



International
Labour
Organization

► **Financial report and audited consolidated financial statements for the year ended 31 December 2021**

and Report of the External Auditor



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consolidated financial statements for
the year ended 31 December 2021**

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▶ 1. Financial report on the 2021 accounts

Introduction

1. The 2021 consolidated financial statements have been prepared in accordance with International Public Sector Accounting Standards (IPSAS). They cover all operations under the direct authority of the Director-General which include the regular budget, extrabudgetary funded activities, the Inter-American Centre for Knowledge Development in Vocational Training (CINTERFOR), the International Training Centre of the ILO (Turin Centre), the Administrative Tribunal of the ILO and the ILO Staff Health Insurance Fund (SHIF) activities.
2. The Financial Regulations specify a biennial financial period; however, for general purpose financial reporting in accordance with IPSAS, annual financial statements are presented. For the purpose of actual versus budget comparisons, in statements V-A to V-C the final annual budget amounts for 2021 represent one half of the approved biennial budgets, to which is added the balance remaining unspent at the end of first year of the biennium.
3. The financial statements prepared under IPSAS use full accrual-based accounting, which requires the recognition of transactions and events when they occur. In particular, revenue from voluntary contributions to development cooperation is recognized when the ILO delivers the services specified in the agreement with the donor, rather than when cash is received or pledged. Expenses are recognized when services or goods are received or delivered rather than when cash is paid. The value of future employee benefits such as accumulated leave, repatriation entitlements, and after-service health insurance (ASHI) is recognized in the financial statements in the period when these benefits are earned by ILO staff rather than when they are paid.
4. Reporting general purpose financial statements on an IPSAS basis has no impact on the preparation or reporting of the ILO regular budget result, which continues to be presented on a modified cash basis in accordance with the Financial Regulations. As the basis of the budget and the financial statements differ, a reconciliation between the budget and the IPSAS statement of financial performance is presented in note 22 to the financial statements.

Financial highlights for 2021

5. The COVID-19 outbreak that began in early 2020 became a global challenge and continued to impact the world economy in an unprecedented manner. In 2021, the effects on the financial performance of the ILO continued to evolve as restrictions and advisories, the effects on the financial markets, and the effects on the global economy, remain highly uncertain and still cannot be reliably predicted. Limitations on physical movements have begun to relax, but the majority of personnel continue to work remotely and the ILO continues to adjust and respond to changing circumstances.
6. There can be no objective, exact or systematic determination of the precise impact of the COVID-19 pandemic on these financial statements, as accounting and reporting systems are not intended or designed to report costs, revenues and balances based on a specific underlying cause such as this. While there was an impact on the financial performance of the ILO in 2020, expenditures in 2021 show increasing catch-up of previously deferred activities in addition to the normal delivery pattern in the second year of a biennium. As a result, the largest increases are seen in many of the same categories affected in the opposite manner in the prior year.

7. The table below summarizes the financial situation of the ILO in 2021 as compared to 2020 and 2019 (the final year of the previous biennium):

(US\$ thousands)	2021	2020	2019
Revenue	889 241	770 113	758 236
Expenses	(888 686)	(769 290)	(808 544)
Foreign exchange gains/(losses)	(48 841)	55 491	16 178
Surplus (deficit)	(48 286)	56 314	(34 130)
Assets	2 621 825	2 642 709	2 284 181
Liabilities	(3 325 612)	(3 400 513)	(3 053 790)
Net assets	(703 787)	(757 804)	(769 609)

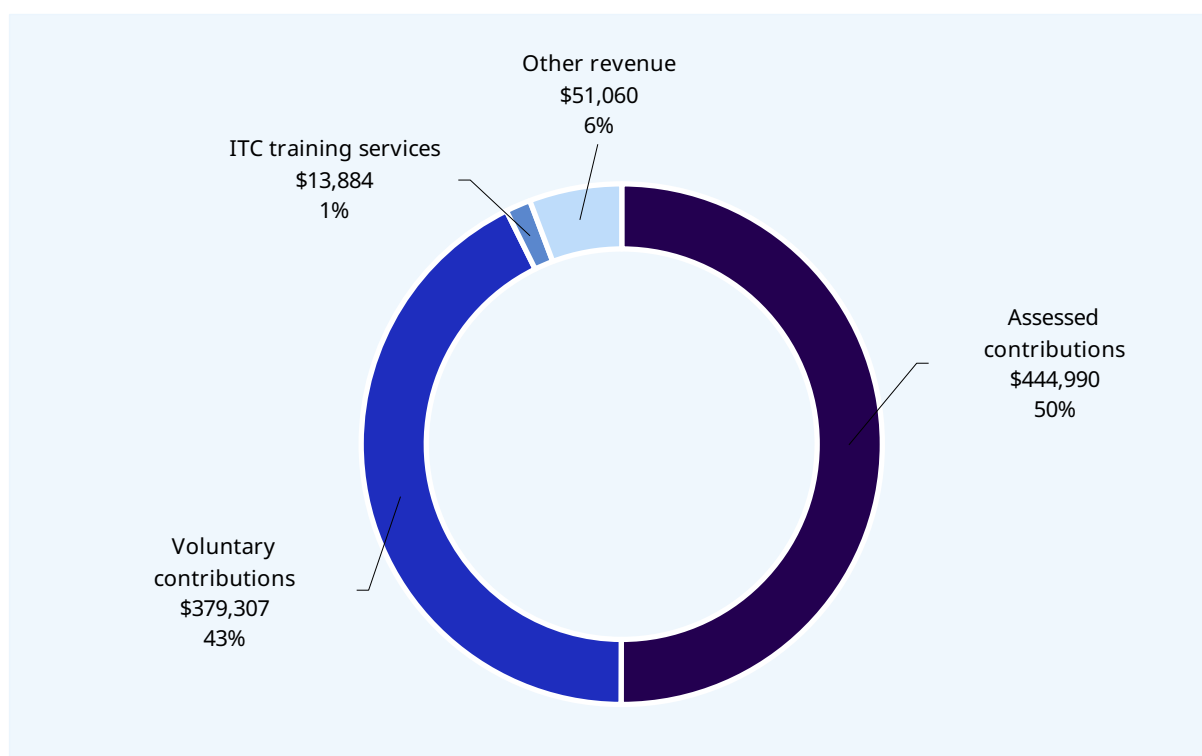
8. An analysis of revenue and expenses is provided below in the “Financial performance” section of this report. Further information on the most significant movements in assets and liabilities is provided in the “Financial position” section. The consolidated statement of changes in net assets (Statement III) provides the details of the movements in net assets.

Financial performance

Revenue

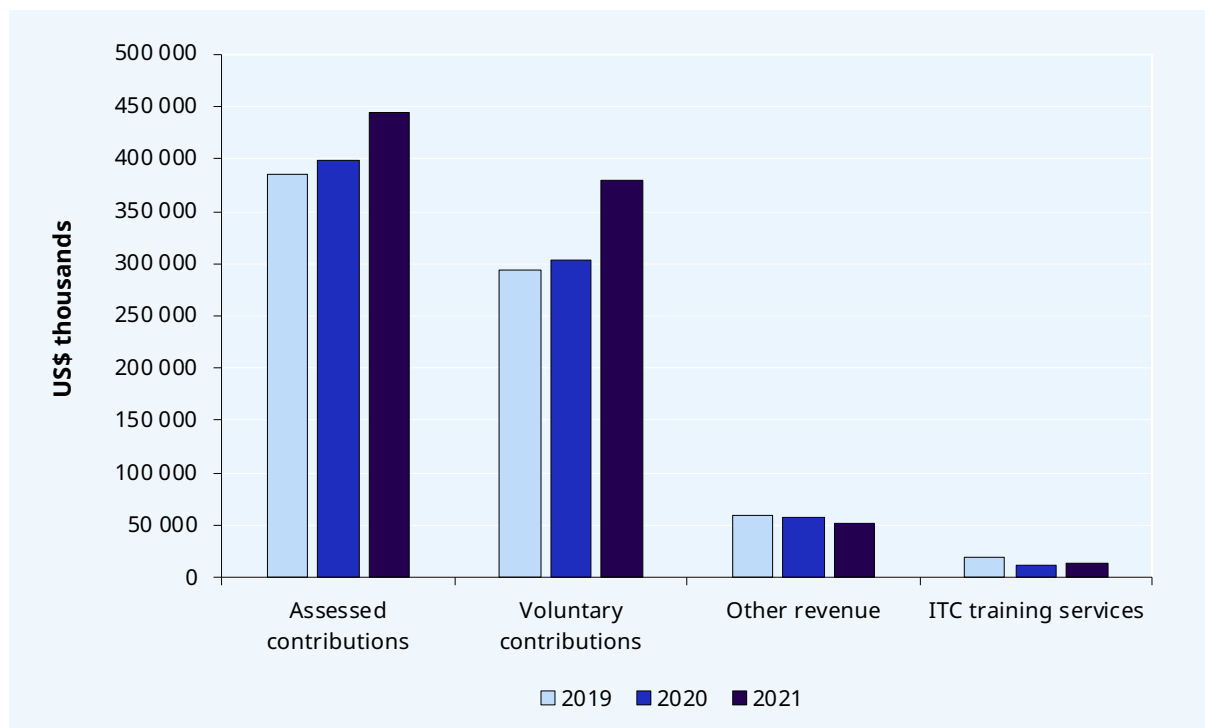
9. Revenue in 2021 totalled US\$889.24 million, representing an increase of US\$118.13 million over total revenue of US\$770.11 million in 2020. Sources of revenues in 2021 were as follows:

► **Figure 1. Revenue by source, 2021 (US\$ thousands)**



10. The two principal sources of revenue for the Organization were assessed contributions from Member States and voluntary contributions, representing 93 per cent of total revenue. Figure 2 below provides a three-year comparison of revenues by category:

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



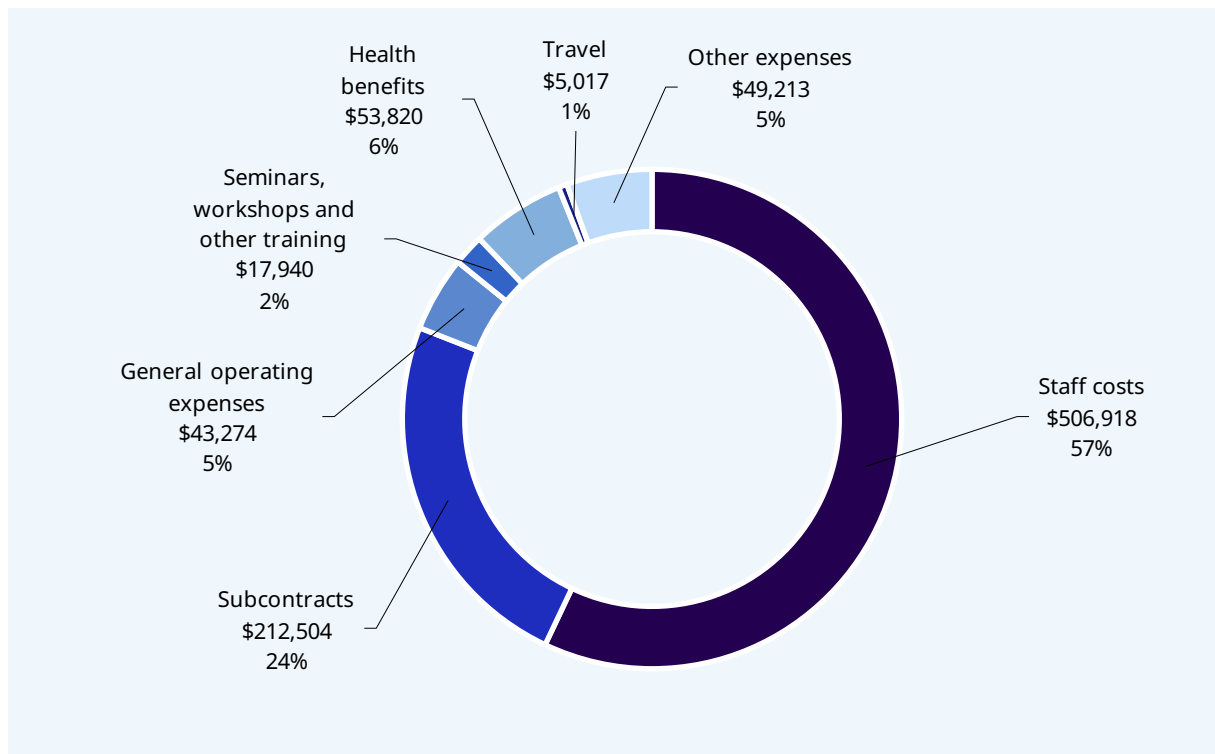
11. Revenue from assessed contributions increased by US\$45.83 million compared to 2020. Under IPSAS, the revenue for contributions from Member States assessed in Swiss francs is recognized at the beginning of each financial year and is impacted by fluctuations in amounts assessed as well as currency rates between the Swiss franc and the US dollar. Assessed contributions revenue is presented in the financial statements net of the change in the provision established for 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.
12. While the revenue assessed in Swiss francs did not change over the prior year (CHF395.32 million for each year of this biennium), exchange rate fluctuation resulted in an increase of US\$42.24 million in 2021. Additionally, due to increased receipts of contributions there was a smaller increase in the provision required as compared to the prior year (an increase in 2021 of US\$2.71 million, compared to an increase of US\$6.30 million in 2020).
13. Voluntary contributions to development cooperation projects are normally subject to performance conditions in the donor agreements, and are therefore recognized as deferred revenue liabilities under IPSAS until the performance conditions are met through programme delivery. The current year increase in voluntary contributions revenue of US\$76.12 million or 25 per cent is mainly attributable to the effective repurposing of funding during the 2020 COVID-19 crisis now coming to fruition resulting in higher levels of expenditure. Details on voluntary contribution activities are provided in the "Operational activities" section of this report.
14. Other revenue includes revenue from staff and retiree contributions to the SHIF, sales and royalties, investment income and other miscellaneous revenue. The overall decrease in this category of US\$5.83 million is primarily due to a decrease in investment income of US\$6.87 million compared to 2020.

15. In 2021, the return on investments was impacted by continuing interest rate fluctuations from the economic impact of the COVID-19 pandemic. This decrease in investment income from US\$12.82 million in 2020 to US\$5.95 million in 2021 is due largely to the significant drop in interest rates on short-term deposits and lower returns from the investment portfolios.
16. Interest rates reduced significantly after the onset of the COVID-19 pandemic, before starting to increase at the end of 2021. The impact of these changes in interest rates is delayed due to the duration of ILO deposits, taking six to 12 months to feed through to short-term deposit income. The lower interest rates from 2020 therefore only had full effect in the 2021 investment income. The fixed income component of ILO portfolios was also negatively impacted by market volatility and prospects of rising central bank interest rates. Of note is also the continuing Swiss franc negative interest rates which have been challenging for the ILO. Additional pressure on banking counterparties and lack of investment options without taking on additional risk has resulted in the ILO being unable to avoid incurring US\$0.30 million in negative interest expense in 2021.
17. Training services revenue for the Turin Centre has increased by US\$3.02 million (or by 28 per cent) as compared to 2020. In 2021, the majority of all training activities were delivered through distance-learning modalities as was the case in 2020, due to the continuing impact of the pandemic. The increase was due to significant increases in the number of activities and in the total outreach of participants as compared to the previous year. Additional details on the Turin Centre results are provided in the "Operational activities" section of this report.

Expenses

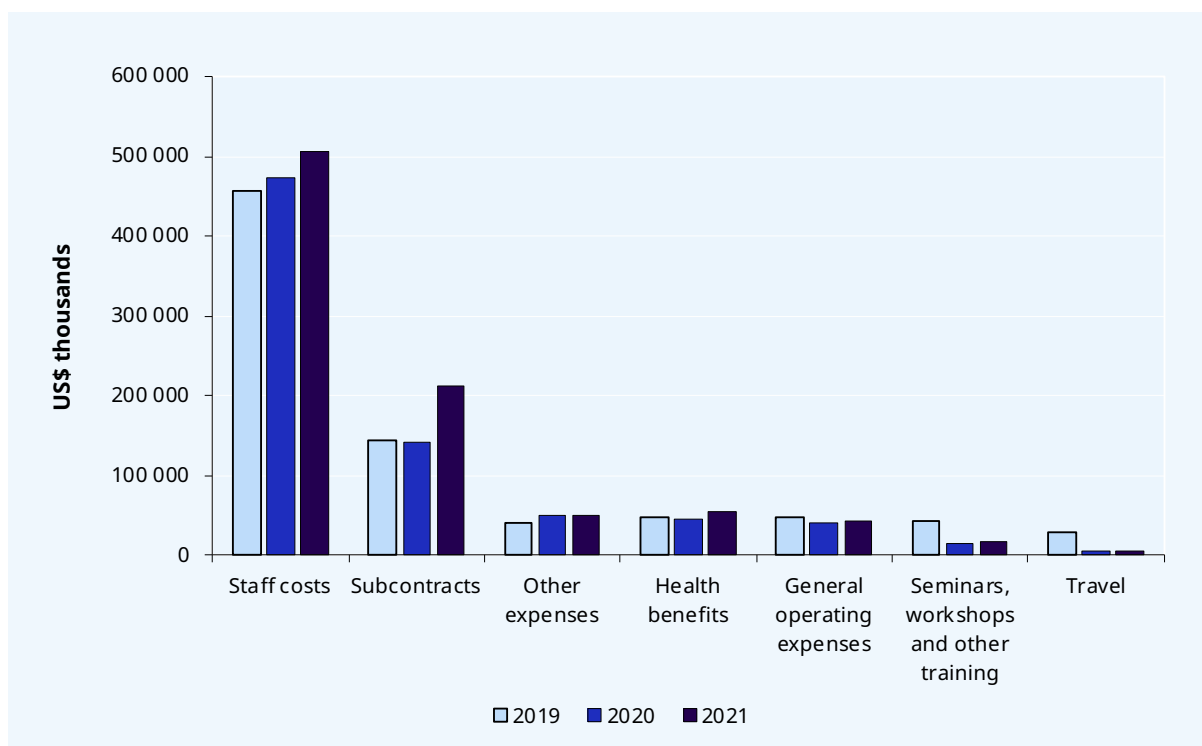
18. Expenses in 2021 totalled US\$888.69 million (US\$769.29 million in 2020) and were distributed as follows:

► **Figure 3. Expenses in 2021 (US\$ thousands)**



19. The two most significant categories of expenses for the Organization were staff costs (salaries and related benefits) and subcontracts representing a combined 81 per cent of total expenses. Figure 4 below provides a three-year comparison of expenses by category:

► **Figure 4. Expenses, three-year comparison**



20. The overall expenditure increased by US\$119.40 million or 15.5 per cent in 2021 as compared to 2020 as the Office adapted its programmes and implemented new working methods and innovative delivery mechanisms in response to the constraints of the pandemic.
21. The increase in the delivery of programmatic and support services is directly reflected in the increases in staff costs (salaries and related benefits), subcontracts and seminars, workshops and other training, and contributions in grants in aid. The combined increase in 2021 for these categories of expense representing 84 per cent of total expenses, amounted to US\$109.30 million.
22. Other costs related to building maintenance, occupancy costs and small equipment also follow the same trend with increase in activity and technologies for continued teleworking. These increases materialize mainly through the expenditure categories of general operating, and supplies, materials and small equipment.
23. Mission and statutory expenses remained at historically low levels of some US\$9.04 million although statutory travel expenses that are included in staff costs, and in particular home leave expenses, increased by some US\$2.3 million in 2021.
24. Other movements contributing to the net change in 2021 expenditure include an increase of US\$8.22 million for health benefits costs primarily for retirees in ASHI, and a reduction of US\$6.13 million in other expenses due to a combination of the prior year one-time write-off of US\$4.33 million following the derecognition of publications inventory and a higher prior year increase in provision for health benefit expenses incurred but not received by US\$1.80 million.

Foreign exchange gains/losses

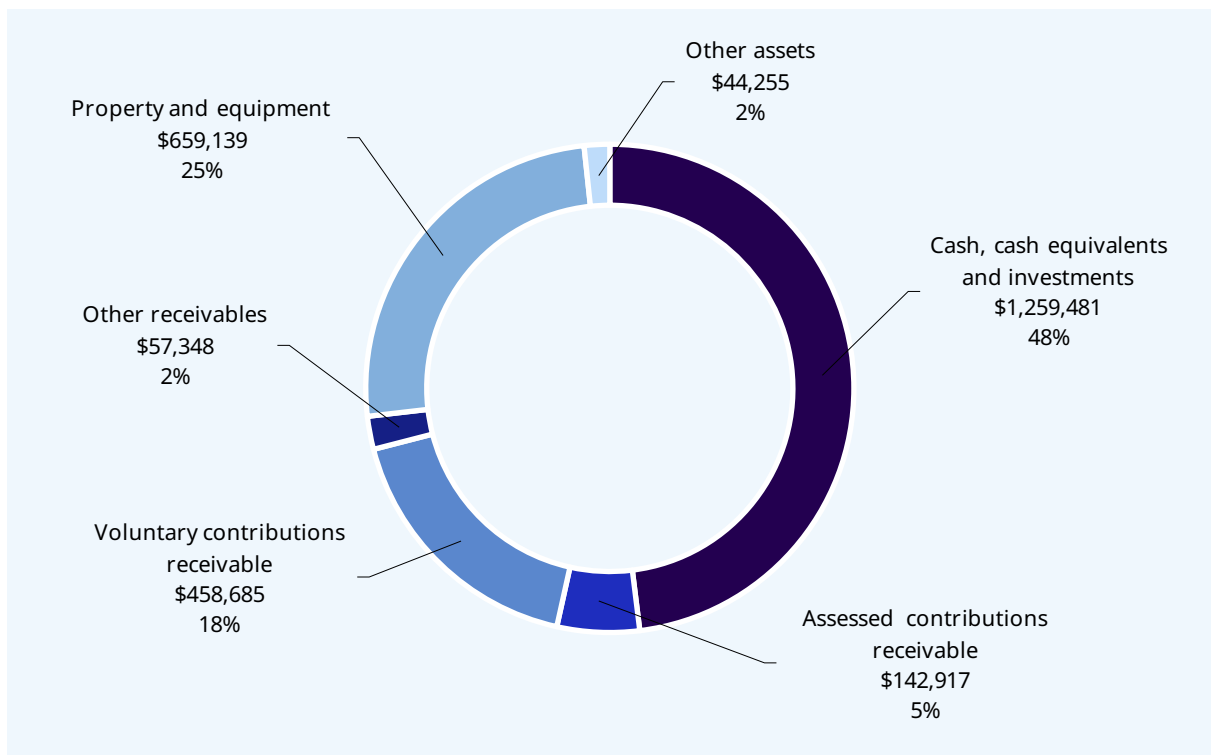
25. In 2021, the net loss on foreign exchange of US\$48.84 million consisted of US\$30.51 million unrealized losses from the revaluation of assets and liabilities held in currencies other than the US dollar and US\$18.33 million net realized exchange losses.
26. The net losses on foreign exchange are mainly due to the weakening of the Swiss franc against the US dollar over the year, which amounted to some 3.5 per cent. The losses were generated mainly by assessed contributions receivable which are due in Swiss francs as well as cash and investments held in Swiss francs while the gains on liabilities denominated in Swiss francs only partially offset these losses.
27. In accordance with the Financial Regulations and decisions of the International Labour Conference, exchange movements relating to the regular budget are managed through the net premium account, netting gains and losses and providing protection to Member States. They are not recorded as a revenue or expense item in statement V but are accumulated in the net premium account that is returned to the Member States at the end of each biennium (see note 16 to the financial statements).

Financial position

Assets

28. Assets as at 31 December 2021 totalled US\$2,621.83 million, a decrease of US\$20.88 million over the total at 31 December 2020 of US\$2,642.71 million, and were categorized as follows:

► **Figure 5. Assets (US\$ thousands)**

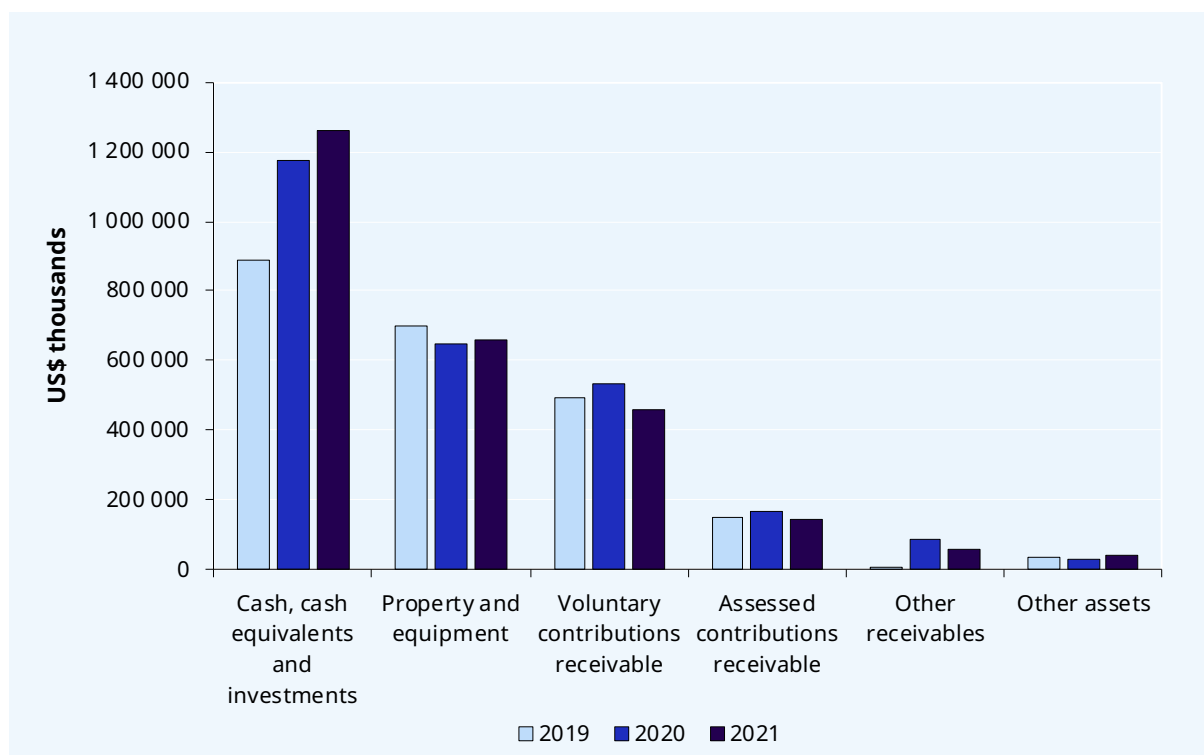


29. Cash, cash equivalents, and investments totalling US\$1,259.48 million (US\$1,174.04 million as at 31 December 2020) were the largest component, representing 48 per cent of the total assets as

at 31 December 2021. Of this amount, US\$508.85 million (US\$509.26 million at 31 December 2020) corresponded to funds held on behalf of donors for development cooperation projects. The other significant asset categories were property and equipment, totalling US\$659.14 million or 25 per cent, and amounts receivable through assessed and voluntary contribution revenues, combined totalling US\$601.60 million or 23 per cent.

30. Figure 6 below provides a three-year comparison by asset category:

► **Figure 6. Assets, three-year comparison**



Cash, cash equivalents and investments

31. Cash, cash equivalents and investments balances increased by US\$85.44 million by the end of 2021 mainly due to payment of Member State arrears, receipts from the sale of land and buildings during the year and other net cash flows from operating activities.
32. There has been no impairment of investment assets held during this period in any of the resources invested. The investments in unit funds and bonds in the investment portfolios are held in highly rated assets, in line with the Organization’s investment policy that has the primary objective of preservation of capital. The ILO’s cash deposits and investments are widely spread in order to avoid an over-concentration of funds. The ILO is actively monitoring all credit ratings for its cash and investment holdings and investment counterparties to enable it to act promptly should action be required.

Property and equipment

33. Property and equipment is mainly composed of land and buildings with a combined market value of US\$647.78 million as at 31 December 2021, showing an increase by US\$10.98 million or 1.7 per cent over the prior year. Market value is a point-in-time estimate calculated by an independent valuer in accordance with international valuation standards.

34. The total value of land increased by US\$16.43 million. This increase is mainly a result from the increase in market value of the land in Geneva by US\$16.51 million. The increase in land values in Geneva for 2021 continues to reflect the evolution of the prices for property where the land plots are situated, with increased interest from developers that was driven by the more concrete implementation of the area's development plans and infrastructure investments. In 2021, the real estate investments in Switzerland were still very sought after in an economic environment of weak interest rates, low inflation prospects and lack of investment activities. The overall investor appetite put upward pressure on prices. Under these conditions the increase in the market value of the land in Geneva amounted to US\$28.28 million, but offset by foreign currency losses of US\$11.77 million due to the devaluation of the Swiss franc against the US dollar. The total market value of land in field locations decreased by US\$0.08 million compared to 2020.
35. The total value of buildings decreased by US\$5.45 million. This decrease is the net result of an overall increase in the market value of buildings by US\$6.37 million, mainly the headquarters building in Geneva, offset by US\$11.82 million foreign currency losses mostly due to the devaluation of the Swiss franc against the US dollar.
36. The remainder of this category is made up of leasehold improvements, mainly at the Turin Centre, and capitalized office fixtures and equipment assets. While access to certain locations to perform physical inventory and asset verification counts was limited by COVID-19 restrictions imposed by local authorities or for the safety of staff, alternative verification methods were applied in such cases and there was no impact on reliability of the values presented in the financial statements.

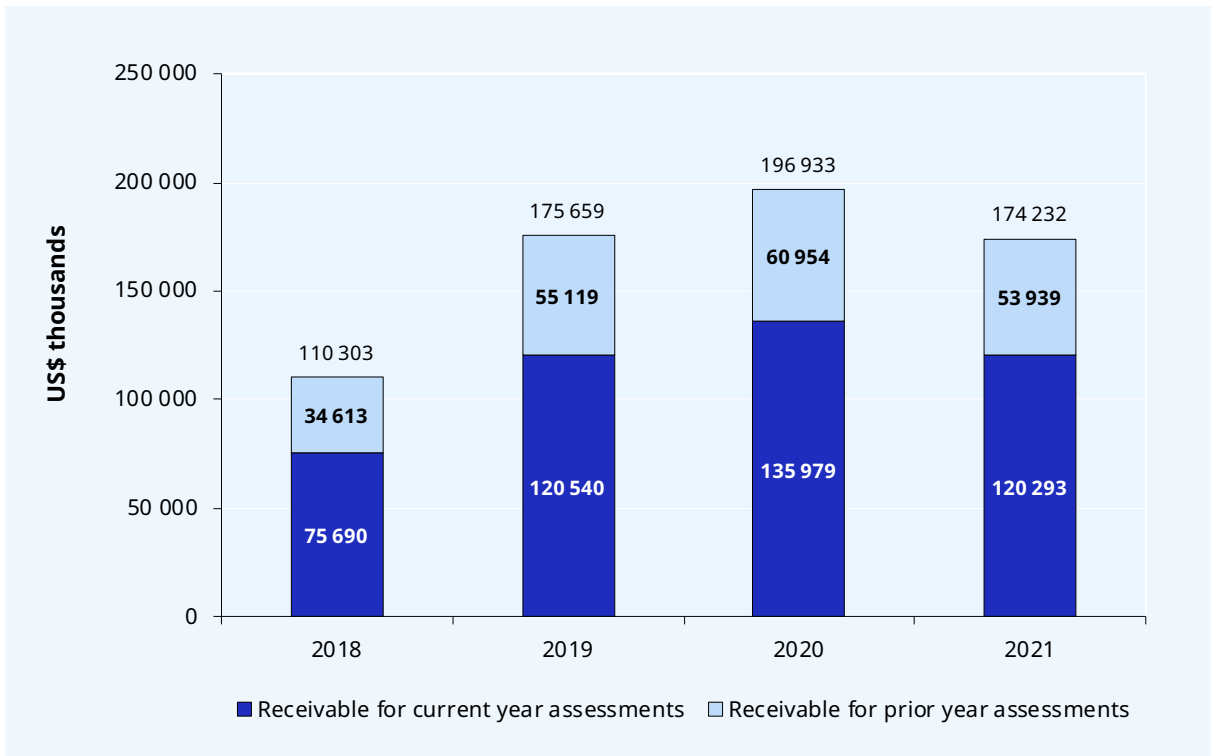
Voluntary contributions receivable

37. Voluntary contributions receivable from donors are amounts supported by enforceable agreements that are subject to specific performance conditions; accordingly these amounts are also treated as a deferred revenue liability until such performance conditions have been met.
38. Despite marking the start of the COVID-19 pandemic in 2020, the 2021 increase in voluntary contribution project activity in 2021 further illustrates the successful partnerships with funding partners in supporting the ILO's response to the pandemic. New project approvals and repurposed funding to respond to the emerging needs of constituents is materializing in project mobilization and increased project expenditure. This resulted in a decrease of the voluntary contributions receivable by US\$77.76 million or 14.50 per cent to US\$458.69 million, net of future year discounting effects. There have been no impairments of voluntary contribution receivables during this period.

Assessed contributions receivable

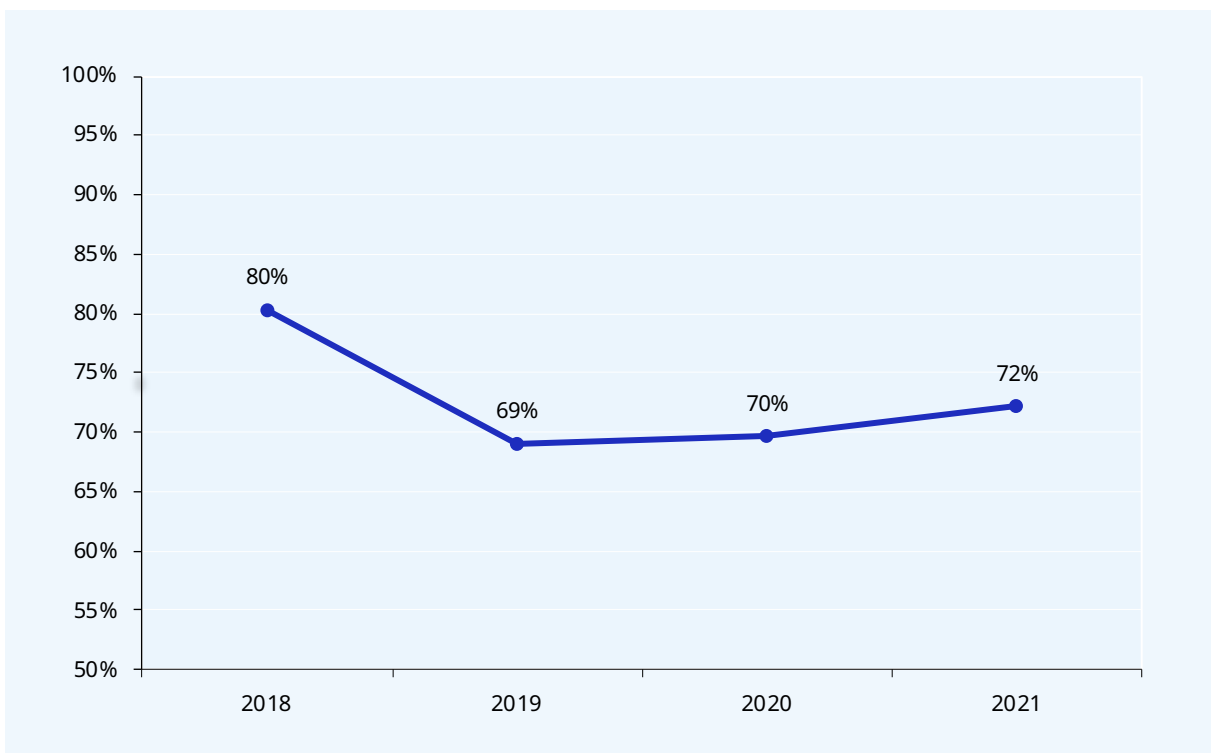
39. There has been no material impact on the collection of assessed contribution as a direct result of the COVID-19 pandemic. In 2021 the level of gross assessed contributions receivable decreased by US\$22.70 million to US\$174.23 million. The receivable balance in Swiss francs decreased by CHF14.47 million, with the remaining decrease due to currency fluctuation.
40. In Swiss francs, the amount of assessed contributions collected in 2021 amounting to CHF409.79 million is slightly above the average compared to the previous biennia, with normal yearly variations due to different timing of collections from the larger contributors.
41. Figure 7 below summarizes the gross assessed contributions receivable balances and their components at the end of each of the last four years, before provision and discounting of long-term financial arrangements:

► **Figure 7. Gross assessed contributions receivable**



42. The trend in the collection rate for current year assessed contributions for the same years is reflected in figure 8 below:

► **Figure 8. Assessed contributions collection rate (in the year of assessment)**



43. The collection rate increased since last year and stands at 72 per cent as at 31 December 2021. As a result, the receivable for current year and previous years' assessments decreased in 2021 as reflected above in figure 7. The overall provision for contributions increased by US\$2.71 million, with US\$3.69 million due to the increase in the Swiss franc provision balance offset by US\$0.98 million due to currency fluctuation. More detailed information on assessed contributions can be found in note 29 and note 30 to the financial statements.

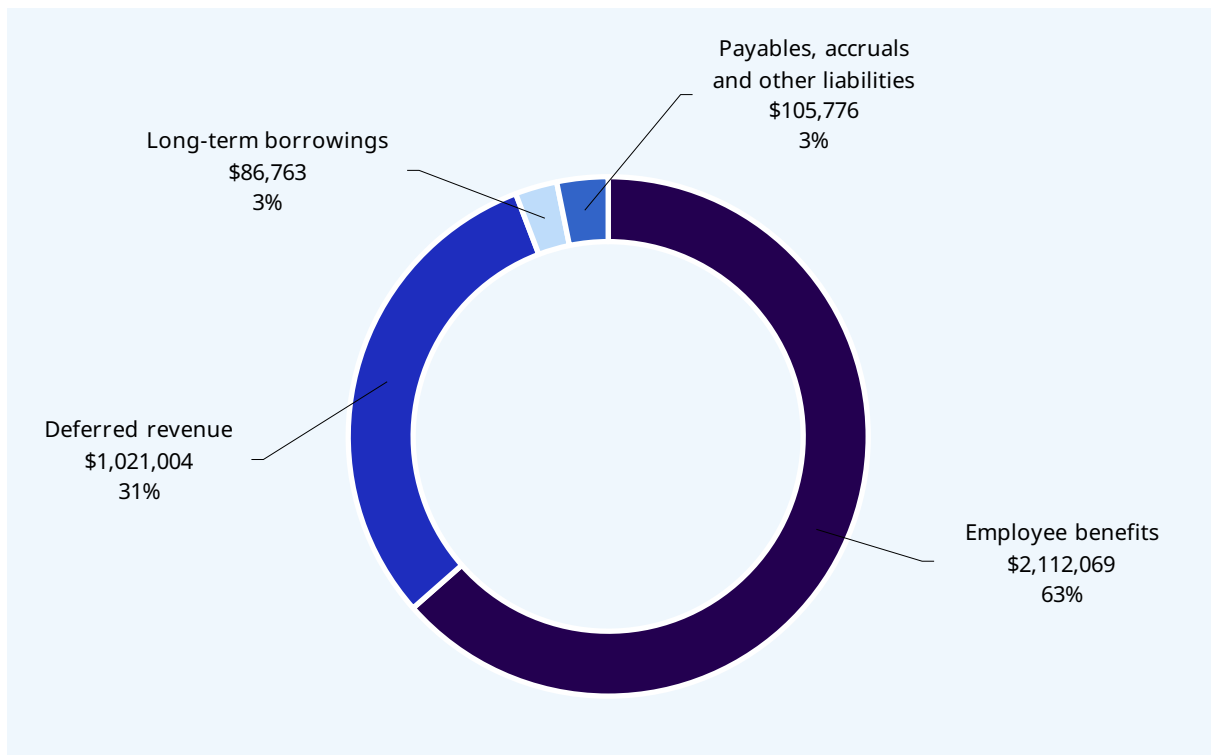
Other receivables and current assets

44. The decrease in other receivables by US\$29.60 million is mainly related to the collection of the second instalment (CHF25 million) from the sale of the vacant plot of land in 2021. Other current assets increased by US\$8.74 million due to an increase in prepaid expenses of US\$9.61 million, offset by a decrease in staff advances and other assets by US\$0.87 million. The Office continues to leverage the use of contracting modalities such as implementation agreements to engage implementing partners in providing assistance to vulnerable populations affected by the pandemic, including in the form of financial assistance, which often requires advance payments to be made to partners implementing the activities.

Liabilities

45. Liabilities as at 31 December 2021 totalled US\$3,325.61 million, a decrease of US\$74.90 million over the total at 31 December 2020 of US\$3,400.51 million, and were categorized as follows:

► **Figure 9. Liabilities (US\$ thousands)**

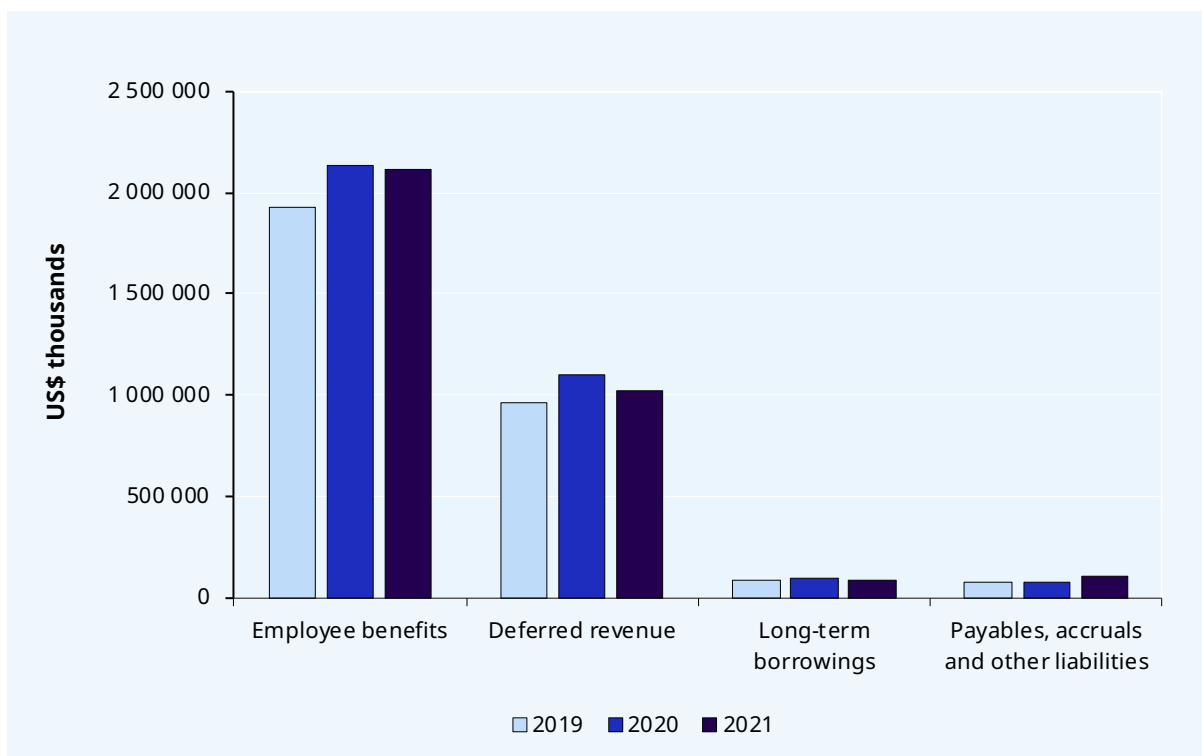


46. The most significant liabilities of the Organization were the future employee benefits accrued by staff members and retirees, representing 63 per cent of the total liabilities as at 31 December 2021. Deferred revenue was another significant liability component and primarily relates to voluntary contributions received and receivable for both the ILO and Turin Centre activities, for which performance obligations have not yet been achieved. The balance of the Organization's

liabilities are made up of long-term borrowings and various operational payable and accrual amounts.

47. Figure 10 below provides a three-year comparison by liability category:

► **Figure 10. Liabilities, three-year comparison**



Employee benefits

After-service health insurance (ASHI)

48. The ASHI liability at US\$2,022.95 million, accounts for 96 per cent of the total employee benefits liability and represents the estimated cost of the employer’s share of future healthcare premia in respect of all current retirees, as well as all active staff members with projected eligibility for ASHI in both the ILO and the Turin Centre. It is a point-in-time estimate calculated by an independent actuary taking into consideration the current discount rates, trends in healthcare costs, mortality rates, the demographic make-up of the insured population, inflation and other assumptions. It is based on an approach developed by the actuarial profession and endorsed by accounting standard-setters as being the most accurate method for projecting the amount of the Organization’s future obligation.

49. The ASHI liability decreased by US\$23.18 million in 2021 as a result of net actuarial gains of US\$92.14 million combined with the annual current service and interest costs as detailed below:

Actuarial (gains)/losses (US\$ thousands)	2021	2020
(Gain)/loss due to experience	58 340	26 701
Financial assumption changes:		
(Gain)/loss due to change in discount rate	(106 866)	130 663
(Gain)/loss due to change in future increase in medical claims	(43 992)	(40 093)
(Gain)/loss to change in future increase in administration cost	380	(251)
Total (gains)/losses due to financial assumption changes	(150 478)	90 319
Demographic assumption changes:		
(Gain)/loss due to change UNJSPF assumptions for mortality and retirement rates	-	16 916
Total (gains)/losses due to demographic assumption changes	-	16 916
Total actuarial (gains)/losses recognized in net assets	(92 138)	133 936
Current service cost	86 813	78 861
Interest cost	11 813	15 804
Net benefits paid	(29 672)	(24 771)
Net ASHI expense recognized in the statement of financial performance	68 954	69 894
Total (decrease)/increase in ASHI liability	(23 184)	203 830

50. The most significant financial assumption change in 2021 was the increase in discount rates, indirectly in response to the decrease encountered in the prior year at the beginning of the COVID-19 pandemic. As the liability is calculated as the present value of expected future cash flows for each of the major currencies in which ASHI benefits are paid, the resulting obligation is highly sensitive to fluctuations in market yields that are the basis of these discount rates used in the valuation each year.
51. Other assumptions were updated during the year following the methodology agreed upon through the harmonized approach among UN system organizations, including revisions to inflationary assumptions that affect projected medical claims and administration costs. Following an actuarial review of the allocation of actuarial gain and losses between experience adjustments, reflecting differences to expected results of the current year, and those categorized as future impact of assumption changes, the actuarial determination of the prior year impacts were recategorized. These changes do not result in any change to the net amount of actuarial gains or losses, but rather better reflect the trend on the defined benefit obligation from these changes and enhance comparability to the current year presentation in the table above.

52. Current service and interest costs are annual expenses representing the projected benefits earned by plan participants and the interest costs attributable to the future benefit obligation during the current year.
53. The ASHI liability is considered as unfunded. However, an amount of US\$67.32 million is available in a SHIF Guarantee Fund to cover future short-term liabilities of the SHIF. In addition an amount of US\$27.60 million has been accumulated to partially fund the ASHI liability in respect of the staff of development cooperation projects. This amount includes a transfer of US\$15 million in from the Terminal Benefit Fund excess reserves in respect of the development cooperation staff repatriation grant liabilities.
54. The ILO fulfils its immediate obligations in respect of the financing of health insurance for former officials from the regular budget, on a pay-as-you-go basis. Member States have preferred to maintain a pay-as-you-go basis to meet the obligations of this liability rather than including a provision in the Programme and Budget to accumulate a reserve aimed at limiting the growth in the ILO's unfunded ASHI liability.

Repatriation and end-of-service entitlements

55. The valuation of repatriation and end-of-service liabilities is influenced by many of the same actuarial assumptions that contributed to the changes in the ASHI liability, the most significant being discount rates and inflationary assumptions. These decreases were augmented by additional actuarial gains due to an increase in the observed forfeiture rate for ILO repatriation grant entitlements when employees end their service with the Organization without repatriating to their home country.
56. In accordance with IPSAS 39 – Employee benefits, no plan assets have been offset against the liability; however, an amount of US\$53.71 million has been accumulated by the ILO in its Terminal Benefits Fund to fund future benefits.
57. The ILO liability also includes the future benefits attributable to staff of the Turin Centre for repatriation grants and end-of-service benefits, which are payable in euro and therefore subject to foreign exchange rate fluctuation. While the liability for these benefits stands at €10.48 million at the end of the year, it is funded by the Turin Centre currently at a level of €3.60 million, thus showing a position of under-funding of €6.88 million. A plan is in place to achieve full funding from the Turin Centre within the next four biennia.

Deferred revenue

58. The amounts recognized as deferred revenue liabilities related to development cooperation activities under IPSAS are impacted by the timing differences between signing of donor agreements, receipt of funds from donors, and programming of the performance obligations by the development cooperation projects. The decrease of US\$74.61 million in deferred revenue is primarily due to the decrease in voluntary contributions receivable for signed agreements at year-end that decreased by US\$77.71 million compared to the prior year. The voluntary contribution receivable are offset by a liability until performance obligations are met, which explains the corresponding movement between these accounts. The details on deferred revenue are provided in note 13 to the financial statements.
59. Other components that make up the deferred revenue balance resulted in a net increase of US\$1.63 million and include unearned revenues received in advance from Member States, SHIF participants and other training services for the Turin Centre.

Long-term borrowings

60. Borrowings consist of two loans in Swiss francs made to the ILO from the Foundation for Buildings for International Organizations for the construction and the subsequent renovation of the ILO's headquarters building. Repayment of the building renovation loan began in 2021 after being fully drawn down in the prior year. The overall net decrease in borrowings in 2021 is as a result of loan repayments of US\$6.55 million augmented by a currency revaluation gain, net of the change in fair value discount of US\$3.01 million.

Operational activities

Regular budget

61. The International Labour Conference, at its 108th Session (June 2019), approved an expenditure budget for the 2020–21 financial period amounting to US\$790.64 million and an income budget for the period of the same amount, which at the budget rate of exchange for the period of CHF1.00 to the US dollar, resulted in total assessed contributions of CHF790.64 million.
62. The overall budgetary results for the 2020–21 financial period are summarized in statement V-A with the details of contributions paid by Member States shown in note 30 to the financial statements.
63. The table below shows the expenditure and budget utilization percentages for the current and previous years:

► Variance analysis by strategic outcome for 2018–21 (in US\$ thousands)

	2020–21 Budget	2020–21 Actual	2020–21 Delivery	2018–19 Budget	2018–19 Actual	2018–19 Delivery
Part I – Ordinary budget						
A. Policymaking organs	50 276	32 583	64.8%	52 384	51 969	99.2%
B. Policy outcomes	625 125	597 540	95.6%	625 911	621 450	99.3%
C. Management services	61 642	60 608	98.3%	62 484	62 328	99.8%
D. Other budgetary provisions	43 502	43 502	100.0%	45 458	44 070	96.9%
Adjustment for staff turnover	(6 307)	0	0.0%	(6 420)	0	0.0%
Total Part I	774 238	734 233	94.8%	779 817	779 817	100.0%
Part II – Unforeseen expenditure	875	0	0.0%	875	868	99.2%
Part IV – Institutional investments and extraordinary items	15 527	15 527	100.0%	3 428	3 428	100.0%
Total Parts I, II and IV	790 640	749 760	94.8%	784 120	784 113	100.0%

64. The budgetary expenditure for the 2020–21 biennium is lower than that of the 2018–19 biennium, with a budgetary delivery rate of 94.8 per cent for 2020–21 as compared to 100 per cent for 2018–19. The lower delivery reflected the direct budgetary effect from the constraints of the pandemic which significantly impacted policymaking organs under Part I of the budget as most costs related to in situ attendance of official meetings were avoided. This resulted in a delivery rate of 64.8 per cent for this item of the budget.

65. The impact of the pandemic was reduced on policy outcomes and management services as the Office adapted its programmes and responded to the pandemic constraints with new working methods and innovative delivery mechanisms. For policy outcomes in particular, actual expenditure for the second year of the biennium exceeded the original 2021 budget by 1.6 per cent, whereas the delivery rate in the first year of the biennium had resulted in a surplus of some 12 per cent. Final expenditure for other budgetary provisions exceeded the original budget for this item by some US\$1.09 million or 2.6 per cent due to higher than anticipated levels of mandatory contributions for the insurance of retired officials, invalidity pensioners, surviving spouses, and orphans under the SHIF. The excess was covered within Part I. of the approved budget by a transfer from budgetary savings under policy outcomes.
66. Statement V-A shows an excess of income over expenditure for the period at the budgetary rate of exchange amounting to US\$40.88 million. Following revaluations, adjustments in respect of arrears of contributions received and reimbursement of the Working Capital Fund and internal borrowings, the deficit for budgetary purposes at the end of the biennium was US\$23.80 million. This deficit was financed in accordance with the Financial Regulations by the use of the Working Capital Fund, which was reimbursed from the collection of arrears of contributions at the beginning of 2022.
67. The differences between the net results determined on an IPSAS (full accrual) basis and those determined in accordance with the Financial Regulations are summarized in the following table and explained in more detail in note 22 to the financial statements and in the appendix:

(US\$ thousands)	Regular budget	CINTERFOR	Turin Centre	Voluntary contribution activities	Subsidiary funds	Total
Net result per budgetary basis (Statement V)	(23 801)	229	6 412	-	-	(17 160)
IPSAS adjustments	16 052	114	1 227	-	-	17 393
Subsidiary funds	-	-	-	(1 736)	(46 783)	(48 519)
Net result per IPSAS basis	(7 749)	343	7 639	(1 736)	(46 783)	(48 286)

Turin centre

68. The Turin Centre also faced challenges related to the COVID-19 pandemic, continuing to hold its training activities mostly using online modalities. While still in a transition period where some activities are yet to be held on the Turin campus, it is actively working toward the implementation of a new business model and strategy for the future year's growth.
69. In 2021 the revenue level increased by more than 33 per cent over the previous year, and reached an overall 57.2 per cent of the biennium total revenue resulting in a budgetary surplus. The increase is attributable to both a significant increase in the number of training and advisory services and an overall increase in the total outreach of participants in 2021.
70. Overall expenditure for the Turin Centre also increased in 2021, due to the elimination of most of the cost-containment measures put in place in 2020, though it still remained below budgetary levels. Certain types of expenditure were not incurred due to the pandemic and its continuing impact on the face-to-face activities, and some expenditure initially planned in the 2021 budget were temporarily postponed as the new needs are defined as the Turin Centre transitions towards their new business model. One such area especially affected relates to campus-related expenditure.

Voluntary contribution activities

71. Voluntary contribution activities include development cooperation projects and Regular Budget Supplementary Account (RBSA) projects, as well as gifts and grants. Expenditure recognized during 2021 on extrabudgetary development cooperation activities totalled US\$357.67 million (US\$283.30 million in 2020). In accordance with IPSAS, revenue is recognized and matched by the Office when earned through project delivery; hence the extrabudgetary development cooperation delivery rate is consistently 100 per cent in financial terms. The results show that the actual delivery measured by expenditure was higher by 26 per cent in 2021 as compared to 2020.
72. The global effects of the pandemic did have a significant impact on the Organization's voluntary contribution activities in 2020 where development cooperation projects played a key role in enabling the continuation of ILO activities in the field and the preparation of global products related to COVID-19. Through constructive dialogue with its development partners, the Office was able to repurpose project objectives in order to respond to the emerging needs of constituents, and mobilize specific voluntary contributions to tackle new challenges, for example in the areas of fundamental principles and rights at work, social protection and occupational safety and health. High levels of new project approvals in 2020 and even 2019, are now materializing in higher expenditures and higher budgetary allocations to ongoing projects. As many agreements cover multiple years, the effects on project expenditure increases will be seen over a longer horizon.

Subsidiary funds

73. The ILO Staff Health Insurance Fund (SHIF) is a self-insured health insurance programme for active staff, retirees and dependants, which is maintained by the ILO. This programme is financed through contributions from insured persons and the ILO. The statement of financial performance reports the contributions received from insured persons as revenue and reports as expense the amount reimbursed for medical claims under the programme.
74. In 2021 the SHIF had a technical deficit with benefit payments exceeding contributions by US\$1.83 million (US\$4.68 million surplus in 2020), and a net operating deficit US\$0.96 million (US\$2.29 million surplus in 2020) after accounting for increased unsettled claims at year-end, a provision for advances, foreign exchange gains and losses, and sundry expenses. Net investment and currency revaluation losses of US\$2.92 million (US\$7.10 million gain in 2020) resulted in an overall deficit for the SHIF of US\$3.87 million in 2021 (US\$9.40 million surplus in 2020).
75. Other subsidiary fund activity is largely related to movements in employee benefit liabilities, land and building assets, and working capital funds. Information on the net assets and annual results for all subsidiary funds of the ILO is included in the appendix.

▶ 2. Statement of Internal Control for the year ended 31 December 2021

Scope of responsibility

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

The purpose of the system of internal control

2. Internal control systems provide reasonable assurance regarding the achievement of objectives, compliance with regulations and policies, and reliable financial reporting. The ILO's Governing Body, the Director-General, the Treasurer and Financial Comptroller, senior management, and other significant personnel all play important parts in making this work effectively. The implementation of internal control is effected through the policies, procedures and operational processes applied at all levels, designed to identify and manage – rather than eliminate – the risks to these objectives.
3. My present statement applies for the year ended 31 December 2021, and considers any relevant events up to the date of the approval of the Organization's consolidated 2021 financial statements.

The ILO's operating environment

4. The ILO operates in a global environment with a physical presence in over 140 locations. The diverse operating locations, the unique tripartite structure, and the engagement with multiple funding and delivery partners all present the ILO with opportunities and potential risks. In 2021, the unprecedented challenges caused by the global pandemic of COVID-19 continued to impact the world of work and required the ILO to further its efforts to innovate its services and adapt its delivery modalities to the urgent and changing needs of constituents. The ILO maintained effective business continuity, including the operation of its governing and supervisory organs, while ensuring the safety and well-being of its staff and constituents.
5. In 2021, the ILO successfully held virtually three Governing Body sessions and one International Labour Conference session (split into two parts). At its 109th Session in June 2021, the Conference adopted the resolution on Global Call to Action for a Human-Centred Recovery from the COVID-19 crisis, which reaffirmed the ILO's leadership role in shaping inclusive, sustainable and resilient recovery strategies. Through focused and accelerated implementation of the Centenary Declaration for the Future of Work, the ILO will continue to strengthen its support of Member States' recovery efforts and leverage the support of other multilateral organizations and international institutions while contributing actively to the efforts of the United Nations (UN) system to expedite delivery of the 2030 Agenda.

6. The ILO headquarters in Geneva and all external offices underwent multiple switches of operational statuses throughout the year, between teleworking and presence in its offices, based on the changes in relevant policy and instructions provided by the host countries. To react to this the Office actively adapted its robust business continuity and occupational safety and health plans, which allowed the smooth transition between different scenarios.
7. Within this overall framework, ILO managers of departments and offices in headquarters, regional offices, decent work teams and country offices were required to review and monitor on an ongoing basis the level of exposure to all risks relating to their functions and activities. At the same time, they had to maintain a high level of internal control while adapting to the changes in working methods brought about by the pandemic and ensuring efficient and effective delivery of its outcomes.

The ILO's risk management and internal control frameworks

8. In August 2021, the Office issued an updated directive on its Enterprise Risk Management Framework, which streamlined the approach to risk management and refined its objectives to meet the changing requirements and challenges. The main substantive changes comprised:
 - The Senior Management Team would directly address strategic risk issues, taking on the functions of the Risk Management Committee, which was abolished.
 - The Risk Management Framework was aligned to the Three Lines Model, in line with the ILO's Internal Control Framework and the model for management control across the UN system.
 - Departmental risk assessments in the Policy Portfolio were discontinued, with focus placed on managing risk assessments of the Policy Outcomes within the strategic management of the programme of work.
 - Specialist risk management functions, such as those in SECURITY and Occupational Security and Health and special projects, were more explicitly brought into the framework.
9. The key elements of the ILO's Internal Control Framework remained as follows:
 - Mapping of the ILO's existing rules, policies and procedures, as well as compliance monitoring tools, against a set of principles based on acknowledged best practice.
 - "Three Lines of Defense" for internal controls, in line with the Reference Model adopted by the UN High-level Committee on Management (HLCM), providing clarification on the roles and responsibilities in the implementation of internal controls.
 - Emphasis on continuous improvement, identifying the necessary mechanisms for ongoing assessment and regular reporting of the overall effectiveness of internal control to ensure an appropriate level of assurance.

Review of internal control effectiveness

10. As specified in the ILO Internal Control Framework, my review of the effectiveness of the system of internal controls is mainly informed by:
 - **Internal letters of representation**, signed by my deputy directors-general, regional directors, departmental directors at headquarters, external office directors and selected managers of major development cooperation programmes and projects, providing a self-assessment of the accomplishment of their responsibilities for maintaining effective internal control and risk management on a day-to-day basis. Taking into consideration the evolving operational circumstances, the questions included in these disclosures were reviewed prior to the annual reporting cycle for 2021. This was the first major review and update since the introduction of

the expanded questionnaire in 2016, resulting in the addition, removal and reformulation of a large number of questions in order to ensure their continued relevance and applicability.

- **Independent audit and evaluation reports**, issued by the Chief Internal Auditor (including investigation reports), the External Auditor, the Evaluation Office, the Ethics Officer and, as relevant, the Joint Inspection Unit. Additional consideration was given to the observations and recommendations made in the Multilateral Organisation Performance Assessment Network (MOPAN) assessment, which was conducted in 2021.
- **Governing Body observations and guidance** on internal control matters, including those contained in the reports of the Independent Oversight Advisory Committee (IOAC).

Significant internal control matters arising during the year 2021

11. The 2021 internal letters of representation were received from 301 directors and major programme/project managers. They were analysed and used as one of the key sources for providing assurance on the effective implementation of ILO's internal controls during the year. No new control weaknesses were identified from these disclosures, though a few areas noted in past years continued to require attention. I have provided updates on the further actions taken around these topics in the sections below.
12. I have also reviewed the observations in the reports of internal and external auditors, the annual evaluation report, and the annual report of the IOAC to the Governing Body pertaining to the year 2021, as well as the results of the MOPAN assessment conducted during this period. I noted that the areas of focus and observations made by these bodies in 2021, compared to 2020, have moved on from the specific and urgent issues brought about by the pandemic and returned to more regular operational and oversight areas. This was a confirmation of the ILO's swift and successful response to the pandemic and a reflection of the shared views on making continued efforts for the recovery and to build forward better.
13. Based on the considerations above, I have deemed it necessary to report the following matters in this statement to ensure that policies and procedures remain fit-for-purpose and their operational application continues to improve:
 - **Accountability and capacity for the delivery of programme/project results to be strengthened, in particular in the field offices.** The 2021 MOPAN review confirmed that the ILO has made significant improvements in many areas of work since its last review in 2017. It noted a number of areas related to internal control where further improvements could be made, such as weaknesses in programme and project design and management practices, and the ongoing challenge to ensure appropriate field capacity. The ILO's External Auditor has also conducted a review on the implementation of two of the policy outcomes and recommended that the ILO strengthen the support to the field offices, clarify roles and responsibilities of the Outcome Coordination Teams (OCTs) for greater synergy and accountability, and ensure quality assurance. In response to these observations, the Office has updated the arrangements for the functioning of the OCTs and issued in February 2022 the revised terms of reference with greater clarity on the accountability of its different components. Preparation work is underway for the first outcome-based workplanning (OBW) review of the biennium scheduled in April–May 2022, which will emphasize on strategic alignment and capacity building between and across field offices and departments at headquarters, as well as continuous monitoring of progress through the multiple OBW reviews planned and the use of the OBW Dashboard.
 - **Enterprise risk management tools to be further modernized and more training on risk assessment and response methodologies to be undertaken.** The issues related to enterprise risk management were highlighted in my statements of the past years. Work on risk

management during 2021 focused on streamlining governance and strengthening lines of accountability, through updating the risk management framework and transferring the responsibilities of the Risk Management Committee to the Senior Management Team and the creation of a new output - the Risk Control Note. However, underlying weaknesses still exist in risk management coverage, support and quality, as noted in the MOPAN report and reflected in the 2021 Organizational Health Index survey. The Office is currently upgrading the risk management online platform, which, once rolled out, will provide more advanced tools for the development and formulation of risks and required responses, and present more transparent and timely overview of the risk map across the organization. While the 2021 internal letters of representation process highlighted the need for more participation of managers in the online training on risk management, a significant increase in the level of training has been noted during the first two months of 2022. Going forward, an updated face-to-face training will be designed, taking into account the updated risk catalogue and the improved features of the new platform, and rolled out to risk experts in the regional offices.

- **Efficiency and effectiveness of the internal audit and oversight functions to be enhanced through strategic planning and modern working methods.** In its annual report to the Governing Body in March 2022, the IOAC noted that the internal audit activities were significantly curtailed during 2021 due to the global pandemic, both at headquarters and at field offices. The Committee recognized that the Office of Internal Audit and Oversight (IAO) had prepared a strategic plan for 2021–26 and begun its implementation. It encouraged the IAO to continue increasing its agility in adapting to the changing environment and enhancing the audit team's skills in the area of data analytics and other digital audit skills in implementing its biennial work plan and continue using the long-term agreements with global consultancy firms to undertake field audit work as well as expanding its capacity to perform audits remotely. These recommendations have been well taken on board and will be acted upon going forward. At the same time, the Office will also undertake a global review and update of the follow-up actions on internal audit recommendations made in past years, in order to ensure the full impact of the third line of defense on the continuous improvements required in internal control.

Internal control matters carried forward from previous years

14. In 2021, the Office continued to implement measures to address the internal control matters reported in my statements of the past years. Based on the feedbacks from the disclosures submitted by directors and other managers in the internal letters of representation, and by referencing to the relevant audit, oversight and evaluation reports, I have assessed these areas anew and determined that, in some areas, further work or continued monitoring are still required despite progress made, while in other areas, significant results have been achieved to address the risks initially presented. Accordingly, these issues have been listed under two categories below, and those that are no longer deemed to be significant risks will not be reported as from the next financial year, unless they resurface in the future as an area of concern.

Matters requiring further work or continued monitoring

- **Performance management compliance (2017).** In the 2021 disclosures contained in the internal letters of representation, 78 per cent of all managers reported a full compliance with the performance management cycles as of 31 December 2021, while others reported partial compliance with exceptions related to volume, reporting structure, difficulties faced with the pandemic, and some specific performance issues under discussion between the manager and staff concerned. It should be noted that the Office has put in place over the years a range of measures and changes to strengthen the quality and compliance of the Performance

Management Framework, including training on improving the quality of performance discussions, case-specific guidance and support, and group information fora for country offices/departments having low compliance ratings. Cases of underperformance are reviewed thoroughly by the Reports Board with proactive actions taken on the development of a performance improvement plan for the official concerned, or through individual coaching for managers who face challenging underperformance situations. In 2022, the Office will design an online webinar on how to manage underperformance to supplement the support already in place. The latest information as of 1 March 2022 showed that 26 offices and departments achieved more than 80 per cent compliance of their 2021 End of Cycle appraisals by the deadline, while the overall compliance rate across the Office was 64 per cent. As such, I consider that the Office still needs to reinforce its efforts to improve its performance.

- **Workforce planning and skills development (2018).** This subject was reported as an area for improvement in the 2018 internal letters of representation, then included as part of the recommendations made by the External Auditor in his 2019 audit on human resources management, and also remained under the IOAC's attention over the past few years. On succession planning, the Office has taken an increasingly proactive approach to ensure that, wherever vacancies can be anticipated, the selection process be completed prior to the departure of the incumbent, thus allowing a remarkably low level of positions remaining vacant at managerial level. On the skills mapping and development, the project going forward will adopt a six-step model and include both regular budget and development cooperation staff by thematic area. Based a data-driven and human-centered methodology, it will ensure that future visioning of skills needs is embedded in the ILO's regular planning process and potential skill-gaps are continuously monitored and addressed as part of the implementation of the Programme and Budget and the Human Resources Strategy. Progress in this area will be monitored and reported in future statements.
- **Due diligence in the delegated procurement process and oversight on the performances of contracted parties to be further strengthened (2019).** Delegated procurement process refers to the process required to establish external collaboration contracts, implementation agreements, and grant agreements, which are types of contracts not subject to commercial procurement procedures for goods and services. They require managers to consider the specific applicability criteria and follow specially established procedures. The review by internal audit on external collaboration contracts was ongoing in 2021, with its outcome expected in 2022. In addition, the external audit, as part of its work on the audit of the financial statements, has included a review on the implementation agreements and grant agreements. The Office is already in the process of reviewing and updating the relevant policies and directives related to these types of contracts and will take into consideration the conclusions and recommendations to be made by the auditors. With regard to the oversight of the contracted parties, it is worth noting that, in addition the existing procedures on addressing contractual performance issues, an ILO Vendor Review Committee was established in 2021 tasked with the review of allegations of proscribed practices of external collaborators, grantees, implementing partners and vendors, in line with the Model Policy Framework adopted in the UN System. Progress in this area will be monitored and reported in future statements.
- **The need for a strengthened ethics function to promote increased awareness on ethical conduct and the prevention of fraud and misconduct (2020).** The ethics function is an integral part of the ILO's accountability framework contributing to building a culture of integrity and respect across the Office. As reported in my last statement in 2020, a full-time Ethics Officer position has been included in the Programme and Budget of the 2022-23 biennium. The selection process for this position has been completed and a new Ethics Officer will report on duty as from 1 July 2022. Going forward, further strengthening of the ethics function will focus

on increasing its visibility, providing easy access of potential whistle-blowers to the communication of information, developing strategic and structured training package on ethical conduct of staff, and putting more emphasis on the preventive measures for fraud and misconduct. Consideration will also be given to the recommendations made by the Joint Inspection Unit (JIU) in its 2021 report on the review of ethics function in the UN System, in particular any best practices that may be adopted. Progress in this area will be monitored and reported in future statements.

Matters no longer deemed significant risk of internal control

- **Efficiency in the management and internal coordination of development cooperation projects to be reinforced (2019).** This matter was observed by the External Auditor in 2020 in his review of the ILO's programme/project implementation and delivery amidst the pandemic. Whilst it is important to ensure efficiency and internal coordination in the implementation of individual development cooperation projects, a new and more strategic approach is taken whereby all interventions in a country must make a substantive contribution to Decent Work Country Programmes or Global Products and be aligned with the strategic policy outcomes. As mentioned in paragraph 13 above, the OCTs will be tasked with guiding the OBW implementation and monitoring progress on delivery throughout the biennium, including through development cooperation projects. Members of the OCTs will serve as representatives of their respective portfolios, with regional members representing their respective regions and acting as a liaison with Country Offices and Regional Programming Units to ensure OBW information is constantly up to date. I therefore consider that this matter will become part of the new subject highlighted in paragraph 13 above, and no longer reported as a significant internal control risk by itself.
- **The need for institutional and practical arrangements to enable efficient and effective digital governance (2020).** This was a matter highlighted in my statement for 2020, which was when the pandemic first hit the world and significantly hindered the functioning of the ILO's governance organs. Starting from the 340th Session of the Governing Body in November 2020, the Office with the support of the constituents was able to make the necessary legal, institutional, and practical arrangements related to conducting virtual or hybrid sessions. All Governing Body and Conference sessions were held smoothly and all agenda items were dealt with through a combined approach of decision by correspondence and decision at plenary. I therefore consider that an efficient and effective digital governance had been established and tested to be successful, and this matter will no longer be reported as a significant internal control risk going forward.
- **The need for swift technology adaptation to support remote working and strengthen business process control (2020).** This was a matter highlighted in my statement for 2020 as a result of the abrupt challenges on technological preparedness brought about by the office lockdowns and the required operational continuity through teleworking. While swift actions were taken following the initial lockdown in 2020 to ensure the provision of laptops and other IT equipment to staff working from home and to adapt the policies and processes required for effective control measures, additional efforts were made in 2021 on enhanced IT security and more effective virtual communication platforms. For example: the roll-out of multi-factor authentication was completed for all staff in 2021; the migration of client-based protection software was implemented to ILO laptops and servers with non-stop support on incident detection and response; a new emergency notification system was also implemented in 2021 providing critical notification services for staff in the event of a crisis; the first stage of Microsoft Teams global collaboration environment enabling a shared, virtual work environment was

implemented in selected field offices and headquarters departments in 2021 and will continue in 2022. As a result of these measures, ILO staff throughout the world was able to maintain high level of engagement and deliver the expected results. Though the risks and threats associated with information technology are not diminished, I consider that the matter will no longer be reported as a significant internal control risk going forward.

Conclusion

15. Internal controls no matter how well designed have inherent limitations, including the possibility of premeditated circumvention and therefore can provide only reasonable but not absolute assurance. The effectiveness of internal controls may vary over time due to changes of conditions beyond the Office's control. I am accordingly committed to the continuous development of the system of internal control so as to address control issues in a timely manner.
16. Based on the above I conclude that to the best of my knowledge and information, the ILO has an effective system of internal control and there were no material weaknesses identified during the year ended 31 December 2021.

(Signed) Guy Ryder
Director-General

Geneva, 20 April 2022

▶ 3. Approval of the consolidated financial statements for the year ended 31 December 2021

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

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

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

(Signed) Adnan Chughtai
Treasurer and Financial Comptroller
Geneva, 31 March 2022

(Signed) Guy Ryder
Director-General
Geneva, 31 March 2022

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



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

INDEPENDENT AUDITOR'S REPORT

To the Governing Body of the International Labour Office

Opinion

We have audited the consolidated financial statements of the International Labour Organization (ILO) and its controlled entity, the International Training Centre (ITC), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of financial performance, consolidated statement of changes in net assets, consolidated statement of cash flow, and statements of comparison of budget and actual amounts for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the ILO and its controlled entity, the ITC, as at 31 December 2021, and their financial performance, changes in net assets, cash flow, and comparison of budget and actual amounts for the year then ended, in accordance with International Public Sector Accounting Standards (IPSAS).

Basis for Opinion

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the ILO financial report and audited consolidated financial statements for the year ended 31 December 2021 and report of the external auditor, but does not include the financial statements and our auditor's report thereon.

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

In accordance with Paragraph 6 of the Appendix to the Financial Regulations of the ILO, we have also issued a long-form report on our audit of the ILO's consolidated financial statements to the Governing Body.

(Signed) **Rizalina Noval Justol**

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

**Quezon City, Philippines
21 April 2022**

▶ 5. Consolidated financial statements for the year ended 31 December 2021

International Labour Organization

Statement I

► Consolidated statement of financial position as at 31 December 2021 (US\$ thousands)

	Note	2021	2020
Assets			
Current assets			
Cash and cash equivalents	4	297 815	322 521
Contributions receivable – Assessed	5	137 798	161 695
Contributions receivable – Voluntary	6	273 448	282 946
Derivative assets	7	3 441	–
Investments	8	594 874	564 275
Other receivables	9	35 490	35 988
Other current assets	10	35 328	26 589
		<u>1 378 194</u>	<u>1 394 014</u>
Non-current assets			
Contributions receivable – Assessed	5	5 119	6 396
Contributions receivable – Voluntary	6	185 237	253 504
Derivative assets	7	2 223	–
Investments	8	366 792	287 244
Other receivables	9	21 858	50 963
Property and equipment	11	659 139	647 690
Intangible assets	12	3 263	2 898
		<u>1 243 631</u>	<u>1 248 695</u>
Total assets		<u>2 621 825</u>	<u>2 642 709</u>
Liabilities			
Current liabilities			
Payables and accruals		56 575	37 116
Deferred revenue	13	836 024	842 396
Employee benefits	14	67 285	63 193
Current portion of long-term borrowings	15	6 596	6 835
Due to Member States	16	16 307	14 272
Other current liabilities	17	7 063	6 044
Derivative liabilities	7	–	12 477
		<u>989 850</u>	<u>982 333</u>
Non-current liabilities			
Deferred revenue	13	184 980	253 222
Employee benefits	14	2 044 784	2 072 167
Long-term borrowings	15	80 167	89 490
Due to Member States	16	25 831	3 301
		<u>2 335 762</u>	<u>2 418 180</u>
Total liabilities		<u>3 325 612</u>	<u>3 400 513</u>
Net assets			
Reserves	18	236 145	221 583
Accumulated balances	18	(939 932)	(979 387)
Total net assets		<u>(703 787)</u>	<u>(757 804)</u>

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 2021
 (US\$ thousands)

	Note	2021	2020
Revenue			
Assessed contributions	24, 29	444 990	399 158
Voluntary contributions	24	379 307	303 191
ITC training services	24	13 884	10 861
Staff/retiree benefit contributions		24 383	22 963
Sales and royalties		17 256	14 712
Investment income		5 945	12 819
Gain on sale of investment property		-	4 739
Other income		3 476	1 670
Total revenue		889 241	770 113
Expenses			
Salaries, employee benefits and other personnel costs	19, 27	506 918	472 360
Travel	19	5 017	5 227
Subcontracts	19	212 504	142 591
General operating expenses	19, 27	43 274	40 460
Supplies, materials and small equipment	19, 27	13 940	10 909
Depreciation and amortization	19	11 607	10 531
Seminars, workshops and other training	19, 27	17 940	14 128
Staff development	19	1 674	1 053
Health benefits	19	53 820	45 601
Contributions and grants in aid	19	18 417	17 400
Finance expenses	19	3 067	2 414
Other expenses	19	508	6 616
Total expenses		888 686	769 290
Foreign exchange gains/(losses)		(48 841)	55 491
Net surplus (deficit)		(48 286)	56 314

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 2021 (US\$ thousands)

	Note	Reserves	Accumulated balances	Total net assets
Balance as at 31 December 2019		151 208	(920 817)	(769 609)
Surplus (deficit) for the year 2020		26 759	29 555	56 314
Repayment of internal borrowing for financing of regular budget deficit		79 176	(79 176)	-
New internal borrowing for financing of regular budget deficit		(35 782)	35 782	-
Change of derivatives		-	(12 429)	(12 429)
Change of revaluation surplus of land and buildings		-	97 318	97 318
Actuarial gain (loss) of employee benefit liabilities		-	(131 531)	(131 531)
Translation difference from consolidation of ITC		222	1 911	2 133
Total 2020 movement		70 375	(58 570)	11 805
Balance as at 31 December 2020	18	221 583	(979 387)	(757 804)
Surplus (deficit) for the year 2021		4 050	(52 336)	(48 286)
Repayment of internal borrowing for financing of regular budget deficit		34 497	(34 497)	-
New internal borrowing for financing of regular budget deficit		(23 801)	23 801	-
Change of derivatives		-	26 160	26 160
Change of revaluation surplus of land and buildings		-	7 393	7 393
Actuarial gain (loss) of employee benefit liabilities		-	94 966	94 966
Transfer of liabilities due to Member States of period 2021		-	(25 089)	(25 089)
Translation difference from consolidation of ITC		(184)	(943)	(1 127)
Total 2021 movement		14 562	39 455	54 017
Balance as at 31 December 2021	18	236 145	(939 932)	(703 787)

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 2021 (US\$ thousands)

	Note	2021	2020
Cash flows from operating activities			
Surplus (deficit) for the year		(48 286)	56 314
Non-cash movements:			
Depreciation and amortization		11 607	10 531
(Increase) decrease in contributions receivable – Assessed		25 175	(16 124)
(Increase) decrease in contributions receivable – Voluntary		88 612	(41 275)
(Increase) decrease in derivative instruments		8 019	(1 698)
(Increase) decrease in investment portfolios		7 396	(24 254)
(Increase) decrease in other receivables		(492)	(6 237)
(Increase) decrease in inventories		–	4 446
(Increase) decrease in other assets		(8 739)	3 905
Increase (decrease) in payables and accruals		19 459	(10 646)
Increase (decrease) in deferred revenue		(85 460)	129 475
Increase (decrease) in employee benefits		71 519	79 510
Increase (decrease) in due to Member States		24 565	(771)
Increase (decrease) in other liabilities		1 019	(211)
Increase (decrease) in borrowings		(3 016)	9 640
Gain on investment property and disposal of assets		(14)	(4 721)
Effect of exchange rates on cash and cash equivalents		(4 251)	(23 232)
Transfer to liabilities due to Member States from net assets		(25 089)	–
Net cash flows from operating activities		82 024	164 652
Cash flows from investing activities			
Proceeds from sale of investments	8	1 092 521	654 935
Purchase of investments	8	(1 210 016)	(901 280)
Additions of property and equipment	11	(15 706)	(10 160)
Proceeds from disposals of property and equipment		28 232	83 355
Additions of intangible assets	12	(877)	(1 064)
Net cash flows from investing activities		(105 846)	(174 214)
Cash flows from financing activities			
Repayment of borrowings	15	(6 547)	(6 604)
Proceeds from new borrowing	15	–	4 415
Net cash flows from financing activities		(6 547)	(2 189)
Effect of exchange rates on cash and cash equivalents		5 663	24 648
Net increase (decrease) in cash and cash equivalents		(24 706)	12 897
Cash and cash equivalents, beginning of period	4	322 521	309 624
Cash and cash equivalents, end of period	4	297 815	322 521

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 2021 (US\$ thousands)

	2021 Original budget ²	2021 Final budget ³	2021 Actual	2021 Difference ⁴	2020-21 Original and final budget	2020-21 Actual	2020-21 Difference ⁴
Revenue							
Assessed contributions	395 320	395 320	395 320	-	790 640	790 640	-
Total revenue	395 320	395 320	395 320	-	790 640	790 640	-
Expenses							
Part I – Ordinary budget							
A. Policy-making organs	25 138	38 896	21 203	(17 693)	50 276	32 583	(17 693)
B. Policy outcomes	313 109	345 591	318 005	(27 586)	625 125	597 540	(27 585)
C. Management services	30 821	32 935	31 901	(1 034)	61 642	60 608	(1 034)
D. Other budgetary provisions	21 205	22 046	22 046	-	43 502	43 502	-
Adjustment for staff turnover ⁵	(3 154)	(6 307)	-	6 307	(6 307)	-	6 307
Total Part I	387 119	433 161	393 155	(40 006)	774 238	734 233	(40 005)
Part II – Unforeseen expenditure	438	875	-	(875)	875	-	(875)
Part IV – Institutional investments and extraordinary items	7 763	6 817	6 818	1	15 527	15 527	-
Total expenses (Parts I, II and IV)	395 320	440 853	399 973	(40 880)	790 640	749 760	(40 880)
Surplus at budgetary rate of exchange						40 880	
Revaluation of the budgetary surplus						3 798	
Surplus at UN operational rate of exchange						44 678	
Deficit resulting from the receipt of contributions in an amount lower than approved regular budget						12 946	
Reimbursement of 2018-19 deficit financing ⁶						(81 425)	
Net surplus (deficit) ⁷						(23 801)	

¹ Budget and actual information calculated at budgetary rate of exchange of US\$1 = CHF1.

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 ILC plus the balance remaining unspent at the end of the first year of the biennium and it includes the transfer between budget items approved by the Chairperson of the Governing Body as authorized by the Governing Body at its 343rd Session (GB.343/PFA/3).

⁴ Significant differences between budget and actual are explained in the accompanying financial report on the 2021 accounts.

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

⁶ As of 31 December 2019, in accordance with article 21.1(a) of the Financial Regulations, the deficit of CHF74.504 million, was covered by the Working Capital Fund and internal borrowings. In accordance with article 21.2(a) of the Financial Regulations, arrears of contributions received in 2020 were used to reimburse the Working Capital Fund and internal borrowings.

⁷ In accordance with article 21.1(a) of the Financial Regulations, the Working Capital Fund was drawn upon to finance budgetary expenditure pending receipt of contributions. The nominal balance of this Fund standing at CHF35.000 million (US\$38.251 million), as a consequence, decreased to CHF13.222 million (US\$14.450 million). In accordance with article 21.2(a) of the Financial Regulations, arrears of contributions received in 2022 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 2021 (US\$ thousands)

	2021 Original budget ¹	2021 Final budget ²	2021 Actual	2021 Difference	2020-21 Original and final budget	2020-21 Actual	2020-21 Difference
Accumulated balance, beginning	1 017	1 421	1 421	-	1 189	1 320	131
Revenue							
Contribution from ILO regular budget	1 231	1 231	1 231	-	2 463	2 463	-
Contribution from host country and other countries in the region	300	387	327	(60)	600	539	(61)
Other contributions	140	173	226	53	280	334	54
Sales of publications and services	15	30	-	(30)	30	-	(30)
Miscellaneous income	8	(1)	1	2	15	17	2
Total revenue	1 694	1 820	1 785	(35)	3 388	3 353	(35)
Expenses							
Expenditure	1 867	2 266	1 657	(609)	3 733	3 124	(609)
Total expenses	1 867	2 266	1 657	(609)	3 733	3 124	(609)
Net surplus (deficit)	(173)	(446)	128	574	(345)	229	574
Accumulated balance, ending	844	975	1 549	574	844	1 549	705

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

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

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

International Labour Organization

Statement V-C

► Statement of comparison of budget and actual amounts International Training Centre of the ILO (ITC) for the year ended 31 December 2021

	2021 Original and final budget ¹	2021 Actual	2021 Variance ²	2020-21 Original and final budget	2020-21 Actual	2020-21 Variance
(in € thousands)						
Revenue						
Voluntary contributions	11 684	12 772	1 088	23 368	25 082	1 714
Earned income	29 195	30 048	853	57 849	50 738	(7 111)
Use of surplus	606	92	(514)	1 200	327	(873)
Total budget revenue	41 485	42 912	1 427	82 417	76 147	(6 270)
Expenditure						
Fixed expenditure	22 789	23 092	(303)	45 448	44 958	490
Variable expenditure	18 336	14 095	4 241	36 369	23 377	12 992
Institutional investment	-	2 400	(2 400)	-	2 400	(2 400)
Contingency	300	-	300	600	-	600
Total expenditure	41 425	39 587	1 838	82 417	70 735	11 682
Budget surplus ³	60	3 325	3 265	-	5 412	5 412
(in US\$ thousands)						
Net budget surplus ⁴	71	3 940	3 868	-	6 412	6 412

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

² Budget variances are explained in the accompanying financial report on the 2021 accounts.

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

⁴ The revenue and expenditure of the ITC are consolidated using an average rate of US\$1 = €0.8440 for the reporting period (US\$1 = €0.8763 for 2020).

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, extrabudgetary funded activities, the Inter-American Centre for Knowledge Development in Vocational Training (CINTERFOR) and the International Training Centre of the ILO (ITC) along with the Administrative Tribunal of the ILO and the ILO Staff Health Insurance Fund (SHIF).
6. Controlled entity: The ITC was established by the Governing Body of the ILO and the Government of Italy in 1964. The ITC is headquartered in Turin, Italy. The ITC provides training and related services to UN agencies, governments and non-governmental organizations designed to develop human resources and improve institutional capabilities. The ITC is financed from the ILO's regular budget and development cooperation projects, from the Government of Italy and from revenues earned by providing training services. The ITC produces separate financial statements at the same reporting date as the ILO.

Note 2 – Accounting policies

Basis of preparation and presentation

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

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

Financial period

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

Financial statement presentation

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

Measurement uncertainty

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

Significant accounting policies

Borrowings

12. 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 until the date the asset is available for its intended use.

Cash and cash equivalents

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

Consolidation

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

16. 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

17. 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.
18. 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

19. 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

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

Post-employment benefits

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

Other employee benefits

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

Foreign currency transactions

27. 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.
28. 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.
29. 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.
30. Exchange gains and losses are presented on a net basis on the consolidated statement of financial performance as revenue if a gain or as an expense if a loss.
31. On the statement of comparison of budget and actual amounts for the regular budget (statement V-A), revenue and expenses incurred in Swiss francs are reflected at a budgetary rate of exchange fixed by the ILC for the biennium.

Impairment

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

Intangible assets

33. Intangible assets are recognized at historical cost and amortized over their useful life using the straight line method. Externally acquired software are recognized as intangible assets if their cost per user equalled or was greater than US\$5,000. 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

34. Investments are designated as financial assets at fair value through surplus or deficit upon initial recognition, and subsequently 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.

Leases

35. 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

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

Property and equipment

38. 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.
39. The value of heritage assets, including donated works of art, is not recognized as an asset on the consolidated statement of financial position.
40. Property and equipment are derecognized either on disposal or when they are permanently withdrawn from use and no future economic benefit or service potential is expected. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the consolidated statement of financial performance in the period of derecognition.
41. Depreciation of property and equipment is recognized over the estimated useful life of the assets using the straight line method, except for land which is not subject to depreciation. Depreciation of buildings is calculated based on the fair value at the beginning of the reporting year using the remaining useful life at that date. When a building is revalued, any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the building and the net amount restated to the revalued amount. The estimated useful lives for property and equipment are as follows:

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

Provisions and contingent liability

42. 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.
43. 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

44. 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 they possess the essential characteristics of an asset but do not satisfy the criteria for asset recognition the inflow of resources being possible.
 - 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 the 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 as of the reporting date.
 - Voluntary contributions to development cooperation projects are normally subject to conditions related to performance. A receivable and a liability (deferred revenue) are initially recognized at fair value and subsequently measured at amortized cost as of the reporting date which is obtained through discounting as appropriate.
 - 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 as of the reporting date when the agreements are signed between the ILO and the donor. However, if conditions requiring specific performance are imposed by a donor to the RBSA, recognition of revenue is deferred until the performance requirement has been satisfied.
- 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.
- ITC training services:
 - The ITC provides training services under contracts to governments and organizations including the ILO. Agreements related to training activities are subsidized by non-conditional voluntary contributions which provide support to the ITC's operations. These agreements are considered non-exchange transactions since both parties to such transactions do not receive approximately equal direct benefit. Training activities that include restrictions on their use are recognized as revenue upon signing of a binding agreement. Agreements for which the ITC has full control and that include conditions, including the implicit or explicit obligation to return funds if such conditions are not met, are recognized as assets and liabilities (deferred revenue) upon signature of a binding agreement. The liability is reduced and revenue is recognized based on the proportion that expenses incurred bear to the estimated total expenses of the training activity.
 - 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

45. Revenue from exchange transactions is recognized as follows:

- **Sales and royalties:** Revenue is recognized on the date earned. Revenue related to the provision of services is valued based upon the stage of completion measured based upon the total costs incurred by the Organization in delivering the services at the reporting date. Sales of publications are recognized when the publication has been shipped to the purchaser.

- **Investment income:** Interest income, earned based on a time-proportionate basis as it accrues taking into account the effective yield on the asset, gains and losses from sales of investments and changes of investment market value are recognized in the consolidated statement of financial performance in the period that they arise.
- **Staff/retiree benefit contributions** are recognized on the date the revenue becomes due in accordance with the Administrative Regulations of the SHIF.

Note 3 – New accounting standards

New accounting standards issued but not yet effective

46. The International Public Sector Accounting Standards Board (IPSASB) has previously published the following new and amended standards, which will be effective 1 January 2023:
- IPSAS 42 – Social Benefits. This standard defines social benefits as cash transfers to individuals to mitigate the effect of social risks and address the needs of society as a whole, and provides guidance for their accounting. This standard will have no impact on the consolidated financial statements.
 - IPSAS 41 – Financial Instruments and subsequent amendment. This standard will replace the existing IPSAS 29 – Financial Instruments and sets out new requirements for recognition and measurement of financial instruments, including impairment, derecognition and general hedge accounting. The ILO does not foresee a significant impact on the consolidated financial statements resulting from this standard.
 - IPSAS 36 – Investments in Associates and Joint Ventures was consequentially amended, through the issuance of IPSAS 41 – Financial Instruments. These amendments will have no impact on the consolidated financial statements.
 - IPSAS 19 – Provisions, Contingent Liabilities and Contingent Assets was amended to provide requirements for governments when committing to provide future collective and individual services to address the needs of society as a whole. The amendments are not anticipated to have any effect on the consolidated financial statements.

Note 4 – Cash and cash equivalents

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

(US\$ thousands)	US\$	CHF	€	Other	2021 total	2020 total
Cash	98 774	120 782	17 942	7 310	244 808	268 942
Cash equivalents	53 007	-	-	-	53 007	53 579
Total cash and cash equivalents	151 781	120 782	17 942	7 310	297 815	322 521

48. Cash and cash equivalents balances include US\$1.42 million in interest revenue net of finance expense, earned through current accounts and short-term deposits (note 8), and included in the net cash flows from operating activities in the Consolidated statement of cash flow. Cash and cash equivalent balances of the ITC include restricted amounts of €9.34 million (US\$10.62 million) that must be used for specific purposes, including the renovation of pavilion buildings at the ITC.

Note 5 – Contributions receivable – Assessed contributions

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

(US\$ thousands)	2021	2020
Assessed contribution receivable (notes 29 and 30)	174 232	196 933
Less: Advance payments received from Member States with financial arrangement (note 29)	(158)	(252)
Less: Amortization of long-term financial arrangements	(302)	(446)
Less: Provision for doubtful collection of contributions	(30 855)	(28 144)
Total net receivable - Assessed contributions	142 917	168 091
■ Contributions receivables - Assessed contributions - Current	137 798	161 695
■ Contributions receivables - Assessed contributions - Non-current	5 119	6 396

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

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

(US\$ thousands)	2021	2020
Less than 1 year	120 293	135 979
1–2 years	26 339	28 063
Over 2 years	27 442	32 639
Less provision for doubtful debts and amortization	(31 157)	(28 590)
Total net receivable	142 917	168 091

Note 6 – Contributions receivable – Voluntary contributions

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

(US\$ thousands)	2021	2020
Voluntary contributions receivable – Current		
Development cooperation projects (all with conditions)	261 123	272 391
Regular budget supplementary account (RBSA)	454	–
ITC training services	11 871	10 555
Subtotal voluntary contributions receivable – Current	273 448	282 946
Voluntary contributions receivable – Non-current		
Development cooperation projects (all with conditions)	183 421	249 858
ITC training services	1 816	3 646
Subtotal voluntary contributions receivable – Non-current	185 237	253 504
Total voluntary contributions receivable	458 685	536 450

Note 7 – Derivative assets and liabilities

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

(US\$ thousands)	2021	2020
Derivative assets		
SHIF forward purchase agreement – Current	543	-
ILO regular budget forward purchase agreement – Current	2 898	-
ILO regular budget forward purchase agreement – Non-current	2 223	-
Total derivative assets	5 664	-
Derivative liabilities		
SHIF forward purchase agreement – Current	-	(8)
ILO regular budget forward purchase agreement – Current	-	(12 469)
ILO regular budget forward purchase agreement – Non-current	-	-
Total derivative liabilities	-	(12 477)
Total derivative net asset (liability) position	5 664	(12 477)

54. The contractual amount of currency sold forward and the maturity of the outstanding derivative instruments as at the reporting date are as follows:

Derivative instrument	Maturity	Contractual amount (US\$ thousands)
SHIF forward purchase agreement	Within the next three months	48 993
ILO regular budget forward purchase agreement	Within the next 12 months	169 073
ILO regular budget forward purchase agreement	Within the following 12 months	180 754

SHIF forward purchase agreement

55. The risk related to financial assets held on behalf of SHIF in currencies other than Swiss franc and US\$ (up to a 35 per cent level, with a tolerance of +/- 5 per cent) is hedged by purchasing forward purchase agreements in each of the other currencies in which investments are held.

ILO regular budget forward purchase agreement

56. 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.

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

(US\$ thousands)	2021	2020
Fair value as at 1 January	(12 469)	(2 544)
Derivatives exercised during the period and recognized in net asset	21 787	4 578
Derivatives exercised during the period and recognized in surplus (deficit)	(9 318)	(3 154)
Change in fair value of the spot element recognized in net assets	4 373	(17 007)
Change in fair value of the forward element recognized in surplus (deficit)	748	5 658
Total fair value as at 31 December	5 121	(12 469)

58. The cash flow hedges were highly effective in 2021. 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\$ thousands)	2021	2020
Opening balance as at 1 January (note 18)	(21 787)	(9 358)
Reclassification during the year to exchange gain (loss) and revaluation, net (effective hedge of the spot element – transactions realized during the period)	21 787	4 578
Net gain (loss) during the year recognized in net assets (effective hedge of the spot element – forecasted transactions)	4 373	(17 007)
Closing balance as at 31 December (note 18)	4 373	(21 787)

59. The amounts retained in net assets as at 31 December 2021 are expected to mature and affect the consolidated statement of financial performance in 2022 and 2023.

Note 8 – Investments

60. 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 as part of a portfolio investment which is intended to be kept for the long term and reinvested.
61. Investments are placed in line with the approved investment policy in consultation with the ILO's Investment Committee and their performance is evaluated on a fair value basis.
62. The fair value and historic cost as at the reporting date are as follows:

(US\$ thousands)	2021		2020	
	Fair value	Cost	Fair value	Cost
Investments – Current				
ILO short-term deposit	594 874	594 874	564 275	564 275
Subtotal investment – Current	594 874	594 874	564 275	564 275
Investments – Non-current				
Cash within the portfolios	4 278	4 278	3 983	3 983
Fixed income				
Bonds	–	–	1 600	1 619
Floating rate notes	10 179	10 226	14 435	14 437
Money market	41 002	40 982	35 194	35 177
Total fixed income investments	51 181	51 208	51 229	51 233
Unit funds	311 333	294 844	232 032	216 560
Subtotal investment – Non-current	366 792	350 330	287 244	271 776
Total investment	961 666	945 204	851 519	836 051

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

(US\$ thousands)	2021	2020
Fair value at 1 January	851 519	580 920
Investment income	5 945	12 819
Investment income transferred to cash balances, net of finance expense	(1 420)	(4 849)
Foreign exchange gains and (losses)	(10 847)	16 608
Finance expenses	(790)	(324)
Amounts transferred to receivable	(236)	(54)
New investment during the period	1 210 016	901 280
Disposal of investments during the period	(1 092 521)	(654 881)
Fair value at 31 December	961 666	851 519

Note 9 – Other receivables

64. Other receivables are as follows:

(US\$ thousands)	2021	2020
Amounts receivable from land sale	49 180	79 275
US income taxes receivable	4 471	3 793
Accrued interest and investment income	406	560
VAT and other withholding taxes receivable	1 681	1 880
Other accrued income and amounts receivables	1 610	1 443
Total other receivables	57 348	86 951
■ Other receivables - Current	35 490	35 988
■ Other receivables - Non-current	21 858	50 963

65. Amounts receivable of CHF45.00 million for the land sale relate to the disposition of the vacant land plot located in Geneva in 2020 for a base selling price of CHF150.00 million. Instalments were received during 2020 and 2021 in accordance with the sale contract, with the remaining instalments due in 2022 and 2023. The amount receivable is guaranteed by a bank guarantee of payment in favour of the ILO.

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

67. An ageing of other receivables is as follows:

(US\$ thousands)	2021	2020
Less than 1 year	54 939	84 849
1-2 years	1 096	1 152
Over 2 years	1 313	950
Total net receivable	57 348	86 951

Note 10 – Other current assets

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

(US\$ thousands)	2021	2020
Prepaid expenses	27 012	17 402
Staff advances	6 707	7 017
Other	1 609	2 170
Total other current assets	35 328	26 589

Note 11 – Property and equipment

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

(US\$ thousands)	Land	Buildings	Leasehold	Equipment	Total
Net carrying amount 31 Dec. 2019	259 086	280 620	6 375	4 286	550 367
Additions	-	8 347	154	1 659	10 160
Depreciation	-	(7 802)	(641)	(1 557)	(10 000)
Disposals – carrying amount	-	(770)	-	(279)	(1 049)
Disposals – accumulated depreciation	-	-	-	244	244
Net revaluation recognized in net assets	61 048	36 270	-	-	97 318
Foreign exchange differences on translation	-	-	576	74	650
Subtotal 2020 movement	61 048	36 045	89	141	97 323
Closing balance 31 Dec. 2020	320 134	316 665	6 464	4 427	647 690
Gross carrying amount 31 Dec. 2020	320 134	316 665	14 095	15 877	666 771
Accumulated depreciation	-	-	(7 631)	(11 450)	(19 081)
Net carrying amount 31 Dec. 2020	320 134	316 665	6 464	4 427	647 690
Additions	-	12 830	1 337	1 539	15 706
Depreciation	-	(9 240)	(600)	(1 255)	(11 095)
Disposals – carrying amount	-	-	-	(1 503)	(1 503)
Disposals – accumulated depreciation	-	-	-	1 484	1 484
Net revaluation recognized in net assets	16 436	(9 042)	-	-	7 394
Foreign exchange differences on translation	-	-	(492)	(44)	(537)
Subtotal 2021 movement	16 436	(5 452)	245	221	11 449
Closing balance 31 Dec. 2021	336 570	311 213	6 709	4 648	659 139
Gross carrying amount 31 Dec. 2021	336 570	311 213	14 388	15 699	677 869
Accumulated depreciation	-	-	(7 679)	(11 051)	(18 730)
Net carrying amount 31 Dec. 2021	336 570	311 213	6 709	4 648	659 139

Land and buildings

70. The Organization owns its headquarters building in Geneva, Switzerland, and the land upon which it was built along with an adjoining plot. In addition, the Organization owns land and buildings in Abidjan, Côte d'Ivoire, Lima, Peru, and Santiago, Chile. In Buenos Aires, Argentina, the Organization owns an apartment located in a building for which no separate land ownership exists. In Brasilia, Brazil, Dar es Salaam, United Republic of Tanzania, and Islamabad, Pakistan, it further owns buildings located on land to which the ILO has surface rights or leaseholds at a nominal cost (note 26).
71. In 2020, the ILO sold its property in Brussels, Belgium with relocation of the ILO Office for the European Union and Benelux countries to the United Nations shared accommodations. This is presented as "Disposals" under "Buildings" in the table above.
72. In order to more accurately reflect the value of its land and buildings, an independent appraiser reviewed and updated the fair value of all remaining properties as at 31 December 2021 based on international valuation standards as promulgated by the International Valuation Standards Council, including assumptions relating to current market conditions. The change in fair value of the land and buildings in 2021 includes US\$24.77 million revaluation loss due to currency rate

fluctuation. The net difference between historical cost and land and buildings valued at fair value is recognized as a separate component of the net assets as shown in note 18.

US\$ (thousands)	2021	2020
Land		
Headquarters – Geneva	324 744	308 233
Lima	3 792	3 828
Abidjan	3 414	3 516
Santiago	4 620	4 557
Total Land	336 570	320 134
Buildings		
Headquarters – Geneva	286 514	290 917
Lima	12 008	12 121
Brasilia	1 440	1 407
Abidjan	3 930	4 108
Dar es Salaam	1 568	1 615
Buenos Aires	517	564
Islamabad	485	502
Santiago	4 751	5 431
Total buildings	311 213	316 665
Total land and buildings	647 783	636 799

73. The phase 2 of the headquarters building renovation project (renovation of the conference rooms and common areas) began, and refurbishment works on buildings owned by the ILO in Brasilia and Santiago were completed in 2021. The related capital expenditures are presented as “Additions” to “Buildings” in the table in paragraph 69.

Leasehold improvements

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

Note 12 – Intangible assets

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

(US\$ thousands)	Software acquired externally	Software internally developed	Total
Net carrying amount 31 December 2019	217	2 146	2 363
Additions	–	1 064	1 064
Amortization	(130)	(401)	(531)
Foreign exchange differences on translation	1	1	2
Subtotal 2020 movement	(129)	664	535
Closing balance at 31 December 2020	88	2 810	2 898
Gross carrying amount 31 December 2020	1 253	5 790	7 043
Accumulated amortization	(1 165)	(2 980)	(4 145)
Net carrying amount 31 December 2020	88	2 810	2 898

(US\$ thousands)	Software acquired externally	Software internally developed	Total
Additions	110	767	877
Amortization	(71)	(440)	(511)
Disposals – carrying amount	(20)	–	(20)
Disposals – accumulated amortization	20	–	20
Foreign exchange differences on translation	(1)	–	(1)
Subtotal 2021 movement	38	327	365
Closing balance at 31 December 2021	126	3 137	3 263
Gross carrying amount 31 December 2021	1 326	6 538	7 864
Accumulated amortization	(1 200)	(3 401)	(4 601)
Net carrying amount 31 December 2021	126	3 137	3 263

Note 13 – Deferred revenue

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

(US\$ thousands)	Current	Non-current	Total 31 Dec. 2021	Total 31 Dec. 2020
Assessed contributions received in advance	43 033	–	43 033	40 647
Voluntary contributions receivable for signed agreements	272 003	183 421	455 424	531 665
Due to donors (including ITC)	508 846	–	508 846	509 261
Receivables for signed agreements for ITC training services	10 817	1 559	12 376	12 787
SHIF contributions received in advance	839	–	839	720
Other deferred revenue	486	–	486	538
Total deferred revenue	836 024	184 980	1 021 004	1 095 618

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

Note 14 – Employee benefits

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

(US\$ thousands)	Current	Non-current	Total 31 Dec. 2021	Total 31 Dec. 2020
Education grant	1 072	–	1 072	786
Accumulated leave and home leave	29 579	16 272	45 851	43 666
Repatriation entitlements	5 558	36 637	42 195	44 773
ASHI liability	31 076	1 991 875	2 022 951	2 046 135
Total employee benefits liabilities	67 285	2 044 784	2 112 069	2 135 360

Post-employment benefits

United Nations Joint Staff Pension Fund

79. The Fund's Regulations state that the Pension Board shall have an actuarial valuation made of the Fund at least once every three years by the Consulting Actuary. The practice of the Pension Board has been to carry out an actuarial valuation every two years using the Open Group Aggregate Method. The primary purpose of the actuarial valuation is to determine whether the current and estimated future assets of the Pension Fund will be sufficient to meet its liabilities.

80. The ILO's financial obligation to the Fund consists of its mandated contribution, at the rate established by the United Nations General Assembly (currently at 7.9 per cent for participants and 15.8 per cent for member organizations) together with any share of any actuarial deficiency payments under article 26 of the Regulations of the Pension Fund. Such deficiency payments are only payable if and when the United Nations General Assembly has invoked the provision of article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Fund as of the valuation date. Each member organization shall contribute to this deficiency an amount proportionate to the total contributions which each paid during the three years preceding the valuation date.
81. The latest actuarial valuation for the Fund was completed as of 31 December 2019, and the valuation as of 31 December 2021 is currently being performed. A roll forward of the participation data as of 31 December 2019 to 31 December 2020 was used by the Fund for its 2020 financial statements.
82. The actuarial valuation as of 31 December 2019 resulted in a funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, of 144.4 per cent. The funded ratio was 107.1 per cent when the current system of pension adjustments was taken into account.
83. After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as of 31 December 2019, for deficiency payments under article 26 of the Regulations of the Fund as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the plan. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as of the valuation date. At the time of this report, the General Assembly has not invoked the provision of article 26.
84. Should article 26 be invoked due to an actuarial deficiency, either during the ongoing operation or due to the termination of the Fund, deficiency payments required from each member organization would be based upon the proportion of that member organization's contributions to the total contributions paid to the Fund during the three years preceding the valuation date. Total contributions paid to the Fund during the preceding three years (2018, 2019 and 2020) amounted to US\$7,993.15 million, of which 2.1 per cent was contributed by the ILO.
85. During 2021, the ILO's contributions paid to the Fund amounted to US\$63.10 million (US\$59.40 million in 2020). Expected contributions due in 2022 are approximately US\$67.50 million.
86. Membership of the Fund may be terminated by decision of the United Nations General Assembly, upon the affirmative recommendation of the Pension Board. A proportionate share of the total assets of the Fund at the date of termination shall be paid to the former member organization for the exclusive benefit of its staff who were participants in the Fund at that date, pursuant to an arrangement mutually agreed between the organization and the Fund. The amount is determined by the United Nations Joint Staff Pension Board based on an actuarial valuation of the assets and liabilities of the Fund on the date of termination; no part of the assets which are in excess of the liabilities are included in the amount.
87. The United Nations Board of Auditors carries out an annual audit of the Fund and reports to the Pension Board and to the United Nations General Assembly on the audit every year. The Fund publishes quarterly reports on its investments and these can be viewed by visiting the Fund at www.unjspf.org.

After-service health insurance plan (ASHI)

88. An actuarial valuation carried out for 2021 calculated the ILO's estimated liability for after-service medical benefits at the reporting date as described in the following paragraphs.

89. Each year, the ILO reviews and selects assumptions and methods that will be used by the actuaries in the valuation to determine the expense and contribution requirements for the ILO's after-service medical care plans. The selection includes harmonized actuarial factors as applied across the UN system. For the 2021 valuation, the assumptions and methods used are as described below.

Key financial assumptions	2021 (%)	2020 (%)
Discount rate		
ILO	0.78	0.56
ITC	1.28	0.72
ISSA	0.50	1.29
Rate of future compensation increases	3.50 + UNJSPF salary scale	3.50 + UNJSPF salary scale
Rate of pension increases	2.50	2.50
Medical inflation	3.20 decreasing by 0.10 per year to 2.90 in 2024	3.30 decreasing by 0.10 per year to 3.00 in 2023

90. 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 determined by averaging the different discount rates, weighted by the benefits payments in the different currencies. The weighted average duration of the defined benefit obligation based on the plan census data and key assumptions is 22 years (23 years in 2020).
91. Should the assumptions about medical cost trends described above change, this would impact the measurement of the ASHI defined benefit obligation (DBO) as follows:

Sensitivity information for health-care trend (US\$ thousands)	2021	2020
1 percentage point increase in health-care trend rate		
Effect on service and interest costs	37 198	40 361
Effect on defined benefit obligation	541 620	576 992
1 percentage point decrease in health-care trend rate		
Effect on service and interest costs	(26 370)	(28 333)
Effect on defined benefit obligation	(406 354)	(430 429)

92. The sensitivity of the ASHI DBO to changes in other key assumptions is as follows:

Sensitivity information for other key assumptions (% change)	2021 (%)	2020 (%)
Effect on defined benefit obligation:		
Discount rate + 1 percentage point	(19.4)	(20.3)
Discount rate - 1 percentage point	26.5	28.4

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

(US\$ thousands)	2021	2020
Defined benefit obligation, opening balance	2 046 135	1 842 305
Current service cost	86 813	78 861
Interest cost	11 813	15 804
Total costs recognized in the consolidated statement of financial performance	98 626	94 665
Net benefits paid	(29 672)	(24 771)

(US\$ thousands)	2021	2020
Actuarial (gain) loss due to experience	58 340	26 701
Actuarial (gain) loss due to financial assumption changes	(150 478)	90 319
Actuarial (gain) loss due to demographic assumption changes	-	16 916
Total actuarial (gain) loss recognized directly in the consolidated statement of changes in net assets	(92 138)	133 936
Defined benefit obligation, closing balance	2 022 951	2 046 135

94. Expenses related to interest cost and current services costs for 2021 have been recognized net of benefits paid in the consolidated statement of financial performance as staff costs. Cumulative net actuarial losses of US\$1,047.21 million (US\$1,139.35 million as of 31 December 2020) have been recognized directly against net assets. In accordance with IPSAS 39, no plan assets have been offset against the liability, however, an amount of US\$67.32 million is available in a SHIF Guarantee Fund (US\$71.20 million as at 31 December 2020) to cover future liabilities of SHIF. In addition, an amount of US\$27.60 million has been accumulated to partially fund the ASHI liability (US\$10.67 million as at 31 December 2020). The increase in the reserve in 2021 as compared to 2020 includes a transfer of \$15 million of the excess reserves in Terminal Benefits Fund in respect of the development cooperation staff repatriation grant liabilities.
95. The ILO finances its ASHI liability on a pay-as-you-go basis. The Programme and Budget for 2020–21 included a provision of US\$30.10 million for this purpose.

Repatriation entitlements

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

(US\$ thousands)	Current	Non-current	Total 31 Dec. 2021	Total 31 Dec. 2020
Travel and removal on separation	575	7 454	8 029	8 056
Repatriation grant	4 177	19 776	23 953	25 660
ITC end-of-service benefit	806	9 407	10 213	11 057
Total repatriation entitlements	5 558	36 637	42 195	44 773

97. An actuarial valuation carried out for 2021 calculated the ILO's estimated liability for repatriation entitlements at the reporting date as described in the following paragraphs.
98. 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 2021 valuation, the assumptions and methods used are as described below.

Key financial assumptions	2021 (%)	2020 (%)
Discount rate	ILO Repatriation grant: 2.59	ILO Repatriation grant: 2.13
	ITC Repatriation grant: 2.62	ITC Repatriation grant: 2.17
	ILO Travel and removal: 2.71	ILO Travel and removal: 2.30
	ITC Travel and removal: 0.88	ITC Travel and removal: 0.33
	End of service payment: 0.70	End of service payment: 0.21
Rate of future compensation increases:	3.50 + UNJSPF salary scale	3.50 + UNJSPF salary scale
Rate of future cost increases:	ILO rate: 0.9	ILO rate: 0.9
Repatriation travel and removal costs	ITC rate: 2.2	ITC rate: 1.4
Probability of benefit claim	ILO repatriation grant: 55	ILO repatriation grant: 60
	ITC Repatriation grant: 98	ITC Repatriation grant: 98
	ILO travel and removal: 74	ILO travel and removal: 74
	ITC travel and removal: 98	ITC travel and removal: 98

99. 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 2021.
100. The following table shows the change in present value of the defined benefit obligation during the reporting period:

(US\$ thousands)	2021	2020
Defined benefit obligation, opening balance	44 773	45 086
Current service cost	2 532	2 445
Interest cost	690	1 034
Total costs recognized in the consolidated statement of financial performance	3 222	3 479
Net benefits paid	(2 231)	(2 916)
Actuarial (gain) loss due to experience	830	(2 570)
Actuarial (gain) loss due to demographic assumption changes	(1 963)	(1 890)
Actuarial (gain) loss due to financial assumption changes	(1 529)	2 507
Total actuarial (gain) loss recognized directly in the consolidated statement of changes in net assets	(2 662)	(1 953)
Foreign currency exchange rate changes	(907)	1 077
Defined benefit obligation, closing balance	42 195	44 773

101. Expenses related to interest cost and current services costs for 2021 have been recognized net of benefits paid in the consolidated statement of financial performance as staff costs. Cumulative net actuarial gains of US\$12.90 million (US\$10.24 million as at 31 December 2020) have been recognized directly against net assets, of which US\$0.47 million actuarial losses are related to travel and transport benefits for employees funded through development cooperation projects and form part of the net Due to Donor balance rather than the net assets of the Organization.
102. In accordance with IPSAS 39, no plan assets have been offset against the liability, however, an amount of US\$53.71 million has been accumulated by the ILO in the Terminal Benefits Fund (US\$59.05 million as at 31 December 2020) to fund future ITC end-of-service benefits and repatriation grants for both the ILO and the ITC.

Note 15 – Borrowings

103. Borrowings consist of two loans in Swiss francs made to the ILO from the Foundation for Buildings for International Organisations:

(US\$ thousands)	Original construction loan	Renovation loan	2021 Total	2020 Total
Nominal value beginning of period	20 964	76 632	97 596	90 475
Amounts disbursed in the period	-	-	-	4 415
Amounts repaid in the period	(4 016)	(2 531)	(6 547)	(6 604)
Exchange rate effect on CHF borrowings	(764)	(2 699)	(3 463)	9 310
Nominal value end of period	16 184	71 402	87 586	97 596
Remaining unamortized fair value discount	(823)	-	(823)	(1 271)
Carrying value end of period	15 361	71 402	86 763	96 325

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

(US\$ thousands)	Original construction loan	Renovation loan	Total loans payable
Payments due next year	4 046	2 550	6 596
Payments due from second to fifth year	12 138	10 200	22 338
Payments due after five years	–	58 652	58 652
Nominal value at 31 December 2021	16 184	71 402	87 586

Note 16 – Due to Member States

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

(US\$ thousands)	2021	2020
Undistributed surpluses of prior periods	113	117
Undistributed net premia of prior periods	8 406	385
Undistributed 50 per cent of net premia	12 545	8 325
Subtotal	21 064	8 827
Incentive Fund	21 074	8 746
Total payable to Member States	42 138	17 573
■ Due to Member States – Current	16 307	14 272
■ Due to Member States – Non-current	25 831	3 301

- 108.** 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 2020 amount was included in the accumulated fund balance pending the biennial results.

Calculation of net premium and Incentive Fund

- 109.** The Financial Regulations provide for the distribution of elements of the net result of operations of the regular budget as follows:
- 110. 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 2020–21 biennium is as follows:

Exchange Equalization Account (EEA) calculation (US\$ thousands)	2020-21	2018-19
Premium earned on the forward purchase of US dollars	18 762	15 402
Exchange gains (losses) from revaluation from budgetary to UN operational rate of exchange:		
Revenue	54 123	(11 789)
Expense	(27 437)	6 675
Forward purchase of US dollars	(28 463)	5 800
Revaluation of assets, liabilities, reserves and fund balances at UN operational rate of exchange	13 002	(978)
Revaluation of provision for contribution arrears	(1 100)	(31)
Revaluation of regular budget surplus	(3 798)	-
Total EEA	25 089	15 079

- 111. Incentive Fund** – Article 11(4)–(6) provides for an Incentive Fund financed from 60 per cent of the interest earned on temporarily surplus regular budget funds and one half of any net premium earned on the forward purchasing transactions. The Incentive Fund is distributed to Member States that have paid their assessed contributions in full at the end of either the first or second year of the biennial financial period during which the net premium was earned.
- 112.** Following the postponement of the 109th Session of the International Labour Conference from 2020 to 2021, which implied postponing the adoption of the ILO audited consolidated Financial Statements for the year ended 31 December 2019, the distribution of the 2018–19 Incentive Scheme and the 50 per cent of 2018–19 Net Premium was deferred to January 2022.

Composition of Incentive Fund (US\$ thousands)	2021	2020
Interest earned in current year	90	84
Interest earned in prior years	406	337
Total interest earned	496	421
50 per cent of net premium from 2018–19	8 034	8 325
50 per cent of net premium from 2020–21	12 544	-
Total available in Incentive Fund	21 074	8 746

Note 17 – Other current liabilities

- 113.** Other current liabilities at the reporting date are as follows:

(US\$ thousands)	2021	2020
Pass-through funds held as administrative agent	5 535	4 311
Provisions for contingencies	144	56
Other	1 384	1 677
Total other current liabilities	7 063	6 044

- 114.** 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.

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

(US\$ thousands)	2021	2020
Balance as at 1 January	56	97
Additional provisions raised during the period	95	11
Provisions used during the period	(7)	(46)
Unused provisions reversed during the period	-	(6)
Balance as at 31 December	144	56

Note 18 – Reserves and accumulated balances

116. 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, subject to prior Governing Body approval, to meet emergencies.
 - **Income Adjustment Account:** to provide temporary internal 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.
 - **Extrabudgetary reserve:** to finance costs incurred in connection with development cooperation projects not reimbursed by donors.
 - **SHIF Guarantee Fund:** to meet solvency needs.
 - **ASHI Liability Reserve:** established to partially fund the ASHI liability.
 - **ITC’s Working Capital Fund:** established in accordance with the Financial Regulations of the ITC.
- **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.
 - **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.

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

(US\$ thousands)	2021	2020
Reserves		
Working Capital Fund	14 450	3 856
Income Adjustment Account	69 386	72 940
Terminal Benefit Fund	53 704	59 051
Fidelity Guarantee Fund	1 392	1 391
Extra-budgetary Fund	25	25
SHIF Guarantee Fund	67 325	71 199
ASHI Liability Reserve	27 593	10 668
ITC's Working Capital Fund	2 270	2 454
Total reserves	236 145	221 584
Accumulated balances		
Employee benefits	(1 598 216)	(1 693 191)
Revaluation surplus of land and buildings	403 534	396 140
Value of outstanding derivatives	4 373	(21 787)
Translation difference	(3 540)	(2 588)
Accumulated surplus	253 917	342 038
Total accumulated balances	(939 932)	(979 388)
Total net assets	(703 787)	(757 804)

Note 19 – Expenses

118. The ILO has the following main categories of expenses as presented in statement II:

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

- **Contributions and grants in aid:** covers expenses under regular budget development cooperation activities and contributions made to jointly funded bodies.
- **Finance expenses:** includes bank charges and custody fees paid in connection with the management of ILO bank accounts, disbursements and investments together with adjustments relating to discounting of non-current receivables and borrowings.
- **Other expenses:** expenses that cannot be reported under the classifications above.

Note 20 – Financial instruments

119. 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)
Contributions receivable – Assessed	Loans and receivables	Amortized cost
Contributions receivable – Voluntary	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

120. 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).

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

Financial risk management

122. 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

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

Currency risk

- 124.** 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.
- 125.** The ILO is exposed to foreign exchange risk on revenues and expenses denominated in foreign currencies, predominately Swiss francs along with minor exposure to other currencies. The ILO's primary objectives in managing currency risk are to preserve cash flows and reduce variations in performance from the negative impact of exchange rate fluctuation.
- 126.** 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.
- 127.** The ILO also enters into forward purchase agreements to hedge the non-Swiss franc investments (excluding 35 per cent, with a tolerance of +/-5 per cent, in US dollar investments) held on behalf of the SHIF against currency gains or losses, since the SHIF's liabilities are predominately Swiss franc and US dollar based.
- 128.** 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.
- 129.** The table below shows the impact on surplus/deficit and net assets as of 31 December 2021, if the major currencies to which the Organization was exposed, weakened or strengthened by 5 per cent against the US dollar:

(US\$ thousands)	CHF ¹ denominated	EURO ² denominated
5 per cent depreciation of the foreign currency against US\$:		
Impact on surplus/deficit: Financial assets and liabilities other than derivative instruments	(20 965)	(965)
Impact on net assets: Derivative instruments	16 947	-
5 per cent appreciation of the foreign currency against US\$:		
Impact on surplus/deficit: Financial assets and liabilities other than derivative instruments	23 172	1 066
Impact on net assets: Derivative instruments	(18 730)	-

¹ The UN operational rate of exchange was US\$1 = CHF0.915 as at 31 December 2021.

² The UN operational rate of exchange was US\$1 = €0.881 as at 31 December 2021.

- 130.** 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.
- 131.** 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

- 132.** 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.

133. The ILO is exposed to interest rate risk through its interest-bearing financial assets and fixed-income instruments. The impact of an increase or decrease in interest rates by 50 basis points is estimated as an increase or decrease on the surplus/deficit of the year by US\$4.83 million. 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

134. 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.

135. 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.

136. 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.

137. 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.

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

Credit rating ¹	Cash and cash equivalents		Investments	
	Carrying amount (US\$ thousands)	%	Carrying amount (US\$ thousands)	%
AAA	-	-	1 002	0.1
AA	73 914	24.8	210 502	21.9
A	209 072	70.2	436 828	45.4
BBB	8 805	3.0	-	-
<BBB	4 889	1.6	-	-
Not rated	1 135 ²	0.4	313 334 ³	32.6
Total	297 815	100.0	961 666	100.0

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

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

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

139. The ILO manages its exposure to derivative counterparty credit risk by contracting primarily with reputable financial institutions (A rated). As at the end of the year, the rating of derivatives counterparties was BBB+ to AA within a maximum exposure of US\$5.66 million.

140. The ILO is not exposed to material credit risk related to account receivables as contributions are due primarily from large regulatory or governmental bodies. Amounts receivable related to the sale of land are guaranteed by a bank guarantee of payment in favour of the ILO.

Liquidity risk

- 141.** Liquidity risk is the risk that the ILO will encounter difficulties in meeting its financial obligations associated with financial liabilities.
- 142.** The ILO manages liquidity risk by continuously monitoring actual and estimated cash flows. The ILO's total current assets of US\$1,378.2 million are sufficient to settle its current financial liabilities of US\$989.9 million. On an ongoing basis, it is anticipated that the ILO will continue to have sufficient liquidity to meet its financial obligations.

Capital management

- 143.** 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.
- 144.** The ILO manages its capital structure in light of global economic conditions, the risk characteristics of the underlying assets and working capital requirements. The ILO manages its capital by reviewing on a regular basis the actual results against the budgets approved by Member States.

Note 21 – Operating leases

- 145.** 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.
- 146.** The total amount paid by the ILO to other UN agencies for leases under cost-sharing agreements based on the reimbursement of actual cost incurred was US\$2.36 million in 2021 (US\$2.58 million in 2020).
- 147.** The total amount of lease and sublease expense recognized in 2021 was US\$12.28 million (US\$11.84 million in 2020).
- 148.** Future minimum lease rental payments for non-cancellable leases for the following periods are:

(US\$ thousands)	2021	2020
Within one year	395	433
Later than one year and not later than five years	790	1 184
Later than five years	-	-
Total operating lease commitments	1 185	1 617

- 149.** The total amount of rent earned under contingent lease agreements in 2021 was US\$0.40 million (US\$0.35 million in 2020), comprising an ITC cost-sharing agreement with other UN agencies with the rent based on reimbursement of actual cost incurred and a profit-sharing agreement with the catering operator in the Geneva premises based on a percentage of revenue.

Note 22 – Statement of comparison of budget and actual amounts

- 150.** 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.

- 151.** 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

- 152.** 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

- 153.** 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

- 154.** 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.

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

(US\$ thousands)	Regular budget	CINTERFOR	ITC	Other funds and eliminations	Total
Net result per budgetary basis (Statement V)	(23 801)	229	6 412	-	(17 160)
Less: Timing difference	35 782	(101)	(2 472)	-	33 209
Adjusted net result	11 981	128	3 940	-	16 049
Reconciling items from budgetary basis to IPSAS basis:					
Revaluation of deficit financing	(1 285)	-	-	-	(1 285)
Treatment of exchange differences	12 886	-	(821)	-	12 065
Provision for assessed contributions receivable	(25 412)	-	-	-	(25 412)
Amortization of receivable from Member States with financial arrangement	143	-	-	-	143
Funding of postponed 2020–21 meetings in 2022–23 from 2020–21 underspending	3 238	-	-	-	3 238
Recognition of property and equipment	922	(3)	(318)	-	601
Recognition of intangible assets	280	-	-	-	280
Accrual of employee benefits	(1 668)	218	-	-	(1 450)
Provision for contingencies	(88)	-	-	-	(88)
Unrealized gain from forward purchase agreements	(8 570)	-	-	-	(8 570)
Accrual for ITC training and other services	(176)	-	-	-	(176)
Use of prior year surplus (ITC)	-	-	(110)	-	(110)
Entity difference (ITC)	-	-	4 948	-	4 948
Subsidiary funds	-	-	-	(48 519)	(48 519)
Total difference	(19 730)	215	3 699	(48 519)	(64 335)
Net result per IPSAS basis	(7 749)	343	7 639	(48 519)	(48 286)

156. The following table provides a reconciliation between statement V and statement IV for the year ended 31 December 2021:

(US\$ thousands)	Operating activities	Investing activities	Financing activities	Total
Net surplus (deficit) on a budgetary basis (Statement V)	(17 159)	-	-	(17 159)
Timing difference	33 208	-	-	33 208
Basis difference	(21 644)	881	-	(20 763)
Entity difference	87 619	(106 727)	(6 546)	(25 654)
Net consolidated cash flows (Statement IV)	82 024	(105 846)	(6 546)	(30 368)
Effect of exchange rates on cash and cash equivalents				5 663
Net decrease in cash and cash equivalents				(24 705)

Note 23 – Related party disclosures

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

Category	2021		2020	
	Individuals *	Remuneration (US\$ thousands)	Individuals *	Remuneration (US\$ thousands)
Key management	13.0	4 666	12.7	4 732

* Full-time equivalent.

- 159.** There were US\$0.02 million of new advances granted in 2021 and outstanding to key management personnel as of 31 December 2021.
- 160.** There were no loans or advances granted to key management personnel and their close family members which were not available to other categories of staff in accordance with ILO Staff Regulations.
- 161.** There were related party transactions involving key management personnel in 2021 totalling US\$0.13 million (US\$0.12 million in 2020). All such transactions are under terms and conditions that would apply in the normal course of operations.

Note 24 – Non-exchange transactions

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

(US\$ thousands)	2021	2020
Assessed contributions from Member States	444 990	399 158
Voluntary contributions to development cooperation projects, RBSA, and gifts and grants	379 307	303 191
ITC training services and other non-exchange revenue	15 070	11 772
Total revenue from non-exchange transactions	839 367	714 121
Receivables from assessed contributions (note 5)	142 917	168 091
Receivables from voluntary contributions (note 6)	458 685	536 450
Total receivables from non-exchange transactions	601 602	704 542
Liabilities recognized for conditional voluntary contributions (note 13)	455 424	531 665
Liabilities recognized for ITC training services (note 13)	12 376	12 787
Advance receipts from assessed contributions (note 13)	43 033	40 647
Total liabilities from non-exchange transactions	510 833	585 099

Note 25 – Contingent assets and liabilities and commitments

Contingent assets

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

(US\$ thousands)	2021
Member State contribution assessed for 2022–23 *	852 760
Revenue from voluntary ITC training services covering future periods	10 159
Contributions to the RBSA covering future periods	10 216
Total contingent assets	873 135
* CHF767.48 million at the budget rate of exchange of US\$1 = CHF 0.90 adopted by the ILO for the 2022–23 biennium.	

Contingent liabilities

164. The ILO has contingent liabilities of US\$0.20 million for claims or legal actions related to the ILO Administrative Tribunal as at 31 December 2021 (US\$0.28 million as at 31 December 2020).

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

Commitments

166. Outstanding contracts for renovation of the headquarters building and refurbishment works in Santiago totalled US\$19.93 million as at 31 December 2021 (US\$1.15 million as at 31 December 2020). The ITC had commitments related to future of US\$2.92 million as at 31 December 2021 (US\$2.13 million as at 31 December 2020).

167. Future minimum lease rental payments for non-cancellable leases are presented in note 21.

Note 26 – Contributions in kind

168. 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
	Dakar	Government of Senegal
	CINTERFOR, Montevideo	Government of Uruguay

Note 27 – Reclassifications

169. In statement II – Consolidated statement of financial performance, two amounts from the ITC's operations have been reclassified in the comparative figures of 2020: €0.03 million (US\$0.03 million) previously under the line item Salaries, employee benefits and other personnel costs has been reclassified to the line item Supplies, materials and small equipment, and €0.04 million (US\$0.05 million) previously under the line item Seminars, workshops and other training has been reclassified to General operating expenses.

170. In note 14 – Employee Benefits table describing the change in present value of the defined benefit obligation for ASHI, the allocation of actuarial gains and losses between categories of experience and assumption changes in the comparative figures of 2020 was revised to align with the methodology used by the actuary for the 2021 results. This reapportionment does not impact the total actuarial gains and losses recognized in net assets.

Note 28 – Segment reporting

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

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

► Consolidated statement of financial performance by segment for the year ended 31 December 2021 (US\$ thousands)

	Funds with approved budgets:				Voluntary contribution activities	Subsidiary funds	Intersegments transfers elimination	Total
	Regular budget	CINTERFOR	ITC	Subtotal				
Revenue								
Assessed contributions	444 990	-	-	444 990	-	-	-	444 990
Voluntary contributions	-	1 784	17 036	18 820	365 419	36 648	(41 580)	379 307
ITC training services	-	-	31 103	31 103	-	-	(17 219)	13 884
Programme support income	-	-	-	-	-	32 916	(32 916)	-
Staff/retiree benefit contributions	-	-	-	-	-	53 288	(28 905)	24 383
Sales and royalties	-	-	2 161	2 161	8 253	10 461	(3 619)	17 256
Investment income	-	5	66	71	132	5 742	-	5 945
Other income	16	-	538	554	-	2 932	(10)	3 476
Total revenue	445 006	1 789	50 904	497 699	373 804	141 987	(124 249)	889 241
Expenses								
Salaries, employee benefits and other personnel costs	278 912	1 116	25 007	305 035	135 041	90 360	(23 518)	506 918
Travel	1 613	33	279	1 925	2 558	542	(8)	5 017
Subcontracts	42 510	139	12 028	54 677	157 649	3 715	(3 537)	212 504
General operating expenses	29 001	97	4 003	33 101	9 677	1 909	(1 413)	43 274
Supplies, materials and small equipment	6 159	28	874	7 061	6 355	674	(150)	13 940
Depreciation and amortization	1 285	3	849	2 137	-	9 470	-	11 607
Seminars, workshops and other training	8 538	13	1 293	9 844	18 845	247	(10 996)	17 940
Staff development	2 380	10	-	2 390	-	-	(716)	1 674
Health benefits	-	-	-	-	-	53 820	-	53 820
Contributions and grants in aid	43 494	-	-	43 494	11 723	13 595	(50 395)	18 417
Programme support costs	-	-	-	-	33 516	-	(33 516)	-
Finance expenses	(143)	3	54	(86)	38	3 115	-	3 067
Other expenses	176	-	-	176	-	332	-	508
Total expenses	413 925	1 442	44 387	459 754	375 402	177 779	(124 249)	888 686
Foreign exchange gains/(losses)	(38 830)	(4)	1 122	(37 712)	(138)	(10 991)	-	(48 841)
Net surplus (deficit)	(7 749)	343	7 639	233	(1 736)	(46 783)	-	(48 286)

► Consolidated statement of financial performance by segment for the year ended 31 December 2020 (US\$ thousands)

	Funds with approved budgets:				Voluntary contribution activities	Subsidiary funds	Intersegments transfers elimination	Total
	Regular budget	CINTERFOR	ITC	Subtotal				
Revenue								
Assessed contributions	399 158	-	-	399 158	-	-	-	399 158
Voluntary contributions	-	1 544	15 916	17 460	290 701	39 315	(44 285)	303 191
ITC training services	-	-	20 344	20 344	-	-	(9 483)	10 861
Programme support income	-	-	-	-	-	26 350	(26 350)	-
Staff/retiree benefit contributions	-	-	-	-	-	50 215	(27 252)	22 963
Sales and royalties	-	-	917	917	8 892	6 465	(1 562)	14 712
Investment income	-	18	122	140	2 638	10 041	-	12 819
Gain on sale of investment property	-	-	-	-	-	4 739	-	4 739
Other income	(2)	8	709	715	-	156 122	(155 167)	1 670
Total revenue	399 156	1 570	38 008	438 734	302 231	293 247	(264 099)	770 113
Expenses								
Salaries, employee benefits and other personnel costs	255 588	1 254	23 037	279 879	117 715	97 546	(22 780)	472 360
Travel	1 678	17	319	2 014	2 686	532	(5)	5 227
Subcontracts	22 244	149	6 720	29 113	113 956	1 249	(1 727)	142 591
General operating expenses	26 028	89	3 179	29 296	9 852	2 539	(1 227)	40 460
Supplies, materials and small equipment	3 530	6	498	4 034	6 858	127	(110)	10 909
Depreciation and amortization	1 529	12	931	2 472	-	8 059	-	10 531
Seminars, workshops and other training	3 835	2	1 223	5 060	14 555	150	(5 637)	14 128
Staff development	1 482	10	-	1 492	-	-	(439)	1 053
Health benefits	-	-	-	-	-	45 601	-	45 601
Contributions and grants in aid	47 779	-	-	47 779	3 791	171 123	(205 293)	17 400
Programme support costs	-	-	-	-	26 880	1	(26 881)	-
Finance expenses	(115)	3	39	(73)	313	2 174	-	2 414
Other expenses	4 292	-	-	4 292	-	2 324	-	6 616
Total expenses	367 870	1 542	35 946	405 358	296 606	331 425	(264 099)	769 290
Foreign exchange gains/(losses)	34 555	(2)	(784)	33 769	(213)	21 935	-	55 491
Net surplus (deficit)	65 841	26	1 278	67 145	5 412	(16 243)	-	56 314

Note 29 – 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 2021 (in Swiss francs)

Details	Balance due as at 1.1.2020 ¹	Assessed Contributions 2020–21	Total amounts due	Amount received or credited			Balance due as at 31.12.2021
				2020 ²	2021	Total income	
A. Assessed contributions for the financial period 2020–21:							
2020 – Assessed with the budget		395 320 000	395 320 000	275 250 810	100 642 448	375 893 258	19 426 742
2021 – Assessed with the budget		395 320 000	395 320 000	–	285 252 002	285 252 002	110 067 998
Total assessed contributions for the financial period 2020–21		790 640 000	790 640 000	275 250 810	385 894 450	661 145 260	129 494 740
B. Assessed contributions for previous financial periods due from Member States	164 651 724	–	164 651 724	117 444 924	23 895 362	141 340 286	23 311 438
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	171 267 413	–	171 267 413	117 444 924	23 895 362	141 340 286	29 927 127
Total 2020–21	171 267 413	790 640 000	961 907 413	392 695 734	409 789 812	802 485 546	159 421 867
Total 2018–19	165 378 967	760 596 400	925 975 367	436 807 910	317 900 044	754 707 954	171 267 413

Balance in US dollars at the United Nations rate of exchange for 31 December 2021 (0.915 Swiss francs to the dollar)

Less: prepayments of financial arrangements

Assessed contributions receivable in US dollars

⁽¹⁾ Excludes assessed contributions for 2020–21.

⁽²⁾ Includes credits to Member States in respect of:

The incentive scheme for 2018

50 per cent Net Premium for prior years

Surplus for prior years

Total credits

2020

236 798

2 202 107

3 673

2 442 578

174 231 549

(158 097)

174 073 452

Note 30 – 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 ending 31 December 2021 (in Swiss francs)

State	2020–21 Assessed Contributions							Amounts due for previous financial periods				Calendar years of assessment	Total due as at 31.12.2021	
	2020				2021			Balance due as at 31.12.2021	Balance due as at 01.01.2020	Amounts received or credited				Balance due as at 31.12.2021
	Assessed contributions	Amounts received or credited		in 2021	Assessed contributions	Amounts received or credited				in 2020	in 2021			
%	Amount	in 2020			%	Amount	in 2021							
Afghanistan (2)	0.007	27 672	-	-	0.007	27 672	-	55 344	42 676	-	3 977	38 699	2018-21	94 043
Albania	0.008	31 626	31 626	-	0.008	31 626	31 626	-	30 344	30 344	-	-	-	-
Algeria	0.138	545 542	545 542	-	0.138	545 542	545 542	-	-	-	-	-	-	-
Angola	0.010	39 532	39 532	-	0.010	39 532	727	38 805	-	-	-	-	2021	38 805
Antigua and Barbuda	0.002	7 906	4 251	-	0.002	7 906	-	11 561	-	-	-	-	2020-21	11 561
Argentina	0.916	3 621 131	43 337	184	0.916	3 621 131	-	7 198 741	5 553 630	2 157 567	3 396 063	-	2020-21	7 198 741
Armenia	0.007	27 672	27 672	-	0.007	27 672	27 672	-	-	-	-	-	-	-
Australia	2.211	8 740 525	8 740 525	-	2.211	8 740 525	8 740 525	-	-	-	-	-	-	-
Austria	0.677	2 676 317	2 676 317	-	0.677	2 676 317	2 676 317	-	-	-	-	-	-	-
Azerbaijan (1)	0.049	193 707	193 707	-	0.049	193 707	193 707	-	1 663 418	247 743	283 135	1 132 540	1996-2005	1 132 540
Bahamas	0.018	71 158	71 158	-	0.018	71 158	71 158	-	-	-	-	-	-	-
Bahrain	0.050	197 660	178	197 482	0.050	197 660	197 660	-	-	-	-	-	-	-
Bangladesh	0.010	39 532	39 532	-	0.010	39 532	38 251	1 281	30	30	-	-	2021	1 281
Barbados	0.007	27 672	27 672	-	0.007	27 672	27 672	-	-	-	-	-	-	-
Belarus	0.049	193 707	193 707	-	0.049	193 707	193 707	-	-	-	-	-	-	-
Belgium	0.822	3 249 531	3 249 531	-	0.822	3 249 531	3 249 531	-	-	-	-	-	-	-
Belize	0.001	3 953	65	-	0.001	3 953	-	7 841	3 803	-	-	3 803	2019-21	11 644
Benin	0.003	11 860	11 860	-	0.003	11 860	11 860	-	34 170	34 170	-	-	-	-
Bolivia (Plurinational State of)	0.016	63 251	-	-	0.016	63 251	-	126 502	91 268	-	91 268	-	2020-21	126 502
Bosnia and Herzegovina	0.012	47 438	52	47 386	0.012	47 438	47 438	-	47 460	-	47 460	-	-	-
Botswana	0.014	55 345	55 345	-	0.014	55 345	55 345	-	-	-	-	-	-	-
Brazil	2.949	11 657 987	221 132	1 138 806	2.949	11 657 987	-	21 956 036	20 164 500	5 618 094	14 546 406	-	2020-21	21 956 036
Brunei Darussalam	0.025	98 830	98 830	-	0.025	98 830	98 830	-	-	-	-	-	-	-
Bulgaria	0.046	181 847	181 847	-	0.046	181 847	181 847	-	-	-	-	-	-	-

State	2020-21 Assessed Contributions							Amounts due for previous financial periods				Calendar years of assessment	Total due as at 31.12.2021	
	2020				2021			Balance due as at 31.12.2021	Balance due as at 01.01.2020	Amounts received or credited				Balance due as at 31.12.2021
	Assessed contributions	Amounts received or credited		in 2021	Assessed contributions	Amounts received or credited				in 2020	in 2021			
%	Amount	in 2020			%	Amount	in 2021							
Burkina Faso	0.003	11 860	11 860	-	0.003	11 860	11 860	-	-	-	-	-	-	
Burundi	0.001	3 953	3 953	-	0.001	3 953	2 778	1 175	-	-	-	2021	1 175	
Cabo Verde	0.001	3 953	3 953	-	0.001	3 953	3 953	-	-	-	-	-	-	
Cambodia	0.006	23 719	23 719	-	0.006	23 719	23 719	-	-	-	-	-	-	
Cameroon	0.013	51 392	-	16 062	0.013	51 392	-	86 722	79 842	-	79 842	2020-21	86 722	
Canada	2.735	10 812 002	10 812 002	-	2.735	10 812 002	10 812 002	-	-	-	-	-	-	
Central African Republic (1)	0.001	3 953	3 953	-	0.001	3 953	3 953	-	44 656	20 080	8 192	2000+ 2004-07	16 384	
Chad (2)	0.004	15 813	-	-	0.004	15 813	-	31 626	64 459	-	-	2016-21	96 085	
Chile	0.407	1 608 953	1 608 953	-	0.407	1 608 953	1 608 953	-	1 105 560	1 105 560	-	-	-	
China	12.010	47 477 932	47 477 932	-	12.010	47 477 932	47 477 932	-	-	-	-	-	-	
Colombia	0.288	1 138 522	528	1 137 994	0.288	1 138 522	1 138 522	-	2 854 365	1 429 995	1 424 370	-	-	
Comoros (2)	0.001	3 953	-	-	0.001	3 953	-	7 906	471 437	-	-	1986-2021	479 343	
Congo (2)	0.006	23 719	-	-	0.006	23 719	-	47 438	49 734	-	-	2017-21	97 172	
Cook Islands	0.001	3 953	3 953	-	0.001	3 953	3 953	-	-	-	-	-	-	
Costa Rica	0.062	245 098	194 417	50 681	0.062	245 098	111 081	134 017	-	-	-	2021	134 017	
Croatia	0.077	304 396	304 396	-	0.077	304 396	304 396	-	-	-	-	-	-	
Cuba	0.080	316 256	-	311 722	0.080	316 256	-	320 790	397 456	-	397 456	2020-21	320 790	
Cyprus	0.036	142 315	174	142 141	0.036	142 315	142 315	-	-	-	-	-	-	
Czechia	0.311	1 229 445	1 229 445	-	0.311	1 229 445	1 229 445	-	-	-	-	-	-	
Côte d'Ivoire	0.013	51 392	51 392	-	0.013	51 392	51 392	-	-	-	-	-	-	
Democratic Republic of the Congo (2)	0.010	39 532	-	-	0.010	39 532	-	79 064	83 438	-	-	2017-21	162 502	
Denmark	0.554	2 190 073	2 190 073	-	0.554	2 190 073	2 190 073	-	-	-	-	-	-	
Djibouti	0.001	3 953	115	-	0.001	3 953	-	7 791	8 584	8 584	-	2020-21	7 791	
Dominica (2)	0.001	3 953	9	-	0.001	3 953	-	7 897	41 299	3 803	-	2010-21	45 393	
Dominican Republic	0.053	209 520	209 137	383	0.053	209 520	209 520	-	4 253	4 253	-	-	-	
Ecuador	0.080	316 256	3 631	312 625	0.080	316 256	231 163	85 093	448 660	193 262	255 398	2021	85 093	
Egypt	0.186	735 295	735 295	-	0.186	735 295	735 295	-	-	-	-	-	-	
El Salvador	0.012	47 438	1 014	46 424	0.012	47 438	47 438	-	54 950	52 994	1 956	-	-	

State	2020-21 Assessed Contributions							Amounts due for previous financial periods				Calendar years of assessment	Total due as at 31.12.2021	
	2020				2021			Balance due as at 31.12.2021	Balance due as at 01.01.2020	Amounts received or credited				Balance due as at 31.12.2021
	Assessed contributions	Amounts received or credited		in 2021	Assessed contributions	Amounts received or credited				in 2020	in 2021			
%	Amount	in 2020			%	Amount	in 2021							
Equatorial Guinea	0.016	63 251	686	-	0.016	63 251	-	125 816	1 946	-	-	1 946	2019-21	127 762
Eritrea	0.001	3 953	3 953	-	0.001	3 953	3 953	-	3 724	3 724	-	-	-	-
Estonia	0.039	154 175	154 175	-	0.039	154 175	154 175	-	-	-	-	-	-	-
Eswatini	0.002	7 906	7 906	-	0.002	7 906	7 906	-	-	-	-	-	-	-
Ethiopia	0.010	39 532	654	37 851	0.010	39 532	-	40 559	38 179	38 015	164	-	2020-21	40 559
Fiji	0.003	11 860	11 860	-	0.003	11 860	10 081	1 779	-	-	-	-	2021	1 779
Finland	0.421	1 664 297	1 664 297	-	0.421	1 664 297	1 664 297	-	-	-	-	-	-	-
France	4.429	17 508 723	17 508 723	-	4.429	17 508 723	17 508 723	-	-	-	-	-	-	-
Gabon	0.015	59 298	-	59 298	0.015	59 298	-	59 298	373 946	-	373 946	-	2021	59 298
Gambia (2)	0.001	3 953	-	-	0.001	3 953	-	7 906	75 373	-	63 035	12 338	2016-21	20 244
Georgia	0.008	31 626	31 626	-	0.008	31 626	31 626	-	-	-	-	-	-	-
Germany	6.093	24 086 848	24 086 848	-	6.093	24 086 848	24 086 848	-	-	-	-	-	-	-
Ghana	0.015	59 298	50 801	-	0.015	59 298	-	67 795	913	913	-	-	2020-21	67 795
Greece	0.366	1 446 871	1 446 234	637	0.366	1 446 871	1 446 854	17	504	504	-	-	2021	17
Grenada	0.001	3 953	48	3 905	0.001	3 953	3 953	-	22 551	18 701	3 850	-	-	-
Guatemala	0.036	142 315	142 315	-	0.036	142 315	142 315	-	-	-	-	-	-	-
Guinea	0.003	11 860	-	-	0.003	11 860	-	23 720	7 520	-	-	7 520	2018-21	31 240
Guinea-Bissau (2)	0.001	3 953	-	-	0.001	3 953	-	7 906	286 995	-	-	286 995	1992-2001+ 2003-21	294 901
Guyana	0.002	7 906	7 906	-	0.002	7 906	7 906	-	-	-	-	-	-	-
Haiti	0.003	11 860	11 860	-	0.003	11 860	11 860	-	-	-	-	-	-	-
Honduras	0.009	35 579	30 944	4 635	0.009	35 579	28 120	7 459	-	-	-	-	2021	7 459
Hungary	0.206	814 359	814 359	-	0.206	814 359	759 221	55 138	-	-	-	-	2021	55 138
Iceland	0.028	110 690	110 690	-	0.028	110 690	110 690	-	-	-	-	-	-	-
India	0.835	3 300 922	3 300 922	-	0.835	3 300 922	3 300 922	-	-	-	-	-	-	-
Indonesia	0.543	2 146 588	1 936	2 144 652	0.543	2 146 588	2 146 588	-	-	-	-	-	-	-
Iran (Islamic Republic of)	0.398	1 573 374	-	-	0.398	1 573 374	-	3 146 748	3 478 611	-	1 687 408	1 791 203	2019-21 1998-2007+	4 937 951
Iraq (1)	0.129	509 963	509 963	-	0.129	509 963	-	509 963	2 440 910	307 521	-	2 133 389	2021	2 643 352
Ireland	0.371	1 466 637	1 466 637	-	0.371	1 466 637	1 466 637	-	-	-	-	-	-	-

State	2020-21 Assessed Contributions							Amounts due for previous financial periods				Calendar years of assessment	Total due as at 31.12.2021	
	2020				2021			Balance due as at 31.12.2021	Balance due as at 01.01.2020	Amounts received or credited				Balance due as at 31.12.2021
	Assessed contributions	Amounts received or credited		in 2021	Assessed contributions	Amounts received or credited				in 2020	in 2021			
%	Amount	in 2020			%	Amount	in 2021							
Israel	0.490	1 937 068	1 937 068	-	0.490	1 937 068	1 937 068	-	786 353	786 353	-	-	-	
Italy	3.309	13 081 139	13 081 139	-	3.309	13 081 139	13 081 139	-	-	-	-	-	-	
Jamaica	0.008	31 626	38	31 588	0.008	31 626	31 626	-	-	-	-	-	-	
Japan	8.568	33 871 018	33 871 018	-	8.568	33 871 018	33 871 018	-	-	-	-	-	-	
Jordan	0.021	83 017	83 017	-	0.021	83 017	83 017	-	-	-	-	-	-	
Kazakhstan	0.178	703 670	703 670	-	0.178	703 670	703 670	-	257 342	257 342	-	-	-	
Kenya	0.024	94 877	94 877	-	0.024	94 877	94 877	-	68 454	68 454	-	-	-	
Kiribati	0.001	3 953	2	3 951	0.001	3 953	3 827	126	84	-	84	2021	126	
Kuwait	0.252	996 206	996 152	54	0.252	996 206	996 206	-	54	54	-	-	-	
Kyrgyzstan (1)	0.002	7 906	9	7 897	0.002	7 906	-	7 906	1 049 691	31 940	34 312	1993-2017+	991 345	
Lao People's Democratic Republic	0.005	19 766	172	19 594	0.005	19 766	19 766	-	3 653	-	3 653	2021	-	
Latvia	0.047	185 800	185 800	-	0.047	185 800	185 800	-	-	-	-	-	-	
Lebanon	0.047	185 800	86	122 521	0.047	185 800	-	248 993	357 844	344 892	12 952	2020-21	248 993	
Lesotho	0.001	3 953	3 953	-	0.001	3 953	3 953	-	-	-	-	-	-	
Liberia	0.001	3 953	3 953	-	0.001	3 953	3 953	-	-	-	-	-	-	
Libya (2)	0.030	118 596	289	-	0.030	118 596	-	236 903	1 424 195	475 373	-	948 822	2018-21	1 185 725
Lithuania	0.071	280 677	280 677	-	0.071	280 677	280 677	-	-	-	-	-	-	
Luxembourg	0.067	264 864	264 864	-	0.067	264 864	264 864	-	-	-	-	-	-	
Madagascar	0.004	15 813	379	-	0.004	15 813	-	31 247	-	-	-	2020-21	31 247	
Malawi	0.002	7 906	-	-	0.002	7 906	-	15 812	15 358	14 667	-	691	2019-21	16 503
Malaysia	0.341	1 348 041	1 348 041	-	0.341	1 348 041	1 348 041	-	-	-	-	-	-	
Maldives	0.004	15 813	98	15 715	0.004	15 813	15 813	-	-	-	-	-	-	
Mali	0.004	15 813	15 813	-	0.004	15 813	15 813	-	-	-	-	-	-	
Malta	0.017	67 204	67 204	-	0.017	67 204	67 204	-	5	5	-	-	-	
Marshall Islands	0.001	3 953	3 953	-	0.001	3 953	-	3 953	-	-	-	2021	3 953	
Mauritania	0.002	7 906	-	7 906	0.002	7 906	7 906	-	151	-	151	-	-	
Mauritius	0.011	43 485	43 485	-	0.011	43 485	43 485	-	44	44	-	-	-	
Mexico	1.293	5 111 488	107 247	5 004 241	1.293	5 111 488	5 111 488	-	5 461 082	5 461 082	-	-	-	

State	2020-21 Assessed Contributions						Amounts due for previous financial periods				Calendar years of assessment	Total due as at 31.12.2021		
	2020			2021			Balance due as at 31.12.2021	Balance due as at 01.01.2020	Amounts received or credited				Balance due as at 31.12.2021	
	Assessed contributions	Amounts received or credited		Assessed contributions	Amounts received or credited				in 2020	in 2021				
%	Amount	in 2020	in 2021	%	Amount	in 2021								
Mongolia	0.005	19 766	19 766	-	0.005	19 766	19 766	-	-	-	-	-	-	
Montenegro	0.004	15 813	15 813	-	0.004	15 813	15 813	-	-	-	-	-	-	
Morocco	0.055	217 426	217 426	-	0.055	217 426	217 426	-	-	-	-	-	-	
Mozambique	0.004	15 813	15 813	-	0.004	15 813	15 813	-	14 496	14 496	-	-	-	
Myanmar	0.010	39 532	38 341	1 191	0.010	39 532	39 532	-	872	872	-	-	-	
Namibia	0.009	35 579	35 579	-	0.009	35 579	35 579	-	-	-	-	-	-	
Nepal	0.007	27 672	27 516	-	0.007	27 672	-	27 828	23 106	23 106	-	-	2020-21	27 828
Netherlands	1.357	5 364 493	5 364 493	-	1.357	5 364 493	5 364 493	-	-	-	-	-	-	-
New Zealand	0.291	1 150 381	1 150 381	-	0.291	1 150 381	1 150 381	-	-	-	-	-	-	-
Nicaragua	0.005	19 766	19 766	-	0.005	19 766	19 766	-	-	-	-	-	-	-
Niger	0.002	7 906	3 040	-	0.002	7 906	-	12 772	-	-	-	-	2020-21	12 772
Nigeria	0.250	988 300	557 863	212 939	0.250	988 300	-	1 205 798	1 170 267	1 170 267	-	-	2020-21	1 205 798
North Macedonia	0.007	27 672	27 672	-	0.007	27 672	27 672	-	-	-	-	-	-	-
Norway	0.754	2 980 713	2 980 713	-	0.754	2 980 713	2 980 713	-	-	-	-	-	-	-
Oman	0.115	454 618	454 618	-	0.115	454 618	454 618	-	-	-	-	-	-	-
Pakistan	0.115	454 618	439 505	15 113	0.115	454 618	433 591	21 027	35 008	35 008	-	-	2021	21 027
Palau (2)	0.001	3 953	-	-	0.001	3 953	-	7 906	7 775	-	-	7 775	2017-21	15 681
Panama	0.045	177 894	177 582	312	0.045	177 894	177 894	-	16 858	16 858	-	-	-	-
Papua New Guinea (2)	0.010	39 532	-	-	0.010	39 532	-	79 064	15 212	-	-	15 212	2019-21	94 276
Paraguay (1)	0.016	63 251	3 780	59 471	0.016	63 251	-	63 251	301 325	2 531	42 912	255 882	2000-03+ 2011-13+ 2021	319 133
Peru	0.152	600 886	-	447 550	0.152	600 886	-	754 222	352 310	297 178	55 132	-	2020-21	754 222
Philippines	0.205	810 406	810 406	-	0.205	810 406	810 406	-	-	-	-	-	-	-
Poland	0.802	3 170 467	3 170 467	-	0.802	3 170 467	3 170 467	-	-	-	-	-	-	-
Portugal	0.350	1 383 620	1 383 620	-	0.350	1 383 620	1 383 620	-	-	-	-	-	-	-
Qatar	0.282	1 114 803	1 114 803	-	0.282	1 114 803	1 114 803	-	-	-	-	-	-	-
Republic of Korea	2.268	8 965 858	7 697 149	1 268 709	2.268	8 965 858	8 261 967	703 891	-	-	-	-	2021	703 891
Republic of Moldova (1)	0.003	11 860	11 860	-	0.003	11 860	11 860	-	818 802	136 467	136 467	545 868	1997-2004	545 868
Romania	0.198	782 734	782 734	-	0.198	782 734	782 734	-	9	9	-	-	-	-

State	2020-21 Assessed Contributions							Amounts due for previous financial periods				Calendar years of assessment	Total due as at 31.12.2021	
	2020				2021			Balance due as at 31.12.2021	Balance due as at 01.01.2020	Amounts received or credited				Balance due as at 31.12.2021
	Assessed contributions	Amounts received or credited		Assessed contributions	Amounts received or credited		in 2020			in 2021				
%	Amount	in 2020	in 2021		%	Amount	in 2021		in 2020	in 2021				
Russian Federation	2.406	9 511 399	7 982 244	1 529 155	2.406	9 511 399	9 511 399	-	-	-	-	-	-	
Rwanda	0.003	11 860	11 860	-	0.003	11 860	-	11 860	8 217	8 217	-	-	2021	11 860
Saint Kitts and Nevis	0.001	3 953	3 953	-	0.001	3 953	3 947	6	-	-	-	-	2021	6
Saint Lucia	0.001	3 953	-	3 953	0.001	3 953	3 953	-	7 419	-	7 419	-	-	-
Saint Vincent and the Grenadines	0.001	3 953	67	3 886	0.001	3 953	3 953	-	1 434	-	1 434	-	-	-
Samoa	0.001	3 953	3 953	-	0.001	3 953	3 953	-	-	-	-	-	-	-
San Marino	0.002	7 906	7 906	-	0.002	7 906	7 906	-	-	-	-	-	-	-
Sao Tome and Principe (2)	0.001	3 953	-	-	0.001	3 953	-	7 906	204 697	-	-	204 697	1995-2021	212 603
Saudi Arabia	1.173	4 637 104	4 637 104	-	1.173	4 637 104	4 637 104	-	-	-	-	-	-	-
Senegal	0.007	27 672	-	27 003	0.007	27 672	-	28 341	21 828	-	21 828	-	2020-21	28 341
Serbia	0.028	110 690	110 690	-	0.028	110 690	110 690	-	-	-	-	-	-	-
Seychelles	0.002	7 906	7 906	-	0.002	7 906	7 906	-	-	-	-	-	-	-
Sierra Leone (1)	0.001	3 953	1 242	2 711	0.001	3 953	3 203	750	265 992	-	26 600	239 392	1993-2019+ 2021	240 142
Singapore	0.485	1 917 302	1 917 302	-	0.485	1 917 302	1 917 302	-	-	-	-	-	-	-
Slovakia	0.153	604 840	604 840	-	0.153	604 840	604 840	-	-	-	-	-	-	-
Slovenia	0.076	300 443	300 443	-	0.076	300 443	300 443	-	-	-	-	-	-	-
Solomon Islands (2)	0.001	3 953	-	-	0.001	3 953	-	7 906	45 280	11 544	18 468	15 268	2015-21	23 174
Somalia (1)	0.001	3 953	-	3 953	0.001	3 953	-	3 953	419 546	-	34 444	385 102	1989-2019+ 2021	389 055
South Africa	0.272	1 075 270	1 075 270	-	0.272	1 075 270	1 075 270	-	-	-	-	-	-	-
South Sudan	0.006	23 719	23 719	-	0.006	23 719	23 719	-	97 982	97 982	-	-	-	-
Spain	2.147	8 487 521	8 487 521	-	2.147	8 487 521	8 487 521	-	-	-	-	-	-	-
Sri Lanka	0.044	173 941	173 941	-	0.044	173 941	173 941	-	-	-	-	-	-	-
Sudan	0.010	39 532	20	-	0.010	39 532	-	79 044	80 902	-	61 489	19 413	2019-21	98 457
Suriname	0.005	19 766	8	19 758	0.005	19 766	3 892	15 874	61 506	-	61 506	-	2021	15 874
Sweden	0.907	3 585 553	3 585 553	-	0.907	3 585 553	3 585 553	-	-	-	-	-	-	-
Switzerland	1.152	4 554 087	4 554 087	-	1.152	4 554 087	4 554 087	-	-	-	-	-	-	-
Syrian Arab Republic	0.011	43 485	-	4 051	0.011	43 485	-	82 919	134 642	72 280	62 362	-	2020-21	82 919

State	2020-21 Assessed Contributions							Amounts due for previous financial periods				Calendar years of assessment	Total due as at 31.12.2021	
	2020				2021			Balance due as at 31.12.2021	Balance due as at 01.01.2020	Amounts received or credited				Balance due as at 31.12.2021
	Assessed contributions	Amounts received or credited		Assessed contributions	Amounts received or credited		in 2020			in 2021				
%	Amount	in 2020	in 2021		%	Amount	in 2021			in 2020	in 2021			
Tajikistan (2)	0.004	15 813	-	-	0.004	15 813	-	31 626	451 469	40 813	45 930	364 726	1996-2021	396 352
Thailand	0.307	1 213 633	1 213 633	-	0.307	1 213 633	1 213 633	-	-	-	-	-	-	-
Timor-Leste	0.002	7 906	4	7 902	0.002	7 906	7 902	4	23 383	-	23 383	-	2021	4
Togo	0.002	7 906	7 906	-	0.002	7 906	7 906	-	-	-	-	-	-	-
Tonga	0.001	3 953	61	-	0.001	3 953	-	7 845	26	-	-	26	2019-21	7 871
Trinidad and Tobago	0.040	158 128	158 128	-	0.040	158 128	158 128	-	-	-	-	-	-	-
Tunisia	0.025	98 830	98 830	-	0.025	98 830	98 830	-	-	-	-	-	-	-
Turkey	1.372	5 423 791	5 423 791	-	1.372	5 423 791	5 423 791	-	-	-	-	-	-	-
Turkmenistan	0.033	130 456	130 456	-	0.033	130 456	130 456	-	94 312	94 312	-	-	-	-
Tuvalu (2)	0.001	3 953	-	-	0.001	3 953	-	7 906	7 651	-	-	7 651	2017-21	15 557
Uganda	0.008	31 626	28 987	2 639	0.008	31 626	69	31 557	68	68	-	-	2021	31 557
Ukraine	0.057	225 332	225 332	-	0.057	225 332	225 332	-	632 943	316 472	316 471	-	-	-
United Arab Emirates	0.616	2 435 171	2 184 073	251 098	0.616	2 435 171	2 435 171	-	-	-	-	-	-	-
United Kingdom	4.569	18 062 171	18 062 171	-	4.569	18 062 171	18 062 171	-	-	-	-	-	-	-
United Rep. of Tanzania	0.010	39 532	39 189	343	0.010	39 532	39 532	-	-	-	-	-	-	-
United States	22.000	86 970 400	1 439 111	85 531 289	22.000	86 970 400	1 439 111	85 531 289	96 209 718	96 209 718	-	-	2021	85 531 289
Uruguay	0.087	343 928	-	343 928	0.087	343 928	343 928	-	-	-	-	-	-	-
Uzbekistan (1)	0.032	126 502	126 502	-	0.032	126 502	16 986	109 516	975 200	149 800	188 000	637 400	2000-14+ 2021	746 916
Vanuatu	0.001	3 953	50	-	0.001	3 953	-	7 856	221	-	-	221	2019-21	8 077
Venezuela (Bolivarian Republic of) (2)	0.728	2 877 930	-	-	0.728	2 877 930	-	5 755 860	12 396 700	-	-	12 396 700	2014-21	18 152 560
Viet Nam	0.077	304 396	304 396	-	0.077	304 396	304 396	-	-	-	-	-	-	-
Yemen (2)	0.010	39 532	-	-	0.010	39 532	-	79 064	151 772	-	-	151 772	2016-21	230 836
Zambia	0.009	35 579	-	35 579	0.009	35 579	26 621	8 958	76 439	-	76 439	-	2021	8 958
Zimbabwe	0.005	19 766	16 186	3 580	0.005	19 766	15 499	4 267	30 863	30 863	-	-	2021	4 267
Total	100.000	395 320 000	275 250 810	100 642 448	100.000	395 320 000	285 252 002	129 494 740	164 651 724	117 444 924	23 895 362	23 311 438		152 806 178
<i>Amounts due by States for prior periods of membership in the ILO:</i>														

State	2020–21 Assessed Contributions							Amounts due for previous financial periods				Calendar years of assessment	Total due as at 31.12.2021	
	2020				2021			Balance due as at 31.12.2021	Balance due as at 01.01.2020	Amounts received or credited				Balance due as at 31.12.2021
	Assessed contributions		Amounts received or credited		Assessed contributions		Amounts received or credited			in 2020	in 2021			
%	Amount	in 2020	in 2021	%	Amount	in 2021			in 2020	in 2021				
Paraguay (3)	-	-	-	-	-	-	-	245 066	-	-	245 066	1937	245 066	
Former Socialist Fed. Rep. of Yugoslavia (4)	-	-	-	-	-	-	-	6 370 623	-	-	6 370 623	1989-2011	6 370 623	
Total amounts due by States for prior periods of membership in the ILO	-	-	-	-	-	-	-	6 615 689	-	-	6 615 689		6 615 689	
TOTAL	100.000	395 320 000	275 250 810	100 642 448	100.000	395 320 000	285 252 002	129 494 740	171 267 413	117 444 924	23 895 362	29 927 127	159 421 867	

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

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

(2) Member States which are two years or more in arrears and which have lost the right to vote under the provisions of article 13(4) of the Constitution. The arrears of contributions of these Member States equal or exceed the amount of the contributions due from them for the past two full years (2019–20). Each of these Member States had therefore lost the right to vote, in accordance with the provisions of article 13(4) of the Constitution of the Organisation.

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

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

▶ 6. Report of the External Auditor to the Governing Body on the financial operations of the International Labour Organization for the year ended 31 December 2021



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

To the Governing Body of the International Labour Office:

We have the honour to transmit the Report of the External Auditor on the Financial Operations of the International Labour Organization for the financial year 2021.

Our report contains the results of our audit of the 2021 financial statements, and our observations and recommendations on the review of the programme/project implementation and delivery of Outcome 6 and 7 of the 2020-2021 P&B, the review of implementation agreements as well as on the review of control activities in four ILO country offices. Value-adding recommendations were communicated and discussed with Management to further enhance efficient and effective management of the Organization.

Our audit was conducted in accordance with the International Standards on Auditing. We addressed the matters relative to the review of the Organization's financial statements that came to our attention during the audit that we believe the Governing Body of the Organization should be aware of. We will be pleased to elaborate on any of these key matters during the Governing Body meeting in May 2022.

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

Yours sincerely,

RIZALINA NOVAL JUSTOL

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

Quezon City, Philippines
21 April 2022

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



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

**For the financial year ended
31 December 2021**

**REPORT OF THE EXTERNAL AUDITOR
TO THE GOVERNING BODY
ON THE FINANCIAL OPERATIONS OF
THE INTERNATIONAL LABOUR ORGANIZATION
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021**

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List of acronyms

AGS	Acceptance of Goods or Services
BRR	Bank Reconciliation Report
BUD/DC	Development Cooperation Budget Unit, previously BUD/CT
CE	IRIS Cash Management
COA	Commission on Audit
COP	Community of Practice
COSO	Committee of Sponsoring Organizations of the Treadway Commission
CPO	Country Programme Outcome
CRPS	Chief, Regional Programme Services
CTA	Technical Centre for Agricultural and Rural Cooperation
DC	Development Cooperation
DCCoP	Development Cooperation Community of Practice
DG	Director-General
DWCP	Decent Work Country Programme
DWT/CO	Decent Work Technical Support Team and Country Office
EVAL	Evaluation Office
Excol	External Collaboration
FINANCE	Financial Management Department
F&E	Furniture and Equipment
GEDI	Gender, Equality, Diversity and Inclusion Branch
GEND	Gender Equality and Non-discrimination
GP	Global Product
HQ	Headquarters
HR	Human Resources
HR/TALENT	Talent Management Branch
HRD	Human Resources Development Department
IA	Implementation Agreement
IAO	Office of Internal Audit and Oversight
IG	Internal Governance
IGDS	Internal Governance Documents System
ILO	International Labour Organization
INFOTEC	Information and Technology Management Department
INI	Furniture and Equipment Management System
INTOSAI	International Organization of Supreme Audit Institutions
IOAC	Independent Oversight Advisory Committee
IOM	International Organization for Migration
IP	Implementing Partners
IPSAS	International Public Sector Accounting Standards
IRIS	Integrated Resource Information System
ISA	International Standards on Auditing
ITC-ILO	International Training Centre of the ILO

JD	Job Description
JNC	Joint Negotiating Committee
MCR	Multi-Currency Report
OBW	Outcome-based workplan
OCT	Outcome Coordinating Team
OSH	Occupational Safety and Health
PAR	Performance Appraisal Reports
PARDEV	Partnerships and Field Support Department
PIP	Performance Improvement Plan
PIR	Programme Implementation Report
PO	Purchase Order
PROCUREMENT	Procurement Bureau
PROGRAM	Strategic Programming and Management Department
P&B	Programme and Budget
RAPS	Recruitment, Assignment and Placement System
RBM	Results-Based Management
RBSA	Regular Budget Supplementary Account
RBTC	Regular Budget Technical Cooperation
RO	Regional Office
SDGs	Sustainable Development Goals
SHIF	Staff Health Insurance Fund
SM/IP	Strategic Management Implementation Planning
SOP	Standard Operating Procedure
SSTC	South-South and triangular cooperation
SWAP	United Nations System-wide Action Plan
TOR	Terms of Reference
UN	United Nations
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Programme
UNFPA	United Nations Population Fund
UNICEF	United Nations Children's Fund
VAT	Value Added Tax
WESO	World Employment and Social Outlook
XBDC	Extra-budgetary Development Cooperation

EXECUTIVE SUMMARY

Introduction

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

This is the second audit report to the Governing Body by the Chairperson of the Commission on Audit of the Republic of the Philippines, under its new mandate as the External Auditor for the 77th and 78th financial periods that commenced on 1 April 2020 for a period of four years (2020-2023), granted by the Governing Body during its 334th Session in 25 October to 8 November 2018.

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

Overall results of the audit

In line with our mandate, we audited the financial statements of ILO in accordance with the Financial Regulations and in conformity with the International Standards on Auditing (ISA) issued by the International Auditing and Assurance Standards Board. We concluded that the financial statements present fairly, in all material respects, the financial position of the ILO for the financial year ended 31 December 2021, and its financial performance, changes in net assets, cash flows, and comparison of budget and actual amounts, in accordance with the International Public Sector Accounting Standards (IPSAS). As a result, we issued an unmodified audit opinion on the Organization's financial statements for the financial year ended 31 December 2021.

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

In addition to the audit of financial statements, we also conducted audits on the: (a) ILO Decent Work Technical Support Team and Country Office for Eastern Europe and Central Asia (DWT/CO-Moscow); (b) ILO Country Office for Viet Nam (CO-Hanoi); (c) ILO Decent Work Technical Support Team for South Asia and Country Office for India (DWT/CO-New Delhi); and (d) ILO Decent Work Technical Support Team and Country Office for the South Cone of Latin America (DWT/CO-Santiago). Likewise, we conducted an audit on the financial statements and operations of the International Training Centre of the ILO (ITC-ILO) in Turin, which is consolidated in the ILO financial statements.

Further, we reviewed the programme/project implementation and delivery of Outcomes 6 and 7 of 2020-2021 Programme and Budget (P&B) as well as the Implementation Agreements (IA) in line with our mandate to make observations with respect to the efficiency of the financial procedures, accounting system, internal financial controls, and in general, the administration and management of the Organization. Improvement opportunities on the strategies, policies and procedures in programme delivery were noted and recommendations were provided to further improve operational efficiency and achieve the Organization's objectives.

Key audit findings

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

Achievement and delivery of Outcomes 6 and 7

- a. The optimal achievement of targets in the P&B was not attained. Likewise, the achievement of performance indicators for these two Outcomes at the output level were below target. It is critical that the challenges in the implementation of the 2020-21 programme of work be analysed as the programming cycle moves into the implementation of the 2022-23 P&B. Further, there was a limited mobilization of extra-budgetary resources for Outcome 6 which is needed for ILO to become more influential in the policy arena and more attractive to constituents and partners to demonstrate its impact and communicate decent work results.

Monitoring and reporting of results for Outcomes 6 and 7

- b. The inadequate understanding of the Technical Notes in programme implementation planning, monitoring, and reporting affected the results reporting process. There was inconsistency in the quality assurance, validation, and monitoring processes that may hamper in improving strategic programming at global and country levels. Further, there is a need to enhance monitoring activities for the programmatic allocation and financial delivery of regular and extra budgetary resources in order to determine the resource gaps and policy outcome areas that are behind targets. In addition, the roles of Outcome Coordinating Team (OCT), who are experts in their respective technical fields and who have an aggregated view of the programmatic and financial progress of Regular Budget Supplementary Account (RBSA) and Extra-budgetary Development Cooperation (XBDC) projects were not clear in their corresponding Terms of Reference (TOR).

Policy, strategy, and framework for Outcomes 6 and 7

- c. The Gender Equality and Non-discrimination (GEND) as a new policy outcome in Outcome 6 requires enhancement on its policies, strategies and frameworks. There is disagreement of the GEND Guidance Note with the Gender Transformation encapsulated in the ILO Centenary Declaration for the Future of Work and inconsistencies on Country Programme Outcome (CPO) and Global Product (GP) gender marking to solidify the intention of ILO as enshrined in its Centenary Declaration in achieving gender equality at work. Also, there was a lack of harmonization of Guidance Notes on GEND vis-à-vis Gender Mainstreaming in Development Cooperation (DC) on gender marking that should be aligned and reconciled to avoid the possibility of inefficient administration and inaccurate information on gender markings. Moreover, validation and monitoring of gender marking information were inadequate to facilitate the evaluation of ILO's interventions and initiatives for their contribution and relevance in mainstreaming gender equality and non-discrimination. Further, there is an absence of a tool to track the financial resource allocations and expenditures that are made to advance GEND.

IA management

- d. The requirement on competitive selection of Implementing Partners (IPs) which is critical in ensuring accountability, transparency and the selection of the best-qualified and responsive IP was not completely followed. There was also delayed submission or completion of deliverables by IPs which has a direct impact on the timely completion of projects and counters the submission timeframe of deliverables in the contract and the realization of the results planned to be achieved during the biennium. Further, there was an absence of clear guidance on documenting the performance evaluation of IAs.

Control environment in Country Offices

- e. The audit identified improvement opportunities to further enhance the control activities in the four Decent Work Technical Support Teams and Country Offices (DWTs/COs) covered by our audit along the following key areas: (a) compliance with policies, regulations and rules, specifically on formulation of Decent Work Country Programmes (DWCPs), donor reporting, IAs, and on the management of assets, cash, procurement and travel; (b) budgetary controls on project delivery to improve fund utilization; and (c) risk management process, particularly on the need to reinvigorate the process through greater involvement of staff and wider risk universe.

Implementation of the External Auditor's recommendations in previous years

- f. We noted the need to expedite the implementation of previous years' audit recommendations since out of the 73 recommendations made from 2016 to 2020, 53 (72.60 per cent) had been fully implemented, and 20 (27.40 per cent) had been partially implemented/in the process of implementation.

Summary of recommendations

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

Programme Implementation and Delivery of Outcomes 6 and 7

- a. **strengthen the support to the field offices with a robust backstopping and needed staff training in ensuring alignment of their respective DWCP objectives to the ILO's strategic results framework for the corresponding biennium with consideration to the linking of each CPOs to the policy outcomes and delivery of reportable results; (Para. 31.a)**
- b. **perform strong coordination with funding and tripartite country partners, with the end view of securing the required funding and achieving targets set in the P&B towards reaching the Outcomes' full potential; (Para. 31.b)**
- c. **endeavour to accomplish the targeted CPOs of Outcomes 6 and 7 through intensified analysis of the circumstances that delay their achievement and manage the challenges encountered in programme implementation in consideration of the lessons learned and improvements suggested by the OCTs to heighten the performance in the 2022-23 P&B; (Para. 40)**

- d. **increase outreach to, and advocacy with development partners and the donor community globally, by showcasing the impact of Policy Outcome 6 interventions and initiatives with the end view of enhancing resource mobilization for this outcome in line with the 2020-25 DC Strategy; (Para. 47)**
- e. **strengthen its existing data collection and review mechanism on reporting results in the Programme Implementation Report (PIR) through robust and improved Outcome-based Work planning; (Para. 57)**
- f. **consider the review of the quality assurance function and processes in the monitoring and reporting stages of programme/project implementation; (Para. 65)**
- g. **enhance the monitoring of resource allocation and utilization to optimize deployment of resources by including in the Outcome-based workplan (OBW) review an analysis on the manner resources (XBDC, Regular Budget Technical Cooperation (RBTC), and RBSA) are planned, allocated and distributed thus, the immediate determination of resource gaps in its fund distribution to each Policy Outcomes; (Para. 75)**
- h. **enhance the monitoring of projects funded by voluntary contribution, thus, improving project delivery; (Para. 84)**
- i. **review its programmatic activities to ensure that these are gender-responsive and transformational in conformity with the ILO Centenary Declaration through the consistent and accurate application of the gender marking rating system; (Para. 92)**
- j. **align the gender markings of DC projects through the project appraisal with the Guidance Note on GEND for clarity and comparability of application of markings to ensure efficient and consistent reporting on gender equality; (Para. 99)**
- k. **spearhead a capacity building/training for gender marking usage and updates, as well as the implications of gender marking in ILO programming activities, targeted at all actors participating in the projects to ensure enhanced, accurate and rigorous reporting on the ILO's advocacy on GEND; (Para. 106)**
- l. **consider benchmarking with the best practices of United Nations (UN) entities, in the integration of UN System-wide Action Plan (SWAP) performance indicators on financial resource tracking and resource allocation into the ILO results-based reporting and embed the same to the related ILO GEND policies, strategies, and guidance to facilitate financial tracking and allocation of GEND activities; (Para. 114)**

IA management

- m. **avail of the opportunity of the upcoming updates to Internal Governance Documents System (IGDS) 270 and associated guidelines to solidify requirements related to exceptions to competitive selection and donors' pre-approval of IP to ensure the observance of accountability and transparency in the selection of IPs; (Para. 122)**
- n. **develop a robust monitoring and follow up of IA's deliverables within the timeframe including the timely assessment of situations that can lead to project extensions while**

ensuring the quality of outputs and optimal use of resources, as well as to minimize, if not eliminate, the delays in the achievement of the targeted outputs; (Para. 128)

- o. strengthen its management controls over the evaluation of IPs by: (a) at the project design stage identifying key performance indicators for the IA to be measured; (b) at the time of award of contract, detailing procedures for the preparation of the IP's performance evaluation report which should be included in the PO; (c) establishment of a system to collect, monitor and report the performance data, to ensure an efficient and effective performance evaluation of IPs; (Para. 134)**
- p. design a method or process of recording the actual dates of submission and receipt of deliverables to establish controls in ensuring whether the IPs delivered their products/services in a timely manner to aid in estimating and drafting timelines reflecting a more realistic project and activity duration; (Para. 141)**

Control environment in Country Offices

- q. enhance its control activities by observing complete and consistent compliance with policies, regulations and rules by addressing the challenges or factors causing non-compliance through clear communication and continuous monitoring of application of operational guidelines; (Para. 159)**
- r. implement an effective strategy in coping up with the challenges that caused the low project financial delivery/utilization and ensure adherence to existing budgetary controls to reflect an improved utilization of funds which may result in the timely delivery of projects; (Para. 165)**
- s. reinvigorate its risk management process in the Decent Work Technical Support Team and Country Office (DWT/CO) by considering the following elements and factors: (a) include a much wider risk universe; (b) greater involvement of staff from all levels; and (c) regularly update the risk register to consider the outcome of the renewed risk management process; (Para. 172) and**

Implementation of the External Auditor's recommendations in previous years

- t. adopt an action plan and strategy to map out the progressive implementation of the audit recommendations to further improve operational efficiency. (Para. 178)**

A. MANDATE, SCOPE, AND METHODOLOGY

Mandate

1. The Commission on Audit (COA) is an independent audit body created by the Constitution of the Republic of the Philippines. The 123-year old Supreme Audit Institution is an active member of the International Organization of Supreme Audit Institutions (INTOSAI) and the Panel of External Auditors of the UN. The COA is extensively involved in setting accounting and auditing standards, building capacity, and sharing knowledge. It has had extensive experience in providing external audit services to international organizations for the past 39 years, 21 years of which as a member of the United Nations Board of Auditors.

2. At its 334th Session in 25 October to 8 November 2018, the Governing Body of the ILO appointed the Chairperson of the COA of the Republic of the Philippines as External Auditor of the ILO for the 77th and 78th financial periods that commenced on 1 April 2020 for a period of four years (2020-2023). Chapter IX of the ILO Financial Regulations elaborates on the terms of reference governing external audit. The regulations require that the External Auditor report to the International Labour Conference through the Governing Body on the audit of the annual financial statements and on other information that should be brought to its attention with regard to Article 36, paragraph 2, and in the additional terms of reference.

Audit scope and objectives

3. Our audit is an independent examination of the evidence supporting the amounts and disclosures in the financial statements which consist of five statements: (a) Statement of Financial Position, (b) Statement of Financial Performance; (c) Statement of Changes in Net Assets; (d) Statement of Cash Flows; and (e) Statement of Comparison of Actual Amounts and Budget. It also includes an assessment of ILO's compliance with Financial Regulations and legislative authority.

4. The audit was conducted primarily to enable us to form an opinion as to whether the financial statements presented fairly the financial position of the ILO as at 31 December 2021 and the results of its operations, cash flows, and comparison of actual amounts and budgets for the financial period, in accordance with IPSAS. This included an assessment as to whether the expenses recorded in the financial statements had been incurred for the purposes approved by the governing bodies and whether revenue and expenses had been properly classified and recorded in accordance with the ILO Financial Regulations and legislative authority. The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent we considered necessary to support our audit opinion.

5. We also carried out a review of ILO operations with regard to Article 36, paragraph 2 of the Financial Regulations which requires the External Auditor to make observations with respect to the efficiency of the financial procedures, accounting system, internal financial controls, and in general, the administration and management of the Organization. We focused on areas of fundamental importance to the capability, effective management and reputation of ILO, on programme/project implementation and delivery of Outcomes 6 and 7 of the P&B, IAs, and operations of field offices.

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

Methodology and auditor responsibilities

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

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

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

10. During the financial year 2021, in addition to the audit of the financial statements, we also conducted audits on the: (a) ILO Decent Work Technical Support Team and Country Office for Eastern Europe and Central Asia (DWT/CO-Moscow); (b) ILO Country Office for Viet Nam (CO-Hanoi); (c) ILO Decent Work Technical Support Team for South Asia and Country Office for India (DWT/CO-New Delhi); and ILO Decent Work Technical Support Team and Country Office for the South Cone of Latin America (DWT/CO-Santiago). In addition, we conducted an audit on the financial operations of the ITC in Turin.

11. We coordinated with the Office of Internal Audit and Oversight (IAO) on the planned audit areas to avoid unnecessary duplication of efforts, and to determine the extent of reliance that can be placed on IAO work. We also collaborated with the Independent Oversight Advisory Committee (IOAC) to further enhance our audit work.

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

B. AUDIT RESULTS

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

1. Audit of financial statements

14. We audited the financial statements in accordance with the ISA and we concluded that the financial statements present fairly, in all material respects, the financial position of the ILO for the financial year ended 31 December 2021, the results of its financial performance, the changes in net assets/equity, the cash flows, and the comparison of budget and actual amounts are in accordance with the IPSAS. As such, we issued an unmodified opinion on the ILO's financial statements. The statements audited were as follows:

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

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

16. We appreciate the efforts taken by ILO Management to address several recommendations issued during the interim and year-end audits of the ILO 2021 financial statements to present fairly the balances of the affected accounts and improve the presentation and disclosures in compliance with IPSAS. The financial statements for the period ended 31 December 2021 reflect the adjustments made on the balances of the accounts affected, as well as the corrections and additions to the note disclosures. The nature of the transactions where inadvertent errors or misstatements were noted and have been adjusted by the Management includes the following: (a) awards were not included in Voluntary Contributions AR and Deferrals Report as at 31 December 2021, thus, understating the amount presented for Contributions Receivable-Voluntary and Deferred revenue accounts; and (b) overstatement of the new investments and disposals by equal and opposite amounts due to an error in consideration of an investment roll-over with the effect of offsetting each other and therefore had no impact on the overall balances reported.

17. Similarly, we recognize and commend ILO for introducing an important and necessary approach in improving the bank and United Nations Development Programme (UNDP) reconciliation process which was consistent with our recommendation to enhance its financial accounting and reporting controls. This was among the results of our reviews in compliance with Financial Regulations 36.2 which requires the External Auditor to make observations with respect to the efficiency of the financial procedures, accounting system, and internal financial controls.

18. In ILO's commitment to ensure an accurate Bank Reconciliation Report (BRR) and the timely clearing of reconciling items pursuant to internal guidelines, the Office implemented with system generated BRRs as an improvement of the functionalities in the Integrated Resource Information System (IRIS) Cash Management (CE) module, thus: "ILO: Bank Reconciliation Report" and "ILO: Consolidated List of Reconciling Items" which were implemented and used on 1 April 2021 only at Headquarters (HQ) with a gradual roll-out project to all bank reconciler teams in the field offices in the 2nd and 3rd quarter of 2022. As a result, the "ILO: Bank Reconciliation Report" simplified the preparation

of the BRR and the “ILO: Consolidated List of Reconciling Items” enabled the reconcilers to monitor and act on reconciling items anytime.

19. On the other hand, we noted some improvement opportunities that may not impact on the fair presentation of the financial statements but will further enhance recording, processing and reporting of financial transactions, compliance with regulations, and ensure the faithful presentation of the financial statements. These were communicated to ILO Management through an Audit Management Letter.

2. Review of Programme Implementation and Delivery of Outcomes 6 and 7

20. Noting the effect of the COVID-19 pandemic in programme implementation and in line with our External Audit Plan for financial year 2021, we reviewed the policies, strategies, frameworks and actions adopted by the ILO leading to the achievement of targets for Outcomes 6 and 7 in the P&B. The review was conducted to ascertain whether the programmes/projects of the ILO on Outcomes 6 and 7 are continuously implemented and delivered, and the expected outcomes are achieved as targeted, in conformity with the ILO Centenary Declaration amidst the global health and economic crisis. Moreover, the audit objective is to provide assurance as to whether there are sufficient and functioning monitoring mechanisms and reporting arrangements on programme/project outcomes and results, including the effective communication arrangements to and from Country Offices (COs) Regional Offices (ROs), and HQ.

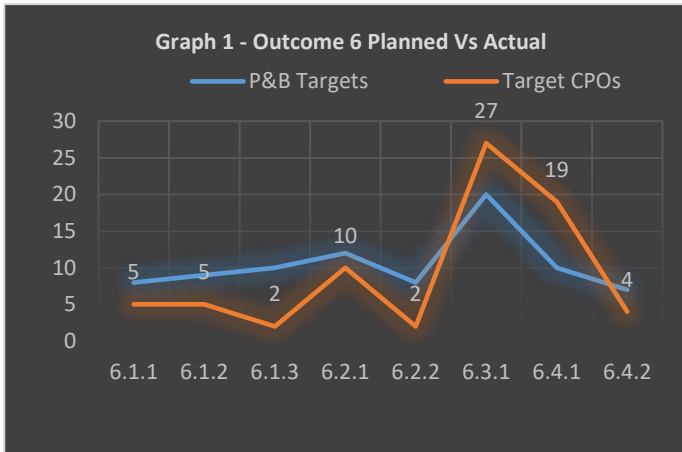
21. Under the ILO Centenary Declaration, the eight policy outcomes for 2020-21 focused on areas where the Organization must make the most immediate difference. ILO considered the profound transformations in the world of work derived from the: (a) experiences and lessons learned from previous results frameworks, (b) the addressed changes reflected through policy implementation and compliance with legislation; and (c) access to decent work-related services. In particular: Outcomes 6 addressed the action necessary for individuals to benefit from the opportunities of a changing world of work; and Outcome 7 focused on the changes necessary to ensure adequate protection at work through comprehensive and sustainable social protection for all. Outcome 6 has four outputs while Outcome 7 has five outputs, with corresponding performance indicators at the output level.

22. The budget and expenditures for Outcomes 6 from both the Regular and Estimated Extra-Budgetary Expenditure budget was US\$75.7 million with an actual expenditure of US\$57.2 million. On the other hand, Outcome 7 had US\$241.7 million with actual expenditure of US\$280.6 million for the 2020-21 biennium as reported in the PIR 2020-21. The variance of US\$38.9 million was due to the difference between the Estimated Extra-Budgetary Expenditure of US\$147 million and what was actually mobilized and expended from donors of US\$191.4 million in addition to the US\$4.4 million expenditure from the RBSA and with unexpended balance of US\$9.9 from the Regular Budget.

2.1 Achievement and delivery of outcomes

23. We evaluated whether the targeted outcomes and budget utilization performance for Outcomes 6 and 7 were achieved within the targeted period aligned with the P&B and workplans. We observed that Outcomes 6 and 7 necessitate strengthened coordination with the tripartite constituents as well as technical and administrative support to the field offices in order to achieve the optimum performance and expected results.

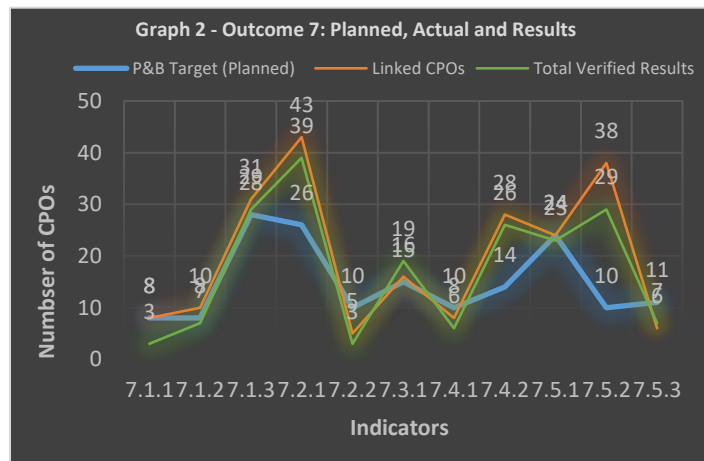
2.1.1 Optimal achievement of targets in the P&B was not attained for Outcomes 6 and 7



24. For Outcome 6, the CPOs set as target per output during implementation were unevenly distributed, with those linked to the indicators of Outputs 6.4 and 6.3 being higher than planned in the P&B, in contrast to the indicators linked to the other outputs which are below target (Graph 1). Inasmuch as the achievement of results under the Outcome is primarily related to the XBDC financing, it was noted that the initial conversation with the donors did not reach maturity for the needed funding decisions to materialize. Hence, it was necessary to advocate for a robust

collaboration and intervention with donors to recognize the significance of Outcome 6. Nevertheless, the large number of CPOs in the pipeline indicates that further results will be attained in the next biennia.

25. In the same manner, the programme delivery performance was uneven across the areas covered by Outcome 7, with progress being above the target set for the biennium for some indicators and below the target for others (Graph 2). This is mainly explained by the shift in constituents' demands for ILO assistance in response to the COVID-19 pandemic during the programme implementation and was partly due to an over (under) estimation of the expected achievement level when setting the targets for the biennium.



26. The alignment of the DWCPs objectives to the policy outcomes is crucial. Particularly, the success of attaining the expected results outlined in the P&B rests mainly on the manner the ILO captures the current and emerging needs as well as the interests of the constituents, thus, transforms these needs into targets. Consequently, the achievement of results for these targets is affected by the commitments and capability of the field offices and the mobilization of resource requirements to fund their respective DWCPs.

27. In practice however, as observed during the review, the DWCP may not be wholly aligned with the ILO results framework for the current biennium. It is underscored that the DWCP is not only an ILO's but also a UN's and tripartite partners' document. As such, DWCP has its objectives derived from the priorities and needs of the country. Similarly, donor-funded projects may have objectives that are not fully aligned with the ILO's results framework. As a result, and as confirmed by ILO, there were efforts and results from the field that may not be captured and reported because they did not meet the criteria for the achievement of the indicators of each outcome.

28. Management commented that ensuring DWCPs focus on gender equality and non-discrimination through targeted interventions and mainstreaming remains crucial and should be highlighted. The issue then is to ensure that follow-up is possible with ILO support to constituents to reach results under Outcome 6 and other outcomes. Also, the priority and pro-activeness of constituents and country teams addressing problems with gender equality mainstreaming needs to be enhanced.

29. It is undeniable that ILO made valuable interventions on Outcomes 6 and 7. Each indicator, however, follows an expected thematic change, and each target is an intervention that brings improvement to the ILO's constituents and the achievement of the long-term objectives. The shortfall and uneven performance in reaching targets set in the P&B is an indication that Outcomes are yet to reach their full potential in attaining the results and expected change.

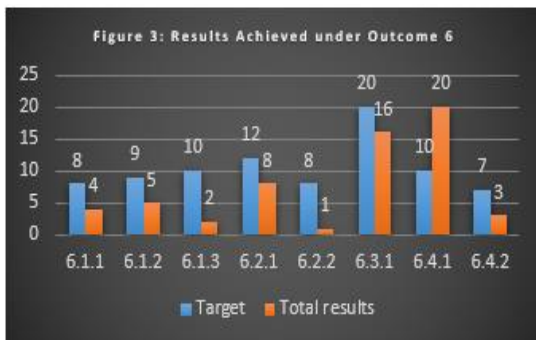
30. The achievement of optimum results for the Outcomes outlined in the P&B necessitates strengthened and adequate backstopping and appropriate skills set as well as capacity of the staff in the field. In addition, the recognition of ILO's advocacy by the funding and tripartite partners and accountability of each country to follow through on their commitments with respect to their DWCPs is vital. Hence, it is imperative that ILO nurture coordination with these partners to obtain the necessary support and funding for the activities of their CPOs that are strategically geared to provide reportable results.

31. **We recommended that ILO should:**

- a. **strengthen the support to the field offices with a robust backstopping and needed staff training in ensuring alignment of their respective DWCP objectives to the ILO's strategic results framework for the corresponding biennium with consideration to the linking of each CPOs to the policy outcomes and delivery of reportable results; and**
- b. **perform strong coordination with funding and tripartite country partners, with the end view of securing the required funding and achieving targets set in the P&B towards reaching the Outcomes' full potential.**

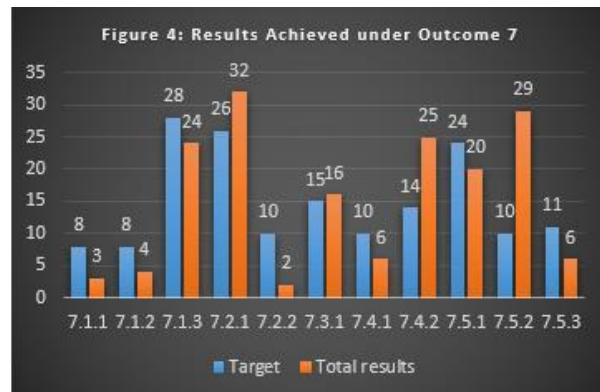
32. **ILO Response:** The recommendation is accepted. The Office agrees with this recommendation which is already being acted upon. Improved alignment of country-level programming with the global goals and results framework of the Organization is an important focus of initiatives the Office will deliver in 2022-23 to strengthen capacity of ILO staff and constituents in this area. The implementation of the DC Strategy 2020-25 also provides an opportunity to further strengthen the alignment of ILO resources mobilization efforts with the outcomes set in the P&B with a view to securing the necessary funding and achieving the expected results.

2.1.2 Achievement of performance indicators of Outcomes 6 and 7 at the output level are below target



34. For Outcome 6, the ILO contributed to the achievement of 59 results in countries, while the target was 84. Figure 3 shows that 7 out of 8 performance indicators at the output level are below target.

35. For Outcome 7, the ILO contributed to the achievement of 167 CPOs, which is more than the 164 targets. Figure 4 shows that 7 out of 11 performance indicators at the output level are, likewise, below target.



36. The ILO was faced with challenges in the implementation of the 2020-21 P&B. One major challenge is the COVID-19 pandemic which resulted in severe restrictions on travel and personal interaction and deferral of key activities, whether at the global, regional or national levels with regard to the implementation of the 2020-21 Programme of Work. Hence, Outcomes 6 and 7 were no exceptions as confirmed by their respective OCTs which caused their performance of below the target. Concomitantly, the OCTs offered improvements that can be introduced to the specific outputs of Outcomes 6 and 7. Among the offered improvements are: for Outcome 6, (a) close attention to the design of all interventions to ensure the integration of gender equality, including those linked to output 6.4; (b) enhancing information campaigns and create enterprise-wide awareness in order to achieve better results (Outputs 6.2 & 6.1); (c) raising awareness among ILO staff, particularly in field offices about Convention 190 (Output 6.3); and (d) expanding interventions at the state and provincial levels in addition to the national level as well as interventions aimed at the social partners (Output 6.2). For Outcome 7, on the other hand, offered improvements are: (a) systematically creating CPO in order to reflect the work done and results achieved (7.1.2); (b) completing the reader-friendly guidance tools to assist constituents in improving their national Occupational Safety and Health (OSH) data collection systems in the recovery from the pandemic (7.2.2); (c) the 2021 World Employment and Social Outlook (WESO) report on the role of digital labour platforms in transforming the world of work is expected to provide useful policy guidance to inform future action (7.4.1); (d) rededicating efforts to implement legal and policy reforms in the recovery processes as the pandemic has subsided (7.5.1); and (e) reorienting its work to support governments increased national requests for basic services (7.5.3).

37. In the reporting on the programme implementation as part of the programming cycle, the narrative on the actions of the ILO towards achieving results and what has been delivered by the Office as a contribution to the results reported should highlight the challenges and areas of inefficiency and poor results, especially when there is potential for improvement and wider learning of lessons, in addition to achievements.

33. Part II of the PIR 2020-21 highlighted that ILO contributed to the achievement of 896 results in 151 Member States and two territories across the eight policy outcomes, exceeding the target set for the biennium by 3 per cent. The performance of Outcomes 6 and 7 in relation to 2020-21 targets and commitments are shown in figures 3 and 4, respectively.

38. Management of Outcome 6 explained that Outcome 6 is a new outcome pertaining to social concerns that can only be addressed in the medium and long term rather than in the short run. Looking at the results, they are often associated with social attitudes, which are long-term endeavours. They need policy changes as well as legal reforms, which is difficult to do in the short term. On the other hand, management of Outcome 7 emphasized that while there are performance indicators that are below target, overall, the ILO contributed to the achievement of 167 results, 2 per cent above the target. The target was achieved or exceeded in four of the five outputs and in four of the 11 output indicators. Results were significantly below target in the development of integrated programmes covering the four categories of fundamental principles and rights at work and in the strengthening of OSH notification systems.

39. Since the results framework of the 2020-21 P&B was retained with minor changes in the 2022-23 P&B including Outcomes 6 and 7, it is critical that the challenges in the implementation of the 2020-21 programme of works merit reflection as the programming cycle moves into implementation of the 2022-23 P&B. These will serve as a valuable insight for the management of the OCTs into the successful delivery of the ILO programme for 2022-23.

40. **We recommended that ILO, moving forward, should endeavour to accomplish the targeted CPOs of Outcomes 6 and 7 through intensified analysis of the circumstances that delay their achievement and manage the challenges encountered in programme implementation in consideration of the lessons learned and improvements suggested by the OCTs to heighten the performance in the 2022-23 P&B.**

41. **ILO Response:** The recommendation is accepted. The Office has built on lessons from the implementation of the programme in 2020-21, and has strengthened measures to monitor delivery and address challenges timely with a view to improving performance in 2022-23.

2.1.3 Limited mobilization of extra-budgetary resources for Outcome 6

42. The delivery of policy outcomes is predicated upon the availability of the approved level of regular budget as well as extra-budgetary contributions. Extra-budgetary contributions come from development partners, including governments of donor countries, multilateral organizations, and private bodies. A share of the ILO's voluntary contributions also comes from the domestic resources of the Member States that request ILO assistance, through direct trust funds, or as part of South-South and triangular cooperation (SSTC) agreements.

43. The XBDC Strategic budget and expenditure in the PIR 2020-21 showed that overall expenditure exceeded the estimations set before the start of the biennium by 32 per cent. Seven policy outcomes, including Outcome 7 exceeded the estimations set before the start of the biennium. On the other hand, for Outcome 6 the expenditures fell behind by 53 per cent of the estimations set. This means that there was limited mobilization of voluntary contributions for Outcome 6 compared to Outcome 7.

44. The Strategic Programming and Management Department (PROGRAM) explained that it can happen that the projected estimations set before the start of the biennium do not materialize during implementation, as it has been the case for Outcome 6 in 2020-21. The main reason for this is that this outcome attracted fewer voluntary contributions from donors than other outcomes. Also, the fiscal constraints confronting Member States in the COVID-19 context, might also explain the difficulties faced by the Office to mobilize XBDC for this new outcome of the results framework for the biennium. On the

other hand, for Outcome 7, it was pointed out by PROGRAM that expenditures exceeded estimations before the start of the biennium. Labour migration, child/forced labour and OSH are areas where the ILO has a large and consolidated portfolio of DC programmes, whose interventions were central to the ILO's response to the COVID-19 crisis, which also explains the increase in the expenditure.

45. The Outcome 6 Management commented on the actions taken on resource mobilization that OCT members and other relevant staff have led or contributed to the exploration of resource mobilization opportunities and the preparation of funding proposals across various dimensions of equality addressed under Outcome 6. Partnerships and Field Support Department's (PARDEV) membership in the OCT has facilitated discussion on resources gaps and opportunities for resource mobilization. Nevertheless, the limited mobilization contributed to the non-achievement of targeted results for Outcome 6.

46. For ILO to become more influential in the policy arena and more attractive to constituents, stakeholders and partners alike, it must demonstrate its impact and communicate decent work results for learning and knowledge-sharing purposes. Greater transparency in the use ILO resources and reporting of results will also demonstrate the Organization's regard for value for money.

47. **We recommended that ILO should increase outreach to, and advocacy with development partners and the donor community globally, by showcasing the impact of Policy Outcome 6 interventions and initiatives with the end view of enhancing resource mobilization for this outcome in line with the 2020-25 DC Strategy.**

48. **ILO Response:** The recommendation is accepted. The Office will consider the necessary action during the implementation of the P&B for 2022-23 and the DC Strategy 2020-25.

2.2 Monitoring and reporting of results

49. We assessed the adequacy and efficiency of monitoring and reporting controls covering the programme and projects implementation as well as delivery. Although these were apparently in place to support the operational mandates encapsulated in the Centenary Declaration of the ILO while responding to the current health crisis and post-pandemic business environment in achieving the targeted outcome and intended results, the monitoring and reporting can be further strengthened.

2.2.1 *Inadequate understanding of the Technical Notes in Programme Implementation Planning, Monitoring, and Reporting affected the results reporting process*

50. The PIR is a vital accountability and communication instrument as it describes the performance of the Office in achieving the results set for the biennium. Its findings contribute to organizational learning, and support advocacy on ILO accomplishments amongst constituents and partners. The June 2021 Guidance issued by PROGRAM referred to the Technical Notes developed for the output indicators which include relevant information about measurement of observable changes and means of verification as well as definitions of key concepts. It underscored that in providing and reviewing information on country results at the output level, it is important to recall that all reported results need to be: (a) significant, in terms of their breadth and depth; (b) relevant, in terms of their importance for ILO constituents; (c) aligned with the observable changes measured by the indicator as defined in the technical notes; (d) clearly and logically derived from the ILO contribution (with references to DC projects, allocations from the RBSA and flagship programmes as appropriate).

51. We observed that there were differences in the understanding of the Technical Notes by those involved in the preparation of the PIR from the field offices, OCTs and PROGRAM. *Among the observations include: (a) difficulty in understanding the technical notes, in particular, the fact that only observable change could be reported rather than merely activities; (b) measurement criteria of a reportable results; (c) sufficient information to assess reportable results; (d) lack of knowledge or understanding of the technical notes related to the indicators; and (e) limited understanding of some of the technical notes and of what can be reported as an observable change.* These are culled from the pertinent responses of ILO staff to our audit inquiries.

52. Based on these observations, the awareness and understanding of the Technical Notes can be attributed to staff's competence, mindset, and culture. While the responses to our queries can be considered as mere perceptions, they must be considered within the ongoing efforts to further improve the results reporting process. This redounds to the enhancement of data collection process and collaboration as the results are escalated to the corporate level, i.e., outcome assessment. The fundamental purpose is to allow the efficient escalation of reliable data with the intent to define different perspectives of the outputs/outcomes as results, and a clear and consolidated presentation of these results in a verifiable, relevant and structured report.

53. The critical challenge in the preparation of the 2020-21 PIR, or the reporting of results, is the quality of data collected at any point in time in the process. This includes data collected upfront, which are provided at the Country level, whether they are accurate, complete and relevant in relation to both the reportable results against the indicators and the ILO's contribution to the achievement of those results. Moreover, the issue of quality of information also develops at the level of RPUs, OCTs and PROGRAM.

54. Despite the guidance that was issued and discussed in the OBW, there were notable insufficiency in the understanding of the Technical Notes on output indicators which affects the results reporting process. There are programme and project results information which did not attain the measurement requirements specified in the technical notes and are the reasons why results could not be included in the PIR. These included those results that were not in line with the observable changes in the technical notes, reported under the wrong indicators or not reportable at all because they only relate to ILO action and not to results by constituents.

55. The PROGRAM explained that the introduction for the first time in 2020-21 of the Technical Notes has been good in terms of clarifying, at the time of planning and not only in reporting, the kind of results that are expected and information and data that the Office has to collect for reporting. The PROGRAM further commented that it is still mindful that technical departments and technical specialists in the regions are required to devote increased time to programmatic matters, which has an impact in terms of workload. It has been said that it is not just a matter of guidance but also a matter of culture by ensuring that the people are coming or one with the PROGRAM whereby staff across the Office embrace Results-Based Management (RBM) as an integral dimension of the ILO business model. Thus, more guidance is not necessarily a solution.

56. The importance of the PIR as an accountability instrument emphasizes that results reporting is a management function by which all actors, contributing directly or indirectly to achieving a set of results, ensure that their processes, products and services contribute to the achievement of desired and reportable results. The need to improve the: (a) understanding of the observable changes as measured by the indicators; (b) key definitions; (c) means of verification; and (d) the conditions when a result is reportable as enshrined in the Technical Notes are highlighted and reiterated. The 2020-2021 PIR exercise, particularly in relation to Outcomes 6 and 7, presented some of these challenges. Building a

results culture and institutionalizing an improved result reporting framework can be demanding. But however, challenging it may be, it has to receive appropriate attention and be supported by sufficient resources and a robust strategy.

57. **We recommended that ILO should strengthen its existing data collection and review mechanism on reporting results in the PIR through robust and improved Outcome-based Work planning to include:**

- a. **a stronger focus on monitoring of results throughout the biennium, based on a better understanding of the expected changes that are measured through the output indicators as further detailed in the Technical Notes; and**
- b. **lessons learned, thus, sharing and using knowledge derived from experience in the preparation of the PIR 2020-21 by relevant officials in field offices and at HQ to promote the recurrence of desirable and innovative results that can lead to improvements in the preparation of the PIR 2022-23.**

58. **ILO Response:** The recommendation is accepted. The Office is already working on this. Improvements already introduced in 2022-23 provide for an enhanced framework to monitor progress towards results throughout the biennium. These include periodic OBW reviews focused on more strategic discussions on the expected results to be achieved under each outcome and output, based on the P&B strategies and indicators, and considering opportunities and challenges in each region, combined with regular exchanges between HQ departments and regions on related operational issues. The Office is also committed to taking stock of the lessons learned from the preparation of the PIR 2020-21, as an input to improve the preparation of the PIR 2022-23.

2.2.2 Inconsistency in the quality assurance, validation, and monitoring processes for Outcome 6 and 7

59. Quality assurance, validation, and monitoring process of reportable results are essential in the preparation of an accurate Implementation Report, the third major governance document in the programming cycle, which allows the ILO's governing organs to review the relevance, effectiveness, and efficiency of ILO actions (interventions and initiatives) undertaken within a biennium.

60. For Outcome 6, the OCT focal points and members perform the quality assurance and validation procedures in its review and selective verification procedures of reportable results. In contrast, Outcome 7 has key staff who are not included in the official list of OCT members but provide vital support to the team and possess the required skill-set in performing the analysis of reported data and ensuring that each CPO satisfy all the criteria provided in the respective technical notes. They conduct a separate initial review and quality assurance of the field offices' inputs before all progress or results of target CPOs are subjected to validation procedures.

61. As clarified by an OCT, the issue is not really the addition of more staff but rather the quality assurance that should have been performed by the regions before the OCTs' review. However, due consideration should also be taken as to the capacity of the field units in providing the minimum quality assurance in terms of their level of appreciation of the parameters set for the results to become reportable under the respective indicators.

62. With respect to project monitoring and reporting, an ex-post meta-analysis of DC evaluations, 2020 and 2021 (partial) in September 2021 of the Evaluation Office (EVAL), disclosed that monitoring and reporting on DC projects were below 30 per cent successful. This represents the situation in the field that may have a compounding effect on the reported CPO status and results that are, in turn, subjected to the quality assurance, monitoring, and validation procedures by the OCTs and other units concerned.

63. In this context, human resource capacity and competence are vital in delivering the tasks in the OCTs and field units, especially in validating and monitoring results. The adequacy of human resources possessing the required skill-set will also balance the workloads, ensure decent hours of work for each staff, and effective and efficient delivery of verified and validated reports. It is recognized that the OCTs' quality assurance, monitoring, and validation processes have allowed the OCTs to deliver the tasks required. However, as disclosed and thus, reiterated, it is indicative that a more thorough review, compared to selective review, would provide higher assurance of obtaining accurate data which are vital for decision making and in developing timely and robust strategies to achieve the ILO's targets eventually. Nevertheless, the efficiency and effectiveness of the mechanisms employed can be improved by integrating best practices of one OCT to another, thus, achieving optimal benefits while mitigating some of the related risks in monitoring and reporting, all under the consideration of operating in a manner that is both inclusive and agile.

64. The Management commented that the P&B 2022-23 commits to improving strategic programming at global and country levels, which will be the priority of PROGRAM's work in the biennium. PROGRAM will develop a standard material for training, including GEND, by working with Gender, Equality, Diversity and Inclusion Branch (GEDI).

65. **We recommended that ILO should consider the review of the quality assurance function and processes in the monitoring and reporting stages of programme/project implementation by: (a) strengthening programming capacity for this purpose; (b) considering the required skill-sets as well as the accountability of OCT members, RPUs and field programme officers; and (c) incorporating the function in the performance management measurement of the staff to exact responsibility and performance.**

66. **ILO Response:** The recommendation is accepted. The Office will consider possible action to improve the quality assurance function and strengthen programming capacity for this purpose within the context of capacity development initiatives targeting staff with programming responsibilities during the biennium.

2.2.3 The need to enhance monitoring of programmatic allocation and financial delivery of regular and extra-budgetary resources

67. The RBTC is an RB special fund for technical cooperation activities in support of constituents and is accounted for separately. Some of the rules concerning the allocation and use of RBTC require technical departments at HQ and regions to ensure that at least 80 per cent of their RBTC allocation supports DWCP outcomes (CPOs), with priority given to CPOs that are targets for the biennium as established in the OBWs.

68. The RBTC Expenditure by Outcomes at the end of 2020-21 biennium showed that Outcome 6 registered the lowest RBTC expenditure compared to all the other Outcomes. Following the

decentralization to recipient offices and departments, analysis of the expenditures of regions and units in the HQ corroborated the minimal expenditure on Outcome 6.

69. On the other hand, XBDC is the second major category of ILO expenditure and has specific procedures for developing proposals, donor relations, project implementation and monitoring and evaluation. For Outcome 7, actual expenditure was above the estimated expenditures in the P&B for the biennium. Outcome 6, on the other hand, actual expenditure was below the estimated expenditures compared to the P&B for the biennium.

70. Likewise, the RBSA expenditure in the 2020-21 biennium as reported in the PIR 2020-21 revealed a total of US\$31,622,913 on the eight policy outcomes and the three enabling outcomes. Similar to RBTC, Outcome 6 has the lowest expenditure on RBSA as compared with all the other policy outcomes.

71. It can be inferred that the observations on the limited mobilization of resources and low expenditure of RBSA and RBTC, as well as the unutilized RBTC at the end of the biennium, of Outcome 6, relates to the effective and efficient mobilization, and use of regular and extra budgetary resources. This condition contributed to the non-achievement of the targeted results in the 2020-21 P&B as reported in the 2020-21 PIR.

72. Although the ILO resources (XBDC, RBSA and RBTC) have their own set of rules and procedures on the manner these are allocated and utilized, funds distribution should be responsive to the priorities set under the outcomes of the programme of work to be optimal. As emphasized in the ILO's Strategic Plan for 2018-21 the tendency to organizational compartmentalization of source of funding is essentially artificial and harmful to the optimal deployment of resources. On the positive note, this compartmentalization should be countered by exploiting the potential collaborations among the activities financed by different sources of funds. Moreover, OBWs specify how the resources of the Office are used to support the optimal achievement of results under each outcome. More specifically the OBW establishes priorities, strategies, and resource allocations to achieve the targets established in the P&B.

73. Management confirmed that more targeted efforts to allocate resources in support of Outcome 6 are necessary and is committed to taking further action in 2022-23. Regarding RBSA, the PROGRAM explained that *proposals for RBSA funding originate from regions, based on needs and opportunities on the ground, a limited number of proposals linked to Outcome 6 specifically was received and got funded in the first RBSA allocation round of the biennium, which took place in 2020. However, the second RBSA allocation round resulted to increase of allocations for Outcome 6 which will be registered in 2022-23. The limited mobilization of resources is due to the fact that Outcome 6 touches upon areas of work that are relatively new for the ILO thus attracted fewer voluntary contributions from donors compared to other Policy Outcomes.*

74. While there are mechanisms in place for determining estimates of resources required for the deliverables and allocations of available resources, including mobilization of extra-budgetary resources, it bears emphasizing that this programmatic allocation and utilization be monitored from an integrated budgeting perspective and assessment of interdependence in the use of regular budget and extra-budgetary funding. Hence, the need to determine the resource gaps and policy outcome areas that are lagging behind and to deliver all the P&B outcome in a balanced and responsive manner.

75. **We recommended that ILO should enhance the monitoring of resource allocation and utilization to optimize deployment of resources by including in the OBW review an analysis on the manner resources (XBDC, RBTC and RBSA) are planned, allocated and distributed thus, the immediate determination of resource gaps in its fund distribution to each Policy Outcomes.**

76. **ILO Response:** The recommendation is accepted. The Office agrees with this recommendation which is already under implementation. In 2022-23 improved OBW reviews will be based on an analysis of all resources (XBDC, RBTC and RBSA) planned, allocated and delivered by outcome and by region. In turn, this is expected to allow for timely decisions on the programming and repurposing of resources, building on accurate information on commitments, evolving needs and expenditure patterns.

2.2.4 Roles of the OCTs in the monitoring of RBSA and XBDC funded projects were not clear in the TOR

77. Outcome 6 has registered a 16 per cent delivery and 13.8 per cent encumbrance against its US\$2.4 million RBSA allocation for the biennium, leaving US\$1.9 million unutilized and unallocated balance. Meanwhile, Outcome 7 registered a 53.9 per cent delivery with 13.02 per cent encumbrance, leaving a balance of US\$2.2 million unutilized and unallocated against its total RBSA allocation of US\$6.8 million for the biennium. RBSA funds not utilized in 2020-21 were rephased to 2022-23.

78. The PROGRAM emphasized in the regional meetings on RBTC and RBSA delivery (March 2021) that RBSA delivery remains an utmost concern and requires urgent action. The ILO cannot persuasively convince current and potential donors to contribute to the RBSA if it cannot prove optimization of the fund – using the funds effectively and efficiently to achieve results. PROGRAM also explained that the challenges in the implementation of RBSA are similar to those of programmes under other sources of funds. In some RBSA interventions, these challenges are compounded by the lack of staff dedicated exclusively to its implementation. In 2020-21, delays were primarily attributable to the effects of COVID-19.

79. On the other hand, the actual delivery rates for XBDC for Outcomes 6 and 7 during the biennium are 64.5 per cent and 58.9 per cent, with encumbrances of 14 per cent and 28 per cent, respectively. Outcome 6 has US\$4.3 million while Outcome 7 still has US\$78.7 million unutilized and unallocated resources. These resources are also rephased to 2022-23.

80. The PARDEV explained that the delivery rate is project and context-specific and usually a multitude of interrelated factors pertaining to internal and external matters. More specifically, project budgets are not always entered in IRIS based on the remaining implementation period for the year. The budget is entered in the IRIS during the receipt of funds from the donor; however, the actual implementation will not start for a few months. The remaining implementation period does not correspond to the actual budget and work plan as initially agreed by both ILO and the donor. The factors causing these delays were challenges outside ILO's controls but there are circumstances that can be addressed internally, thus, the need for further improving XBDC project delivery.

81. The TOR of the OCTs plays a crucial role for the delivery of both the RBSA and XBDC funded projects. It was observed, however, that the TOR did not explicitly mention OCTs involvement in implementing ILO's projects funded by RBSA and XBDC. The PROGRAM alluded that "the OCTs cannot monitor progress in each of the 900 on-going projects due to limited capacity. Their responsibility is to have an aggregated view of progress, both from a programmatic and a financial perspective."

82. We emphasize that it is the responsibility of the OCT, as provided in paragraph (c) of their TOR to guide the implementation of the OBWs and monitor progress on delivery during the biennium, based on commitments made to deliver or contribute to certain outputs. The delivery pertains to results achieved by the CPOs through the completion of activities and projects funded by either RBTC, XBDC,

or RBSA. Further, in paragraph (c), the OCT role includes identifying bottlenecks and capacity or resource gaps and proposing corrective measures.

83. The voluntary funds that are funding most of the projects are expected to deliver reportable results for each Outcome. The lack of optimal project delivery as identified by different ILO Departments delays the timely achievement of the expected results and the change the Outcomes aims. It is essential that the OCT strengthen the existing mechanism to provide corrective measures on the identified delivery weakness in the RBSA and XBDC projects. As experts in their respective technical fields and having an aggregated view of the programmatic and financial progress of RBSA and XBDC projects, the OCT is placed in a better position to determine where timely intervention and corrective measures may be provided.

84. **We recommended that ILO should enhance the monitoring of projects funded by voluntary contribution, thus, improving project delivery by:**

- a. **revisiting the TOR of the OCTs and clarifying the OCT member's roles in monitoring, implementation, and delivery of RBSA and XBDC funded projects; and**
- b. **encouraging the OCTs to strengthen the mechanism in identifying bottlenecks and capacity or resource gaps thus, proposing corrective measures through the OCT's aggregated view of the programmatic and financial progress of RBTC and XBDC projects.**

85. **ILO Response:** The recommendation is accepted. The Office agrees with this recommendation and considers that it has already been implemented in the follow-up to previous audit recommendations. Point (a) has been addressed in the revised TOR of the OCTs, published in February 2022. Efforts in relation to point (b) are under way and will continue in the future.

2.3 Policy, strategy, and framework

86. We assessed the current strategic arrangements on programme implementation for Outcomes 6 and 7 to determine whether they are covered with appropriate and adequate cross-cutting policies, strategy, and framework to respond to the pandemic. On Outcome 6, the GEND which is one of the cross-cutting policies of the ILO has a marking process that aims to enable the ILO to examine its interventions and initiatives that ensure results for their relevance in gender equality and non-discrimination, and ultimately report thereon. Such marking process demands a consistent and robust implementation across the ILO.

2.3.1 Disagreement of the GEND Guidance Note with the Gender Transformation encapsulated in the ILO Centenary Declaration and inconsistencies on CPO and GP gender marking

87. The ILO's Guidance Note on GEND was issued by the PROGRAM in April 2020. It establishes the marker system utilized in the previous P&B exercises for implementation planning and monitoring which continues to be in place in the 2020-21 Strategic Management Implementation Planning (SM/IP) for gender equality and non-discrimination. The purpose is to enable the ILO to examine its interventions and the ensuing results for their relevance in gender equality and non-discrimination, and ultimately report thereon. To guarantee that its programmatic activities are gender-responsive and contribute to the ILO's gender equality mandate, the "0" marking is discontinued effectively in the

current biennium (2020-21). Similarly, all CPOs and GPs that are exclusively linked to P&B outputs that correspond to Policy Outcome 6 should be marked with "3".

88. Verification of the OBW Dashboard regarding the information on gender markers in November 2021, disclosed that there were 17 CPOs/GPs with "0" or "blank" indications for Outcome 6, and 14 for Outcome 7. Moreover, out of the 190 CPOs linked to Outcome 6, there were 14 CPOs marked as "0", blank, or "1", which were inconsistent with the guidance note.

89. We noted that the gender marking procedure is sometimes overlooked during the early stages of developing CPO information since COs lacked adequate information with regards to marker rating (1, 2, or 3). Moreover, the report Scan related to PIR for P&B 2020-21 marker on GEND marker dated August 2021 covered the findings on GEND marker initiated by the GEDI Branch which disclosed the inconsistent and inappropriate application of gender markers as a programming tool. GEDI emphasized that with the inaccurate markings on CPOs/GPs, ILO may not obtain the benefits of better-informed decisions regarding gender equality and non-discrimination. More than the observation on the appreciation and compliance on gender markings, it was noted that "0" – no gender contribution, and even "1" – limited contribution markers were not aligned and gender-transformative as stated in the ILO Centenary Declaration, wherein the declaration itself is unequivocal on gender transformation.

90. The GEDI agrees that it is logical and correct to say that Outcome 6 should not contain limited contributions or with marks of "1" or even "0" marks. With regard to "0" marks or when a project is with limited gender contributions, which is said to be "gender-neutral," we know from decades of research that if gender concerns are not considered, then such indicators/targets are actually harmful to women. These projects just reinforce existing unequal power relations between women and men in the world of work. They do not address the issue but rather reinforce, and in many cases exacerbate, and further marginalize women in the labour market.

91. The existing inconsistencies in the CPO and GP gender marks as well as the lowest mark of "1" on the Guidance Note on GEND are contrary to intention of ILO as enshrined in its Centenary Declaration to achieve gender equality at work through a transformational agenda. A concerted effort from within the ILO is crucial to ensure that all areas of work are gender-responsive and mainstreamed, particularly in its programmatic activities.

92. **We recommended that ILO should review its programmatic activities to ensure that these are gender-responsive and transformational in conformity with the ILO Centenary Declaration through the consistent and accurate application of the gender marking rating system.**

93. **ILO Response:** The recommendation is accepted. The Office agrees with this recommendation which is already under implementation in the follow-up to previous audit recommendations. Consistency in the application of the gender equality and non-discrimination marker will be strengthened in the context of planning for and monitoring implementation of OBWs. In addition, the Office will enhance consistency with UN practice to facilitate monitoring of and reporting on ILO contributions to gender equality within system-wide activities of UN Country Teams.

2.3.2 Lack of harmonization of Guidance Notes on GEND vis-à-vis Gender Mainstreaming in DC on gender markings

94. A three-point scale is provided in the GEND Guidance Note as issued by PROGRAM. On the other hand, the "How to" Guide Note No. 15 on Gender Mainstreaming in DC issued by PARDEV provides a

four-point scale and intends to assist ILO officials and constituents in better handling gender equality in DC projects. In an inquiry regarding the discrepancy, PARDEV disclosed that for reporting consistency, the three-point gender marker in 2022 shall be applied.

95. It is underscored that ILO has already abolished the specific marker for “no contribution” to gender equality in accordance with the Guidance Note on GEND. Thus, the criteria for gender marking in DC projects with a four-point scale were inconsistent given that the Guide Note No. 15 was issued prior to the said Guidance Note on GEND.

96. The PARDEV commented that projects have been assessed against the same gender markers as for CPOs and GPs since 2018. Until the end of this biennium, the four-point scale for reporting consistency as part of the ILO Action Plan for Gender Equality 2018-21 is used. From 2022 onwards, assessment is aligned with the three-point gender marker.

97. The GEDI, for their part, stressed that the ILO Gender Action Plan 2018-21 is consistent with the Guidance Note introduced by PROGRAM and it monitors its implementation in the DC projects. GEDI further remarked that a quality assurance mechanism and review process are included in the DWCP to ensure that it meets minimum standards. This is also true for PARDEV, as their quality assurance templates integrate the three marker codes as well as the corresponding requirements.

98. We acknowledge that PARDEV is currently assessing the DC projects on a three-point scale following the PROGRAM’s Guidance Note on GEND. We emphasize, however, that it is vital that PARDEV’s Guide Note No. 15 be explicitly amended on the application of gender markers before P&B 2022-23 implementation to avoid the possibility of inefficient administration and inaccurate information on gender markings.

99. **We recommended that ILO should align the gender markings of DC projects through the project appraisal with the Guidance Note on GEND for clarity and comparability of application of markings to ensure efficient and consistent reporting on gender equality.**

100. **ILO Response:** The recommendation is accepted. The Office agrees with this recommendation which is already under implementation in the follow-up to previous audit recommendations. Work to harmonize and systematize the gender marking of all ILO programmatic activities, including in the context of the appraisal of DC projects, is already underway and will continue during the 2022-23 biennium.

2.3.3 Inadequacy of validation and monitoring of gender marking information in ensuring that programmes and procedures are gender-responsive

101. The ILO Guidance Note on GEND is a validation tool for CPO and GP markings. Gender equality and non-discrimination are ILO mandates, and the appreciation of gender markers is acknowledged at the level of the OCT, RO, and CO.

102. We noted that gender markers are not fully recognized and appreciated at the level of the RO and CO. One of the Chief, Regional Programme Services (CRPS) as a respondent, disclosed that the gender marking procedure is wanting of a detailed and clear guidance compared to other PROGRAM guidelines. The CRPS further alluded that reading the CPO strategy, COs do not usually consider their programme and project objectives for the gender equality component.

103. The Outcome 7 has required gender marking for all CPOs associated with Outcome 7. The Outcome 7 stated that gender markers are validated using the Guidance Note on GEND. As a result, 20 per cent of CPOs' gender ratings under this Outcome were downgraded. On the other hand, the Outcome 6 do not have programme officers dedicated in the verification of the suitability and correctness of gender markers.

104. While the GEDI's capacity development efforts are commendable, the results of the review of GEDI and the evaluation of the marker ratings disclosed that there is a need to enhance the assimilation, understanding and compliance of the field offices on the requirements of the gender marking system. It is vital that PROGRAM ensure that the objectives of the gender marking system are attained. PROGRAM, together with PARDEV and GEDI, confirmed the observations and committed that they will attend to the issues and observations on gender markers in the earliest part of 2022.

105. We highlighted the inadequate understanding with regards to the relevance and importance of gender markers, notably their implications to ILO programming activities. Hence, it is reiterated that GEND as a cross-cutting policy should have a detailed and clear procedures for its inclusion in all ILO programmes and projects. It facilitates the evaluation of ILO's interventions and initiatives for their contribution and relevance in mainstreaming gender equality and non-discrimination.

106. **We recommended that ILO should spearhead a capacity building/training for gender marking usage and updates, as well as the implications of gender marking in ILO programming activities, targeted at OCT leads and relevant support persons within their teams: CO directors, programming officers, Regional Programming Unit staff, DC project designers, implementers and other national actors participating in the projects to ensure enhanced, accurate and rigorous reporting on the ILO's advocacy on GEND.**

107. **ILO Response:** The recommendation is accepted. The Office agrees with this recommendation which is already under implementation in the follow-up to previous audit recommendations. Efforts to enhance understanding and consistent inclusion of gender equality in programmatic activities will be part of PROGRAM's capacity development work during the 2022-23 biennium. Specific initiatives in this regard will be coordinated with GEDI and Human Resources Development Department (HRD), as appropriate. Such initiatives will also build on existing learning products and design tools to mainstream gender equality into DC programmes and interventions available on the DC learning journeys platform, the Development Cooperation Community of Practice (DCCoP) and PARDEV intranet.

2.3.4 Absence of a tool to track the financial resource allocations and expenditures that are made to advance GEND

108. In the SWAP 2.0 Accountability Framework, there are two performance indicators on Human and Financial Resources related to financial resources – financial resource tracking (Performance Indicator 9) and financial resource allocation (Performance Indicator 10).

109. ILO is said to be "meeting requirements" on financial resource tracking on GEND because the "resource tracking" tool maintained by Financial Management Department (FINANCE) tracks professional staff time that is spent on gender equality and non-discrimination. On the other hand, the ILO is presented as "approaching requirements" on financial resource allocation for GEND based on the capacity to calculate resources required to promote GEND on the basis of the "required resources" of CPOs with a marker of "2" or "3". This is "approaching requirements" as ILO is conscious that a

requirement is just a proxy for allocations, and also because there is no clear differentiation of CPOs marked as "2" or "3".

110. We observed, however, that the said tool, introduced by FINANCE, does not track investments or currency amounts in gender equality and women's empowerment but rather human resources or the amount of professional time invested by the ILO staff in GEND activities. It is underscored that the SWAP requires financial resource tracking mechanisms to quantify the disbursement of funds that promote gender equality and women's empowerment. Currently, however, ILO does not engage in gender-related budgeting nor has the procedures to track funding spent on implementing its programmatic activities, which somehow limits the program managers' ability to make better-informed decisions regarding efforts and initiatives as well as funding on GEND.

111. The PROGRAM commented that "tracking of the financial resources that contributed to GEND can be done, but the real challenge is how to do it. At the level of the CPOs, PROGRAM could not determine the total expenditure assigned that contributed to GEND, adding further that no accurate methodology was available. Tracking is difficult for all UN entities since it is a complex activity". The PROGRAM also emphasized that their comment was about the lack of a consistent methodology to calculate expenditure on gender equality and non-discrimination, as the resource tracking tool only offers a partial picture (essentially Regular Budget), and the estimation of resources required does not equate to expenditure.

112. Along this line, it bears stressing that several UN entities have met the requirements, including the United Nations Capital Development Fund (UNCDF), United Nations Children's Fund (UNICEF) and the International Organization for Migration (IOM). There are also some UN entities that exceeded the requirements, including the UNDP and the United Nations Population Fund (UNFPA).

113. In keeping track of the budget and expenditures for gender equality and non-discrimination, ILO should assist constituents in following the money and seeing the full picture of the corresponding projects and related initiatives. While an activity, program, or project may include a gender-responsive component measured in percentages, it is perceivably more beneficial if ILO could calculate and present a specific expenditure in terms of money value based on the results achieved. The process of gender marking is currently in place and an excellent starting point for distributing results according to the gender marker as well as a solid foundation for tracking the amount and reporting on the results of those investments. By reporting on funding dedicated to the advancement of GEND, the ILO can clearly measure and assess success of the gender mainstreaming efforts and adjust their investments, as necessary.

114. **We recommended that ILO should consider benchmarking with the best practices of UN entities, in the integration of SWAP performance indicators on financial resource tracking and resource allocation into the ILO results-based reporting and embed the same to the related ILO GEND policies, strategies, and guidance to facilitate financial tracking and allocation of GEND activities.**

115. **ILO Response:** The recommendation is accepted. Work to improve resource allocation and tracking of expenditure in relation to gender equality and non-discrimination activities will be undertaken in 2022-23.

3. Review of Implementation Agreements

116. IA refers to the written agreement entered by ILO with a legally recognized non-profit-oriented entity (implementation partner), who support the ILO in carrying out its substantive mandate in DC programs, projects, and activities. Notwithstanding the source of funding, the assistance of IPs may be sought: (a) for strategic interventions on a long-term basis, in particular to build within a country or region the capacity of individuals and/or national institutions such as social partners; or (b) for one-off undertakings with respect to specific programme/project outputs, either for the ILO or on behalf of the ILO. Moreover, IA is a crucial project implementation modality to achieve the programmatic delivery of target outcomes for the biennium.

117. We assessed ILO's administration of IAs, as a modality, relative to its contribution in the implementation of programme and projects, hence, the delivery of ILO's target outcomes during the biennium. Likewise, the pertinent IGDS was reviewed to determine if control activities are sufficient and working effectively with respect to monitoring of the timelines of deliverables, allowed transactions, completeness of supporting documents, performance evaluation of IPs, and the sufficiency and clarity of termination procedures. We obtained the Multi-Currency Report (MCR) from IRIS of all IA transactions as at 31 December 2021 which amounted to US\$73,858,299. We grouped these transactions by regional location, including the HQ, and used a sampling methodology identifying 48 purchase orders (POs) amounting to US\$22,304,118 as audit samples.

3.1 Lenient adherence to the requirements on competitive selection of IPs

118. We observed that the IP selection process does not follow the IGDS 270, v.2 or the ILO's competitive selection process, which is critical to ensuring accountability, transparency, and, most importantly, that the best-qualified IP is selected. The IGDS introduces no further grounds for ILO offices to resort to direct selection instead of the purported competitive selection except when the donor has approved the selected IP in writing. Eleven of the 48 reviewed POs for IAs revealed that ILO offices resorted to direct selection instead of the competitive selection (documented comparison of proposals/concept notes) of potential IPs.

119. In the verification of the justifications for the selection of sampled IAs, the most common reasons for refraining from competitive selection are (a) the potential IP as an organization engaged in non-profit work is selected under single source selection, an only potential IP that can successfully perform the services or activities required by the project or as part of the ILO' mandate to increase the capacity of constituents, and (b) for the continuation of work, when the IP is justified in continuing the work.

120. Exceptions may also be made in cases of donor pre-approval, public urgency and lack of competition. If enhancement or revision of the existing IGDS on IA specifically in the area of selection is not feasible or practical, then the noted exceptions should be regulated through a guidance document to ensure accountability and minimize the risk of misapplication.

121. The Office commented that the IGDS specifies that "a selection of implementing partner should be a documented process [competitive selection]. If part of that process is direct selection for justifiable reason, then that is sufficient. Consequently, the Office informed us that "the enhancement of IGDS 270 is underway" and explained that the process will be completed by end of June 2022 following prescribed procedures.

122. We recommended that ILO should avail of the opportunity of the upcoming updates to IGDS 270 and associated guidelines to solidify requirements related to exceptions to competitive

selection and donors' pre-approval of IPs to ensure the observance of accountability and transparency in the selection of IPs.

123. **ILO Response:** The recommendation is accepted.

3.2 Delayed submission or completion of deliverables

124. Paragraph 25 of IGDS 270 states that the implementing partner is solely responsible and accountable to the ILO for the effective use of resources and the delivery of outputs in accordance with the terms and conditions of the IA. Furthermore, the TOR of the IA provides for the contract duration and reporting schedules of deliverables by IPs.

125. We noted delays in the delivery of interim deliverables to some POs. Among the reasons attributed to such delays were due to: (a) matters of administrative procedure such as the processing of payment was put on hold in anticipation of the much-needed addendum for the planned cost-extension; (b) issues on work prioritization; (c) difficulty of the IP in the rendition of deliverables including the collection of supporting documents and preparation of required reports; (d) COVID-19 restrictions; and (e) COVID-19 infections to union leaders and senior staff. Likewise, 24 of the 29 (83 per cent) ILO field office respondents disclosed that they have experienced delays in the submission of deliverables by IPs. Moreover, 14 of the 48 samples were observed to have incurred delays in the submission of interim deliverables.

126. The reasons for the delays as explained by the Office were due to issues on prioritization of work, administrative procedures in anticipation of the much-needed addendum for the planned cost-extension, difficulty by the IPs in accomplishing the required reports and COVID-19 related restrictions, including COVID-19 infections contracted by the IPs. Nonetheless, ILO has endeavoured to provide timely approval of extensions to some IAs in the submission of deliverable caused by COVID-19 pandemic.

127. Considering that the deliverables of the IAs are related to the achievement of the outcomes, the delay in the deliverables of IAs has a direct impact on the timely completion of the project, not to mention the submission timeframe of deliverables in the contract and the realization of the results planned to be achieved during the biennium. Hence, supervision and monitoring are critical to ensure that the submissions are within the agreed timelines, thus, the concerned responsible officials for the project should continue to be active in their roles in the monitoring of the delivery of deliverables.

128. **We recommended that ILO should develop a robust monitoring and follow up of IA's deliverables within the timeframe including the timely assessment of situations that can lead to project extensions while ensuring the quality of outputs and optimal use of resources, as well as to minimize, if not eliminate, the delays in the achievement of the targeted outputs.**

129. **ILO Response:** The recommendation is noted and accepted. The Office will provide programme managers with additional guidance on the need to monitor and manage the work and delivery of IPs.

3.3 Lack of clear guidance on documented performance evaluation of IA

130. IGDS 270 provides that the project manager shall manage and document the performance of the implementing partner (including any agreed changes) on the basis of specific outputs, key performance indicators, baselines and targets in accordance with an established work plan.

131. Documented performance evaluation has not been specifically outlined in IGDS 270 nor separately issued with accompanying procedures. More than 60 per cent or 21 of the 34 ILO offices that were asked regarding the preparation of a documented performance evaluation report prior to final payment responded positively and anchored their reasons mainly on the benefits of having it prepared for future or subsequent IA contracts. On the other hand, some offices deemed that the technical and expenditure reports and the Acceptance of Goods or Services (AGS) were sufficient to ensure that the deliverables were submitted and would mean that the performance of the implementing partner was satisfactory.

132. The Office explained that the implementation of measures such as substantive performance evaluation, KPIs on the programmatic work as well as collection, monitoring and reporting on performance data requires an Office-wide effort, across all departments and offices involved in using implementing agreements.

133. A reliable management controls that would serve as the first line of defence against the offices' risks in the selection of qualified IPs can be further enhanced with the preparation of performance evaluation reports. In most instances, these IPs are repeatedly engaged by ILO, except where services needed are different from those provided. Familiarity on the manner how the IP performed is an advantage to an ILO official who handles and engages with the same IP, however, the risk comes in when there are gaps in its engagement and a new ILO official takes charge of the project. Proper guidance to implementing units is therefore essential in the preparation of the performance evaluation across ILO.

134. We recommended that moving forward, ILO should strengthen its management controls over the evaluation of IPs by: (a) at the project design stage identifying key performance indicators for the IA to be measured; (b) at the time of award of contract, detailing procedures for the preparation of the IP's performance evaluation report which should be included in the PO; and (c) establishment of a system to collect, monitor and report the performance data, to ensure an efficient and effective performance evaluation of IPs.

135. **ILO Response:** The recommendation is noted and accepted.

3.4 The need to enhance controls in the submission and receipt of deliverables

136. The TOR for IP include the list of deliverables and reporting/payment schedules agreed by the parties. The IP is solely responsible and accountable to the ILO for the effective use of resources and the delivery of outputs in accordance with the terms and conditions of the IA. The receipt of deliverables must be ensured by concerned ILO official as enunciated in IGDS 18.

137. Upon submission of deliverables by the IPs, the ILO receives them and the subsequent payments are supported by the AGS form. The AGS is a tool used by ILO officials to certify that the deliverables are compliant with the requirements and can be finalized. The same AGS is also used to support the invoice from the IP before payment. We noted however, that the AGS does not include any information as to the exact date when the deliverables were initially received by ILO. Notwithstanding this deficiency, we were informed that the ILO is continuously working on refining the procure to pay process and procedures, and related forms but have no intention to modify the AGS as indicated. The ILO offices merely rely on the fact that the AGS is dated and provide a statement of confirmation that the goods/services were compliant with the requirements as detailed in the original PO/contract.

138. In our experience in auditing specific donor funded projects, we noted that such condition arose because there was no existing process or procedures initiated in establishing the initial submission of deliverables that are still subject to review and validation. Likewise, the AGS was mainly utilized as a final authorization for payment, but it could have been used as an important tool for monitoring and evaluation of deliverables. There were audit inquiries and discussions on this subject for information and clarification and the Office stated that it continuously working on refining the Procure to Pay process and procedures, and related forms including the AGS.

139. We emphasize that the date of the initial submission of deliverables compared against the date of the AGS can provide information about the time involved in the review and validation process. The duration of the review varies depending on the complexity of the project, the completeness of data reported and the workload of the responsible official.

140. Moreover, the determination of the ongoing performance of an IP, especially in cases of delayed submission of deliverables, may not be well-documented if the actual date of receipt is not recorded. Notwithstanding such importance, the Office explained that the payment schedule agreed upon in the IA allows for the flexibility not to include exact dates for delivery, as is the case with commercial contracts. There are multitude of external factors that drive the delivery timelines for IAs and the nature of their work is different. Deadlines for the submission of the interim deliverables in some cases are less important as long as the activities are completed within the duration of the IA. Nonetheless, the need to establish measures for monitoring the submission of deliverables can also aid in drafting timelines, ultimately reflecting a more realistic activity duration compared to the project's work plan.

141. We recommended that ILO should design a method or process of recording the actual dates of submission and receipt of deliverables to establish controls in ensuring whether the IPs delivered their products/services in a timely manner to aid in estimating and drafting timelines reflecting a more realistic project and activity duration.

142. **ILO Response:** The recommendation is noted and accepted.

4. Control environment in Country Offices

143. For financial year 2021, we included in our audit four DWTs/COs, namely: DWT/CO-Moscow, CO-Hanoi, DWT/CO-Santiago and DWT/CO-New Delhi. Our audit was aimed at ascertaining the effectiveness of governance mechanisms as well as the accuracy and completeness of financial and management information including the adequacy, efficiency, and effectiveness of controls embedded within its key and critical business processes in the general management of DWTs/COs as well as in the implementation of programmes/projects.

144. The DWT/CO-Moscow coordinates ILO activities in ten countries (Azerbaijan, Armenia, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Russian Federation, Tajikistan, Turkmenistan and Uzbekistan), and has 26 regular employees and 30 project-based personnel. It has 19 active DC projects with a total cost of US\$28,701,912 that were distributed among its covered countries, except for Belarus and Turkmenistan.

145. Meanwhile, the CO-Hanoi, being one of the largest field offices outside Geneva, has 101 staff. Currently, its total funding for DC projects is approximately US\$20 million. The DWCP for CO-Hanoi is the main framework for ILO cooperation with government workers and employers' organizations over

the period 2017-2021 which was in line with the Viet Nam United Nations One Strategic Plan that embraces the Sustainable Development Goals (SDGs), and the national five-year Socio-Economic Plan.

146. Whereas, DWT/CO-Santiago is responsible for coordinating the actions carried out in Chile, Paraguay and Uruguay, as well as providing technical assistance to Argentina and Brazil. It has a total of 28 staff wherein 18 are female and 10 are male. It has 11 active DC projects with a total cost of US\$4,955,837.00, five of which are implemented in Chile and six in Paraguay.

147. On the other hand, DWT/CO New Delhi covers ILO activities in India and provides DWT backstopping to six other countries (Afghanistan, Bangladesh, Maldives, Nepal, Pakistan, and Sri Lanka). The office has 36 regular employees and 28 project-based personnel. It has 18 active DC projects implemented in 2021 with a total cost of US\$31,832,401.60.

148. Our audit focused on the delivery of front-line controls, also known as management controls, which reflects the operating effectiveness of the control environment within the offices in relation to the management of DWCP, controls on DC projects, donor reporting, external collaboration (Excol) contracts, IAs, cash management, asset management, human resource management, procurement management, and risk management.

149. Overall, based on the results of the audit, there was a reasonable level of assurance that governance mechanisms and operational controls were generally in place and consistent with the established policies, regulations and rules, and processes. However, we noted some opportunities for improvement to further enhance operational controls and processes in the following areas: (a) compliance with policies, regulations and rules; (b) project delivery; and (c) risk management.

4.1 Compliance with policies, regulations and rules

150. The ILO established an IGDS website which contains all internal policies, rules, directives, procedures, guidelines, manuals and circulars which are in place and can be referred upon by all concerned as needed. These served as a repository of internal governance documents to assist all Offices in the conduct of operations and to efficiently and effectively achieve the desired objectives and goals.

151. Policies, regulations and rules are essential part of any organization. These provide a roadmap for day-to-day operations, give guidance for decision-making and streamline internal processes. However, these purposes will not be optimized if some policies, regulations and rules are neglected for compliance. Complete and consistent compliance offer a more efficient use of time and resources and can quickly identify and address gaps in the processes. Along these lines, our audit was structured and offered results which are discussed in the succeeding paragraphs, to further improve the operations and management of the audited DWTs/COs.

152. First, DWCPs provide a framework that identifies the priorities of ILO constituents in a country and specifies the planned support of the Office to the achievement of results under these priorities. Our audit of DWCP in DWT/CO-Moscow disclosed that: (a) only Armenia, Tajikistan and Uzbekistan had approved DWCP documents out of the ten countries covered by the Office; (b) the Implementation Monitoring Plan of the DWCP of Uzbekistan did not indicate the period within which to accomplish the expected outputs/activities of the outcomes; and (c) in Armenia and Tajikistan some priorities, outcomes and indicators were not in accordance with the RBM principles and the DWCP Guidebook. Further in our audit of DWCP, we noted in DWT/CO-Santiago that countries like Chile, Paraguay, and Uruguay last

formulated their DWCP way back in 2008, 2013, and 2020, respectively; and that these countries had neither active nor drafted DWCPs in the pipeline.

153. On the other hand, we performed a review of compliance on the preparation and completion of relevant reports to determine whether these are completely accomplished and submitted on a timely manner. Similarly, reports and other pertinent documents need to be stored and uploaded in an appropriate repository (i.e. IRIS) not only in compliance to the guidelines but also to facilitate efficient access when needed. In our audit, we observed that in the four DWTs/COs, there were either delays in the submission of Reports to Donors and of Final Expenditure Report on IAs, delays or non-accomplishment of expected outputs/activities, and delays/non-completion of staff Performance Appraisal Report or non-completion of the required Checklist for Excols. Likewise, we noted in the four DWTs/COs that the uploaded documents in IRIS were incomplete because some documents were only kept on file, or due to lack of instruction to upload in IRIS.

154. We also reviewed other critical areas to determine the level of compliance with the existing rules and procedures as they manage the operations of the DWT/CO. On asset management, our audit disclosed erroneous classification of transactions, absence of reconciliation of Physical Inventory Report with the Furniture and Equipment Management System (INI), as well as incomplete provision of information in INI in both DWT/CO-Moscow and DWT/CO-Santiago. Moreover, in DWT/CO-Moscow, there were newly acquired sensitive items that were not recorded in the inventory report. There were errors in recording the property costs, tagging of newly procured item, and inconsistencies of information entered in the INI in DWT/CO-Santiago. Also, verification of CO-Hanoi's Furniture and Equipment (F&E) inventory schedule revealed items that were without assigned custodian.

155. On cash management, we noted in DWT/CO-Moscow that the authorized level of OCA-PC fund was more than the normal requirements and the petty cash accounts were not maintained on an imprest basis. Regarding IAs, we noted in DWT/CO-New Delhi the non-compliance with the competitive selection outlined in the relevant IGDS. Meanwhile, we observed in CO-Hanoi that IPs were provided advance payments, which is not in accordance with financial agreement. While in procurement management, our audit of CO-Hanoi disclosed that there were gaps in accomplishing the budget estimate and the required Checklist used to indicate due diligence review made on each contract. In the area of travel management, we observed in DWT/CO-Santiago that there were no travel plans available for 2019, 2020 and 2021.

156. Moreover, in human resource management, we noted the need to update the personal files in Human Resources Development Department (HRD), and address the situation where staff personnel are performing additional functions due to unfilled positions in DWT/CO-Moscow. In CO-Hanoi, the audit raised the need to improve in recruitment process and in compliance with Performance Appraisal Reports (PAR) timeline as well as to improve the workforce plan. On the other hand, we noted the need to bridge the knowledge gap on project start-up in DWT/CO-New Delhi as some projects were not clear about the roles of backstopping technical specialists. In addition, there is a need to improve capacity-building to ensure that every project personnel have the necessary technical skillset for project implementation. Also, in DWT/CO-New Delhi, we noted delay in the hiring of project officers which significantly affects project implementation; as well as the need for an inception phase in projects to ensure that the right technical skillset and human resources are available, and all necessary preparation is done prior to implementation. Finally, on grant agreements entered into by DWT/CO-Santiago, we noted that there were no specific procedures on how and when the excess or unused funds from grants will be returned to the ILO.

157. Management explained that generally, there were several challenges that confronted them to observe complete compliance with some aspects of the policies, regulations and rules. Such as in the case of DWCP, there were DWT/CO without DWCP because the tripartite constituents preferred otherwise and in respect to their autonomy, while other factors for limited compliance are attributed to staffing issues and awareness of policies, review, and monitoring process, and largely due to the impact of COVID-19 pandemic.

158. We recognize the challenges encountered as well as the efforts exerted by the DWTs/COs to improve compliance with policies, regulations and rules and carry on with their day-to-day activities despite the various factors they have to balance and consider. However, it is underscored that these were formulated and established to ensure smooth, transparent and continued operations, with the ultimate goal of fulfilling the mandate of the organization. Consistent and complete compliance is expected, otherwise the organization will be exposed to risks of inefficient and ineffective operations and may not be responsive to the needs of constituents as well as in the achievement of operational objectives.

159. **We recommended that ILO should enhance its control activities by observing complete and consistent compliance with policies, regulations and rules by addressing the challenges or factors causing non-compliance through clear communication and continuous monitoring of application of operational guidelines.**

160. **ILO Response:** The recommendation is noted and accepted. The Office will review its control environment and remind individual departments, regional programming units, external offices and budget holders of their responsibilities.

4.2 Programme/project delivery – budgetary control

161. In consideration of effective budgetary control which plays a significant element in the overall delivery of programme/project, we framed our audit to review the system of procedures used to ensure that an organization's financial budget and delivery adhere closely to its financial workplan. In ILO, there is a biennial P&B which establishes both a programme of work and a budget based on the priorities identified as well as specifies the strategies the ILO will implement to achieve results and the capacities and resources necessary to do so.

162. As a result, our review of the financial status of DC projects in DWT/CO-Moscow, CO-Hanoi and DWT/CO-Santiago disclosed that there were low utilization/delivery rates of the project funds. In DWT/CO-Moscow, noting from the financial status, it was shown that the delivery rates on some projects may not correspond the time elapsed to implement the same yet we noted from Management that many projects have several phases of discussion and implementation.

163. Among the reasons for low utilization/project delivery rate shared by Management were the COVID-19 situation which disrupted many planned project activities, and the ILO's partners expected to deliver the project outputs could not conduct activities as agreed. Accordingly, implementation rate is expected to recover the pace of delivery to the extent that they are transitioning to a post-pandemic context.

164. The pandemic greatly affected the implementation of the projects which impacted the delivery rates due to the unexpected changes in activities of the projects and the restrictions imposed both by the national authorities and the ILO. As such, it is important to keep track of the uses of project budget

as well as the encumbrances against their allocations to be able to monitor the performance in terms of their financial utilization. With this, they will be able to appropriately plan for the periodic utilization of their respective project budgets and promptly make the necessary and allowable revisions to respond to the changing needs of the ILO constituents.

165. **We recommended that ILO should implement an effective strategy in coping up with the challenges that caused the low project financial delivery/utilization and ensure adherence to existing budgetary controls to reflect an improved utilization of funds which may result in the timely delivery of projects.**

166. **ILO Response:** The recommendation is accepted. The Office hopes that with the recovery from the pandemic and opening of economies and civil society around the world, projects will be able to improve their delivery of outputs, which should not be confused with rates of utilization of the project budgets.

4.3 Risk management process

167. ILO's risk management process is a systematic, coordinated approach to direct an organization, and its activities, with regard to risk. The people involved in assessing and managing risk are: (a) the Register Manager, generally the manager of a programme, project, Department, or Country or Regional Offices; (b) team members responsible for delivery of major activities. The Register Manager should usually involve other members of his/her team, as the process has wider benefits in team building, developing a common understanding of objectives and challenges and sharing responsibility for managing risks; (c) the Risk Owner, the person assigned to coordinate risk responses; and (d) the Supervising Manager, the hierarchical chief of the Register Manager.

168. In DWT/CO-Santiago our review revealed that more than the risk register which has to be updated, we identified areas of risk management process needing attention for improvement, such as: (a) risk universe has to be widened considering areas under operational, programmatic and reputational; (b) greater involvement of staff or team members, process owners, managers/supervisors, directors in all levels of operations across the Office, not only during risk assessment but also in managing residual and emerging risks; and (c) formalization of risk management process through documentation of the steps taken under each stage of: planning, defining the need and scope of risk assessment, identifying risk, evaluating risks, responding to risks, monitoring, and reporting.

169. On the other hand, in CO-Hanoi, we also raised the need to update its risk register to consider the requirements indicated in the new Risk Management Manual. While in DWT/CO-New Delhi, it was observed that: (a) ownership of risks can be delegated from Director to responsible process owners; (b) there was a need to include measures and risk responses pertaining to the selection of IPs; and (c) there was a need for a more appropriate risk responses on some identified risks.

170. Management shared that part of their exercise related to risk management involved the assessment of potential preventive actions and correcting opportunities and they also intend to update the risk register in line with any changes in the risk profile. Overall, the DWTs/COs acknowledged the current limitations of the process and committed to improve and work on the concerns that we raised.

171. We underscore that robust risk management process is fundamental to protect ILO's interest both from uncertainties and calculated events, and in the process, will drive efficient, effective and well-managed delivery of programme and project to ILO's constituents. This, however, could only be

optimized by considering a much wider risk universe, involvement of all staff, formalizing risk management process and updating country office’s risk register, as the main result.

172. **We recommended that ILO should reinvigorate its risk management process in the DWT/CO by considering the following elements and factors: (a) include a much wider risk universe; (b) greater involvement of staff from all levels; and (c) regularly update the risk register to consider the outcome of the renewed risk management process.**

173. **ILO Response:** The recommendation is accepted. The Office is in the process of finalizing the revision of its risk management platform which will be released during 2022. The revised platform introduces improvements to the functionality and efficiency of the risk management processes especially in relation to remote accessibility from all locations. These improvements, with the associated revised training scheduled, will address the issues raised.

C. IMPLEMENTATION OF EXTERNAL AUDIT RECOMMENDATIONS FROM PREVIOUS YEARS

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

Audit Report	Number of Recommendations	Fully Implemented	In Progress	Partially Implemented
2020	14	9	5	0
2019	24	14	9	1
2018	9	7	0	2
2017	10	10	0	0
2016	16	13	1	2
Total	73	53	15	5

175. We noted that ILO Management fully implemented 53 of the 73 recommendations from 2016-2020, registering an implementation rate of 72.60 percent. While the action by Management is commendable, there are 20 recommendations which implementation were either in progress or partial. Annex A presents the details of the status of implementation of the external audit recommendations as at the reporting period.

176. It was considered that the circumstances brought about by the current pandemic presented the ILO with new challenges and considerations which should be managed and which require immediate attention. Nevertheless, ILO should likewise consider that the recommendations presented in audit were value-adding measures which would help the ILO cope up with such extraordinary circumstances and improve operational efficiency.

177. We emphasize that the external audit function is an important element of accountability in the ILO’s business processes. It is then imperative that the value of the result of the external audit exercise be given importance and its implementation be expedited so as to promote the integrity, transparency and reliability of the level of performance, both financial and operational, being presented to the ILO’s stakeholders.

178. **We recommended that the ILO should adopt an action plan and strategy to map out the progressive implementation of the external audit recommendations to further improve operational efficiency.**

179. **ILO Response:** The recommendation is noted and accepted.

D. DISCLOSURES BY MANAGEMENT

180. **Write-off.** Management reported that in accordance with article 33 of the Financial Regulations, a total of US\$189,629.78 in 2021 (US\$172,394 in 2020) were approved for write-off by the Treasurer. The write-off consists of: (a) unrecoverable Value Added Tax (VAT) and UNDP double payment made to car rental supplier- US\$169,749.72; (b) Technical Centre for Agricultural and Rural Cooperation's (CTA) share in the cost of the 128th Session of the ILO Administrative Tribunal held from 29 April to 17 May 2019 – US\$17,979.00; (c) administrative error related to the incorrect payment of supplier – US\$1,260.00; (d) Petty Cash losses – US\$442.98; and (e) Cash advance to an employee in Mauritania – US\$198.08. We noted that as required under the Financial Regulations these write-offs were approved by the Treasurer.

181. **Ex-gratia payment.** In accordance with article 32 of the Financial Regulations, ILO made extra-gratia payments of US\$21,168.47 in 2021 (US\$0 in 2020). The ex-gratia payments of US\$21,059.66 were made to former staff members due to the early closure of TAWDIF II project in Algiers, while the US\$108.81 was a symbolic payment for the completed translation assignment without confirmation of the work or a contract.

182. **Cases of fraud and presumptive fraud.** Pursuant to Financial Rule 8.40 (Loss of cash or negotiable instruments, cases of fraud) and in conformity with Financial Rule 13.10 (Cases of fraud, presumption of fraud or attempted fraud), Management confirmed that there was no reported case of fraud or presumptive fraud in 2021 (11 cases in 2020) which should be disclosed for financial statements purposes.

E. ACKNOWLEDGEMENT

183. We wish to express our appreciation for the cooperation and assistance extended to our staff during our audit by the Director-General (DG), the Deputy DG, Regional Directors, Headquarter Directors, the Treasurer and Financial Comptroller, Country Directors, and members of their staff.

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

Annex A

STATUS OF IMPLEMENTATION OF EXTERNAL AUDIT RECOMMENDATIONS FROM PREVIOUS YEARS

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

Recommendations		External Auditor's Validation
ILC.109/FIN/2020		
1	<p>Implementation of RBTC projects:</p> <p>Consider the development of a guidance document to include: (a) identification, prioritization and compliance with the criteria provided in the corresponding directives and guidance of CPOs/GPs to be allocated with RBTC; and (b) advices to facilitate challenges in the implementation of the new administration and management of RBTC resources.</p>	<p>Fully implemented</p> <p>The Office agrees with this recommendation. The revised guidance note for planning and monitoring of RBTC delivery in 2022-23 was released in March 2022.</p>
2	<p>Implementation of RBTC projects:</p> <p>Consider developing a guideline on reallocation of RBTC resources to priority areas should spending fall below the targeted level in accordance with the IGDS 446 to ensure full and effective delivery; and conduct a robust and periodic monitoring of RBTC allocation and utilization by determining the challenges encountered by programme managers and by providing the corresponding support in a timely manner to overcome those challenges, thereby achieving the targeted delivery rate for the biennium.</p>	<p>In progress</p> <p>Building on experience in 2020-21, PROGRAM will institutionalize a system of regular engagement with regions and technical departments at HQ to monitor RBTC delivery and its best use towards the achievement of results in 2022-23. Guidance to that effect has been issued in the context of the 1st OBW review process which is scheduled to take place in April 2022.</p>
3	<p>Programming Internal Governance (IG) Manual as a readily available and up-to-date electronic policy manual:</p> <p>Consider the updating and enhancement of Programming IG document as an electronic manual (e-manual) in the SharePoint for a comprehensive, concise, consistent, systematic implementation and coordination reference of the programming activities organization-wide.</p>	<p>In progress</p> <p>Work on the e-manual is on track. The document is expected to become available by June 2022.</p>
4	<p>Guidance on linking and providing/ updating of CPOs in the SM/IP:</p>	<p>Fully implemented</p> <p>Actions to increase accountability of the programming process were</p>

Recommendations		External Auditor's Validation
	<p>Enhance the accountability process of linking the CPOs with the output indicators; and the uploading and updating information in the SM/IP by: (a) ensuring compliance by programme managers; (b) strengthening support by RPUs, and technical specialist in the field and HQ; and (c) robust and regular monitoring by the OCT, output focal points and PROGRAM.</p>	<p>implemented in the context of the Office's well-established OBW system by the end of 2021.</p> <p>The OBW monitoring dashboard constitutes an important step forward towards enhanced transparency of country programmes and resource allocation, and therefore accountability. The last OBW review of the biennium was held from 16 to 22 November 2021. It started with a high-level session led by the DG and the three DDGs. The purpose of such a session was to share perspectives on progress and achievements at the close of the extraordinary 2020-21 biennium and on the goals the ILO is set to accomplish in 2022-23, and to foster exchanges on the opportunities and challenges ahead for the ILO. ILO senior management's engagement in this OBW is testimony to the ILO's commitment to increase accountability of the programming process.</p>
5	<p>Guidance on the modalities of project implementation:</p> <p>Consider in the update of IGDS 482 the inclusion of the processes and procedures in conducting virtual seminars, thereby, enshrining and preserving the use of virtual means to promote efficiency, effectiveness, and economy; and ensure consistency in the application of guidance and conduct of all online seminars across the Organization.</p>	<p>In progress</p> <p>A review of IGDS 482 is under way for an updated version to be published before June 2022, addressing any specificity of virtual seminars, as necessary.</p>
6	<p>Project delivery, results accountability and capability building:</p> <p>Improve the quality of the design of the projects and appraisal of project proposals by: (a) facilitating staff development and capacity building of project originators with focus on the programmatic as well as financial design of projects specifically responsive to the risks that will contribute to project implementation delays and extensions; (b) encouraging the inclusion of project inception phases during project design and appraisal; and (c) reviewing the feasibility of project results given the timeframe and available</p>	<p>Fully implemented</p> <p>The Office has launched two staff development learning journeys on project design (June 2021) and project implementation (November 2021) respectively that include topics such as risk analysis and accelerating project start-up.</p> <p>Inception phases and feasibility matters are raised where relevant and possible during the design and appraisal process.</p>

Recommendations		External Auditor's Validation
	budget during project design, appraisal and implementation.	
7	<p>Project delivery, results accountability and capability building:</p> <p>Enhance the capacity of relevant actors in DC project implementation through further specific staff development initiatives, spearheaded by HRD, in coordination and collaboration with PARDEV, Development Cooperation Budget Unit (BUD/DC), Procurement Bureau (PROCUREMENT), EVAL, and other relevant management support units, focusing on promoting effective, efficient, pro-active and adaptive management of projects to ensure swift delivery and results accountability.</p>	<p>In progress</p> <p>A first learning product on adaptive management is being developed as part of the DC Learning Journey on project implementation. In addition, the adaptive management approach has been explicitly embedded for piloting and learning in the design of the new SIDA – ILO partnership programme for 2022-25.</p>
8	<p>Review process, verifiability and veracity of information in the SM/IP:</p> <p>Craft quality assurance guidelines that: (a) establish an enhanced review mechanism on linking CPOs, and the uploading and updating of information in the SM/IP with stronger engagements by all those involved in the process; (b) outline roles and responsibilities for the key data quality assurance evaluators; and (c) obtain agreement on the points and regular time the quality review will occur and how and to whom findings will be reported.</p>	<p>Fully implemented</p> <p>PROGRAM has issued specific guidance on this subject (June 2021) and has enhanced the Implementation Reporting Module in IRIS/SM to improve the accuracy of information for the country results reported through the system. In July 2021 it organized a webinar for colleagues across the Office, both at HQ and in the regions, to enhance knowledge and capacity for reporting quality country results and global deliverables.</p>
9	<p>OBW monitoring dashboard:</p> <p>Address the cause of delay and launch the OBW dashboard within the planned timeframe to provide ILO with an effective monitoring tool for projects.</p>	<p>Fully implemented</p> <p>The OBW dashboard became available Office-wide as scheduled in March 2021.</p>
10	<p>Criteria on the tagging of COVID-19 responsive projects:</p> <p>Disseminate clear and specific criteria for tagging, in consonance with ILO's four-pillar policy framework and related guidance, through a supplemental instruction and checklist, thereby, enabling consistent and timely compliance from the field offices while ensuring that responsible managers are held accountable on the timely compliance with the COVID-19 tagging in DC projects, CPOs and GPs.</p>	<p>Fully implemented</p> <p>The issue was addressed in the guidance issued by PROGRAM in June 2021 for the preparation of the PIR 2020-21.</p>

Recommendations		External Auditor's Validation
11	<p>Lesson learned:</p> <p>Initiate collaboration among PARDEV, PROGRAM and EVAL to ensure that lessons learned through evaluations are effectively fed-back into the design of any new ILO intervention in order to improve the quality of the intervention and eventually its successful implementation to achieve the corresponding project impact.</p>	<p>Fully implemented</p> <p>A PARDEV guidance note for the OBW review (issued in November 2021) promotes the use of lessons learnt from evaluations in future interventions. The use of evaluations lessons, including through innovative evaluation methods, such as real time evaluation, has been included in the design of the Sida-ILO partnership programme 2022-25.</p>
12	<p>Internal coordination:</p> <p>Strengthen internal coordination by ensuring a robust TOR of the members of the Outcome Coordination Teams to include scope, purpose, responsibilities, among others, and to spell out the corresponding specific work pathways and deliverables recognizing the innovations and improvements observed by the departments in the HQ and field offices.</p>	<p>In progress</p> <p>Revised draft TOR of the Outcome Coordination Teams were prepared by PROGRAM and circulated to OCT Leads, Regional Directors and the Director of the Turin Centre for comments in December 2021. The final TOR were available in January 2022.</p>
13	<p>Knowledge sharing:</p> <p>Strengthen knowledge management with regard to programme planning, resource allocation, and implementation reporting across the organization by: (a) strengthening an online collaborative workspace building on existing platforms such as DCCoP; (b) investing in the production of relevant data and information materials; and (c) fostering a knowledge management culture on this matter at all levels of the Office, through improved coordination between PROGRAM, PARDEV, FINANCE and ITC.</p>	<p>Fully implemented</p> <p>In addition to the e-manual which will become available by early 2022, in late 2021 PROGRAM lunched a Teams-based community of practice (COP) on strategic programming. The objective of this COP is to provide an open space for all ILO colleagues involved in strategic programming issues to exchange ideas, get support and advice in apply relevant guidance, and share good practices. The design of the capacity development initiative targeting programme officers in field offices and at HQ and managers is well advanced and on track to be rolled-out during 2022.</p>
14	<p>Control environment in Country Offices:</p> <p>Adopt strategic solutions that would consider the current situations in the country offices in implementing projects despite the challenges of the COVID-19 pandemic and enhance supervisory and monitoring controls over critical processes to ensure compliance and to enhance operational efficiency and effectiveness.</p>	<p>Fully implemented</p> <p>The Office agreed with the recommendation and has provided guidance through regular regional virtual meetings and published instructions on improving controls and monitoring. Given the nature of the internal control</p>

Recommendations		External Auditor's Validation
		environment this will be an ongoing activity.
ILC.109/FIN/2019		
15	<p>External Collaborators – Transparency in selection process of External Collaborators:</p> <p>Adopt a competitive selection process in hiring External Collaborators (Consultants) as well as adopt an updated policy for fees that can be applied by different ILO offices around the world. Fees should be justified by the level of complexity of the task. Since fees are based on the complexity of the task, the preparation of the detailed TOR should also include the qualification requirement and level of complexity of the work. The improved TOR should be attached in the IRIS to serve as reference in selection and form part of selection document.</p>	<p>In progress</p> <p>The Office is working on revising instructions in the current IGDS in relation to the selection processes for collaborators. It is envisaged that this will be completed by the end of 2022.</p>
16	<p>External Collaborators – Evaluation of the performance of External Collaborators:</p> <p>Ensure that Programme Managers complete the evaluation form and attach the document to the Payment Request before final payment is awarded to the External Collaborator.</p>	<p>In progress</p> <p>Additional instructions will be provided to Programme Managers when the IGDS document is revised for the end of 2022.</p>
17	<p>Human resource management – Recruitment and selection policies and procedures:</p> <p>Craft clear written procedures on hiring using direct selection containing appropriate controls including specific process timelines and corresponding status for more transparent, consistent and efficient recruitment process.</p>	<p>In progress</p> <p>The work on the workflow will be finalized by the end of September 2022.</p>
18	<p>Human resource management – Recruitment and selection policies and procedures:</p> <p>Craft a clear and concrete policy guideline delineating the use of call for expression on the recruitment of DC staff; restricting discretionary authority to the minimum necessary and ensure that the reasons for exceptions are duly satisfied; and, supported with operating procedures containing appropriate controls including specific timelines and milestones.</p>	<p>In progress</p> <p>The DC recruitment toolkit being finalized emphasizes the use the comparative assessment of multiple candidates by issuing a Call for Candidatures for DC/TC positions to be filled as a best practice for supporting best-informed, fair and transparent decisions with regard DC recruitments. The material also identifies a series of extenuating circumstances that render the use of a call for expression impractical and for which the filling of positions through the use of direct selection</p>

Recommendations		External Auditor's Validation
		<p>without a call is considered appropriate. It furthermore includes recommended best procedures and specific timelines for each step in the process.</p> <p>This should be completed by the end of June 2022.</p>
19	<p>Human resource management - Recruitment and selection policies and procedures:</p> <p>Update the existing mechanism of recruitment and selection of local staff in the field offices to ensure a standardized recruitment procedure incorporating best practices; and supported by operating procedures containing appropriate controls including specific timelines and milestones. This updated mechanism should be endorsed by the Joint Negotiating Committee (JNC) in accordance with article 4.2(f) of the Staff Regulations.</p>	<p>In progress</p> <p>The DC recruitment toolkit being finalised emphasizes the early start of recruitment and selection procedures to reduce project start-up times. A set of best practice for local recruitment has been developed and will need to be endorsed by the Joint Negotiation Committee.</p> <p>The target date for completion is the end of June 2022.</p>
20	<p>Human resource management - Recruitment and selection methods:</p> <p>Set clear parameters to measure efficiency, effectiveness and timeliness of the various stages of the recruitment process which include among others, setting a maximum length for each process stream, and exacting accountability on the process owners to enhance better performance monitoring of the whole recruitment and selection process.</p>	<p>In progress</p> <p>HRD conducted a business review with the Resourcing unit. One of the proposed outcomes was a planning tool which will establish timeframes for each of the steps of the process. Hiring managers will be expected to commit to an agreed timeframe and to other actions such as, for example, the preparation of the written examination during the period when vacancies are open to applications. Tracking tables will also be introduced to monitor progresses. To be completed by end of June 2022.</p>
21	<p>Human resource management - Recruitment and selection methods:</p> <p>Design a mechanism that will hasten Job Description (JD) drafting and approval and will facilitate the identification and immediate resolution of any impediment and ensure timely vacancy posting for a more efficient recruitment and selection process.</p>	<p>Fully implemented</p> <p>Following the first Recruitment, Assignment and Placement System (RAPS) in 2021, a review of the impact of changes was undertaken and revisions were introduced to address bottlenecks and improve engagement with the staff union during their review of the JDs. Additionally, a set of recommendations to harmonize the minimum education and experience requirements across job families and grade levels were developed and are being</p>

Recommendations		External Auditor's Validation
		<p>negotiated with the staff union. Going forwards, these will bring an increased level of consistency, speeding up the JD drafting and review processes.</p> <p>The DC Recruitment and Selection Toolkit includes template job descriptions for the most commonly occurring positions on DC projects. These include six positions in the Professional category, two in the National Officer category and five in the General Service category.</p>
22	<p>Human resource management – Recruitment and selection methods:</p> <p>Develop a system of rosters/pools of pre-assessed candidates to facilitate in the attainment of sound, timely and effective selection process.</p>	<p>In progress</p> <p>Active participation of HRD in inter-agency meetings on mutual recognition of joint rosters within the UN system to implement processes for rosters and pools of pre-assessed candidates to further facilitate effective selection process. Further updates will be made by the end of June 2022.</p>
23	<p>Human resource management – Staff development:</p> <p>Consider establishing, through the appropriate IGDS mechanism(s), a Staff Development strategy including, among others, the definition of staff development and outlining the corresponding goals and principles.</p>	<p>In progress</p> <p>The ILO Staff Learning & Development Policy, which includes, among others, the definition of Staff Learning and Development at the ILO and its objectives and principles is in the final stages of drafting.</p> <p>In addition, work has already started to develop the ILO Learning Action Plan 2022 – 2025. This document outlines the learning priorities for the next four years and is aligned with the HR Strategy 2022-2025. These documents will be finalized by the end of November 2022.</p>
24	<p>Human resource management – Staff development</p> <p>Reinforce and ensure availability of support, guidance, coaching and training for performance management with a focus on addressing underperformance and build increased awareness and uptake of the services available. The ILO should consider mandatory training for managers with development needs in the area of managing underperformance (as identified</p>	<p>Partially implemented</p> <p>The situation across the Office in terms of performance management was reviewed in 2021. The review demonstrated that there is a good basic understanding of how to manage underperformance and that this is happening spontaneously across the Office.</p> <p>Eighty percent of staff provided Upward Feedback indicating that managers</p>

Recommendations		External Auditor's Validation
	through their own: performance appraisals and/or upward feedback or as evidenced in the quality of appraisals for staff reporting to them).	<p>complete appraisal forms on time and in line with quality expectations, 80 percent indicated that they received constructive and actionable feedback and 70 percent indicated that performance discussions took place as required.</p> <p>While a limited number of appraisals indicated that managers that did not meet expectations in terms of their managerial responsibilities (including completion of appraisals), a review of appraisals for underperforming staff showed that in many cases the managers had already initiated actions, such as putting in place a performance improvement plan (PIP). A limited number of appraisals were found to have ratings and comments which were inconsistent. These were returned for correction.</p> <p>Case-specific guidance and support was provided through individual coaching, and group information sessions were organized with Offices/Department that had low compliance ratings or who wished to improve on their appraisal writing skills. The "Managing my performance conversation" workshop will continue to be offered globally online in English, French and Spanish to further improve the quality of performance discussions.</p> <p>The ILO HR Strategy for 2022-2025 commits to strengthen the mechanisms and capacity of managers to manage underperformance and address non-performance in an effective, fair and timely manner. In 2022 the Office will design an online webinar on how to manage underperformance which will be used going forwards to supplement the services already in place. It will also take steps to further publicise the services and materials available to support managers in this regard.</p>
25	Human resource management - Gender and diversity:	<p>Fully implemented</p> <p>The recommendation for alignment has been considered in the context of the</p>

Recommendations		External Auditor's Validation
	<p>Ensure the collaboration of offices as well as departments for an aligned, reconciled and consistent targets/indicator in the different documents regarding gender and diversity from various department and offices towards the achievement of a gender-sensitive workplace.</p>	<p>development of the ILO Human Resources Strategy 2022-2025 (endorsed by the Governing Body in November 2021) in the preparation of the proposed outline for the ILO Action Plan for Gender Equality 2022-25 (discussed in the Governing Body in March 2022) and in the development of indicators and targets for this plan following this discussion.</p> <p>The indicators and targets with regard to achieving gender parity in ILO professional and managerial staff in the HR Strategy and ILO Action Plan for Gender Equality for 2022-2025 are fully aligned. Furthermore, the Office has ensured that the measure of parity is set at equality +/- 3 per cent in both the Action Plan and the HR Strategy in alignment with the definition used in the SWAP.</p>
26	<p>Human resource management - Gender and diversity:</p> <p>Develop realistic and workable targets for each SWAP performance indicator, considering limiting factors in the environment in the development of the ILO Gender Action Plan 2022-25.</p>	<p>Fully implemented</p> <p>The recommendation to develop realistic and workable targets for the HR related indicators within the SWAP was considered in the context of the development of the ILO Human Resources Strategy 2022-2025, and in the targets and indicators established within the ILO Action Plan for Gender Equality 2022-25, which took place in early April, following the review of the proposed outline by the Governing Body in March 2022.</p>
27	<p>Human resource management - Succession planning:</p> <p>Consider drafting a succession plan as one of the output of the upcoming workshop of the Talent Management Branch (HR/TALENT) to have a concrete strategy and ensure preparedness of the Organization to avoid the risk of potential loss of leadership, continuity, institutional knowledge and expertise because of departure.</p>	<p>In progress</p> <p>The Office is taking an increasingly proactive approach to ensure that, wherever vacancies can be anticipated, the selection process be completed prior to the departure of the incumbent.</p> <p>Examples from 2020/2021 include:</p> <ul style="list-style-type: none"> • the Regional Director of Asia and the Pacific • the Director of the Tokyo Office • the Chief of Procurement

Recommendations		External Auditor's Validation
		<ul style="list-style-type: none"> the Director of Information and Technology Management Department (INFOTEC) <p>This has allowed the office to have a remarkably low level of positions remaining vacant at managerial level. Further emphasis will be placed on this going forwards (see the indicator for Outcome 1 of the new HR Strategy, which sets a target of 30 per cent for all positions by the end of 2023 and 50 per cent by the end of 2025).</p>
28	<p>Human resource management - Administration of justice:</p> <p>Consider a systematic approach to conflict resolution and prevention to ensure that the various actors and bodies involved can coordinate their respective efforts providing a more cohesive framework to address conflict whilst always respectful of the confidentiality of each of the individual cases.</p>	<p>Fully implemented</p> <p>The discussion at the JNC focused on the role of the mediator and the measures to be taken to recruit a new mediator following the incumbent's departure in May 2021. There were some diverging views between the Administration and the Staff Union which were eventually addressed. However, it was agreed to maintain the existing conflict resolution procedures for the moment. The recruitment of the new Mediator is in progress and the position is likely to be filled in the first half of 2022. The Mediator job description was reviewed to consider some of the auditor's recommendations in respect of informal conflict resolution and some specific duties have been reviewed to align with the role of the newly established Ethics Officer (to avoid any possible overlap). The recruitment of the new Ethics Officer has been finalized and the position will be filled in early 2022.</p>
29	<p>Human resource management - Administration of justice:</p> <p>Take steps to develop a consistent approach with respect to data collection and reporting of grievances and grievance outcomes to facilitate better monitoring and evaluation of efforts to reduce conflict within the Organization.</p>	<p>Fully implemented</p> <p>In 2021, data was compiled on the informal conflict resolution cases handled by the Human Resources, in addition to the usual statistics on formal grievances.</p> <p>The Office will continue to consider the optimal data collection approach as soon as all the parties in the informal conflict resolution process are confirmed in their role (see above information regarding the</p>

Recommendations		External Auditor's Validation
		ongoing recruitment of Mediator and Ethics Officer).
30	<p>Human resource management – Administration of justice:</p> <p>Facilitate the updating and enhancement of the user's guide to ILO conflict prevention and resolution procedures as part of efforts to promote a respectful work environment free from violence and harassment and to help ensure a consistent approach to conflict resolution across the Organization.</p>	<p>Fully implemented</p> <p>The booklet on ILO conflict prevention and resolution, including the new aspects regarding the anti-harassment provisions, has been finalized and all comments provided by the various stakeholders have been included. Following the final agreement between the Office and the Staff Union Committee, it will be published in 2022.</p>
31	<p>Human resource management – Ethics and standard of conduct</p> <p>Enhance the Ethics Office's visibility, with the current constraints in Office time allocation, in the ILO intranet and webpage by updating, uploading and enhancing the visibility of Ethics intranet page including its Ethics e-learning module and for easy access of potential whistle-blowers to communicate relevant information.</p>	<p>Fully implemented</p> <p>The revised Office Directive on "Reporting misconduct and protection from retaliation" (IGDS 551) was published in March 2021 introducing the possibility for staff members to request an external and independent review of non-prima facie determination by the Ethics Officer. The Organizational Health Index staff survey 2021 was completed and its conclusions presented at a virtual townhall meeting.</p> <p>A dedicated webpage with information on how to report misconduct was posted on the ILO public website and intranet. A flowchart providing an overview of the reporting and investigation processes for easy understanding by potential whistle-blowers has been finalized and will be posted on the Ethics page.</p>
32	<p>Control environment in regional and country offices:</p> <p>Implement strategic solutions to strengthen their supervisory and monitoring controls over critical processes and decisions to ensure operational efficiency and effectiveness; and better support the certification made by the field office directors of the state of their control environment.</p>	<p>Fully implemented</p> <p>The most urgent office-specific recommendations made in specific country audits were addressed immediately, while the overall supervisory and monitoring controls are being strengthened at a more strategic level.</p> <p>Coordinated support efforts are being made through regular communications and knowledge-sharing of the global finance team and regional administrative workshops.</p>

Recommendations		External Auditor's Validation
		Certifications made by field office directors through the internal letters of representation will be reviewed by the regional offices with a view to providing targeted support and strengthening control in critical processes. This will be an ongoing annual exercise to continuously manage the changing control environment.
ILC.108/FIN - 2018		
33	<p>Staff Health Insurance Fund (SHIF):</p> <p>Clearly define in the Standard Operating Procedure (SOP) the fraud indicators or red flags as well as the predetermined criteria in assessing claims which may be initially classified under any of the fraud schemes in order to identify, on a preliminary basis, potential cases of fraudulent claims to be submitted for further investigation by the IAO. Inclusion in the SOP of the potential fraud could result in cost efficiency in terms of scaled down resources needed for investigation and more effective management of cases of fraud and presumptive fraud, with due consideration given to the rights of the insured members pending the results of a formal investigation by the IAO.</p>	<p>Partially implemented</p> <p>As reported in past years, the criteria and procedures for referrals of suspicious claims for investigation were established and communicated to SHIF claim adjusters in March 2019. Additional actions have been taken to address fraud risks, including extended direct payment to health care providers, enhanced electronic payment process, and training to staff on fraud detection. The implementation of SHIF Online claim submission tool has also enabled the timely application of new metrics for fraud detection. The review of the Standard Operating Procedure was delayed due to urgent issues related to COVID-19 to be dealt with by SHIF and will resume during 2022.</p>
34	<p>Resource mobilization - Resource mobilization organizational structure and capacity-building:</p> <p>Optimize the participation of field offices in resource mobilization by clarifying the specific roles and responsibilities of the offices including their structure for more efficient coordination, and to establish clear accountability lines.</p>	<p>Partially implemented</p> <p>The Office Procedure on "Project cycle management" (IGDS 154) will be revised and republished in late 2022 to further clarify the roles and responsibilities related to resource mobilization.</p>

Recommendations		External Auditor's Validation
ILC.106/FIN – 2016		
35	<p>Accountability framework:</p> <p>Improve the accountability framework to include the accountability mechanism and tools to more effectively facilitate the documentation and monitoring of accountability performance and achieve better transparency.</p>	<p>Partially implemented</p> <p>Many new mechanism and tools have been implemented over the recent years to more effectively facilitate the documentation and monitoring of accountability performance and achieve better transparency. These include the internal letters of representation, the Statement of Internal Control, the DC Dashboard, the OBW Dashboard, the Resource Tracking tool, etc.</p> <p>The Office Directive on “ILO accountability framework” (IGDS 137) and Office Procedure “The ILO accountability framework: key standards and mechanisms” (IGDS 195) will be updated in 2022 to reflect the recent implementation of these specific tools in addition to its current presentation of accountability mechanisms based on definitions of offices/functions.</p>
36	<p>Asset accountability policy and procedures:</p> <p>Expand the Asset Accountability Policy and incorporate the circumstances surrounding asset loss; guidelines for documentation for lost assets; levels of administrative and fiscal responsibility and the role of the Committee on Accountability in safeguarding the Organization’s assets to enhance the quality of controlling of assets and related accountabilities.</p>	<p>In progress</p> <p>The revised Office Procedure on “Furniture and equipment” (IGDS 281) will include clear criteria defining major circumstances of asset loss, establishes clear guidelines for documentation in case of asset loss and defines the levels of administrative and fiscal responsibility for each type of circumstance defined as the cause of asset loss. It is planned for publication in 2022 taking into any latest instructions on inventory and safeguarding of assets under teleworking conditions.</p>
37	<p>Ethics:</p> <p>a. update the Whistle-blower Policy to include the two-step process of investigation, the amount of evidence needed to constitute disciplinary actions and the corresponding sanctions for each infraction to align more closely with the requirement of due process;</p> <p>b. integrate in the Principles of Conduct for Staff the latest office governance directives on ethics</p>	<p>Partially implemented</p> <p>Part (a) and part (d) have been implemented. The Whistle-blower Policy was revised into a policy entitled “Reporting misconduct and protection from retaliation” (IGDS 551) in November 2019 and updated in March 2021, including the two-step process of investigation and other details.</p>

Recommendations	External Auditor's Validation
<p>to make the policy more effective and attuned to the needs of Staff;</p> <p>c. include in the Conflicts of Interest Policy provisions relating to incompatible functions within the Office to provide clearer and more complete line of sight in exacting accountabilities thereby further enhancing integrity in job performance; and</p> <p>d. incorporate in the Anti-Fraud Policy of 2009 an internal mechanism and clear modalities in terms of conducting fair and unbiased investigation on cases that may be committed by the Executive Head.</p>	<p>The Anti-fraud Policy was revised in October 2017 and further updated in November 2021 into "Policy against fraudulent and other proscribed practices", which included the mechanism for investigation of cases that may involve the Executive Head.</p> <p>Part (b) and part (c) are currently under review and will be part of the plan of work of the new full-time Ethics Officer to be appointed in July 2022.</p>

▶ 7. Appendix

Additional unaudited information

► **Details of net assets revenue and expense by fund for 2021 (US\$ thousands)**

	Net Assets 31 Dec 2020	Revenue 2021	Expense 2021	Foreign Exchange gain (losses) 2021	Net result 2021	Deficit financing	Adjustments to Net Assets	Net Assets 31 Dec 2021
Funds with approved budget								
Regular Budget	139 667	445 006	(413 925)	(38 830)	(7 749)	(10 695)	782	122 005
CINTERFOR	1 214	1 789	(1 442)	(4)	343	-	2	1 559
ITC	21 424	50 904	(44 387)	1 122	7 639	-	(1 201)	27 862
Subtotal	162 305	497 699	(459 754)	(37 712)	233	(10 695)	(417)	151 426
Voluntary Contribution activities								
Development Cooperation Projects	-	357 672	(357 669)	(3)	-	-	-	-
RBSA	57 064	16 132	(17 733)	(135)	(1 736)	-	8	55 336
Subtotal	57 064	373 804	(375 402)	(138)	(1 736)	-	8	55 336
Subsidiary funds								
Programme Support Income	105 278	34 488	(19 435)	(1 445)	13 608	-	(22)	118 864
Publications	1 809	169	(135)	(4)	30	-	-	1 839
Information Technology System	1 702	6 825	(1 569)	(5)	5 251	-	-	6 953
Research	15 783	36	(5)	(24)	7	-	-	15 790
Gifts, Grants and Reimbursable Costs	5 184	4 898	(5 285)	17	(370)	-	-	4 814
Land and Buildings	540 731	19 376	(9 643)	3 419	13 152	-	7 393	561 276
Building Accommodation	202 083	3 773	(10 999)	(7 375)	(14 601)	-	3	187 485
Working Capital	3 856	-	-	(101)	(101)	10 695	-	14 450
Income Adjustment Account	72 940	391	(848)	(3 097)	(3 554)	-	-	69 386
Prior Period Surplus	914	2	-	(33)	(31)	-	-	883
Special Programme Accounts	6 974	15	(196)	(244)	(425)	-	-	6 549
Terminal Benefits	22 336	11 728	(2 659)	(53)	9 016	-	(11 810)	19 542
SHIF	71 199	52 951	(54 405)	(2 421)	(3 875)	-	-	67 324
ASHI Liability	(2 046 135)	-	(68 954)	-	(68 954)	-	92 138	(2 022 951)
ASHI Reserve	10 667	1 942	-	(17)	1 925	-	15 000	27 592
Other Funds	7 506	5 393	(3 646)	392	2 139	-	10	9 655
Subtotal	(977 173)	141 987	(177 779)	(10 991)	(46 783)	10 695	102 712	(910 549)
Inter-fund elimination	-	(124 249)	124 249	-	-	-	-	-
Total	(757 804)	889 241	(888 686)	(48 841)	(48 286)	-	102 303	(703 787)