + static salary scale)	UNJSPF rate (3.5% + static salary scale)
Rate of pension increases	3.00	3.00
Medical inflation	4.00 from 2015 decreasing by 0.20 per year to 3.00	4.20 from 2014 decreasing by 0.20 per year to 3.00

100. 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, £, US$, €). The final rate was then determined by averaging the different discount rates, weighted by the benefit payments in the different currencies.

101. Should the assumptions about medical cost trends described above change, this would impact the measurement of the ASHI liability as follows:

Sensitivity information for health-care plans (US$ millions)	**2015**	**2014**
1 per cent increase in health-care trend rate – Effect on service and interest costs	23.1	21.3
1 per cent decrease in health-care trend rate – Effect on service and interest costs	(17.1)	(15.8)
1 per cent increase in health-care trend rate – Effect on defined benefit obligation (DBO)	256.0	235.7
1 per cent decrease in health-care trend rate – Effect on DBO	(199.7)	(184.1)

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

(US$ millions)	**2015**	**2014**
Defined benefit obligation, beginning of year	**1 088.2**	**811.8**
Current service cost	36.9	21.9
Interest cost	20.0	24.8
Net benefits paid	(22.1)	(20.9)
Actuarial (gain) loss due to experience	5.4	11.4
Actuarial (gain) loss due to assumption changes	30.8	239.2
Defined benefit obligation, end of year	**1 159.2**	**1 088.2**
Consolidated statement of financial position asset (liability), beginning of year	**(1 088.2)**	**(811.8)**
Total (charge) credit for interest cost and current service cost	(56.9)	(46.7)
Net benefits paid	22.1	20.9
Total (charge) credit recognized in consolidated statement of financial performance	(34.8)	(25.8)
Total (charge) credit recognized in net assets	(36.2)	(250.6)
Consolidated statement of financial position liability, end of year	**(1 159.2)**	**(1 088.2)**

103. The trend over the past five years of the defined benefit obligations and the experience adjustments is as follows:

(US$ millions)	2015	2014	2013	2012	2011
Defined benefit obligation	1 159.2	1 088.2	811.8	870.8	748.8
Plan assets at fair value	–	–	–	–	–
Surplus (deficit)	(34.8)	(25.8)	(31.9)	(20.6)	(16.0)
Actuarial (gain) loss due to experience	5.4	11.4	1.3	4.8	(26.3)

104. Expenses related to interest cost and current services costs for 2015 have been recognized in the consolidated statement of financial performance as staff costs. Cumulative net actuarial losses of US$526.6 million (cumulative net actuarial loss of US$490.4 million as at 31 December 2014) 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. However, an amount of US$61.6 million is available in a SHIF Guarantee Fund (US$58.4 million as at 31 December 2014) to cover future liabilities of SHIF. In addition, an amount of US$3.6 million has been reserved to partially fund the ASHI liability. The total contribution paid to the ASHI Liability Reserve in 2015 was US$1.2 million (US$1.2 million in 2014).

105. 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.

106. Following the determination of ASHI liability in respect of the ISSA as a legal liability of the ILO, in 2014, the ISSA's liability was recorded in the ILO financial statements retrospectively. The total ASHI liability recognized in respect of ISSA staff was US$22.4 million as at 31 December 2015 (US$18.3 million as at 31 December 2014).

Repatriation entitlements

107. An actuarial valuation carried out in 2015 calculated the ILO's estimated liability for repatriation entitlements at the reporting date as described in the following paragraphs.

108. Each year, the ILO reviews and selects assumptions and methods that will be used by the actuaries in the valuation to determine the expense and contribution requirements for the ILO's repatriation entitlements. For the 2015 valuation, the assumptions and methods used are as described below.

Key financial assumptions	2015 (%)	2014 (%)
Discount rate	Repatriation entitlement: 4.11 End of service payment: 2.03	Repatriation entitlement: 3.62 End of service payment: 1.58
Rate of future compensation increases	UNJSPF rate (3.5% + static salary scale)	UNJSPF rate (3.5% + static salary scale)
Probability of benefit claim	ILO repatriation grant: 76% ITC Repatriation grant: 100% ILO travel and removal: 77% ITC travel and removal: 90%	ILO repatriation grant: 100% ITC Repatriation grant: 100% ILO travel and removal: 90% ITC travel and removal: 90%

109. The discount rates were determined for the currencies US dollar and euro by reference to the AA corporate bond yield curve in the respective currency as at 31 December 2015.

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

(US$ millions)	2015	2014
Defined benefit obligation, beginning of year	**57.7**	**48.5**
Current service cost	2.2	1.4
Past service costs	–	(2.8)
Interest cost	1.7	2.1
Net benefits paid	(3.4)	(4.5)
Actuarial (gain) loss due to experience	3.6	(1.5)
Actuarial (gain) loss due to assumption changes	(12.9)	14.5
Defined benefit obligation, end of year	**48.9**	**57.7**
Consolidated statement of financial position asset (liability), beginning of year	**(57.7)**	**(48.5)**
Total (charge) credit for interest cost and current service cost	(3.9)	(0.7)
Net benefits paid	3.4	4.5
Total (charge) credit recognized in consolidated statement of financial performance	(0.5)	3.8
Total (charge) credit recognized in net assets	9.3	(13.0)
Consolidated statement of financial position liability, end of year	**(48.9)**	**(57.7)**

111. The trend over the two past years of the defined benefit obligations and the experience adjustments is as follows:

(US$ millions)	2015	2014	2013
Defined benefit obligation	48.9	57.7	48.5
Plan assets at fair value	–	–	–
Surplus (deficit)	(0.5)	(3.8)	1.4
Actuarial (gain) loss due to experience	3.6	(1.5)	0.5

112. Expenses related to interest cost and current services costs for 2015 have been recognized in the consolidated statement of financial performance as staff costs. Cumulative net actuarial losses of US$0.8million (cumulative net actuarial loss of US$10.1 million as at 31 December 2014) have been recognized in net assets. Under IPSAS-25, the repatriation entitlement liability is considered unfunded and, therefore, no fair value of plan assets has been offset against the liability. However, an amount of US$38.8 million has been reserved by the ILO in the Terminal Benefits Fund (US$36.7 million as at 31 December 2014) to partially cover the repatriation grant. The total contribution paid to the Terminal Benefits Fund in 2015 was US$4.8 million (US$4.8 million in 2014).

113. Past service costs were recognized in 2014 following the revision of the ITC end-of-service plan in March 2014 in compliance with the International Civil Service Commission (ICSC) recommendation.

Note 17 – Borrowings

114. Borrowings consist of a loan in Swiss francs made to the ILO from the Foundation for Buildings for International Organisations (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 unsecured.

(US$ millions)	2015	2014
Nominal value at beginning of period	**41.3**	**50.1**
Repaid in current period	(3.9)	(3.8)
Exchange rate effect	–	(5.0)
Nominal value at end of period	**37.4**	**41.3**
Fair value adjustment beginning of period	(4.8)	(6.3)
Exchange rate effect	–	0.6
Amortization using effective interest rate	0.7	0.9
Fair value adjustment end of period	**(4.1)**	**(4.8)**
Total borrowings	**33.3**	**36.5**

115. The loan is repayable in annual instalments and the final payment will be due in 2025. The annual payments in nominal value are as follows:

(US$ millions)	2015	2014
Payments due next year	3.7	3.8
Payments due from second to fifth year (CHF3.7 million per year)	15.0	15.0
Payments due after five years	18.7	22.5
Nominal value at end of period	**37.4**	**41.3**

Note 18 – Due to member States

116. The amount due to member States at the reporting date is calculated as follows:

(US$)	2015	2014
Undistributed surpluses of prior periods	137 965	138 524
Undistributed net premia of prior periods	314 309	268 269
Undistributed 50 per cent of net premia	205 675	149 203
Subtotal	**657 949**	**555 996**
Incentive Fund	351 815	321 170
Total payable to member States	**1 009 764**	**877 166**
■ Due to member States – Current	**181 565**	**340 502**
■ Due to member States – Non-current	**828 199**	**536 664**

117. 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 2014 amount was included as a separate element of accumulated fund balance pending the biennial results.

Calculation of net premium and Incentive Fund

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

119. Net premium – Article 11(5) and (7) provides for distribution to member States of one half of any net premium earned on the forward purchasing transactions between US dollars and Swiss francs to member States apportioned on the basis of the proportion of the total of each member State's assessed contributions during the biennium in which

the net premium was earned and credited against assessed contributions payable in the next financial period. The remaining one half of the net premium is transferred to the Incentive Fund. The calculation of the various distributions of the net operational result in accordance with the Financial Regulations is done on a biennial basis. The balance due to member States for the 2014–15 biennium is as follows:

Exchange Equalization Account (EEA) calculation (US$)	**2014–15**	**2012–13**
Premium earned on the forward purchase of US dollars	6 220 073	2 312 872
Exchange gains (losses) from revaluation from budgetary to UN operational rate of exchange		
Revenue	14 306 481	(81 236 113)
Expense	(3 715 625)	48 512 246
Forward purchase of US dollars	(2 712 890)	30 037 256
Revaluation of assets, liabilities, reserves and fund balances at UN operational rate of exchange	(13 712 835)	(1 382 734)
Revaluation of provision for contribution arrears	(453 556)	1 980 117
Revaluation of regular budget surplus	479 702	108 405
Total EEA	**411 350**	**332 049**

120. Incentive Fund – Article 11(4)–(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 biennium financial period during which the net premium was earned.

Composition of Incentive Fund (US$)	**2015**	**2014**
Interest earned in current year	63 914	82 559
Interest earned in prior year	82 226	89 408
Total interest earned	**146 140**	**171 967**
50 per cent of net premium	205 675	149 203
Total available in Incentive Fund	**351 815**	**321 170**

Note 19 – Other current liabilities

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

(US$ millions)	**2015**	**2014**
Pass-through funds held as administrative agent	–	0.7
Provisions for contingencies	0.4	0.8
Due to ITU	1.8	1.1
Other	1.4	6.6
Total other current liabilities	**3.6**	**9.2**

122. 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.

123. The amount due to ITU represents ITU’s share of the SHIF guarantee fund balance following its withdrawal from the SHIF. In 2014 the relative amounts were presented in a separate line in the Statement I and accompanied with a separate note.

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

(US$ millions)	2015	2014
Balance as at 1 January	**0.8**	**1.8**
Additional provisions raised during the period	–	0.3
Provisions used during the period	(0.2)	(0.6)
Unused provisions reversed during the period	(0.2)	(0.7)
Balance as at 31 December	**0.4**	**0.8**

Note 20 – Reserves and accumulated balances

125. 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 and include:
  - *Working Capital Fund* to finance budgetary expenditure pending receipt of assessed contributions and, with Governing Body approval, provide advances to meet emergencies.
  - *Income Adjustment Account* to provide temporary funding when the Working Capital Fund proves insufficient to cover regular budget deficits.
  - *Terminal Benefits Fund* to finance payments of repatriation grant and end-of-service benefits. The ILO makes a defined contribution to the Fund as a percentage of compensation paid to eligible employees during the financial period.
  - *Fidelity Guarantee Fund* to finance losses due to theft or misappropriation.
  - *Extra-budgetary reserve* to finance costs incurred in connection with development cooperation projects not reimbursed by donors.
  - ILO portion of the SHIF *Guarantee Fund*.
  - *ASHI Liability Reserve* established to partially fund the ASHI liability.
  - The ITC’s *Working Capital Fund* established in accordance with the Financial Regulations of the Centre.
- *Accumulated balances* include:
  - *Employee benefits:* represent initial recognition of the employee liabilities and subsequent impact of changes in actuarial gains and losses.
  - *Revaluation surplus of land and buildings:* represents the accumulated difference between the historic cost of land and buildings and the fair value as determined by the independent valuation. In 2015, US$23.3 million have been transferred from revaluation surplus of land and buildings to the accumulated surplus following the sale of the land owned by the ILO (note 13).

– *Value of outstanding derivatives:* represents the portion of the unrealized gain or loss on the change in value of the forward purchase agreement that is used to meet the ILO's regular budget requirements for US dollars, acquired through the sale of Swiss francs obtained from member States' assessed contributions and accounted for as cash flow hedge using hedge accounting that is attributable to changes in the spot US dollar to Swiss franc exchange rate.

– *Translation difference:* represents the foreign exchange difference resulting from the consolidation of ITC's euro-based accounts.

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

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

(US$ thousands)	2015	2014
Reserves		
Working Capital Fund	19 118	35 461
Income Adjustment Account	61 905	62 831
Terminal Benefit Fund	38 819	36 723
Fidelity Guarantee Fund	1 341	1 341
Extra-budgetary Fund	25	25
SHIF Guarantee Fund (ILO portion)	61 652	58 401
ASHI Liability Reserve	3 625	2 419
ITC's Working Capital Fund	2 882	2 810
Total reserves	**189 367**	**200 011**
Accumulated balances		
Employee benefits	(1 091 868)	(1 065 157)
Revaluation surplus of land and buildings	399 314	451 079
Value of outstanding derivatives	19 727	9 016
Translation difference	(3 125)	(3 476)
Accumulated surplus	278 050	291 412
Total accumulated balances	**(397 902)**	**(317 126)**
Total net assets	**(208 535)**	**(117 115)**

Note 21 – Expenses

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

- *Staff costs:* cover all entitlements for active officials of all grades as authorized by the Staff Regulations. Also include the current period interest cost and current service cost related to the ASHI liability.
- *Travel:* includes expenses related to official travel for staff and delegates to meetings.

- *Subcontracts:* expenses related to externally provided services for the delivery of outputs.
- *General operating expenses:* include 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:* cover the costs of depreciation of buildings, equipment and leasehold improvements and amortization of the costs of intangible assets including externally acquired and internally developed software.
- *Seminars, workshops and other training:* covers the costs of delivering training, including the costs of facilities, consultants, materials, subsistence payments and travel of officials and attendees to training-related events.
- *Staff development:* expenses related to staff training and development including rental of space, participant travel, and presenter fees and travel costs.
- *Health benefits:* all payments made by SHIF on behalf of active or former ILO officials or dependants.
- *Contributions and grants in aid:* cover expenses under regular budget development cooperation activities and contributions made to jointly funded bodies.
- *Finance costs:* include bank charges and custody fees paid in connection with the management of ILO bank accounts, disbursements and investments together with adjustments relating to discounting of non-current receivables and borrowings.
- *Other expenses:* expenses that cannot be reported under the classifications above.

Note 22 – Financial instruments

128. Financial instruments are categorized and measured as follows:

	Classification	**Measurement**
Cash and cash equivalents	Cash and cash equivalents	Fair value through surplus or deficit (level 1)
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 (level 2)
Derivative assets and liabilities arising from effective hedging instruments	Held for trading	Fair value through net assets for effective hedging(level 2)
Other receivables	Loans and receivables	Amortized cost
Investments	Designated as at fair value through surplus or deficit upon initial recognition	Fair value through surplus or deficit (level 1 or 2)
Payables	Financial liabilities	Amortized cost
Borrowings	Financial liabilities	Amortized cost

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

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

Financial risk management

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

Market risk

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

Currency risk

133. 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.

134. 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.

135. 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.

136. 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.

137. The ILO receives voluntary contributions to finance development cooperation projects in currencies other than US dollars. These funds are converted to US dollars to meet cash flow requirements. No currency exposure exists as the related development cooperation project budgets are adjusted to reflect the US dollars equivalent amount of the funds received.

138. The table below shows the impact on surplus/deficit and net assets as of 31 December 2015, if the major currencies to which the Organization was exposed, weakened or strengthened by 5 per cent against the US dollar:

	Impact on surplus/deficit		Impact on net assets	
(US$ millions)	**CHF** [1]	**€** [2]	**CHF** [1]	**€** [2]
5% depreciation of the foreign currency against US$:				
Financial assets and liabilities other than derivative instruments	(18.3)	(0.6)	–	–
Derivative instruments	–	–	15.1	–
Total impact	**(18.3)**	**(0.6)**	**15.1**	**–**
5% appreciation of the foreign currency against US$:				
Financial assets and liabilities other than derivative instruments	20.3	0.7	–	–
Derivative instruments	–	–	(16.7)	–
Total impact	**20.3**	**0.7**	**(16.7)**	**–**

[1] The UN operational rate of exchange was US$1 = CHF0.991 as at 31 December 2015.
[2] The UN operational rate of exchange was US$1 = €0.914 as at 31 December 2015.

139. The assets and liabilities held in Swiss francs and euro are generally matched to the underlying fund currency. Therefore, while there may be an impact in US dollar terms, the substantive effect in the underlying currency would be immaterial.

140. The assets and liabilities held in other currencies are minor. The movements in exchange rates against the US dollar of these currencies would not have a material impact on the consolidated statement of financial position or consolidated statement of financial performance.

Interest rate risk

141. 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.

142. The ILO is exposed to interest rate risk through its interest-bearing financial assets on fixed-income instruments. The ILO believes that it is not subject to significant interest rate risk. The ILO mitigates its interest rate risk by adjusting the maturities of investments in accordance with expected changes in global economic environment.

Credit risk

143. 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.

144. The ILO is exposed to credit risk through its cash and cash equivalents, investments, accounts receivable and derivative assets. The maximum exposure to credit risk is the carrying value of these assets.

145. 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.

146. 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.

147. As at the reporting date, the rating of banks in which cash and short-term deposits are held and the rating of the investments are as follows:

Credit rating [1]	Cash and cash equivalents		Investments	
	Carrying amount (US$ millions)	%	Carrying amount (US$ millions)	%
AAA	–	–	36.3	12.4
AA	1.7	0.5	26.9	9.1
A	371.3	96.2	114.5	39.0
BBB	6.9	1.8	11.0	3.7
<BBB	3.3	0.8	–	–
Not rated [2]	2.8	0.7	105.1	35.8
Total	**386.0**	**100**	**293.8**	**100**

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

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

148. The ILO is not exposed to material credit risk related to account receivables as contributions are due primarily from large regulatory or governmental bodies.

Liquidity risk

149. Liquidity risk is the risk that the ILO will encounter difficulties in meeting its financial obligations associated with financial liabilities.

150. The ILO manages liquidity risk by continuously monitoring actual and estimated cash flows. The ILO's total current assets of US$833.0 million are sufficient to settle its current financial liabilities of US$544.9 million. On an ongoing basis, it is anticipated that the ILO will continue to have sufficient liquidity to meet its financial obligations.

Capital management

151. The ILO defines the capital that it manages as the aggregate of its net assets which is comprised of accumulated balances and reserves. The ILO's objectives in managing capital are to safeguard its ability to continue as a going concern to fund its asset base and to fulfil its mission and objectives as established by its member States and donors. The ILO's overall strategy with respect to capital management includes the balancing of its operating and capital activities with its funding on a biennial basis along with the hedging of its expense requirements in US dollars against its Swiss franc-based revenue from member States' assessments.

152. 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 23 – Operating leases

153. 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.

154. 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$1.8million in 2015 (US$1.8 million in 2014). The total amount of lease and sublease expense recognized in 2015 was US$10.5 million (US$10.2 million in 2014).

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

(US$ millions)	2015	2014
Within one year	0.6	0.8
Later than one year and not later than five years	2.1	2.4
Later than five years	1.6	1.9
Total operating lease commitments	**4.3**	**5.1**

156. The total amount of rent earned under contingent lease agreements in 2015 was US$0.7 million (US$0.5 million in 2014), 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 24 – Statement of comparison of budget and actual amounts

157. The ILO does not publish a consolidated budget. Consequently, separate statements of comparison of budget and actual amounts are prepared for each of the published budgets: the regular budget adopted by the ILC; the budget of CINTERFOR adopted by the ILO Governing Body; and the budget of the ITC adopted by the ITC Board of Directors. The approved budgets are governed by the Financial Regulations and are prepared on a different basis than that of the consolidated financial statements.

158. IPSAS requires that where the consolidated financial statements and the budget are not prepared on a comparable basis, a reconciliation be presented identifying separately any basis, timing and entity differences.

Basis difference

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

Timing difference

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

Entity difference

161. Entity differences occur since the published approved budgets include only certain of the funds managed by the Organization, while the consolidated financial statements provide information of all the funds and entities of the ILO.

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

(US$ thousands)	Regular budget	CINTERFOR	ITC	Subsidiary funds	Total
Net result per budgetary basis (Statement V)	**(16 200)**	**326**	**1 534**		**(14 340)**
Less: Timing difference	(36 266)	(245)	–		(36 511)
Adjusted net result	**(52 466)**	**81**	**1 534**		**(50 851)**
Reconciling items from budgetary basis to IPSAS basis:					
Treatment of exchange differences	2 383	–	240	–	**2 623**
Provision for assessed contributions receivable	30 150	–	–	–	**30 150**
Amortization of receivable from member States with financial arrangement	195	–	–	–	**195**
Recognition of inventory	(1 106)	–	–	–	**(1 106)**
Recognition of property and equipment	2 768	42	(303)	–	**2 507**
Recognition of intangible assets	469	–	–	–	**469**
Accrual of employee benefits	(1 125)	7	–	–	**(1 118)**
Provision for contingencies	356	–	–	–	**356**
Unrealized loss from forward purchase agreements	2 961	–	–	–	**2 961**
Use of prior year surplus (ITC)	–	–	(826)	–	**(826)**
Entity difference	–	–	(533)	–	**(533)**
Subsidiary funds	–	–	–	(29 074)	**(29 074)**
Total differences	**37 051**	**49**	**(1 422)**	**(29 074)**	**6 604**
Net result per IPSAS basis	**(15 415)**	**130**	**112**	**(29 074)**	**(44 247)**

163. The following table provides a reconciliation between Statement V and Statement IV for the year ended 31 December 2015:

(US$ thousands)	Operating	Investing	Financing	Total
Regular budget net result (Statement V-A)	(16 200)	–	–	(16 200)
CINTERFOR net result (Statement V-B)	326	–	–	326
ITC net result (Statement V-C)	1 534	–	–	1 534
Total surplus on budgetary basis	**(14 340)**	**–**	**–**	**(14 340)**
Total net result on basis comparable to the adopted budgets:				
Timing difference	(36 511)	–	–	(36 511)
Basis difference	37 136	2 976	(3 901)	36 211
Entity difference	(44 061)	(143 097)	–	(187 158)
Net cash flows	**(57 776)**	**(140 121)**	**(3 901)**	**(201 798)**
Effect of exchange rates on cash and cash equivalents				(3 879)
Actual amount in the consolidated statement of cash flow (Statement IV)				**(205 677)**

Note 25 – Related party disclosures

164. 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.

165. 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 contribute and are also eligible for participation in the SHIF including the after-service medical insurance if they meet the eligibility requirements in the SHIF Regulations and Administrative Rules.

Category	**2015**		**2014**	
	Individuals [1]	**Remuneration** (US$)	**Individuals** [1]	**Remuneration** (US$)
Key management	11.5	4 288 784	11.6	4 111 516

[1] Full-time equivalent.

166. 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.

167. There were related party transactions involving key management personnel in 2015 totalling US$137,475 (US$139,896 in 2014). All such transactions are under terms and conditions that would apply in the normal course of operations.

Note 26 – Revenue from non-exchange transactions

168. 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 development cooperation projects and RBSA.

(US$ millions)	**2015**	**2014**
Assessed contributions from member States	386.7	430.9
Voluntary contributions to development cooperation projects, RBSA, and gifts and grants	260.6	281.1
ITC training services	14.1	17.1
Total revenue from non-exchange transactions	**661.4**	**729.1**
Receivables from assessed contributions (note 5)	99.1	68.6
Receivables from voluntary contributions (note 6)	267.2	289.6
Total receivables from non-exchange transactions	**366.3**	**358.2**
Liabilities recognized for conditional voluntary contributions	**263.8**	**283.7**
Liabilities recognized for ITC training services	**2.8**	**3.3**
Advance receipts from assessed contributions	**38.6**	**39.5**

Note 27 – Contingent assets and liabilities and commitments

Contingent assets

169. As at the reporting date, the ILO has the following contingent assets:

(US$ millions)	2015
Member State contribution assessed for the 2016-17 biennium [1]	797.4
Revenue from voluntary ITC training services covering future periods	8.6
Contributions to the RBSA covering future periods	5.5
Total contingent assets	**811.5**

[1] CHF757.5 million at the budget rate of exchange of US$1 = CHF0.95 adopted by the ILC for the 2016–17 biennium.

Contingent liabilities

170. In 2015, the ILO has no contingent liabilities for claims or legal actions related to the ILO Administrative Tribunal (nil as at 31 December 2014).

Commitments

171. Outstanding contracts for renovation of the headquarters building totalled US$155.1 million as at 31 December 2015 (US$13.5 million as at 31 December 2014).

172. Future minimum lease rental payments for non-cancellable leases are presented in note 23.

Note 28 – Contributions in-kind

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

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

Note 29 – Segment reporting

174. 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 ILC, Governing Body, major Regional Meetings, Legal Services and the Official Meetings, Documentation and Relations Department.
- Strategic objectives – the development programmes, regional and country offices, cross-cutting programmes and ITC and CINTERFOR and support services such as Information Technology and internal services.
- Management Services – Director-General's Office, Human Resources Development, Financial Management, Strategic Programming 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, SHIF, 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, SHIF in accordance with the regulations of the Fund; ASHI charge for staff of development 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.

175. 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 2015 (US$ millions)

	Policy-making organs		Strategic objectives		Management services		Other		Unallocated		Eliminations		Consolidated	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Assessed contributions from member States	39.5	44.0	293.1	326.6	29.7	33.1	24.4	27.2	–	–	–	–	386.7	430.9
Voluntary contributions	0.1	0.2	259.1	278.3	1.4	2.6	–	–	–	–	–	–	260.6	281.1
ITC training services	–	–	26.3	26.1	–	–	–	–	–	–	(12.2)	(9.0)	14.1	17.1
Programme support income	0.3	0.6	21.6	16.6	1.6	6.9	–	–	–	–	(23.5)	(24.1)	–	–
Staff/retiree employee benefit contributions	–	–	–	–	–	–	–	–	20.3	21.3	–	–	20.3	21.3
Sales and royalties	1.1	1.5	6.4	5.1	0.7	1.1	–	–	3.0	3.0	(1.2)	(1.2)	10.0	9.5
Gain on sale of investment property	–	–	–	–	–	–	–	–	6.1	–	–	–	6.1	–
Investment income	–	–	–	–	–	–	–	–	1.7	7.6	–	–	1.7	7.6
Contribution inter-segment	–	–	5.3	6.5	0.4	–	–	4.1	52.3	46.8	(58.0)	(57.4)	–	–
Exchange gain (loss) and revaluation net	–	–	–	–	–	–	–	–	12.5	–	–	–	12.5	–
Other income	–	–	1.1	2.1	–	–	–	–	0.4	2.2	0.1	(0.2)	1.6	4.1
Total revenue	**41.0**	**46.3**	**612.9**	**661.3**	**33.8**	**43.7**	**24.4**	**31.3**	**96.3**	**80.9**	**(94.8)**	**(91.9)**	**713.6**	**771.6**

	Policy–making organs		Strategic objectives		Management services		Other		Unallocated		Eliminations		Consolidated	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Staff costs	32.2	35.1	328.3	335.4	32.3	33.8	2.6	3.2	37.1	22.2	(18.0)	(18.5)	414.5	411.2
Travel	1.3	1.4	27.6	26.1	1.1	0.9	0.6	–	0.7	0.8	(0.1)	(0.2)	31.2	29.0
Subcontracts	1.3	1.3	123.1	103.1	4.7	1.6	1.4	1.1	(1.0)	(0.6)	(1.8)	(1.5)	127.7	105.0
General operating expenses	2.0	2.4	42.4	40.6	0.5	0.5	0.4	–	0.5	0.4	(1.4)	(0.9)	44.4	43.0
Supplies materials and small equipment	0.3	0.1	12.8	9.7	0.1	0.1	0.1	–	(0.1)	0.2	–	–	13.2	10.1
Depreciation and amortization	–	–	–	–	–	–	–	–	4.3	3.5	–	–	4.3	3.5
Seminars workshops and other training	–	–	58.1	49.1	0.1	0.4	–	–	–	–	(8.4)	(6.5)	49.8	43.0
Staff development	0.7	0.1	4.9	2.4	0.5	2.0	–	–	–	–	(0.9)	(0.4)	5.2	4.1
Health benefits	–	–	–	–	–	–	–	–	41.5	40.9	–	–	41.5	40.9
Contributions and grants in aid	0.1	–	16.3	11.7	0.5	0.1	33.4	37.4	0.2	0.4	(40.3)	(39.3)	10.2	10.3
Programme support cost	–	–	23.8	24.4	0.1	0.1	–	–	0.1	0.1	(24.0)	(24.6)	–	–
Exchange loss (gain) and revaluation, net	–	–	–	–	–	–	–	–	–	55.7	–	–	–	55.7
Change in fair value of investment property	–	–	–	–	–	–	–	–	8.4	7.2	–	–	8.4	7.2
Finance costs	–	–	–	–	–	–	–	–	2.3	2.9	–	–	2.3	2.9
Other expenses	–	–	0.7	–	–	–	0.8	–	3.6	2.8	–	–	5.1	2.8
Total expenses	**37.9**	**40.4**	**638.0**	**602.5**	**39.9**	**39.5**	**39.3**	**41.7**	**97.6**	**136.5**	**(94.9)**	**(91.9)**	**757.8**	**768.7**
Net result	**3.1**	**5.9**	**(25.1)**	**58.8**	**(6.1)**	**4.2**	**(14.9)**	**(10.4)**	**(1.3)**	**(55.6)**	**0.1**	**–**	**(44.2)**	**2.9**

Note 30 – Assessed contributions – Summary

Assessed contributions of member States and amounts due by States for prior periods of membership in the ILO
Summary for the year ended 31 December 2015 (in CHF)

Details	Balance due as at 1.1.2014 [1]	Assessed contributions 2014–15	Total amounts due	Amount received or credited [2]			Balance due as at 31.12.15
				2014	2015	Total income	
A. Assessed contributions for the financial period 2014–15:							
2014 – Assessed with the budget		380 598 500	380 598 500	334 031 812	31 650 789	365 682 601	14 915 899
2015 – Assessed with the budget		380 598 500	380 598 500		310 888 561	310 888 561	69 709 939
Total assessed contributions for the financial period 2014–15		**761 197 000**	**761 197 000**	**334 031 812**	**342 539 350**	**676 571 162**	**84 625 838**
B. Assessed contributions for previous financial periods due from member States	94 428 880		94 428 880	65 516 019	8 695 170	74 211 189	20 217 691
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	**101 044 569**		**101 044 569**	**65 516 019**	**8 695 170**	**74 211 189**	**26 833 380**
Total 2014–15	**101 044 569**	**761 197 000**	**862 241 569**	**399 547 831**	**351 234 520**	**750 782 351**	**111 459 218**
Total 2012–13	132 434 904	723 781 154	856 216 058	415 525 580	339 645 909	755 171 489	101 044 569

Balance due in US dollars at the United Nations rate of exchange for 31 December 2015 (0.991 Swiss francs to the dollar)	112 471 461
Less: Prepayments of financial arrangements	(884 230)
Assessed contributions receivable in US$	**111 587 231**

[1] Excludes assessed contributions for 2014

[2] Includes credits to member States in respect of:	**2014**	**2015**
The incentive scheme for 2012 and 2013 respectively	151 754	235 510
Cash surpluses for previous financial periods	52 156	–
50 per cent of the net premium for previous financial periods	1 612 729	100 565
Total credits	**1 816 639**	**336 075**

Note 31 – Assessed contributions – Detailed information

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 2015 (in CHF)

State	2014–15 assessed contributions								Amounts due for previous financial periods				Calendar years of assessment	Total due as at 31.12.2015
	2014				2015									
	Assessed contributions		Amounts received or credited		Assessed contributions		Amounts received or credited in 2015	Balance due as at 31.12.2015	Balance due as at 01.01.2014	Amounts received or credited		Balance due as at 31.12.2015		
	%	Amount	in 2014	in 2015	%	Amount				in 2014	in 2015			
Afghanistan	0.005	19 030	-	-	0.005	19 030	-	38 060	14 475	14 475	-	-	2014-15	38 060
Albania	0.010	38 060	-	38 060	0.010	38 060	38 060	-	59 810	40 000	19 810	-		-
Algeria	0.137	521 420	521 420	-	0.137	521 420	521 420	-	-	-	-	-		-
Angola	0.010	38 060	36 898	-	0.010	38 060	14	39 208	18 190	18 190	-	-	2014-15	39 208
Antigua and Barbuda [2]	0.002	7 612	1 254	-	0.002	7 612	-	13 970	112 741	-	-	112 741	2000-15	126 711
Argentina	0.432	1 644 185	1 176 252	467 933	0.432	1 644 185	92 000	1 552 185	1 477 739	1 477 739	-	-	2015	1 552 185
Armenia [1]	0.007	26 642	26 642	-	0.007	26 642	26 642	-	1 359 666	96 000	96 000	1 167 666	1994-2004	1 167 666
Australia	2.075	7 897 419	7 897 419	-	2.075	7 897 419	7 897 419	-	-	-	-	-		-
Austria	0.798	3 037 176	3 037 176	-	0.798	3 037 176	3 037 176	-	-	-	-	-		-
Azerbaijan [1]	0.040	152 239	152 239	-	0.040	152 239	152 239	-	3 008 308	176 959	176 959	2 654 390	1994-2005	2 654 390
Bahamas	0.017	64 702	64 702	-	0.017	64 702	64 702	-	-	-	-	-		-
Bahrain	0.039	148 433	148 433	-	0.039	148 433	148 433	-	-	-	-	-		-
Bangladesh	0.010	38 060	38 060	-	0.010	38 060	38 030	30	-	-	-	-	2015	30
Barbados	0.008	30 448	30 448	-	0.008	30 448	30 448	-	-	-	-	-		-
Belarus [1]	0.056	213 135	213 135	-	0.056	213 135	213 135	-	630 987	157 746	157 746	315 495	1997	315 495
Belgium	0.999	3 802 179	3 802 179	-	0.999	3 802 179	3 802 179	-	-	-	-	-		-
Belize	0.001	3 806	60	3 746	0.001	3 806	3 806	-	-	-	-	-		-
Benin	0.003	11 418	-	-	0.003	11 418	-	22 836	22 310	20 131	-	2 179	2013-15	25 015
Bolivia, Plurinational State of	0.009	34 254	34 254	-	0.009	34 254	19	34 235	-	-	-	-	2015	34 235
Bosnia and Herzegovina	0.017	64 702	64 702	-	0.017	64 702	64 702	-	-	-	-	-		-
Botswana	0.017	64 702	64 702	-	0.017	64 702	64 702	-	-	-	-	-		-
Brazil	2.936	11 174 372	11 338	-	2.936	11 174 372	-	22 337 406	11 598 631	5 833 512	5 765 119	-	2014-15	22 337 406
Brunei Darussalam	0.026	98 956	98 956	-	0.026	98 956	98 956	-	-	-	-	-		-
Bulgaria	0.047	178 881	178 871	10	0.047	178 881	178 881	-	-	-	-	-		-
Burkina Faso	0.003	11 418	2 556	-	0.003	11 418	16	20 264	-	-	-	-	2014-15	20 264
Burundi [2]	0.001	3 806	-	-	0.001	3 806	-	7 612	13 092	-	3 014	10 078	2011-15	17 690
Cabo Verde	0.001	3 806	404	3 402	0.001	3 806	1 902	1 904	3 619	-	3 619	-	2015	1 904
Cambodia	0.004	15 224	15 224	-	0.004	15 224	15 224	-	27 056	27 056	-	-		-
Cameroon	0.012	45 672	45 672	-	0.012	45 672	45 672	-	-	-	-	-		-
Canada	2.986	11 364 671	11 364 671	-	2.986	11 364 671	11 364 671	-	-	-	-	-		-
Central African Republic [1]	0.001	3 806	3 806	-	0.001	3 806	3 593	213	81 920	8 192	8 192	65 536	1997-2000+2004-07+2015	65 749
Chad	0.002	7 612	13	7 599	0.002	7 612	7 612	-	21 976	19 101	2 875	-		-
Chile	0.334	1 271 199	1 271 199	-	0.334	1 271 199	1 271 199	-	3 697	3 697	-	-		-
China	5.151	19 604 629	19 604 629	-	5.151	19 604 629	19 604 629	-	-	-	-	-		-
Colombia	0.259	985 750	526 798	311 170	0.259	985 750	397	1 133 135	-	-	-	-	2014-15	1 133 135
Comoros [2]	0.001	3 806	551	-	0.001	3 806	-	7 061	452 997	-	-	452 997	1985-2015	460 058
Congo	0.005	19 030	19 030	-	0.005	19 030	19 030	-	13 501	13 501	-	-		-

State	2014–15 assessed contributions								Amounts due for previous financial periods				Calendar years of assessment	Total due as at 31.12.2015
	2014				2015									
	Assessed contributions %	Amount	Amounts received or credited in 2014	in 2015	Assessed contributions %	Amount	Amounts received or credited in 2015	Balance due as at 31.12.2015	Balance due as at 01.01.2014	Amounts received or credited in 2014	in 2015	Balance due as at 31.12.2015		
Costa Rica	0.038	144 627	144 627	-	0.038	144 627	144 627	-	123 549	123 549	-	-		-
Côte d'Ivoire	0.011	41 866	41 866	-	0.011	41 866	37 740	4 126	72 776	72 776	-	-	2015	4 126
Croatia	0.126	479 554	479 554	-	0.126	479 554	479 554	-	-	-	-	-		-
Cuba	0.069	262 613	175 963	86 650	0.069	262 613	262 613	-	135 238	135 238	-	-		-
Cyprus	0.047	178 881	178 881	-	0.047	178 881	178 881	-	-	-	-	-		-
Czech Republic	0.386	1 469 110	1 469 110	-	0.386	1 469 110	1 469 110	-	-	-	-	-		-
Democratic Republic of the Congo	0.003	11 418	39	-	0.003	11 418	-	22 797	23 939	23 939	-	-	2014-15	22 797
Denmark	0.675	2 569 040	2 569 040	-	0.675	2 569 040	2 569 040	-	-	-	-	-		-
Djibouti [2]	0.001	3 806	-	-	0.001	3 806	-	7 612	102 019	3 873	-	98 146	1996+1998-2015	105 758
Dominica [2]	0.001	3 806	-	-	0.001	3 806	-	7 612	29 883	-	-	29 883	2006-2015	37 495
Dominican Republic	0.045	171 269	310	170 959	0.045	171 269	171 269	-	406 028	280 235	125 793	-		-
Ecuador	0.044	167 463	1 421	166 042	0.044	167 463	167 463	-	261 283	-	261 283	-		-
Egypt	0.134	510 002	510 002	-	0.134	510 002	510 002	-	-	-	-	-		-
El Salvador	0.016	60 896	-	-	0.016	60 896	-	121 792	145 610	17 697	114 995	12 918	2013-15	134 710
Equatorial Guinea [2]	0.010	38 060	233	-	0.010	38 060	-	75 887	57 900	-	-	57 900	2012-15	133 787
Eritrea	0.001	3 806	3 806	-	0.001	3 806	3 806	-	-	-	-	-		-
Estonia	0.040	152 239	152 239	-	0.040	152 239	152 239	-	-	-	-	-		-
Ethiopia	0.010	38 060	38 060	-	0.010	38 060	45	38 015	-	-	-	-	2015	38 015
Fiji	0.003	11 418	11 418	-	0.003	11 418	11 418	-	-	-	-	-		-
Finland	0.519	1 975 306	1 975 306	-	0.519	1 975 306	1 975 306	-	-	-	-	-		-
France	5.596	21 298 292	21 298 292	-	5.596	21 298 292	21 298 292	-	-	-	-	-		-
Gabon	0.020	76 120	-	16 452	0.020	76 120	-	135 788	50 727	-	50 727	-	2014-15	135 788
Gambia [2]	0.001	3 806	-	-	0.001	3 806	-	7 612	52 579	-	-	52 579	1999-2015	60 191
Georgia [1]	0.007	26 642	26 642	-	0.007	26 642	15	26 627	2 350 005	307 190	164 527	1 878 288	1995-2004+2015	1 904 915
Germany	7.145	27 193 763	27 193 763	-	7.145	27 193 763	27 193 763	-	-	-	-	-		-
Ghana	0.014	53 284	-	53 284	0.014	53 284	42 206	11 078	42 769	-	42 769	-	2015	11 078
Greece	0.638	2 428 218	2 397 510	30 708	0.638	2 428 218	1 766 967	661 251	1 292 516	1 292 516	-	-	2015	661 251
Grenada [2]	0.001	3 806	-	-	0.001	3 806	-	7 612	14 864	-	-	14 864	2010-15	22 476
Guatemala	0.027	102 762	102 762	-	0.027	102 762	102 762	-	-	-	-	-		-
Guinea	0.001	3 806	70	3 736	0.001	3 806	-	3 806	295	-	295	-	2015	3 806
Guinea-Bissau [2]	0.001	3 806	-	-	0.001	3 806	-	7 612	264 203	-	-	264 203	1992-2001+2003-15	271 815
Guyana	0.001	3 806	3 806	-	0.001	3 806	3 806	-	-	-	-	-		-
Haiti	0.003	11 418	124	-	0.003	11 418	17	22 695	-	-	-	-	2014-15	22 695
Honduras	0.008	30 448	29 296	1 152	0.008	30 448	25 201	5 247	21	21	-	-	2015	5 247
Hungary	0.266	1 012 392	1 012 392	-	0.266	1 012 392	1 012 392	-	-	-	-	-		-
Iceland	0.027	102 762	102 762	-	0.027	102 762	102 762	-	-	-	-	-		-
India	0.666	2 534 786	2 534 786	-	0.666	2 534 786	2 534 786	-	-	-	-	-		-
Indonesia	0.346	1 316 871	1 316 871	-	0.346	1 316 871	1 316 871	-	-	-	-	-		-
Iran, Islamic Republic of	0.356	1 354 931	2 327	1 132 594	0.356	1 354 931	-	1 574 941	999 206	952 800	46 406	-	2014-15	1 574 941
Iraq [1]	0.068	258 807	258 807	-	0.068	258 807	258 807	-	4 266 779	304 770	304 770	3 657 239	1995-2007	3 657 239
Ireland	0.418	1 590 902	1 590 902	-	0.418	1 590 902	1 590 902	-	-	-	-	-		-
Israel	0.396	1 507 170	1 173 956	333 214	0.396	1 507 170	1 507 170	-	236 934	236 934	-	-		-
Italy	4.450	16 936 633	16 936 633	-	4.450	16 936 633	16 936 633	-	-	-	-	-		-

State	2014–15 assessed contributions								Amounts due for previous financial periods				Calendar years of assessment	Total due as at 31.12.2015
	2014				2015									
	Assessed contributions %	Amount	Amounts received or credited in 2014	in 2015	Assessed contributions %	Amount	Amounts received or credited in 2015	Balance due as at 31.12.2015	Balance due as at 01.01.2014	Amounts received or credited in 2014	in 2015	Balance due as at 31.12.2015		
Jamaica	0.011	41 866	564	41 302	0.011	41 866	41 866	-	-	-	-	-		-
Japan	10.839	41 253 071	41 253 071	-	10.839	41 253 071	41 253 071	-	-	-	-	-		-
Jordan	0.022	83 732	83 711	21	0.022	83 732	83 732	-	-	-	-	-		-
Kazakhstan [1]	0.121	460 524	460 524	-	0.121	460 524	460 524	-	1 801 352	257 335	257 335	1 286 682	1997-99	1 286 682
Kenya	0.013	49 478	49 478	-	0.013	49 478	43 567	5 911	-	-	-	-	2015	5 911
Kiribati	0.001	3 806	-	-	0.001	3 806	-	7 612	7 416	7 311	-	105	2013-15	7 717
Korea, Republic of	1.995	7 592 940	7 592 940	-	1.995	7 592 940	7 592 940	-	487 652	487 652	-	-		-
Kuwait	0.273	1 039 034	787	1 038 247	0.273	1 039 034	1 525	1 037 509	-	-	-	-	2015	1 037 509
Kyrgyzstan [2]	0.002	7 612	-	-	0.002	7 612	-	15 224	1 151 217	-	-	1 151 217	1992-2015	1 166 441
Lao People's Democratic Republic	0.002	7 612	4 027	3 585	0.002	7 612	7 612	-	3 573	3 573	-	-		-
Latvia	0.047	178 881	178 881	-	0.047	178 881	178 881	-	-	-	-	-		-
Lebanon	0.042	159 851	-	-	0.042	159 851	-	319 702	165 139	95 297	-	69 842	2013-15	389 544
Lesotho	0.001	3 806	3 332	474	0.001	3 806	3 806	-	-	-	-	-		-
Liberia [2]	0.001	3 806	3	-	0.001	3 806	4	7 605	83 430	-	-	83 430	1996-99+2014-15	91 035
Libya	0.142	540 450	194 732	-	0.142	540 450	369	885 799	-	-	-	-	2014-15	885 799
Lithuania	0.073	277 837	277 837	-	0.073	277 837	277 837	-	-	-	-	-		-
Luxembourg	0.081	308 285	264	308 021	0.081	308 285	308 285	-	-	-	-	-		-
Madagascar	0.003	11 418	-	-	0.003	11 418	-	22 836	21 726	10 470	10 997	259	2013-15	23 095
Malawi	0.002	7 612	394	-	0.002	7 612	1	14 829	-	-	-	-	2014-15	14 829
Malaysia	0.281	1 069 482	1 069 482	-	0.281	1 069 482	1 069 482	-	-	-	-	-		-
Maldives, Republic of	0.001	3 806	-	3 806	0.001	3 806	-	3 806	7 190	-	7 190	-	2015	3 806
Mali	0.004	15 224	15 224	-	0.004	15 224	15 219	5	3 587	3 587	-	-	2015	5
Malta	0.016	60 896	60 896	-	0.016	60 896	60 891	5	-	-	-	-	2015	5
Marshall Islands	0.001	3 806	3 806	-	0.001	3 806	3 806	-	-	-	-	-		-
Mauritania	0.002	7 612	50	5 797	0.002	7 612	1	9 376	1 881	-	1 881	-	2014-15	9 376
Mauritius	0.013	49 478	49 478	-	0.013	49 478	49 478	-	-	-	-	-		-
Mexico	1.843	7 014 430	7 014 430	-	1.843	7 014 430	259	7 014 171	8 420 525	8 420 525	-	-	2015	7 014 171
Moldova, Republic of [1]	0.003	11 418	11 418	-	0.003	11 418	11 418	-	1 637 604	136 467	136 467	1 364 670	1995-2004	1 364 670
Mongolia	0.003	11 418	11 418	-	0.003	11 418	11 418	-	7 371	7 371	-	-		-
Montenegro	0.005	19 030	19 030	-	0.005	19 030	19 030	-	-	-	-	-		-
Morocco	0.062	235 971	233 378	2 593	0.062	235 971	210 671	25 300	-	-	-	-	2015	25 300
Mozambique	0.003	11 418	11 418	-	0.003	11 418	11 418	-	-	-	-	-		-
Myanmar	0.010	38 060	36 799	1 261	0.010	38 060	38 060	-	414	414	-	-		-
Namibia	0.010	38 060	38 060	-	0.010	38 060	38 060	-	-	-	-	-		-
Nepal	0.006	22 836	22 643	193	0.006	22 836	22 836	-	-	-	-	-		-
Netherlands	1.655	6 298 905	6 298 905	-	1.655	6 298 905	6 298 905	-	-	-	-	-		-
New Zealand	0.253	962 914	962 914	-	0.253	962 914	962 914	-	-	-	-	-		-
Nicaragua	0.003	11 418	10 645	773	0.003	11 418	11 418	-	-	-	-	-		-
Niger	0.002	7 612	70	7 542	0.002	7 612	7 612	-	14 394	-	14 394	-		-
Nigeria	0.090	342 539	342 539	-	0.090	342 539	323 371	19 168	34 671	34 671	-	-	2015	19 168
Norway	0.852	3 242 699	3 242 699	-	0.852	3 242 699	3 242 699	-	-	-	-	-		-
Oman	0.102	388 210	388 182	28	0.102	388 210	388 157	53	14	14	-	-	2015	53
Pakistan	0.085	323 509	282 875	40 634	0.085	323 509	323 459	50	15 003	15 003	-	-	2015	50
Palau	0.001	3 806	-	3 332	0.001	3 806	-	4 280	5 770	-	5 770	-	2014-15	4 280
Panama	0.026	98 956	98 956	-	0.026	98 956	98 956	-	-	-	-	-		-
Papua New Guinea	0.004	15 224	15 224	-	0.004	15 224	15 193	31	-	-	-	-	2015	31
Paraguay [1]	0.010	38 060	-	38 060	0.010	38 060	-	38 060	555 132	18 697	24 039	512 396	1988-90+1998-	550 456
Peru	0.117	445 300	445 300	-	0.117	445 300	309 530	135 770	20 108	20 108	-	-	2015	135 770
Philippines	0.154	586 122	586 122	-	0.154	586 122	586 122	-	-	-	-	-		-

State	2014–15 assessed contributions								Amounts due for previous financial periods				Calendar years of assessment	Total due as at 31.12.2015
	2014				2015									
	Assessed contributions		Amounts received or credited		Assessed contributions		Amounts received or credited in 2015	Balance due as at 31.12.2015	Balance due as at 01.01.2014	Amounts received or credited		Balance due as at 31.12.2015		
	%	Amount	in 2014	in 2015	%	Amount				in 2014	in 2015			
Poland	0.922	3 509 118	3 509 118	-	0.922	3 509 118	3 509 118	-	-	-	-	-		-
Portugal	0.474	1 804 037	24 172	1 779 865	0.474	1 804 037	1 804 037	-	1 826 375	1 826 375	-	-		-
Qatar	0.209	795 451	795 451	-	0.209	795 451	795 451	-	-	-	-	-		-
Romania	0.226	860 153	860 153	-	0.226	860 153	860 153	-	-	-	-	-		-
Russian Federation	2.439	9 282 797	9 235 611	47 186	2.439	9 282 797	9 282 797	-	-	-	-	-		-
Rwanda	0.002	7 612	49	-	0.002	7 612	1	15 174	3 576	-	-	3 576	2013-15	18 750
Saint Kitts and Nevis	0.001	3 806	108	-	0.001	3 806	1	7 503	-	-	-	-	2014-15	7 503
Saint Lucia	0.001	3 806	3	3 803	0.001	3 806	3 806	-	1 597	-	1 597	-		-
Saint Vincent and the Grenadines [2]	0.001	3 806	-	-	0.001	3 806	-	7 612	7 215	-	-	7 215	2011-15	14 827
Samoa	0.001	3 806	3 792	14	0.001	3 806	3 751	55	-	-	-	-	2015	55
San Marino	0.003	11 418	11 418	-	0.003	11 418	11 418	-	-	-	-	-		-
Sao Tome and Principe [2]	0.001	3 806	-	-	0.001	3 806	-	7 612	204 729	15 215	-	189 514	1995-2015	197 126
Saudi Arabia	0.865	3 292 177	3 292 177	-	0.865	3 292 177	3 292 177	-	-	-	-	-		-
Senegal	0.006	22 836	21 634	1 202	0.006	22 836	22 836	-	50 042	50 042	-	-		-
Serbia	0.040	152 239	152 239	-	0.040	152 239	152 239	-	-	-	-	-		-
Seychelles	0.001	3 806	3 806	-	0.001	3 806	3 806	-	-	-	-	-		-
Sierra Leone [2]	0.001	3 806	-	-	0.001	3 806	-	7 612	417 465	-	-	417 465	1986-2015	425 077
Singapore	0.384	1 461 498	1 461 498	-	0.384	1 461 498	1 461 498	-	-	-	-	-		-
Slovakia	0.171	650 823	650 823	-	0.171	650 823	650 823	-	-	-	-	-		-
Slovenia	0.100	380 598	380 598	-	0.100	380 598	380 598	-	-	-	-	-		-
Solomon Islands [2]	0.001	3 806	168	-	0.001	3 806	-	7 444	26 459	-	-	26 459	2004-07+2010-15	33 903
Somalia [2]	0.001	3 806	-	-	0.001	3 806	-	7 612	396 752	-	-	396 752	1988-2015	404 364
South Africa	0.372	1 415 826	1 415 826	-	0.372	1 415 826	1 415 826	-	-	-	-	-		-
South Sudan [2]	0.004	15 224	-	-	0.004	15 224	-	30 448	18 203	-	-	18 203	2012-15	48 651
Spain	2.975	11 322 805	11 322 805	-	2.975	11 322 805	11 322 805	-	-	-	-	-		-
Sri Lanka	0.025	95 150	94 514	636	0.025	95 150	95 150	-	-	-	-	-		-
Sudan	0.010	38 060	-	-	0.010	38 060	-	76 120	87 987	60 228	-	27 759	2013-15	103 879
Suriname	0.004	15 224	102	-	0.004	15 224	4	30 342	15	-	-	15	2013-15	30 357
Swaziland	0.003	11 418	11 418	-	0.003	11 418	14	11 404	-	-	-	-	2015	11 404
Sweden	0.961	3 657 552	3 657 552	-	0.961	3 657 552	3 657 552	-	-	-	-	-		-
Switzerland	1.048	3 988 672	3 988 672	-	1.048	3 988 672	3 988 672	-	-	-	-	-		-
Syrian Arab Republic	0.036	137 015	137 015	-	0.036	137 015	137 015	-	194 961	194 961	-	-		-
Tajikistan [2]	0.003	11 418	-	-	0.003	11 418	-	22 836	575 451	35 900	20 000	519 551	1994-2015	542 387
Tanzania, United Republic of	0.009	34 254	326	10 849	0.009	34 254	-	57 333	29 177	10 887	18 290	-	2014-15	57 333
Thailand	0.239	909 630	909 630	-	0.239	909 630	909 630	-	-	-	-	-		-
The former Yugoslav Republic of Macedonia	0.008	30 448	279	30 169	0.008	30 448	-	30 448	25 332	25 332	-	-	2015	30 448
Timor-Leste	0.002	7 612	7 612	-	0.002	7 612	3 802	3 810	-	-	-	-	2015	3 810
Togo	0.001	3 806	3 806	-	0.001	3 806	3 806	-	-	-	-	-		-
Trinidad and Tobago	0.044	167 463	167 463	-	0.044	167 463	167 463	-	-	-	-	-		-
Tunisia	0.036	137 015	137 015	-	0.036	137 015	137 015	-	-	-	-	-		-
Turkey	1.329	5 058 154	5 058 154	-	1.329	5 058 154	5 058 154	-	-	-	-	-		-
Turkmenistan	0.019	72 314	72 314	-	0.019	72 314	72 314	-	-	-	-	-		-
Tuvalu	0.001	3 806	3	-	0.001	3 806	1	7 608	14	-	-	14	2013-15	7 622
Uganda	0.006	22 836	228	-	0.006	22 836	8	45 436	17 874	-	-	17 874	2013-15	63 310
Ukraine [1]	0.099	376 792	102	376 690	0.099	376 792	376 792	-	2 531 775	-	632 944	1 898 831	1998-99+2009+2015	1 898 831
United Arab Emirates	0.595	2 264 561	2 264 561	-	0.595	2 264 561	2 264 561	-	-	-	-	-		-
United Kingdom	5.182	19 722 614	19 722 614	-	5.182	19 722 614	19 722 614	-	-	-	-	-		-
United States	22.000	83 731 670	58 919 556	24 812 114	22.000	83 731 670	41 880 835	41 850 835	39 806 688	39 806 688	-	-	2015	41 850 835

State	2014–15 assessed contributions								Amounts due for previous financial periods				Calendar years of assessment	Total due as at 31.12.2015
	2014				2015			Balance due as at 31.12.2015	Balance due as at 01.01.2014	Amounts received or credited		Balance due as at 31.12.2015		
	Assessed contributions %	Assessed contributions Amount	Amounts received or credited in 2014	Amounts received or credited in 2015	Assessed contributions %	Assessed contributions Amount	Amounts received or credited in 2015			in 2014	in 2015			
Uruguay	0.052	197 911	-	197 911	0.052	197 911	197 911	-	96 135	96 135	-	-		-
Uzbekistan [1]	0.015	57 090	-	-	0.015	57 090	57 090	57 090	1 527 210	85 500	74 900	1 366 810	1997-2015	1 423 900
Vanuatu [2]	0.001	3 806	13	-	0.001	3 806	-	7 599	11 950	-	-	11 950	2010-15	19 549
Venezuela, Bolivarian Republic of	0.627	2 386 353	11 969	44 209	0.627	2 386 353	-	4 716 528	2 250 763	2 120 980	129 783	-	2014-15	4 716 528
Viet Nam	0.042	159 851	159 851	-	0.042	159 851	159 851	-	-	-	-	-		-
Yemen	0.010	38 060	396	16 157	0.010	38 060	-	59 567	14 674	-	14 674	-	2014-15	59 567
Zambia	0.006	22 836	5 415	-	0.006	22 836	-	40 257	11 444	11 444	-	-	2014-15	40 257
Zimbabwe	0.002	7 612	8	7 604	0.002	7 612	7 390	222	10	-	10	-	2015	222
Total	**100.000**	**380 598 500**	**334 031 812**	**31 650 789**	**100.000**	**380 598 500**	**310 888 561**	**84 625 838**	**94 428 880**	**65 516 019**	**8 695 170**	**20 217 691**		**104 843 529**
Amounts due by States for prior periods of membership in the ILO :														
Paraguay [(3)]	-	-	-	-	-	-	-	-	245 066	-	-	245 066	1937	245 066
Former Socialist Fed. Rep. of Yugoslavia [(4)]	-	-	-		-	-	-	-	6 370 623	-	-	6 370 623	1989-2011	6 370 623
Total amounts due by States for prior periods of r	-	-	-	-	-	-	-	-	6 615 689	-	-	6 615 689		6 615 689
Total	**100.000**	**380 598 500**	**334 031 812**	**31 650 789**	**100.000**	**380 598 500**	**310 888 561**	**84 625 838**	**101 044 569**	**65 516 019**	**8 695 170**	**26 833 380**		**111 459 218**

[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)
Central African Republic	97th	(2008)
Georgia	93rd	(2005)
Iraq	97th	(2008)
Kazakhstan	88th	(2000)
Moldova, Republic of	93rd	(2005)
Paraguay	102nd	(2013)
Ukraine	99th	(2010)
Uzbekistan	104th	(2015)

[2] **Member States which are two years or more in arrears and which have lost the right to vote under the provisions of 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 (2013–14). 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] **Status of Paraguay.**

Paraguay owes 245,066 Swiss francs in respect of contributions to the ILO and other League of Nations organizations for the period prior to 1939. The 45th (1961) Session of the ILC decided that these arrears should be cancelled, effective on the date that payment is made of all Paraguay's arrears of contributions due since the date when it re-joined the Organization.

[4] **Status of the Former Socialist Federal Republic of Yugoslavia.**

The former Socialist Federal Republic of Yugoslavia was deleted from the list of ILO member States on 24 November 2000.

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 2015

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 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 eighth and final audit conducted by the Auditor General of Canada on the International Labour Organization's (ILO) consolidated financial statements. The following report contains all of the information that our audit plan indicated we would communicate to the Organization at the conclusion of our audit, and, where appropriate, other communications required under International Auditing Standards. We have addressed all of the matters that came to our attention during our review of the Organization's consolidated financial statements that we believe the Governing Body should be aware of. As this is the end of our tenure as the Organization's external auditors, we have reflected on how it has progressed in key areas and challenges over the past eight years. We would be pleased to elaborate on any of these points during the Governing Body meeting on 30 May 2016.

We wish to express our appreciation to the Director-General, Deputy Directors-General, and the Treasurer and Financial Comptroller and their staff for the cooperation and assistance we received during our appointment as the ILO's external auditor. We also wish to express our appreciation to the Governing Body and the Conference of the ILO for the support and interest they have shown in our work.

Yours sincerely,

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

Ottawa, Canada
29 April 2016

240 rue Sparks Street, Ottawa, Ontario K1A 0G6

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Executive summary

We have performed our audit in a manner consistent with the Report to the Director-General—Annual Audit Plan, which was presented to him in September 2015.

We have expressed an unmodified audit opinion on the International Labour Organization's (ILO) consolidated financial statements for the year ended 31 December 2015 in accordance with International Public Sector Accounting Standards (IPSAS).

We concluded that the consolidated financial statements present fairly, in all material respects, the financial position of the ILO and its controlled entity, the International Training Centre, as at 31 December 2015. We also concluded that these financial statements present fairly their financial performance, their cash flows, and the comparison of budget and actual amounts for the year then ended in accordance with IPSAS. We concluded that IPSAS accounting principles have been applied 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 note that for a second year, management has included a revised and expanded approval statement at the beginning of the financial statements. We support management's progress in this endeavour.

This is the third year that the ILO has been fully compliant with IPSAS. Management has simplified the financial statements over the years, which provides the Governing Body with a better understanding of the ILO's operations for 2015.

The ILO is currently only one of three UN organizations continuing to self-insure and self-administer a health insurance plan. This fund is run autonomously within the ILO. The Executive Secretary and Staff Health Insurance Fund (SHIF) Management Committee are responsible for the oversight and internal controls of this fund. Over a number of years we have been made aware of certain irregularities. These have all been investigated by the Office of Internal Audit and Oversight (IAO). The significant findings of these investigations and internal audits have been brought to the attention of the Governing Body through annual reports of the Chief Internal Auditor.

Real property fair value estimation is a highly specialized area. We are satisfied that the fair values included in the ILO's financial statements reflect current economic conditions and are not materially misstated.

In addition to the financial audit work, we examined how the roles, responsibilities, authority, and accountability for risk management have been defined and implemented throughout the organization. We concluded that, overall, progress has been made since the appointment of the Senior Risk Officer but more work is ahead for the replacement Senior Risk Officer.

As part of our current audit, we followed up on our 2014 and previous years' recommendations in the following areas:

- governance practices;
- After Service Health Insurance (ASHI)—long-term funding strategy;
- headquarters building renovation project—governance;
- information technology—governance;
- human resources—training and development and succession planning; and
- finance operations—developments in and review of IPSAS and management responsibility for financial statements.

We are generally satisfied with the progress management has made in this regard, and we encourage it to continue its efforts 2015 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. As a Supreme Audit Institution, the OAG promotes good financial and environmental management and sustainable development.

2. The OAG is widely involved in the activities of the Canadian and international audit and accountancy profession. In Canada, the OAG is involved in many professional organizations, notably the Chartered Professional Accountants of Canada (CPA 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 International Labour Organization (ILO) for the financial period beginning 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 Organization's financial statements and on any other matter that should be brought to its attention.

Scope and objectives of the audit

4. The scope of the audit was determined to be in compliance with Chapter IX of the ILO Financial Regulations.

5. 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 should be brought to the Governing Body's attention.

6. As noted in the Report to the Director-General—Annual Audit Plan, the objectives of the audit were to provide an independent opinion on whether

- 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 2015, and the results of their financial performance, their cash flows and the comparison of budget and actual amounts for the year then ended in accordance with IPSAS;
- the accounting policies 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.

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

Financial statement highlights

7. ILO management has informed us that it will review the financial statements with the Governing Body and outline any important differences between the approved budget and the results of the previous year. We will be available to answer any questions the Governing Body might have.

Audit approach and auditor's responsibilities

8. 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. It also includes assessing the accounting principles used and the significant estimates management made, and evaluating the overall presentation of the consolidated financial statements.

9. When planning the audit, we acquired a sound understanding of the ILO and its controlled entity, the International Training Centre; 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 International Training Centre and their environment, including their internal controls. We obtained this understanding in order to plan our audit and determine the nature, timing, and extent of the audit procedures we would perform.

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

11. We prepared a detailed report summarizing the business and other audit risks identified and our planned procedures to address each of them with ILO management and the Independent Oversight Advisory Committee. We identified the key risks that could affect the fair presentation of the results of the Organization's consolidated operations. We also obtained an understanding of those risks that had implications for the consolidated financial statements. In identifying our audit risk, we considered the ILO's risk register as presented in the Programme and Budget proposals for 2014–15 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 Organization and its controlled entity, the International Training Centre, and their activities.

12. The audit plan was presented to ILO management and the Independent Oversight Advisory Committee in September 2015 to ensure that we had identified those areas of significance and that our evaluation of the Organization's current consolidated operating environment was complete. A summary of the audit plan to the Governing Body at its 326th session in March 2016. The audit plan also identified where we would conduct performance audit work in reviewing the role and responsibilities of the Senior Risk Officer and comparing them with those found in similar organizations.

Audit results

13. We have issued an unqualified audit opinion on the ILO's 2015 consolidated financial statements. We concluded that the consolidated financial statements present fairly, in all material respects, the financial position of the Organization and its controlled entity, the International Training Centre, as at 31 December 2015. We also concluded that these financial statements present fairly 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.

14. As required by the ILO Financial Regulations, we concluded that the accounting policies were applied on a basis consistent with that of the preceding period.

15. We also concluded that the transactions of the ILO and its controlled entity, the International Training Centre, 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 Training Centre.

16. We must report any disagreements with management over auditing, accounting, or disclosure matters that could, individually or in total, significantly affect the consolidated

financial statements or our independent auditor's report. We must also report whether we resolved any disagreements satisfactorily. We are pleased to report that there are no unresolved matters.

17. 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.

18. Preparing the consolidated financial statements requires that management choose accounting policies and make critical accounting estimates and disclosures that involve significant judgment and measurement uncertainty, which can have a significant impact on the ILO's reported results.

19. The unfunded After Service Health Insurance defined benefit obligation is over one billion dollars. The increase over the previous year is mostly due to circumstances beyond the ILO's control. As worldwide interest rates decline, the discounting impact on the obligation increases the value. We understand that the ILO is participating in a United Nations-wide review to address concerns with the funding and costs of the After Service Health Insurance plans in the UN system. The Organization's management reported to the Governing Body in March 2016 on the results of the UN General Assembly's consideration of this matter and will provide a further update in March 2017.

20. The ILO self-funds and self-administers the Staff Health Insurance Fund (SHIF). The ILO is currently only one of three UN organizations continuing to self-insure and self-administer a health insurance plan. This fund is run autonomously within the ILO. The Executive Secretary and Staff Health Insurance Fund (SHIF) Management Committee are responsible for the oversight and internal controls of this fund. Over a number of years we have been made aware of certain irregularities. These have all been investigated by the Office of Internal Audit and Oversight (IAO). The significant findings of these investigations and internal audits have been brought to the attention of the Governing Body through annual reports of the Chief Internal Auditor. Lack of proper internal controls over SHIF payments have had a significant cost to the fund over the past few years. Overall, reaction from the ILO has been slow and investments in either financial or human resources to strengthen the internal controls and oversight in the SHIF have been difficult to implement. The ILO must recognize the obligation to both SHIF members and member states to safe guard the contributions and ensure prompt and accurate payment for valid health insurance claims and only those claims.

21. **Recommendation:** The current situation needs immediate attention and remediation in order to avoid future costs. Recommendations made by the Chief Internal Auditor, in his August 2015 report on the Staff Health Insurance Fund, ranked critical and high importance should be addressed by management in the coming months.

ILO Response: *The Office agrees with the recommendation of the External Auditor and has addressed or is in the process of addressing the recommendations made by the Chief Internal Auditor. Prior to the investigation of the irregularities in 2015 relating to health insurance claims and to the internal audit conducted by the Chief Internal Auditor, the Office launched an internal review of staffing and administrative procedures with a view to improving controls and service levels. Upon the detection of the irregularities in 2015, thresholds, approval levels and internal procedures were immediately modified to enhance controls. Staffing were subsequently reinforced. Information technology systems used by the Staff Health Insurance Fund have been updated and other developments have been identified to further improve reporting and oversight following the internal review and internal audit report. A study to be conducted by an external consultant has been initiated to review the advantages and disadvantages of alternative operating models in order to ensure an optimal structure is in place to strengthen the delivery of this service and protect the interests of member States and insured persons.*

22. Real estate fair value valuations have affected the carrying value of the real property disclosed in the financial statements since the ILO has adopted the International Public Service Accounting Standards (IPSAS). It has engaged an independent external expert to conduct an annual valuation for land and buildings. The changes in the fair value flow to the revaluation surplus, a separate component of net assets. The changes in fair value of the investment property, also carried at fair value, flow through the statement of financial performance in the year they arise. We are satisfied with the valuation methodology and determination as provided by the ILO expert. These assets should not be considered as available to satisfy the After Service Health Insurance obligation other than in the long term.

23. 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, and the adequacy of financial statement disclosures.

Audit completion

24. In 2015, 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 Organization 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

25. 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 and estimates and financial statement disclosures, and other matters

that, in our judgment, are significant to the oversight of the financial reporting process. We have prepared a detailed report for the Director-General, which we will discuss with the Independent Oversight Advisory Committee. We present in this report issues identified during our audit that are considered relevant to the Director-General and this Committee, along with their resolutions.

26. Our comments and views included in this report should be taken only in the context of the financial statements as a whole and are not meant to express an opinion on any individual item or accounting estimate. We are sharing our views to facilitate an open dialogue about these matters.

27. During the audit, we followed up on previous years' recommendations and some remain as opportunities to improve the ILO's financial controls. In general our recommendations were well received by management and addressed during the course of our mandate.

Our audit work as external auditor

28. Our term as the ILO's external auditor ends this year. During our eight-year mandate, we accompanied the Organization through its successful conversion to International Public Sector Accounting Standards. This included preparing annual financial statements, introducing the Management's Responsibility Statement, creating an improved financial report (financial statement discussion and analysis), and using a simplified version of financial statements. We continue to encourage the Organization to present a Statement of Internal Controls.

29. In addition to our work on the ILO's financial statements, we conducted eleven project audits for donors, resulting in improved financial management and controls over funds provided by donors.

30. We also conducted audit work and provided recommendations in the following areas:

- Performance measurement and reporting practices,
- Human resources—training and development,
- Internal audit,
- Human resources—succession planning,
- Information technology control environment,
- Governance—headquarters building renovation project,
- After Service Health Insurance (ASHI),
- Governance practices—headquarters,
- Internal controls framework,
- IT control environment for IRIS,
- Regional implementation of IRIS.

In past years, we have followed up on a number of these areas. This year, we conducted an enterprise risk management review and an in-depth follow up of governance practices relating to the headquarters building renovation project, human resources training and development, and succession planning.

31. Overall, we noted an improvement in the ILO's governance, financial management, and controls systems and practices. We encourage the Organization to continue its efforts to fully implement the recommendations of both the internal and external auditors.

Acknowledgement

32. We consider it a privilege to have served as the ILO's external auditors for two consecutive mandates. We wish to express our appreciation for the cooperation and assistance the Director-General and his staff provided at headquarters in Geneva and in the regional and country offices. In particular, we wish to thank the Treasurer and Financial Comptroller and Finance staff for their support and professionalism throughout our mandate.

Governance

Governance practices

33. **Our past findings on governance practices.** In our 2013 report, we found that, at ILO headquarters

- the governance structure was not clearly defined,
- governance documents did not fully reflect organizational changes, and
- roles and responsibilities needed to be clarified by further developing the overall accountability framework.

34. We found that the ILO had adopted leading effectiveness practices, which have become more widespread in the UN system, and had coordinated its initiatives with that system. For example, the ILO established the Independent Oversight Advisory Committee and considered ways to align strategic planning with the UN Quadrennial Comprehensive Policy Review.

35. We found that the ILO needed to further improve its governance practices by adopting and adapting good practices from the UN system through continuous improvement and organizational learning. The ILO also needed to improve some elements of its internal control framework and improve its risk management systems to ensure it assesses, evaluates, and documents the likelihood and significance of risks.

36. We noted that a systematic review of governance policies and documents at least every five years would ensure that the ILO remains current and relevant as the Organization evolves. We also found that adopting a Statement of Internal Control to accompany

annual financial statements—a common practice among UN organizations—would help the ILO assure the Governing Body that the Organization is appropriately managing and controlling resources.

37. **ILO actions on governance practices.** In September 2013, the ILO issued an internal governance document on the departmental structures of ILO headquarters. In December 2015, the ILO issued another document on the structure, composition, and geographical location of its offices. These are two examples of documents issued to more clearly define its governance structure.

38. In November 2014, the Governing Body adopted a transitional two-year strategic plan, primarily to align the ILO's strategic planning framework with the UN-wide planning cycle as of 2018. The Organization also initiated its work to implement a Statement of Internal Control. As a first step, the 31 December 2014 financial statements included a statement of management responsibility for internal controls. The ILO also expanded its Internal Letter of Representation, a certification from managers that the internal controls in place are effective during the year. The first internal declaration is expected for the year ending 31 December 2016, and the first Statement of Internal Control is expected to accompany the 2017 financial statements.

39. In 2015, the ILO began to put in place initiatives to provide better transparency, such as developing cooperation initiatives that include a dashboard upgrade and a data visualization project. The latter project will be added to the public website of the Partnerships and Field Support Department (PARDEV). The Organization also started leading the global initiative on Decent Work for Youth established by the High-Level Committee on Programmes (HLCP).

40. In 2016, the ILO improved its accountability framework by forming five work streams that will implement the Organizational Health Index Indicator initiatives as part of the Business Process Review.

41. The ILO has added clarity to its governance structure and documented key structures and practices over the past three years. These initiatives bring the ILO closer in line with other UN organizations. In some cases, it leads by example with these initiatives.

42. **Recommendation.** The ILO should continue its effectiveness practices and coordinate its initiatives with the UN system. It should also improve its overall accountability framework, including implementing a Statement of Internal Control.

43. ***ILO response.*** *The Office is in broad agreement with the recommendation and is continually monitoring its governance and accountability framework to ensure that it responds to needs and developments with respect to best practices. The Office will continue its involvement in UN inter-agency initiatives aimed at improving system-wide effectiveness in all aspects of its operations. The initial steps in the implementation of a Statement of Internal Control have begun and will continue throughout the current biennium. As reported by the External Auditor, the target date for implementation is 31 December 2017.*

Governance of the headquarters building renovation project

44. **Our past findings on the headquarters renovation project.** In our 2012 report, we found that the project's governance framework had not yet been finalized and approved, and that the following were needed:

- Steering Committee roles and responsibilities that further clarified decision-making authority,
- an approved calendar of key deliverables and milestones,
- a clear and documented delegation of authority, and
- comprehensive reporting of financial and non-financial information to the Steering Committee to ensure it could adequately carry out its oversight role.

45. **ILO actions on the headquarters building renovation project.** In November 2010, the Governing Body approved the comprehensive 2011–2018 plan for renovating the headquarters building at an estimated cost of 203.3 million Swiss francs (CHF).

46. In February 2013, the Director-General issued a final approved version of the new governance framework. It followed the best practice principles from the Internal Audit Report on the Urgent Renovation Works and the Governance Structure of the Headquarters Renovation Project (2007–10).

47. In October 2015, the ILO updated the Governing Body on the project's current status and developments, and included a revised project budget of 205.5 million Swiss francs.

48. As the project progressed, the ILO developed a comprehensive schedule and detailed budget information, and the Office of Internal Audit and Oversight reviewed internal control processes. Both timeline changes and an expanding scope had to be managed to ensure budget overruns were mitigated. This review ensured that adequate controls were in place to mitigate key risks and to determine whether the project was being carried out efficiently and cost-effectively.

49. **Recommendation.** The Office of Internal Audit and Oversight should continue its audits of the headquarters renovation project as the project progresses and hire external expertise as required.

50. ***ILO response.*** *The Office accepts this recommendation and the Office of Internal Audit and Oversight has confirmed that it will continue its regular audits of the project. As reported to the Governing Body at its 326th session (March 2016), an audit was conducted in early 2016 by an external entity with expertise in construction project audits. The audit results were positive with respect to the contractual arrangements, transparency, and control.*

Enterprise risk management

51. Enterprise risk management (ERM) is a strategic process that identifies potential events that may affect an entity and manages them within the entity's risk appetite (or risk tolerance) limits.

52. **ILO actions on enterprise risk management.** In August 2009, the ILO put in place a policy on risk management which stated that

- the ILO should provide training and risk management procedures and guidelines,
- managers should monitor and periodically review the ILO's risk profile,
- the Director-General should establish risk management strategies, processes and risk tolerance levels to be communicated through policies and guidelines, and
- managers should set prudent tolerance levels within their areas of responsibility and authority in some cases.

53. In 2009, the ILO published its 2010–11 Programme and Budget document, which stated that risk management would be integrated into the Organization's standard procedures and core processes, such as work planning, performance review associated with results-based management, and the preparation of the Programme and Budget for future years. In 2011, it published its 2012–13 Programme and Budget document, which included its first corporate risk register that identified 12 risks, including root causes, remedial actions and plans, and risk owners. Subsequent Programme and Budget documents included an updated risk register.

54. In September 2014, the ILO appointed a Senior Risk Officer.

55. In 2015, the ILO created the Risk Management Committee, composed of representatives from Field Operations, Financial Management, Human Resources Development, Internal Services and Administration, the Office of the Legal Adviser, and Strategic Programming and Management. Chaired by the Treasurer and Financial Comptroller, the Committee has the central role of

- monitoring the overall state of ERM across the ILO,
- monitoring compliance with its Risk Appetite Statement, and
- guiding the Organization's policy in relation to insurance and monitoring its execution.

56. At the Committee's first meeting, members agreed on the Committee's terms of reference.

57. In April 2015, the ILO promulgated its ERM framework, which

- strengthens the management of risk exposures across the Organization, including the ILO's capacity to act on risk with more sound strategic plans and help build stakeholder confidence;
- establishes a formal and systematic approach to identifying and managing risks;
- includes the ILO Risk Appetite Statement and risk management guidelines;
- defines ERM roles, responsibilities, and accountabilities;
- defines aggravated risk and how risk should be brought to the attention of the Risk Management Committee and the ILO Senior Management Committee;
- notes that the framework will be complemented by a handbook, to provide more information on ERM principles and advice on how to implement them; and
- requires risk to be monitored and a formal monitoring report to be submitted annually.

58. In our 2013 report, we found that although the ILO had a corporate risk register in place, it had yet to adopt and document a process to assess, evaluate, and document the likelihood and significance of identified risks.

59. In 2015–16, we followed up on the progress made in the audit of the ILO's enterprise risk management. We reviewed the ILO's policy on risk management, its Enterprise Risk Management Framework, and the Risk Management Committee's terms of reference. We interviewed managers responsible for the preparation of risk registers and reviewed documentation.

60. We also examined how the roles, responsibilities, authority, and accountability for risk management were defined and implemented throughout the Organization.

61. Although we found that a sound framework had been established and was in the process of being implemented, it is still too early to assess the effectiveness of this governance structure.

62. We found that the Organization had delivered a number of risk management training activities. We also found that responsible risk managers had identified and measured the impact and likelihood of risks and listed remedial actions and plans to mitigate these risks. However, as the training had not been delivered to all offices and departments, the documents varied in quality and completeness. One of the next steps in the implementation process will be to ensure a greater number of managers assess residual risks (that is, risks that remain after measures are put in place to mitigate them).

63. We found that some responsible risk managers submitted more monitoring reports than the annual amount required by the ERM framework. One risk owner monitored risk and updated risk registers every month, and these updated registers were discussed at the monthly risk management meeting. Some departments included monitoring in work plans and performance reviews.

64. We also found that a number of directors did not fulfill the risk register requirements of an ILO directive issued in April 2015 by the deadline of 30 November 2015 for their respective areas of responsibility (departments, regional offices, and country offices). As of the preparation of this report, 56 risk registers had been submitted, 12 were in progress, and 11 were still pending.

65. We noted that the ILO did not yet have a system in place to total risks and to identify remedial actions that may be cross cutting and that could impact the corporate risk register. The ILO had not yet conducted lessons-learned exercises on preparing risk registers, as not all registers had been reviewed. The ILO also, as yet, had no clear plan in place to link the results of the individual risk registers to the strategic risk register and the Organization’s strategic objectives. The people we interviewed were not clear how the individual risk registers would feed into the corporate risk register.

66. Finally, we found that the Senior Risk Officer provided most of the guidance on risk registers, either verbally or through training sessions. Between August 2014 and February 2016, the Senior Risk Officer conducted 15 sessions which offered training to 12 departments and 17 external offices. During and after the training, the Senior Risk Officer helped participants complete sections of their risk registers by answering questions and, in some cases, reviewed the risk registers and offered advice. Participants at all levels received these training sessions well. We also found that the training was not coordinated with Human Resources Development and, therefore, was not recorded in staff training profiles or formally evaluated to determine its effectiveness. With the impending retirement of the current Senior Risk Officer, documentation of this training is critical to the transfer of knowledge and organizational history.

67. **Recommendation.** The ILO should ensure that all individual risk registers are completed and reviewed, and that feedback is provided to risk owners. It should put in place a system to total the individual risk registers to identify cross-cutting risks and remedial actions and provide a clear link to the strategic risk register. It should also clearly outline and document monitoring and evaluation of mitigating and remedial actions. With a change in the Senior Risk Officer, clear instructions in training manuals, procedures and reports are critical to a successful transition.

68. **Recommendation.** Once the ILO has completed and totalled all risk registers, the Risk Management Committee, together with the Senior Management Committee, should revisit the strategic risk register to assess all residual risks identified in the corporate risk register and, if required, align remedial actions with its risk tolerance. The review of the strategic risk register should also consider the risk assessments and remedial actions carried out by other UN organizations.

69. **Recommendation.** The ILO should continue to provide guidance on the principles of enterprise risk management, implementation, monitoring, and reporting. Human Resources Development should be involved in the training to ensure that training profiles are updated and that training evaluation is in place to improve future training sessions.

70. **Recommendation.** The ILO should conduct lessons-learned exercises on preparing and implementing risk registers, monitoring risk, and reporting activities at the ILO. It should enhance communication to promote and ensure that risk management is embedded in its standard procedures and core processes and is key to the achievement of ILO's objectives.

71. ***ILO response.*** *The Office agrees with the recommendations. They are consistent with the structured implementation of risk management that the Office has been implementing within existing resource levels over the past 18 months. The aggregation of risk registers has commenced and the Office's Risk Management Committee has conducted an initial review of cross-cutting risks and a comparison with the current strategic risk register has also been undertaken. The Director-General's Programme and Budget Proposals for 2018-19 will include a strategic risk register reflecting the results of the inaugural submission of risk registers and their review. An expanded training programme will be essential to maintain compliance with the Risk Management Framework. In this context, the training material developed for risk management training has been shared with the Human Resources Department to commence addressing the observations made. In an effort to expand the training outreach, the possibility of developing an e-training module is being explored with the International Training Centre in Turin.*

Human Resources

Training and development

72. **Our past findings on training and development.** In our 2010 report, we found that the ILO lacked the means to assess the impact of training at the organizational level. The ILO needed to

- invest more effort to determine whether the training needs were met and resources were used cost effectively; and
- further develop training to support internal governance and accountability, and make this training mandatory and integrated into the staff development programme.

73. We also found that the ILO needed to develop better systems for collecting reliable and complete information to help it develop a curriculum to fill the learning gaps of its staff. Finally, we noted that the learning coordinators' roles and responsibilities needed to be clarified.

74. **ILO actions on training and development.** In 2012, the ILO developed e-learning tutorials on internal governance and made them available to staff and managers. The

tutorials were updated in April 2016, and managers will be encouraged to complete the new e-learning. The roles and responsibilities of Learning Coordinators were clarified in an Office Guideline.

75. In 2013, the ILO recruited an official responsible for workforce planning and launched a learning management system at headquarters. The Organization's staff worldwide now has access to the system, which forms a key component of the ILO's online Talent Management System, known as ILO People.

76. In 2014, as part of the launch of ILO People, the ILO implemented an Employee Profile. As of January 2016, 35 percent of staff members had completed their employee profiles. The ILO introduced Learning Needs Assessments as part of the design process for the introduction of new programmes. The learning activities associated with these assessments are tracked in the learning management system. The Organization piloted a variety of post-training review mechanisms, such as questionnaires and interviews, in 2014–15 and used them to assess the outcomes of the activities.

77. The ILO has made significant inroads in developing and monitoring training needs and delivery. Although more work lies ahead to garner more participation throughout the organization, we are encouraged by the progress made to date.

78. **Recommendation.** The ILO should

- formalize its post-training evaluation activities, assess the effectiveness of its training programs, and continue to improve its training programmes; and
- pursue efforts to increase the response rate of completing employee profiles, so that it has complete and reliable information to conduct workforce analysis for determining current and future workforce requirements and training needs.

79. ***ILO response.*** *Starting in 2016, training activities will be mapped against a set of criteria to determine the appropriate level for post-training review. Standardised evaluation processes will be introduced based on the experience gained in 2014-15 where a variety of post-training review mechanisms (questionnaires, interviews, and other feedback tools) were piloted to assess the outcomes of the activities against four different levels (Satisfaction, Learning, Impact, Results), using a widely recognised industry model (the Kirkpatrick model).*

80. *While the Office agrees that the Employee Profile is a useful instrument for workforce planning, it is only one of the tools that it uses to determine future workforce requirements and training needs. In particular, the performance management module plays an important role since learning and training objectives are recorded at the beginning of each performance period for individual staff. This information informs the learning strategy of work units across the Office as well as the office-wide development initiatives led by Human Resources Development. Therefore, the Office considers that this recommendation may over-emphasize the role of the Employee Profile tool.*

81. *ILO will continue to promote compliance with the Employee Profile to support the effective implementation of the Mobility Policy and the work of the Recruitment, Assignment and Mobility Committee (RAMC). Additionally, the requirement for staff to use the Employee Profile to express their interest in Temporary Mobility assignments, so that managers can assess their qualifications and experience, will continue. Moreover, the Employee Profile tool will be reviewed with a view to implementing enhancements such as dashboards and reports for managers.*

Succession planning

82. **Our past findings on succession planning.** In our 2011 report, we found that the ILO had challenges in identifying its current and future workforce needs. The ILO told us that it did not have the capacity for workforce analysis and that this capacity had to be developed.

83. The ILO did not have a succession planning process in place, nor had it identified its key positions or developed strategies to address departures from these positions. The Organization also did not have a system to prepare people for higher-level or management positions. We also found a lack of mobility across the ILO, as geographical transfers or transfers across departments were not common.

84. **ILO actions on succession planning.** In 2013, the ILO implemented a monitoring mechanism that identifies in advance any anticipated movements within high-level management.

85. In 2014, the ILO

- launched ILO People, an employee profile tool that provides a platform for staff to express their interest and readiness in geographical and functional mobility. The tool also improved the ILO's capacity to gather information and conduct workforce analysis.
- introduced an executive leadership programme to strengthen capacity and support field managers and national staff in field offices.

86. In January 2015, the ILO announced a new mobility policy. It established a Recruitment, Assignment and Mobility Committee (RAMC) to make related recommendations to the Director-General on placement for vacancies and staff transfers. The RAMC met for ten sessions in 2015 and made recommendations to the Director-General on staff transfers and opening competitions for vacant positions.

87. Although there was an increase in geographic mobility of ILO staff in 2015 compared to 2014, there is more work to be done to identify and develop staff for higher-level or management positions.

88. **Recommendation.** The ILO should develop a comprehensive succession planning process and continue to increase staff mobility to allow them to gain the experience necessary to take on higher-level positions.

89. ***ILO response.*** *The Office will continue to improve its succession planning using the Employee Profile tool, the new mobility policy, the revised procedure on Recruitment and Selection, and the new Collective Agreement on recruitment and selection. In addition, the Review Group (comprising representatives of Human Resources Development, PROGRAM and FINANCE), which approves the opening of all competitions for regular budget positions, will continue to play an active role in workforce planning. This holistic approach is considered to be more effective and feasible in the ILO context than a more traditional succession planning process due to existing rules and regulations.*

90. *Mobility of staff, both geographical and functional, will continue to be promoted through the new procedures on recruitment and selection and the Recruitment, Assignment and Mobility Committee. To further support staff to take on higher-level positions, the Office will refine its four-tiered leadership development framework to better guide systematic capability building and leadership development throughout the organization.*

Accounting standards conversion

91. The International Public Sector Accounting Standards (IPSAS) are a series of financial reporting and accounting standards issued by the International Public Sector Accounting Standards Board. In June 2006, the United Nations General Assembly approved the adoption of IPSAS as the new accounting standards for the United Nations (UN) system, replacing the UN System Accounting Standards (UNSAS).

Main differences between UNSAS and IPSAS

92. The key accounting implications of IPSAS are:

- transactions recorded on a full accrual basis rather than on a cash basis when goods or services are received;
- consolidation of controlled entities (International Training Centre of the ILO);
- recognition of expenses on the basis of goods and services received (the delivery principle);
- recognition and depreciation of all capital assets (property and equipment);
- the value of inventories at the end of a financial period are recorded as an asset;
- recognition of liabilities related to employee benefits, such as After Service Health Insurance (ASHI), accumulated leave, and repatriation entitlement expenses;
- recognition of voluntary contributions receivable;

- intangible assets are capitalized and depreciated over the useful life of the asset; and
- requirement for annual financial statements.

93. The ILO began partial implementation of IPSAS in 2010 and became fully compliant in 2012. The conversion was a fundamental shift in accounting frameworks and required the dedicated work of the Account Section staff to complete this time consuming but important task. With help from external consultants, the Account Section staff developed a plan for IPSAS adoption, completed training, and prepared position papers documenting the effects of IPSAS and how the standards would be reflected in the ILO's financial statements.

After Service Health Insurance

94. As a result of IPSAS implementation, the ILO has a clearer understanding of its future obligations. It now recognizes the liability for After Service Health Insurance (ASHI) at just over $1.1 billion. At the 326th Session in March 2016, the ILO provided the Governing Body with an update on this liability.

95. For several years, we and the Independent Oversight Advisory Committee have drawn attention to the growing unfunded liability the ILO is facing with respect to its ASHI obligation to its employees and retirees. Similar concern has been expressed at the General Assembly of the United Nations.

96. A United Nations inter-agency Working Group on ASHI has been established in response to a UN General Assembly resolution on this matter, and the ILO is a participant in this group. The tasks of the Working Group are outlined in the Organization's update to the Governing Body.

97. The current status of the ASHI issue is as follows:

- Benefits are provided to both staff and former staff members. The contributions of those currently employed exceed the benefits they receive, although for former staff members, their benefits exceed their contributions;
- Changes to the terms and conditions of insurance would be admissible only for newly recruited staff, subject to analysis of any legal implications of such changes;
- The Working Group is looking at the feasibility of a requirement for mandatory enrollment in national insurance schemes (for example, the US Medicare Part B) in order to move the ASHI coverage as a secondary rather than primary insurance coverage;
- Just over three quarters of the ILO Staff Health Insurance Fund costs are incurred in Switzerland and France. The ILO is tasked with working with other Geneva-based UN organizations at negotiating common heath care tariffs

and exploring the feasibility of including international civil servants and former officials in national health insurance schemes in order to make the ASHI coverage secondary rather than primary;

- The ILO is working with other Geneva-based organizations to negotiate health care provider costs; and
- The ILO is committed to increasing the funding for and limiting the growth of the ASHI liability in 2018-19 by introducing a payroll charge equivalent to the annual service charge and interest.

98. We encourage the ILO to continue its work in the UN Working Group and to implement the above-noted actions. In addition, it should follow up with the other Geneva-based UN organizations to harmonize external estimation factors, such as discount rates, to allow for more comparability in the actuarially calculated ASHI obligation.

Continuing benefits of International Public Service Accounting Standards

99. The International Public Service Accounting Standards (IPSAS) have enhanced transparency, comparability, and accountability of financial reporting in the UN system. It has also improved financial statement disclosure, allowing for greater transparency and better, more complete information for financial statement readers (such as a clearer picture of remaining useful life of property and equipment, future staff liabilities, revenue from agreements, and operating expenses).

100. The ILO should continue to monitor IPSAS changes and assess the impact on the policies selected and disclosures required. We note that the IPSAS task force has identified the following issues to be addressed:

- consistency in terminology used in the presentation of financial statements;
- significant estimates and assumptions used in the actuarial calculation for the After Service Health Insurance (ASHI), which may be harmonized within the UN system; and
- common interpretation recognizing voluntary contributions.

We recognize that external auditors have a role to play in advancing these issues of consistency. As a member of the UN Panel of External Auditors, we have expressed our commitment towards this objective.

101. The adoption of IPSAS has provided the ILO with improved information on the full costs of operations. This information can be used to enhance accountability and provide more direct comparisons among UN entities. In addition, this expanded cost information can be used to ensure the overhead rates or programme support costs continue to be appropriate for extra budgetary activities.

6. Appendix

Additional unaudited information

Detail of net assets revenue and expense by fund for 2015 (US$ thousands)

Net assets by Fund	Net assets 31.12.2014	Revenue 2015	Expenses 2015	Net result 2015	Transfer of fund	Deficit financing	Adjustments to net assets	Net assets 31.12.2015
Funds with approved budgets								
Regular budget	93 299	403 205	(418 620)	(15 415)	(411)	16 200	10 003	103 676
CINTERFOR	731	1 667	(1 537)	130	–	–	(1)	860
ITC	21 828	44 017	(43 905)	112	–	–	(2 294)	19 646
Subtotal	**115 858**	**448 889**	**(464 062)**	**(15 173)**	**(411)**	**16 200**	**7 708**	**124 182**
Subsidiary funds								
Development cooperation projects	–	234 547	(234 547)	–	–	–	–	–
RBSA	53 247	17 109	(23 594)	(6 485)	–	–	(17)	46 745
Programme support income	56 761	22 006	(10 986)	11 020	–	–	(40)	67 741
Publications	1 071	306	(168)	138	–	–	–	1 209
ITS	1 641	1	–	1	–	–	–	1 642
Research	15 700	12	–	12	–	–	–	15 712
Gifts grants and reimbursable costs	5 798	3 406	(4 114)	(708)	–	–	(7)	5 083
Land and buildings	493 789	715	(10 967)	(10 252)	–	–	(28 467)	455 070
Building accommodation	63 516	26 988	(17 205)	9 783	–	–	(4)	73 295
Working Capital	35 461	(143)	–	(143)	–	(16 200)	–	19 118
Income Adjustment Account	62 830	(291)	(634)	(925)	–	–	–	61 905
Prior period surplus	928	1	(129)	(128)	–	–	–	800
Special Programme Accounts	14 145	(36)	(1 955)	(1 991)	–	–	(1)	12 153
Terminal benefits	(13 085)	4 689	(3 942)	747	–	–	10 325	(2 013)
SHIF	58 401	44 908	(41 657)	3 251	–	–	–	61 652
ASHI liability	(1 088 151)	–	(34 831)	(34 831)	–	–	(36 249)	(1 159 231)
ASHI Reserve	2 419	1 206	–	1 206	–	–	–	3 625
Other Funds	2 556	4 188	(3 957)	231	–	–	(10)	2 777
Subtotal	**(232 973)**	**359 612**	**(388 686)**	**(29 074)**	**–**	**(16 200)**	**(54 470)**	**(332 717)**
Inter–fund elimination	–	(95 029)	95 029	–	–	–	–	–
Total	**(117 115)**	**713 472**	**(757 719)**	**(44 247)**	**(411)**	**–**	**(46 762)**	**(208 535)**